

17 May 2018

2018 Financial Statements – Britannia declares another USD20m capital distribution to Members

Highlights:

- Britannia reports another strong financial performance, with an aggregate USD80.6m post-tax surplus for the year.
- The Board approves a further USD20m capital distribution, to be paid to P&I mutual Members with ships on risk as at midnight 15 May 2018.
- Members have now benefited from USD61m of deferred call waivers and capital distributions since October 2016.

Financial overview:

In the past 18 months, Britannia's Members have benefited from USD61m (or 32.8% ETC) of deferred call waivers and capital distributions, as well as nil General Increases for both P&I and FD&D calls for 2017/18 and 2018/19. Even allowing for these distributions, S&P has confirmed Britannia's rating of A (stable), AAA capital and exceptional liquidity (up from strong).

The Association's ability to continue to assist Members is a consequence of repeated strong underwriting results; with 2017/18 seeing a USD64.6m underwriting surplus and a USD48.6m gain on its investment portfolio. Overall, the Association's balance sheet reserves rose by USD50.6m. This is after taking into account the USD30m capital distribution made to Members during 2017. [The surplus assets in Boudicca (which are available to meet future claims) stood at USD211.6m.]

Given this further strengthening of the Association's capital position, the Board decided to declare another USD20m capital distribution, payable to mutual Members with ships on risk as at midnight GMT 15 May 2018 (pro rata based on premium). This immediate benefit to Members re-affirms the Association's commitment to mutuality, while reflecting its continuing financial strength which provides a high degree of security to its Members. The Board will review the Association's financial position further at its October meeting.

Claims:

While higher than in the 2016/17 policy year (a remarkably light one for claims), claims during the 2017/18 policy year were well within projection. Large claims (those expected to cost the Association USD1m or more) have remained consistent in number but returned to the higher average seen in earlier years. IG Pool claims (Britannia has no Pool claims in 2017/18) have also seen an increase, with a number of high profile casualties. Nevertheless, they remain within projection.

Chairman's statement:

Commenting on the results for the year, the Association's Chairman, Nigel Palmer OBE, said:

"Britannia's mission statement is to be *the finest provider of P&I and FD&D insurance*. Two of our core values in achieving that mission are maintaining our financial strength while supporting mutuality. The Association's 2017/18 report and financial statements show another excellent result for the year. More importantly, the Board's decision, at its meeting in Tokyo, to declare another USD20m capital distribution passes a proportion of the surplus straight back to the membership. To be able in the past 18 months to return USD61m in to our Members through deferred call waivers and capital distributions, while maintaining the Association's S&P A (stable) rating, re-affirms our mission statement. As before, the Board will review how it can continue to assist Members when it meets in October.

2017/18 has also seen important strategic developments which emphasise our third core value, providing our Members with the highest level of service. The past year has seen continued expansion of our Hong Kong office, an application for a branch licence in Singapore (with the Managers' acquisition of the local Exclusive Correspondent) and moves to establish a claims office in Greece. All of these will further enhance service to our Members."

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KEY FINANCIAL STATISTICS

	20 Feb 2018 (gt million)	20 Feb 2017 (gt million)	20 Feb 2016 (gt million)
Entered tonnage (owned)	107.0	100.9	105.9
Entered tonnage (chartered)	20.0	15.0	35.5
	USD (000)	USD (000)	USD (000)
Calls and premiums	208,147	225,854	260,272
Net claims incurred	(93,552)	(130,268)	(167,654)
Investment income	48,626	28,716	(23,500)
Net operating expenses	(25,666)	(25,719)	(26,986)
Net income after taxation	80,615	32,946	(24,871)
Free reserves*	429,957	379,342	346,396
Net loss ratio	61.4%	80.9%	86.1%
Average expense ratio	9.73%	9.42%	9.12%
Standard & Poor's rating	A (stable)	A (stable)	A (stable)
<i>*The Association benefits from a reinsurance contract with Boudicca Insurance Company Limited.</i>			
	USD (000)	USD (000)	USD (000)
Boudicca's surplus assets available to meet future claims by the Association	211,600	221,700	166,300