

9 December 2024

**To all Members**

## **REVISED S&P CREDIT RATING FOR THE BRITANNIA GROUP**

Dear Members,

Members are referred to the Circular dated 22 November 2024, informing the membership that the Boards recognised the need to improve premium adequacy to ensure that the Britannia Group achieves long term sustainable balanced underwriting, whilst also keeping our 'AAA' capital strength. For the 2025/26 renewal, the Boards have targeted a minimum 7.5% rate increase on expiring Britannia Group P&I ETC.

At the same time the Boards agreed a further USD30m capital distribution to all renewing mutual P&I Members, amounting to approximately 12% of Members' 2024/25 gross ETC.

In making these decisions, the Boards stressed the Britannia Group's primary strategic aims of:

- Supporting mutuality; and
- Delivering cost-effective insurance over the long-term, avoiding unbudgeted calls.

The Boards remain committed to using the Britannia Group's capital strength to support Members while it moves to breakeven underwriting over a reasonable timeframe.

Members are also referred to the further Circular dated 22 November 2024 with full details of the Boards' decisions on the 2025/26 Calls, open policy years and deductibles.

On 9 December 2024, ratings agency S&P Global released a Research Update on The Britannia Steam Ship Insurance Association Europe (The Britannia Group). This included a revised credit rating for The Britannia Group of A- (stable), from the previous A (outlook negative). S&P stated that their reasoning for the change in rating was:

- "A - The Britannia Steam Ship Insurance Association Europe (Britannia or the club) is likely to report technical losses again this year, with investment returns expected to deliver a modest net income.*
- B - Furthermore, we also now forecast that the club will not likely achieve close to breakeven technical results over the next two years, compared with our previous forecasts and expectations."*

S&P re-confirmed the Britannia Group's capital strength above S&P's 'AAA' rating (now called its 99.99% confidence level) and the Britannia Group's exceptional liquidity. The Britannia Group is the only member of the IG with both those ratings. Our capital is well in excess of 'AAA' and our SCR is approx. 222% (before taking into account any ancillary own funds).

The re-rating by S&P is disappointing. However, the Britannia Group Boards stand by their decision on the Calls recommendations for the 2025/26 policy year and a further capital distribution.

Mutuality remains at the core of the Britannia Group's decisions, with the long-term loyalty of our membership being paramount. The Britannia Group's Calls decisions were taken against the backdrop of a challenging claims year for all IG Clubs but one that evidenced the strength of the mutual P&I system.

The year to date has seen a very healthy return on the Britannia Group's investments of over USD68m, significantly more than the technical account loss. We also note that S&P view the measures taken at the last renewal and the prospective measures for the 2025/26 renewal positively.

Our competitive position remains strong, evidenced by continued growth in our membership across the fleets we have targeted to renew as well as new Members joining the Britannia Group.

Over the medium term, the Boards are confident of a return to an S&P A (stable) rating, whilst also retaining the Britannia Group's capital strength above the 99.99% confidence level and exceptional liquidity. In the meantime, the Boards remain committed to using the Britannia Group's capital strength to support Members while it moves to breakeven underwriting over a reasonable timeframe.

Yours faithfully,

Andrew Cutler  
Chief Executive Officer, Britannia Group