

Notices to Members

No.2 2021/2022: Class 1 and Class 2 Policy Year Balances and Financial Position Feb 2021



Tom Bowsher
Group CEO

May 2021

Dear Sirs,

CLASS 1 AND CLASS 2 POLICY YEAR BALANCES AND FINANCIAL POSITION 20 FEBRUARY 2021

The Board met on 12 May 2021 to approve the Report and Accounts for the year ending 20 February 2021 for The West of England Ship Owners Mutual Insurance Association (Luxembourg) and are pleased to report that the Club's capital remains robust notwithstanding the difficult operating conditions experienced during the year.

You can view our Financial Overview here [West P&I Financial Overview](#) and the Report and Accounts 2021 will be published in the coming months.

Financial Position

The ongoing Covid pandemic has meant a challenging year for the Club on all fronts, especially in respect of investment markets and claims. It has of course also been a difficult period for our Members - especially with regard to their crews - and for the Club's staff but we are pleased to note that service levels have been maintained throughout.

Investment performance was positive, particularly bearing in mind the market turmoil when the pandemic first hit, with a return of USD33.3m (4.6%) reflecting the Board's conservative investment strategy which served the Club especially well during the turbulent start to the year.

The technical result has however been impacted by a number of factors:

- Continued, market-wide underrating of tonnage relative to risk;
- Increased contributions towards record levels of high value claims in the International Group Pool, with Policy Year 2020 tracking above Policy Years 2018 and 2019 which are already the highest for a number of years at equivalent points;
- Our Members' own claims performing poorly, particularly the severity of large losses including four claims that the Club had to notify to the IG Pool, such that the incurred cost is higher than in any preceding year at the 12-month point; and
- Covid-specific claims in excess of USD10m, together with general difficulties in claims handling caused by the effects of the pandemic.

The cumulative effect of the above has resulted in combined ratio of 139.8% and a reduction in Free Reserve to USD291.1m.

The Club nevertheless continues to meet its objective of maintaining capital in excess of the AAA rating on S&P capital model, which is reflected in the Club's continued financial strength rating of A-.

Despite the challenges of the last 12 months, the West remains well positioned to emerge strongly from these unprecedented times, especially in light of a successful renewal that saw premium increases broadly in line with the general surcharge set by the Board. There was also a strategic de-risking of certain underperforming fleets representing some 7.5 m GT which did not contribute positively to the Club's performance and the Managers are committed to maintaining this strong focus on disciplined underwriting going forward.

Policy Years and Release Calls

In setting the level of release call percentages for each open policy year for Class 1 and Class 2, the Board has taken into account the Club's overall capital position and all the factors that are set out in Clause 8 of the International Group Agreement.

Class 1 (P&I)

2018/19 – Closed in surplus without further call

2019/20 - Release call reduced to 0% of the estimated total mutual call

2020/21 – Release call maintained at 15% of the estimated total mutual call

2021/22 – Release call maintained at 15% of the estimated total mutual call

Class 2 (FD&D)

2017/18 – Closed in surplus without further call

2018/19 – Release call maintained at 0% of the estimated mutual call

2019/20 – Release call reduced to 0% of the estimated mutual call

2020/21 – Release call maintained at 15% of the estimated total mutual call

2021/22 – Release call maintained at 15% of the estimated total mutual call

Yours faithfully

For: West of England Insurance Services (Luxembourg) S.A.
(As Managers)

T Bowsher
Group CEO