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Report & Accounts 2024

Financial Highlights

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Financial Strength
At 20 February 2024

Combined ratio
At 20 February 2024
94.5%

Solvency ratio
195%

Total assets
1,082
USD million

Class 1 entered tonnage excess
145
million GT

276.3
USD million
Free reserve
At 20 February 2024

326
USD million
Gross premium (financial year)

AM Best
A-
rating

Further strong progress with combined ratio of 94.5%

The Club's financial results again showed strong progress against all our key performance indicators.

Following on from last year's positive results, the Club has achieved a second consecutive year of an underwriting surplus.

The performance of our own Members' claims contributed to this surplus. The 2023 Policy Year Members' claims cost is on average USD 20m lower than PYs 2020 – 2022 at the same stage of development and the performance of each of our core products - Mutual, Charterers and Fixed Owners – was materially better than last year.

In addition to the improvements seen with our own Members' claims, the cost of claims notified from other Clubs was comparatively benign in Policy Year 2023 for the second consecutive year. The Club's Pool share for Policy Year 2023 also remains comparatively low at just 6.56% and this, as well as the lower than expected cost of claims, contributed positively to our technical result.

These factors led to an underwriting surplus of USD 15m and a combined ratio of 94.5%, a third year in a row of improvement and the Club's best combined ratio since 2017.

After a challenging couple of years, the Club's investment portfolio delivered a positive net return of 4.0% generating USD 30.8m. All the main asset classes contributed to this strong return, with both the bond and equity portfolios benefiting from the expectation that central banks would soon be lowering interest rates.

The positive investment return, added to the underwriting surplus, meant that all capital measures materially improved.

The Free Reserve increased by 20% to USD 276m and consequently, capital as measured under the rating agency models significantly improved re-affirming AM Best's decision to award the Club with an A- rating in the Autumn of 2023.

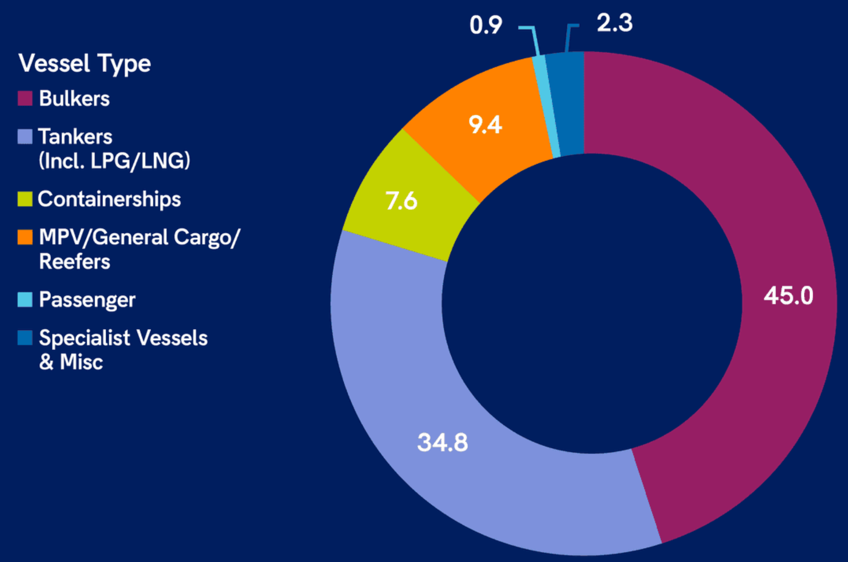
The Club's Solvency Capital increased from 176% to 195%, the highest it has been since February 2020, and now comfortably exceeds our Board's base target level of 175%.

Looking Forward

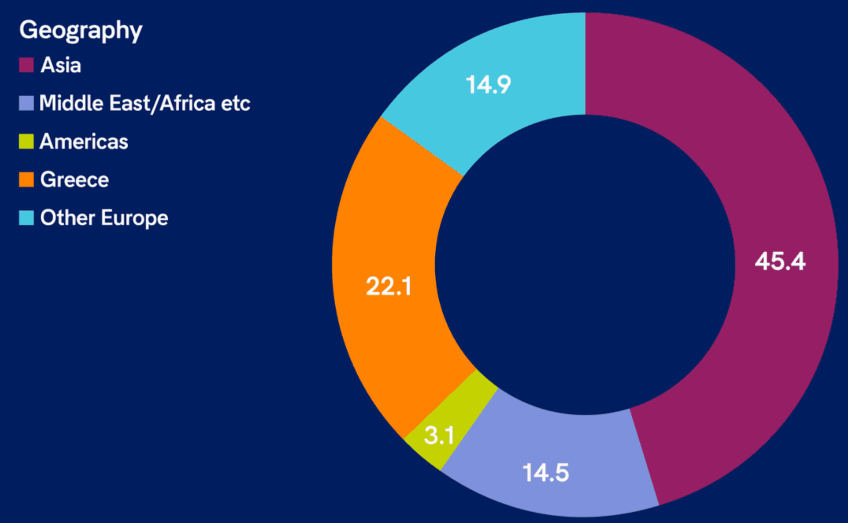
Looking Forward

Policy Year 2024

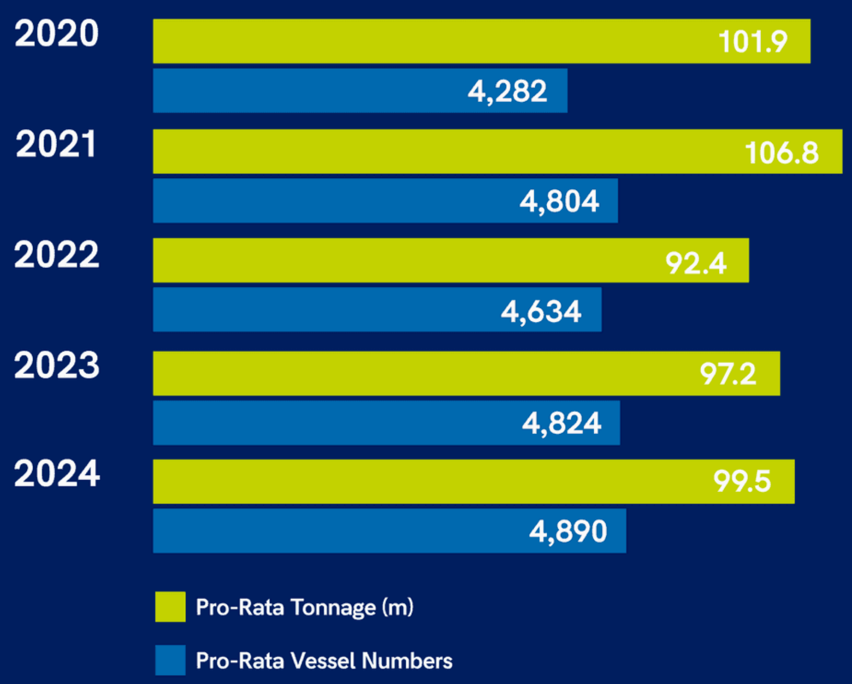
Entered Tonnage by Vessel Type %



Entered Tonnage by Area of Management %



Mutual Tonnage and Vessel Numbers



Chairman's Statement

Chairman's Statement

I am delighted to report that this has been an extremely positive year for the Club. A strong financial performance across all our core products – reflected in a combined ratio of 94.5% and a 20% increase in free reserve - has been matched by an increased contribution from our growing range of diversified products, which have been developed to help support our Members and others in their trades.

Our combined ratio is the best for the last seven years and continues a trend of steady improvement over the last three years, comparing very favourably against the average of our peers in the industry. Importantly, our underwriting is again in surplus and has contributed towards an increased solvency capital and a strengthening in performance against the rating models of our two rating agencies S&P and AM Best. We were delighted to see this recognised with the awarding of an A- rating by AM Best, which reflects all the hard work by your Board and the Managers in building the Club's capital position and out-performing the market in our operating performance.

Our own Members' claims showed encouraging trends which continued the positive developments seen in 2022, though significant inflation in the size of awards and settlements for personal injury claims in the United States are a cause for concern. Likewise, the International Group Pool has continued to run at lower-than-expected levels and with our Pool share at just 6.56%, contributing to our positive result. Once again, however, I must caution that the Pool represents a small data set and is subject to the random nature of these large claims, so current performance is by no means a predictor of future performance. This has been shown all too starkly already in 2024 with the *"DALI"* incident in Baltimore and we must expect that a more normalised level of Pool activity will once again resume.

The investment climate also improved as central banks' actions to curb inflation began to bear fruit and the Club's portfolio made a welcome return to positive territory with an investment return of USD 35m or 4.6%.

All these positive signs for the Club continue to be rewarded with our Members' loyalty and support and this, plus carefully selected growth, means we expect our mutual tonnage to continue to grow to over 100m GT during the 2024/25 Policy Year. Our combined premium is forecast to be around USD 350m.

The geopolitical situation in which we and our Members must operate has, however, continued to worsen. Sanctions have become the tool of choice for many states in trying to achieve their political aims and these have had a disproportionate impact on the maritime community as regulators have come to realise the importance of shipping and in turn marine insurance in the movement of goods globally. There is an ever-growing burden on shipowners and Clubs to comply with the various sanctions regimes, including the Russian Oil Price Cap Scheme – with its attestations and ancillary information requirements – and what now looks like the re-imposition of sanctions on Venezuela and tougher measures against Iran.

Whilst we can all understand the intention of the unprecedented scale of sanctions against Russia and especially those aimed at reducing income from the sale of oil, it is very concerning to see that an unintended consequence of those sanctions has been a rapid increase in the size of the so-called "dark" or "parallel fleet". These ships are owned and operated by those who have deliberately chosen to adopt corporate structures which put them beyond the scope of the G7 Coalition Price Cap Scheme. But unfortunately this also typically results in the use of older tonnage, poorer quality flags and class, and insurance which might not adequately respond to claims and casualties, all of which pose higher levels of risk to the environment, maritime safety and those on board.

How much this growth in the "dark fleet" is a reaction to sanctions or a structural shift in the industry towards a low cost/low-quality model remains to be seen, but the onus is on states to be alive to the very real dangers posed by environmental or human catastrophe where the expertise and financial strength of the IG Clubs is not available.

Other geopolitical factors have sadly emerged, with the very unwelcome return of piracy off Somalia and now drone and missile attacks against shipping in the Red Sea. West Members' have suffered in both these arenas with an attack in the Red Sea very sadly leading to fatalities on board. But it is testament to the Club's expertise that the war risk underwriters in that case sought the help of our claims team in managing the aftermath of that tragic event.

These (re)emerging risks have underlined the value of our developing war and piracy protection products this year. Whilst the reasons they are needed is sobering, they clearly demonstrate how the Club's diversification strategy is supporting shipowners and operators in everything they do with innovative new products and services. These complement our existing diversified product range including H&M, Fixed, Charterers and Traders, and Defence products, all of which I'm pleased to say have benefited from growing support this year and have generated a combined gross income of over USD 70m to the financial result.

To help service this growing book of business as well as our mutual membership, we have continued to invest in our service teams with the creation of a specialist charterers team and another for people claims. In addition, the London underwriting

function has been strengthened and our Loss Prevention team expanded to better support our Members. We are actively looking at placing additional Loss Prevention resource in Asia to deliver this vital service more directly to our Members in this important and growing region for the Club.

I'd like to take this opportunity to shine a spotlight on some of the less well publicised work the Club does in supporting charities in the maritime sector. We are two years into a ten-year funding programme for three charities linked with the sea, the Blue Marine Foundation, the National Oceanography Centre and the Sailors' Society. West is very proud to support these initiatives. Echoing our Sustainability Report commitments, this year saw West join the UN Global Compact and the Maritime Anti-Corruption Network MACN. I was also pleased to note the Club's involvement in the solution to remove the threat of an ecological catastrophe posed by the ageing *"FSO SAFER"*, with an innovative approach required on the part of our Underwriting and Loss Prevention teams to place cover for the replacement vessel. All these examples demonstrate our ongoing commitment to improving the oceans on which we all depend and the lives of those who trade on it.

This year saw the appointment of Peter Haynes and Nicole Verheyen to our Board as non-Executive Directors. Peter and Nicole bring with them many years of insurance, auditing and actuarial experience and I look forward to the valuable contribution they will undoubtedly make to the affairs of the Board. But sadly two longstanding members of the Board stood down this year and I would like to warmly thank both Birgit Aagaard-Svendsen and Alex Staring for the many years of dedicated service and their wise counsel.

Our Members' Committee welcomed Matthew Enston, Shao Shan, Chao Wu, Mark Humphreys and Anil Sharma. It is particularly pleasing to see Shao Shan and Chao Wu join us, representing our vital strategic Chinese partners PICC and CPI respectively. We had to bid farewell to Kelly Moore and thank him for his enthusiastic commitment to the affairs of the Committee.

Finally and as always, I'd like to thank Tom and his hardworking team who continue to advance the interests of the Club by developing and introducing new products, whilst maintaining the excellent levels of service for which West is rightly known.

F G Sarre
Chairman

Managers' Review

Managers' Review

Watch our video to the left, where Tom Bowsher (Group CEO) talks through the Club's financial performance.

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Consolidated Accounts & Report of the Reviseur d'Enterprises Agree

20 February 2024

Consolidated Report & Accounts

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Thank you for reading

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