



West of England

Club Financial Summary

October 2019

Highlights

Owned tonnage

+2.8%



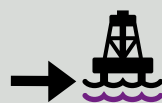
Premium

+2.8%



Incurred claims

stable



Free Reserves

-0.7%



Investment return

3.9%



Combined ratio

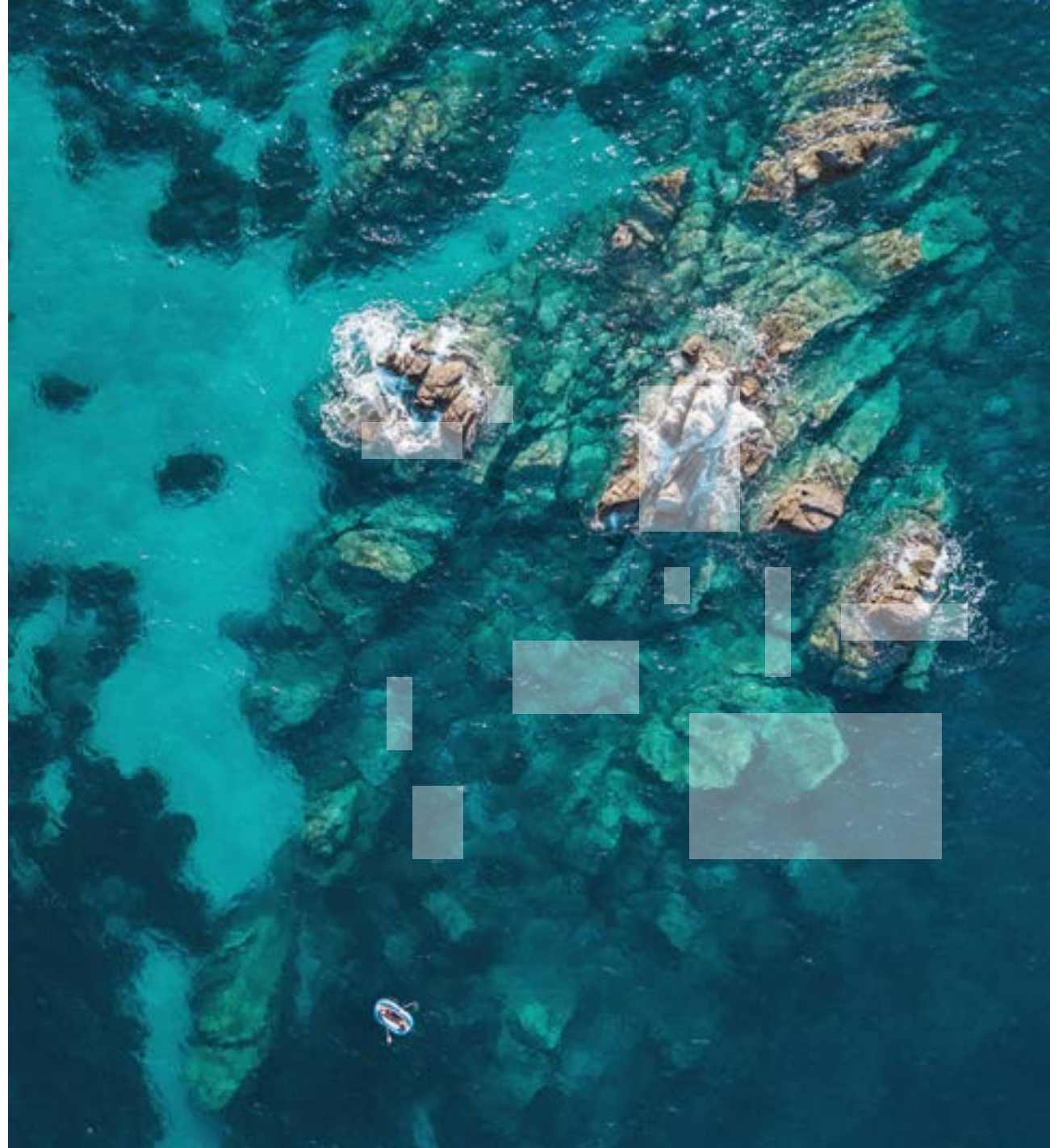
114%



- Owned tonnage increased by 2.8%
- Premiums increased by 2.8%
- **Net paid claims increased by 38.6%**
- Net incurred claims remained stable
- **USD 26 million underwriting deficit**
- 3.9% return on investments provided income of USD 25.4 million
- Overall deficit of USD 0.6m in 2018/19, an improvement on the USD 8.2 million deficit in prior year
- **Assets and free reserves reduced by 3% and 0.7% respectively**

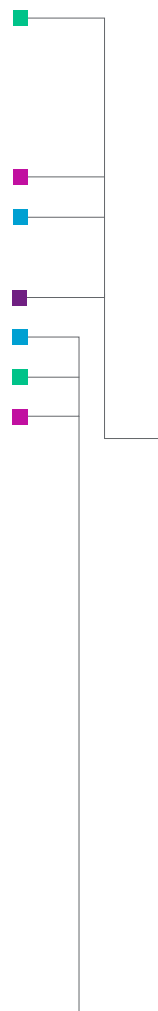
Combined ratio

The West of England's net combined ratio is 114% for 2018/19, an improvement on 116% in 2017/18.



Consolidated financials

Year Summary (USD 000s)	2016/17	2017/18	2018/19
Calls and Premiums	221,849	213,797	219,726
Reinsurance Premiums	-40,172	-37,496	-38,646
Operating Expenses (policy year)	-34,688	-35,392	-37,438
Operating Income	146,989	140,909	143,642
Gross Paid Claims	151,540	230,979	224,843
Net Paid Claims	130,788	136,844	189,661
Net Change in Provision for Claims	-7,016	32,299	-19,993
Net Incurred Claims	123,772	169,143	169,668
Technical Surplus (Deficit)	23,217	-28,234	-26,026
Investment Income	13,758	20,017	25,350
Overall Surplus for Year (Deficit)	36,975	-8,217	-676



Consolidated financials

Group result (USD 000s)	2016/17	2017/18	2018/19
■ Net Assets (market)	703,001	737,321	715,168
■ (Net) Outstanding Claims	396,489	428,788	408,795
■ Free Reserves	306,512	308,533	306,373
	2017	2018	2019
S&P Rating	BBB+	A-	A-
AER (Average Expense Ratio)			
Five years ending 20, February:	15.2	14.8	14.7

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Entered tonnage

	2017	2018	2019
Entered Tonnage (GT, millions)			
Owned / Mutual	82.5	90.6	93.1
Chartered / Fixed	30.0	29.4	40
Total	112.5	120.0	133.1



Glossary

Combined Ratio

Combined ratios provide a direct comparison of club underwriting performance. The combined ratio is essentially the net loss ratio for the club and is defined as follows:

$$\text{Net combined ratio} = \frac{\text{(Net incurred claims + operating expenses)}}{\text{(Premium - reinsurance costs)}}$$

- A combined ratio of 100% represents an underwriting break-even position
- Anything in excess of 100% would be an underwriting loss
- A combined ratio less than 100% would represent an underwriting surplus.

Average Expense Ratio (AER)

Average Expense Ratios (AERs) were introduced in 1999 following pressure from the European Commission in an attempt to enable direct comparisons of operating costs between clubs within the International Group. The formula that all clubs are required to adhere to when calculating their AER figure is as follows:

$$\text{The AER formula is the five-year average of:} = \frac{\text{(Operating costs x 100)}}{\text{(Premium income + Investment income)}}$$

In principle the AER is a reasonable idea, but in reality it is only ever a very approximate guide to the relative operating costs of individual clubs. For example different membership profiles, disproportionately high levels of premium or investment, whether the club owns or rents their office space, how much the club spends on loss prevention, global office network, member portals etc all have an impact on the AER.

Basis of financial analysis

The main aim in the Willis Towers Watson analysis of club report and accounts has been consistency. Although there are still variations between the way clubs report, we try as far as possible to compare 'like with like' and to apply the same approach year after year.

A glossary of terms is provided below.

Glossary of terms

Calls and Premiums	All calls (gross basis, including brokerage)
Reinsurance Premiums	All reinsurance premiums
Operating Expenses	All general management, administrative and audit expenses (not including claims management costs)
Operating Income	Calls, less reinsurance costs, less expenses
Gross Paid Claims	Paid gross claims, including Pool contributions (including claims management costs)
Net Paid Claims	Gross paid claims less reinsurance and Pool recoveries
Net Change in Provision for Claims	Change in net estimated outstanding claims
Net Incurred Claims	Net paid claims plus change in provision for claims
Technical Surplus (Deficit)	Operating Income less Net Incurred Claims
Investment Income	All investment income, including exchange gains/losses, tax etc.
Overall Surplus for Year (Deficit)	Incurred technical surplus (deficit), plus investment income
Net Assets	Total assets, less creditors, less miscellaneous provisions for taxation etc
Net Outstanding Claims	Total net estimated outstanding claims
Free Reserves (Including Forecast Deferred Calls)	Net assets, less outstanding claims

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