

Financial Update - Position strengthened through successful renewal strategy

West has announced its financial results for 2021.

Thanks to the successful implementation of a planned renewal strategy built around necessary premium increases and selective de-risking, West is in a strong position to meet future challenges.

Here our Group CEO, Tom Bowsher discusses our results and renewal in more detail.

Financial Overview



Position Strengthened with Successful Renewal

Standard & Poor's
A-
rated security

Operating Performance

A more favourable technical performance saw the combined ratio improve to 114% for 2021. The incurred cost of our Members' own claims was again heavily impacted by Covid-related claims, with increased numbers of infectious with the emergence of the Delta variant. Without Covid claims the reported combined ratio would have been 101%, demonstrating the improvement in the underlying claims performance.

The I3 Pool continues to suffer from record levels of incurred costs - Policy Year 2021 has an incurred cost significantly higher than the 2018-2020 Policy Years at the same development point. West had no claims large enough to impact on the I3 Pool during the year however this, combined with a reduced entry following the de-risking strategy at renewal and a Pool loss ratio below 50%, will result in the Club's Pool share reducing from 10.3% to 7.3% for the current Policy Year. This will be of significant benefit to the Club's Pool claims continue at their recent levels.

Renewals

West's Board was determined to show market leadership in addressing the continuing industry underwriting of premiums when setting the general increase. They also approved a strategy to actively de-risk the Club's portfolio by selectively choosing not to offer renewal terms to those Members whose operational profile or claims performance did not contribute positively to the Club's financial result. All the Board's requirements were successfully renewed, with a total of \$2m GT - having a combined 4-year net loss ratio of 170% - not being offered renewal and the required premium increases and terms changes on remaining Members accepted.

Our existing Members continued to show strong support, with vessels totalling nearly 2m GT being transferred from other Clubs at renewal, and a 95% retention rate for those fleets offered renewal terms.

Investment Performance

The recovery from the 2020 recession continued with global growth during 2021 and the Club's equity portfolio, liquid assets investments in real estate, infrastructure and private debt all contributed positively. By contrast, fixed income investments were negatively impacted by a gradual increase in U.S. interest rates and the overall financial investment return was flat on -0.2%.

Financial and Rating Strength

The Free Reserve is USD 255.2m and the Club's overall capital remains stable and strong with the solvency coverage unchanged at 163% and the Club's financial strength rating of A- re-affirmed by rating agency Standard and Poor's.

Looking Forward

The Club has emerged from the renewal season and in a much stronger financial position to meet the challenges ahead, which is especially important where the investment markets can no longer be relied upon to produce returns which are sufficient to subsidise poor operating performance.

West's diversification strategy continues to evolve, with the fleet premium and charterers accounts growing and continued engagement with Members, brokers and third parties about the products offered by the Club's strategic partners Adams, Cowi and Nordic.

2022 Forecast
Premium increased to USD
267.6m

Pool contribution reduced from 10.3% to 7.3%

Solvency II SCR
163%

Combined ratio at 114%
exc Covid claims
101%

GT 22m de-risked

The Report and Accounts for the year ending 20 February 2022 for The West of England Ship Owners Mutual Insurance Association (Luxembourg) were approved, on 11 May 2022, by the Board who are pleased to report that, despite another year of challenging operating conditions, the Club's technical performance materially improved and the capital position remains strong.

Here we have highlighted all of the key results and performance factors including;

- Operating performance
- Investment performance
- Financial and rating strength
- Renewals
- YOY comparisons, inc. pool position



Tom Bowsher
Group CEO