West of England

# Mid-Year Review

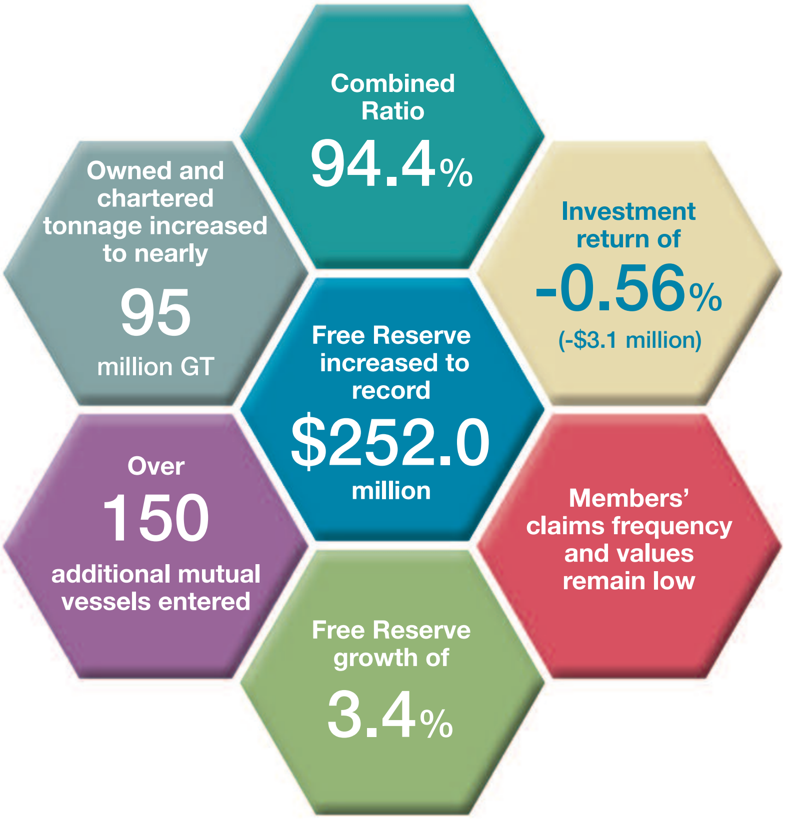
September 2015

## Mid-Year Financial Highlights

### Overview

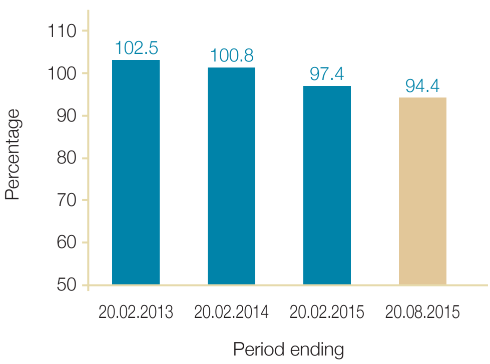
The Club's financial performance continues to excel. The combined ratio for the six months to 20 August 2015 has reduced to 94.4%, and is forecast to remain at a similar level for the full year. The mid-year Free Reserve has increased to $252.0 million, from $243.7 million at 20 February 2015.

Owned and chartered tonnage has increased to approximately 95 million GT with strong support from both new and existing Members.



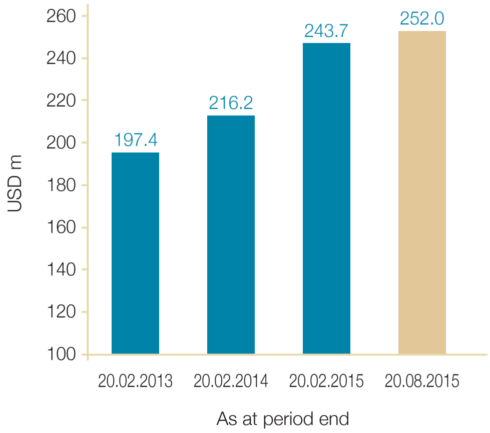

**Financial performance – August 2015**

Improved Combined Ratio

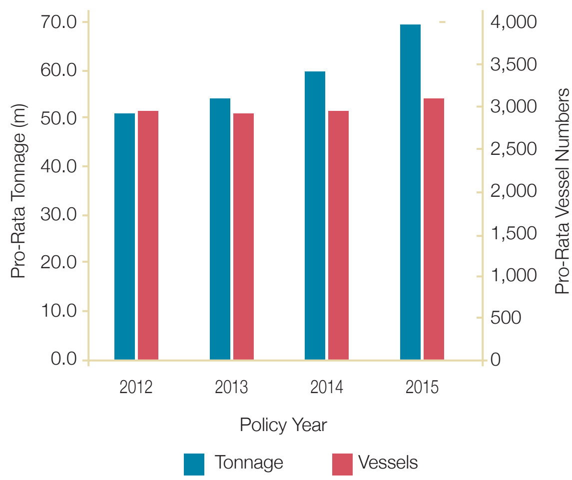



**Financial strength – August 2015**

Increased free reserves




**Mutual Tonnage and Vessel Numbers**



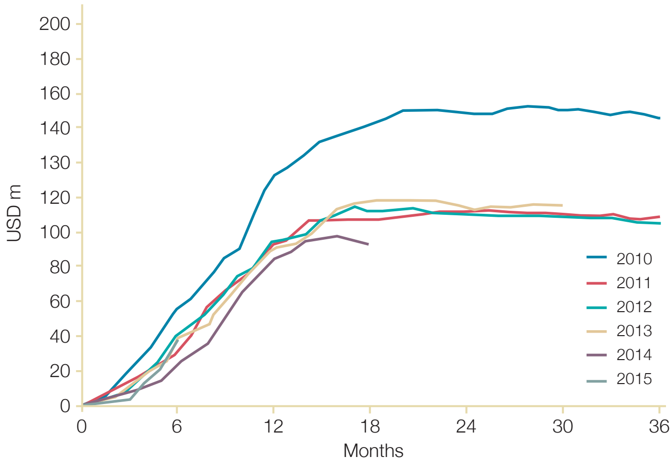


## Claims

Members' own claims continue to develop at moderate levels. While this applies to all prior policy years, claims for 2014 have developed more positively than forecast since February and it now appears that the year is unusually benign. At six months, claims for 2015 are developing in line with the low levels seen for 2011 to 2014 at the same stage.

Similarly, other clubs' 2014 pool claims are developing lower than forecast and claims incurred for 2015 appear (at this early stage) to be encouraging, with just 6 notified claims at mid-year. The Club continues to have a positive Pool loss ratio (94%) with its provisional 2015 contribution set at 6.42%.

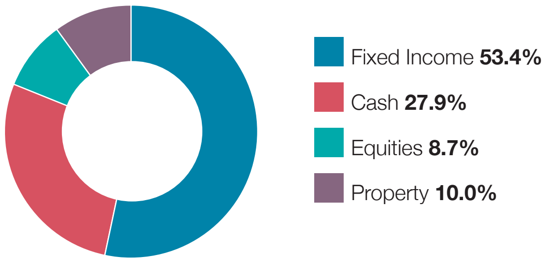
**Class 1 Members' Claims Net Incurred Cost**




## Investments

The Club continues to maintain a conservative investment strategy, with only a 10% allocation to equities and a significant cash holding. A challenging and volatile investment market, where the Club's low equity allocation mitigated losses during the first half of the year resulted in a slightly negative overall return of $3.1m (0.56%) in August.

**Asset Allocation – August 2015**




## Capital Management

At 20 August 2015 the Club's available free capital exceeded the level required for an "AAA" rating on S&P's capital model. The Club's capital position remains well in excess of the solvency capital margin required under the forthcoming Solvency II regime which takes effect in January 2016.

The Club has set its capital and operating targets to meet increasing financial, regulatory and economic demands. However, it recognises that its capital belongs to its Members and that balance sheet considerations should also take account of their concerns in what continue to be commercially challenging times. The Club is determined to deliver a consistently high quality service from a financially stable and strong Club.

## Looking Forward

Further recognition of the Club's positive momentum has again been evidenced in the first half of the year. Both existing and new Members have entered more than 150 additional vessels since February 2015. However, notwithstanding the Club's ongoing strong financial performance, the unfavourable and volatile investment environment reinforces the Club's strategic focus on underwriting discipline.

The Board will as usual decide the renewal policy for 2016 in November.

West of England Insurance Services (Luxembourg) S.A., Tower Bridge Court, 226 Tower Bridge Road, London, SE1 2UP
T: +(44) (0)20 7716 6000 F: +(44) (0)20 7716 6100 E: mail@westpandi.com W: www.westpandi.com