



September 2020

West of England

Club Financial Summary

Highlights 2019/20 financial year

- Owned tonnage increased by 7.7%
- Premiums increased by 0.9%
- Gross and net paid claims reduced by 6.9% and 18.7% respectively
- Net incurred claims reduced by 7.6%
- USD 13.2 million underwriting loss
- 6.5% return on investments, resulted in investment income over three times greater than the underwriting loss
- Very positive investment result allowed a USD 31.5 million overall surplus for the year
- Assets and free reserves increased by 4.8% and 10.4% respectively

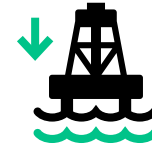
Owned tonnage
increased by
+7.7%



Premium income
increased by
+0.9%



Net incurred claims
reduced by
-7.6%



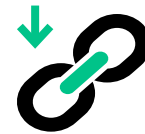
+10.4%
Free reserves



Investment return
+6.5%



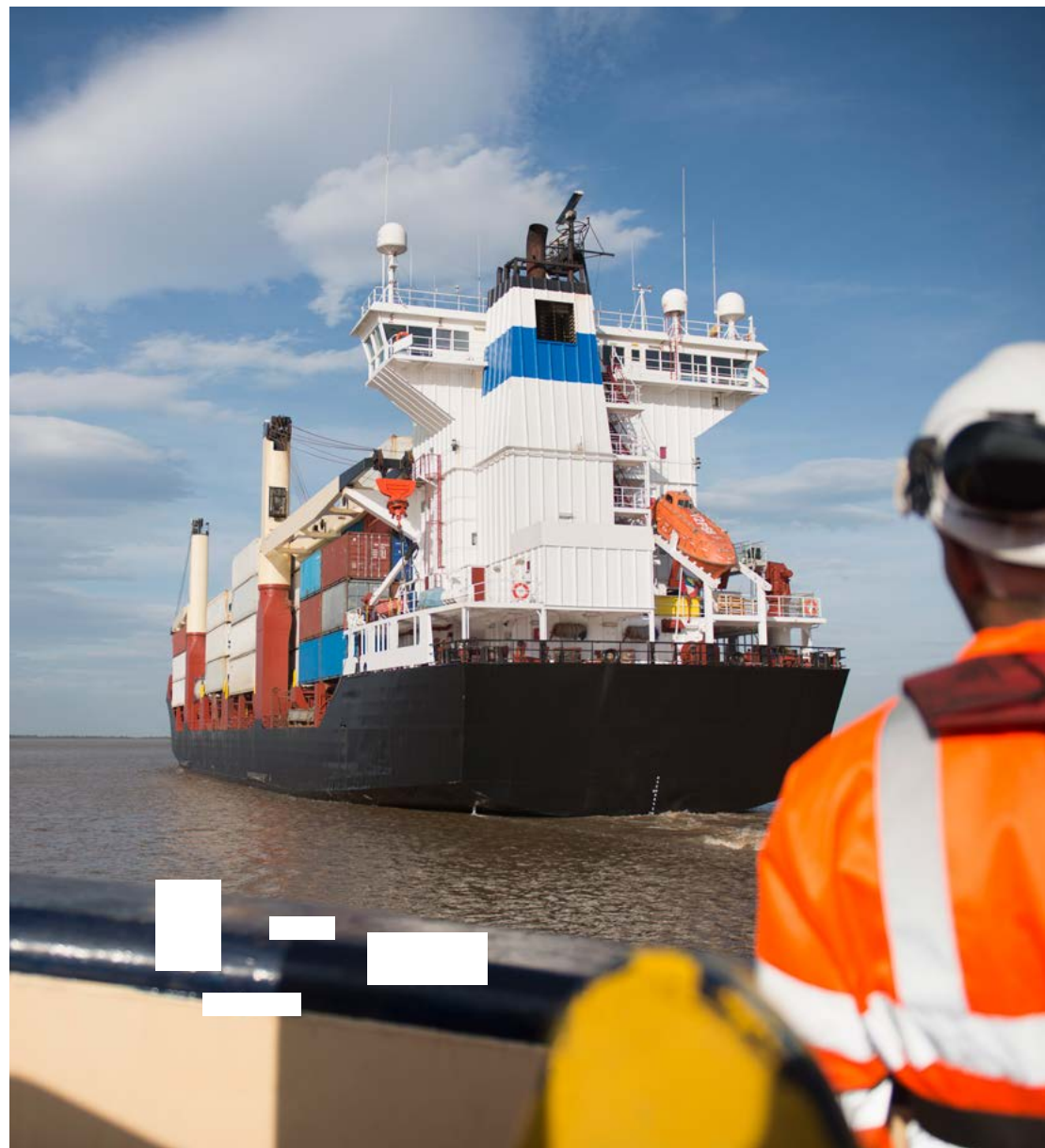
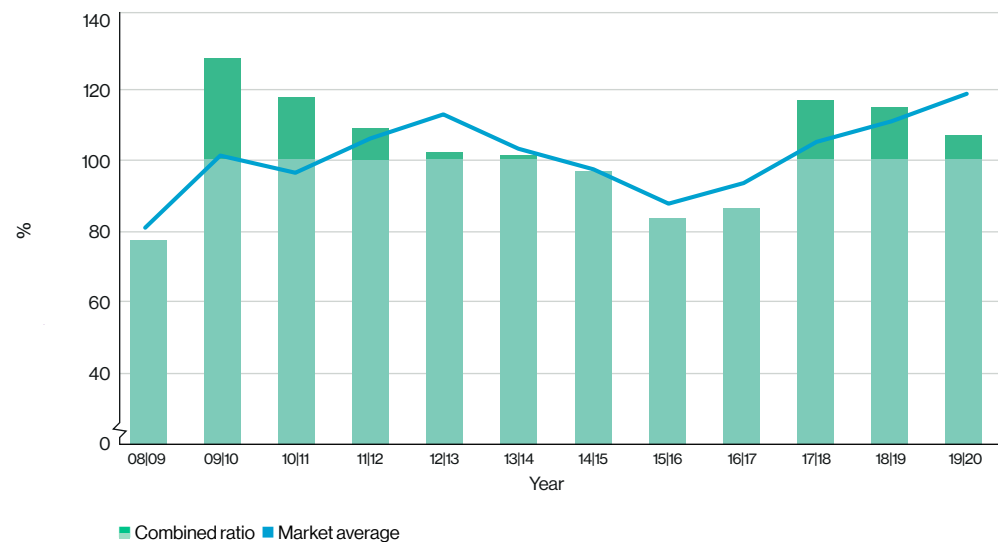
Combined ratio
107%
(from 114% in 2018/19)



Combined ratio

The West of England's net combined ratio was 107% for 2019/20, a material improvement on 114% combined ratio in 2018/19.

Combined ratio

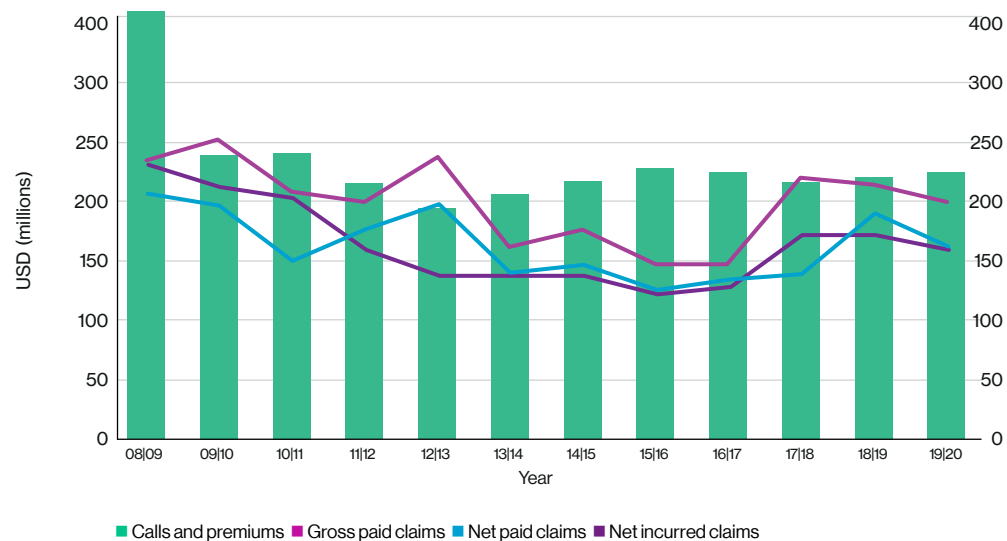


Consolidated financials

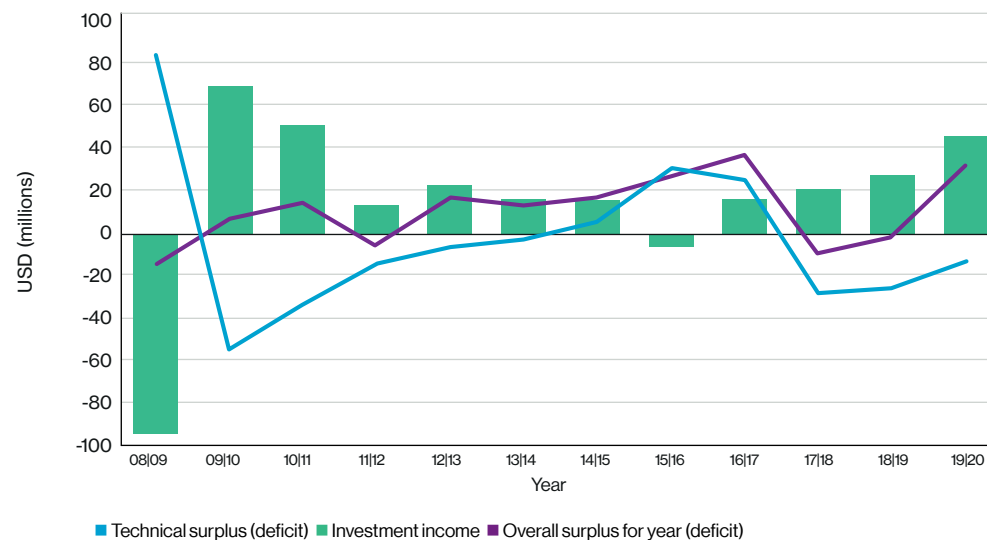
| (USD 000s) | 2017/18 | 2018/19 | 2019/20 |
|---|----------------|----------------|----------------|
| Calls and Premiums | 213,797 | 219,726 | 221,663 |
| Reinsurance Premiums | -37,496 | -38,646 | -39,908 |
| Operating Expenses | -35,392 | -37,438 | -38,182 |
| Operating Income | 140,909 | 143,642 | 143,573 |
| Gross Paid Claims | 230,979 | 224,843 | 209,252 |
| Net Paid Claims | 136,844 | 189,661 | 154,272 |
| Net Change in Provision for Claims | 32,299 | -19,993 | 2,454 |
| Net Incurred Claims | 169,143 | 169,668 | 156,726 |
| Technical Surplus (Deficit) | -28,234 | -26,026 | -13,153 |
| Investment Income | 20,017 | 25,350 | 44,634 |
| Overall Surplus for Year (Deficit) | -8,217 | -676 | 31,481 |

6.5% return on investments, resulted in investment income over three times greater than the underwriting loss

Underwriting development



Overall result - including investment income



Consolidated financials

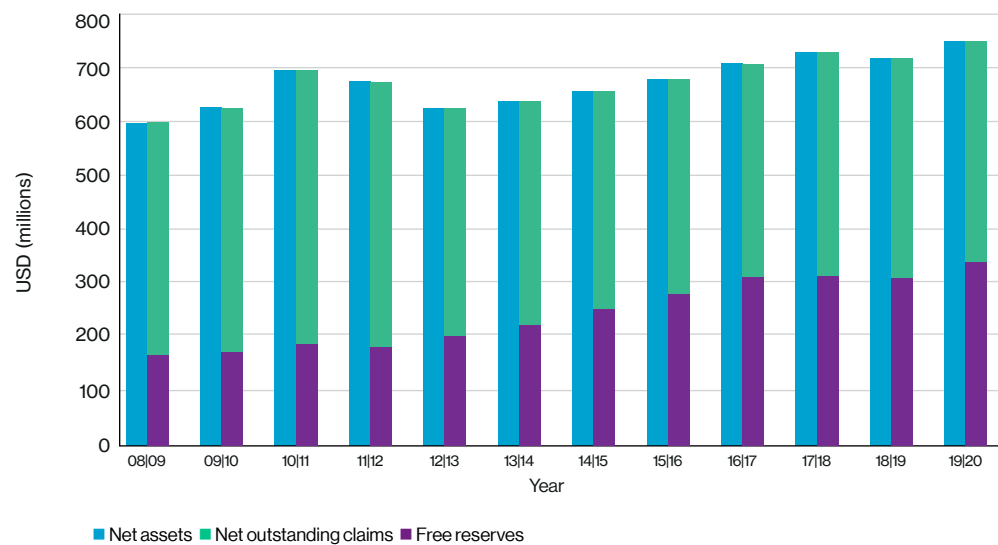
| (USD 000s) | 2018 | 2019 | 2020 |
|------------------------|---------|---------|---------|
| Net Assets | 737,321 | 715,168 | 749,396 |
| Net Outstanding Claims | 428,788 | 408,795 | 411,249 |
| Free Reserves | 308,533 | 306,373 | 338,147 |

| | 2018 | 2019 | 2020 |
|-------------|------|------|------|
| S&P Rating* | A- | A- | A- |

| AER (Average Expense Ratio) | 2018 | 2019 | 2020 |
|--------------------------------|------|------|------|
| Five years ending 20 February: | 14.8 | 14.7 | 14.6 |

* Stable outlook. Figures are correct at the time of release.

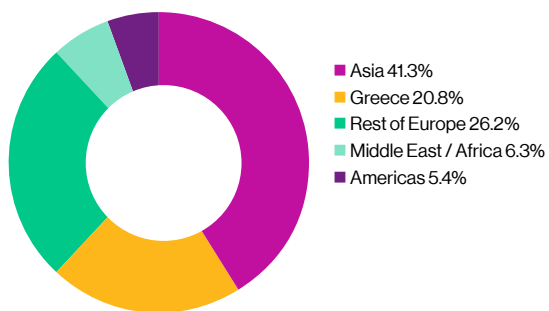
Assets and free reserves



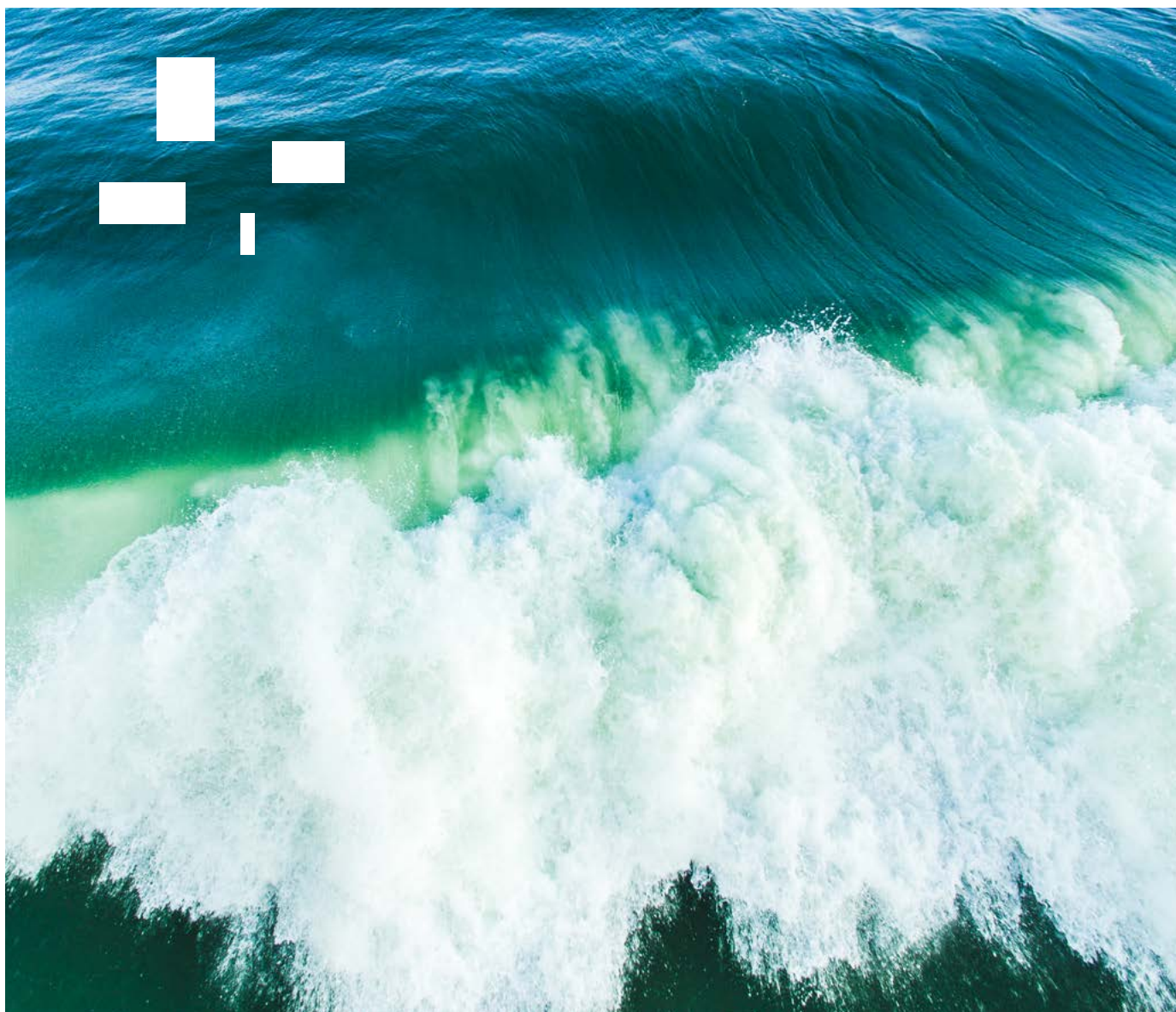
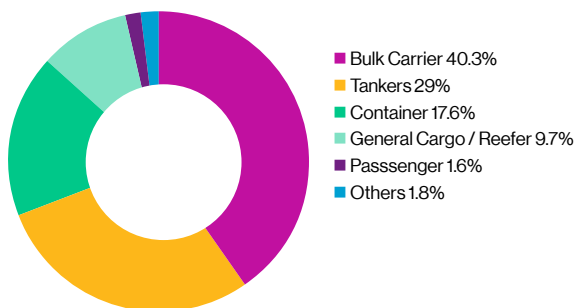
Entered tonnage

| (GT, millions) | 2017 | 2018 | 2019 |
|-------------------|--------------|--------------|--------------|
| Owned / Mutual | 90.6 | 93.1 | 100.3 |
| Chartered / Fixed | 29.4 | 40.0 | 41.3 |
| Total | 120.0 | 133.1 | 141.6 |

Tonnage split by nationality of management



Tonnage split by vessel type



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:

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

- 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:

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

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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