

No. 4 2020/2021 - Class 1 and Class 2 Policy Year Balances and Financial Position 20 February 2020

May 2020

Dear Sirs,

CLASS 1 AND CLASS 2 POLICY YEAR BALANCES AND FINANCIAL POSITION 20 FEBRUARY 2020

The Board met on 12 May 2020 to approve the Report and Accounts for the year ending 20 February 2020 for The West of England Ship Owners Mutual Insurance Association (Luxembourg) and are pleased to report another strong financial performance.

You can view our Financial Highlights here [Class 1 and Class 2 Policy Year Balances and Financial Position 20 February 2020](#) and the Report and Accounts 2020 will be published in the coming months.

Financial Position

The overall net investment return was an exceptionally high 6.3%, generating \$44.9 million. The Club's own claims on prior years continued to develop more positively than expected and claims for the current year were, as forecast, lower than the high levels reported in the preceding two years. Large value claims also returned to a more normal level despite the increased frequency of such losses across the industry, but the technical result continued to be impacted by the market-wide erosion in premium and, for the second consecutive year, a higher than expected contribution towards other Clubs' Pool claims. However, despite these negative pressures an improved combined ratio of 107% was achieved representing a continuing improvement in the technical result of the Club.

The combination of these factors led to an overall strengthening in the Club's capital position. The free reserve has increased to a record high \$338.1m and the Club remains considerably in excess of the "AAA" capital strength requirement under Standard & Poor's model reflected in the Club's re-affirmed financial strength rating of A-.

Following the unprecedented development of the Covid-19 outbreak, the Club's priority has been the health and well-being of our staff worldwide and to maintain the high levels of service to our Membership.

In addition, the pandemic has created a significant amount of volatility in global financial markets but the Club's capital strength and conservative investment strategy place it in a strong position to meet these challenges, allowing the Club to focus on supporting its Members throughout this difficult period.

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)

2017/18 – Closed in surplus without further call

2018/19 – Release call reduced to 0% of the estimated total mutual call

2019/20 – Release call reduced to 7.5% of the estimated total mutual call

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

Class 2 (FD&D)

2016/17 – Closed in surplus without further call

2017/18 – Release call maintained at 0% of the advance call

2018/19 – Release call reduced to 0% of the estimated mutual call

2019/20 – Release call reduced to 7.5% of the estimated total mutual call

2020/21 – 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

IGP&I