

BRITANNIA RENEWAL 2021/22 SUMMARY

ACHIEVING SUSTAINABLE RATES WHILE USING THE CLUB'S CAPITAL STRENGTH TO BENEFIT MEMBERS

HIGHLIGHTS

PREMIUM

INCREASES TO ADDRESS UNDERWRITING DEFICIT

\$10m

USD10M CAPITAL DISTRIBUTION

Britannia enters the 2021/22 renewal having navigated a challenging and unpredictable first 8 months of the policy year. Our focus for renewal is to progress our strategic objectives of addressing the current underwriting imbalance, whilst using our capital strength to assist Members.

Investment markets were impacted by the Coronavirus pandemic. The market falls seen in March/April have largely been reversed but there is caution about investment returns both in the 2020/21 policy year and longer term. The deficit for the 2020/21 policy year will be marginally higher than originally budgeted.

In September 2020, S&P re-affirmed Britannia's A (stable) rating with capital above the AAA level and an 'exceptional' liquidity rating. S&P noted the difficult trading conditions experienced in 2020/21, with significant earnings volatility, whilst recognising Britannia's 'large capital cushion' available to 'soften the blow'.

Britannia has seen further growth across all areas, with mutual P&I tonnage standing at 120m GT and FD&D tonnage of 43m GT. Our goal remains further sustainable growth.

We continue to provide cost effective cover, with our USD2.34 per GT operating costs and an 11.5% average expense ratio marking us out as amongst the most competitive in the International Group.

Retained claims in the current year are within projections. The picture is different for the Pool, with claims on the Pool during the first six months of 2020/21 being the highest ever recorded. Our overall claims experience, retained and Pool claims, for the past two years, is significantly in excess of the four prior policy years, bringing further pressure on rates. Combined ratios in recent years are evidence that premium income is not keeping pace with claims exposure. This is not sustainable.

THE CAPITAL DISTRIBUTION DEMONSTRATES OUR ABILITY TO USE OUR FINANCIAL STRENGTH TO ASSIST MEMBERS. HOWEVER, AN INCREASE IN RATES IS NECESSARY TO ACHIEVE SUSTAINABLE PREMIUM LEVELS TO MEET CLAIMS EXPOSURE.

RENEWAL 2021/22

The past decade has seen a gradual decline in P&I rates. For Britannia, this has seen a drop in combined premium of 25% over the last two policy years on a like for like basis. Since 2014/15 Members have benefitted from either no or low rate increases. It is imperative that we continue to address the imbalance between premium and the cost of claims, whilst using our capital strength to smooth future rate increases.

We will continue to undertake a technical based renewal of our membership. Members will be underwritten individually to achieve an increase on the Association's current estimated total call (ETC) but there will be no declared general increase. Members' rates will be adjusted to reflect their individual claims records and risk profiles together with any Group Excess of Loss premium adjustments.

CAPITAL DISTRIBUTION

Whilst the Club cannot use excess capital to correct the underwriting deficit, the principal challenge remains how to balance the financial strength with the need to reverse the decline in rates.

The Board has agreed a further capital distribution of USD10 million to mutual P&I Members with ships on risk at midnight (BST) on 20 October 2020 (using the same method of calculation for each Member's share as for prior distributions). This brings the total of capital distributed to Members since May 2017 to USD95 million.

Since October 2016 Members have benefitted from deferred call waivers and capital distributions totalling USD110 million.

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