

Notices to Members

No. 16 2017/2018 - Class 1 (P&I) and Class 2 (FD&D) Policy Year Balances and Mid-Year Financial Position at 20 August 2017

September 2017

Dear Sirs,

CLASS 1 (P&I) AND CLASS 2 (FD&D) POLICY YEAR BALANCES AND MID-YEAR FINANCIAL POSITION AT 20 AUGUST 2017

The Board reviewed the latest Class 1 and Class 2 figures and the Club's mid-year financial position at their meeting on 20 September 2017 and also agreed the Club's approach to renewals for the year beginning on 20 February 2018, for which see Notice to Members No. 17 2017/2018.

1) MID-YEAR FINANCIAL POSITION

The Club's overall financial position as at August 2017 continues to be very strong. The revised forecast for the year end in February 2018 predicts a total free reserve of \$305 million.

Incurred claims for the Club's Members for all policy years up to 2016 have continued to develop as anticipated. Although 2015 still has the highest net claim figure for an individual year since 2010, 2016 remains at a lower level than for any year over the same period except for 2014. Pool claims have also been moderate and stable.

Early indications about claims levels for 2017 are more mixed. After a moderate first quarter, claims increased during the second quarter and, since the Board's May review, higher cost claims have been significantly more frequent than for recent years, indicating that a possible change in claims trend may be underway. Whether or not this reflects generally more favourable trading conditions for Members remains to be seen.

In the circumstances, the assumption is that the current policy year will be more expensive than any recent year. On this basis, it has been assumed that the combined ratio at February 2018 is likely to be higher than at February 2017 and in excess of 105%.

The Club's net investment return on its financial assets for the period to August is 2.2%. The free reserve forecast assumes a flat return for the rest of the year.

2) CLASS 1 (P&I) POLICY YEAR BALANCES

CLOSED POLICY YEARS (2014 AND PRIOR)

The 2014 policy year was closed in May. Members' total incurred claims costs for that year and for older policy years have reduced again, and Pool costs have remained stable. In aggregate, the closed year surplus has increased by approximately \$10.0 million since February.

OPEN POLICY YEARS

2015/2016

As noted, claims costs for 2015 are higher than for any year since 2010 and have taken more time to stabilise than earlier policy years. The overall figures have nevertheless developed within projection.

No further call is forecast and the year is scheduled to be closed in May 2018. The release call was reduced to Nil in May and is unchanged.

2016/2017

As advised, total claims costs for 2016 continue to be low.

The forecast additional call of 35% was charged in August 2017 and no further call is forecast. The release percentage which was reduced to 10% (7.4% of the mutual ETC) remains unchanged.

2017/2018

As already noted, as a result of second quarter claims frequency and values, mid-year incurred claims for the Club's Members for the current year are at a higher level than for any recent year, and although incurred Pool claims for the first and second quarters are low, Pool claim notifications since then have increased. Based on initial projections, the year is therefore projected to result in an overall loss before investment income.

The forecast additional call of 35% is due for payment by 20 August 2018. No change has been made to it or to the 20% release percentage (14.8% of the mutual ETC).

3) CLASS 2 (FD&D) POLICY YEAR BALANCES

CLOSED POLICY YEARS

Projected total claims for all closed policy years up to and including 2013 have not materially changed since February. The forecast surplus as at August is up by some \$0.2 million compared with the February position.

OPEN POLICY YEARS (2014-2016)

Incurred claims for all open years from 2014-2016 have developed within projections since February. No change has been made to any of the forecast additional or release call percentages as were set in May and all remain as advised in [Notice to Members No. 6 2017/2018](#) dated May 2017.

2017/2018

Claims costs for 2017 appear similar at this stage of development to previous policy years, but it remains too early to make any accurate predictions. No change has been made to the forecast additional call of 35% payable in August 2018 or to the release of 20% (14.8% of the mutual ETC).

4) RELEASES

In assessing and reconfirming the level of release call percentages set for all open policy years for both Class 1 and Class 2, the Board has, as usual, taken account of the fact that all the factors that might affect the risk that the level of the Club's estimated total premiums might be exceeded has not materially altered since its review of the figures in May 2017.

A statement of all the Club's release call percentages is as usual available on the Club's website at <http://www.westpandi.com/>.

5) CAPITAL POSITION

The Board in May indicated that a review would be conducted at this meeting to determine whether or not there is potential for some form of return or reduction in call. The Board would judge whether or not the recent positive claims trend as noted in May looked likely to be sustained against a background of what is clearly a steadily-declining level of premium across the industry as a whole.

The Board has decided that indications that a change in claims trend may now be underway in 2017 require a cautious and conservative approach to be maintained, and so no return will be made at present but, as always, the position will be kept under review when the Board next assesses the figures in 2018.

Yours faithfully

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

P E Spendlove T J Bowsher
Chairman Managing Director

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Notices to Members

No. 17 2017/2018 - Class 1 (P&I) and Class 2 (FD&D) Renewals 2018/2019

September 2017

Dear Sirs,

CLASS 1 (P and I) AND CLASS 2 (FD and D) RENEWALS 2018/2019

At their meeting on 20 September 2017, the Board considered the level at which calls and fixed premium rates should be set for Policy Year 2018.

A further Notice to Members will be issued during the autumn in line with the Club's usual practice to advise any detailed changes, for example, to Group reinsurance and limits of cover.

However, the Board's key decisions are as follows:

- For both Class 1 (P&I) and Class 2 (FD&D) entries a Nil standard surcharge has been set to apply to all mutual and fixed premium rates. Group reinsurance costs for owned mutual entries shall continue to be charged as fixed costs per GT in accordance with the Club's usual practice. This decision reflects the fact that for the majority of the Club's Members individual loss ratios continue to be positive and so do not currently merit an overall standard increase.
- For Members whose records are adverse, rates and terms will be increased and adjusted as appropriate to reflect record and/or risk exposure.
- The Rules Deductible for Class 1 entries will be increased from \$11,000 to \$12,000, and where individual deductibles are below this level, they shall be increased by 10% or by \$1,000, whichever is the higher.
- For Class 2 entries no change will be made to the one fourth deductible formula.
- For both Class 1 and Class 2 risks the basis of charging for mutual risks shall be modified so that for 2018 and subsequent policy years the Club's estimated total mutual call, which hitherto has been expressed as a net advance call plus an additional call (35% of the net advance call), shall be re-expressed simply as a total mutual call to be payable in 5 equal instalments (each of 20% of the total mutual call). Four instalments shall be paid during the policy year with the fifth in August the following year.

Group reinsurance costs per GT for owned mutual entries will continue to be charged separately as a fixed cost in equal instalments together with each total mutual call instalment.

In practice, this simplification will make no material difference to the timing of or amounts payable by mutual Members.

- For time charter and other fixed premium rates, no change will be made to current practice; premium shall be payable in up to 4 equal instalments during the policy year.

Yours faithfully

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

T J Bowsher
Managing Director

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