

Bulletin



The Britannia Steam Ship
Insurance Association Limited

Managers
Tindall Riley (Britannia) Limited
New City Court
20 St Thomas Street
London SE1 9RR

Tel +44 (0)20 7407 3588
Fax +44 (0)20 7403 3942
www.britanniapandl.com

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TO ALL MEMBERS
Sent by fax /email

P & I Calls

The Britannia Committee met on 13 October 2009 in Athens to consider, amongst other matters, the level of calls required for open policy years and for the next policy year, 2010/11.

The effects of the financial crisis have been severe and almost every sector of the shipping market has been heavily affected. Plummeting investment returns and adverse underwriting experience meant that some other Clubs had to make unbudgeted calls on their members. Britannia has emerged relatively unscathed and the positive investment performance seen over the last six months has more than restored the Association's free reserves which are comfortably within the acceptable range set by the Committee.

On the claims side, large claims (those in excess of USD1million) reported in the first six months of the current policy year are much lower than at the equivalent stage last year, but such claims occur randomly and do not accrue evenly over a policy year. The second half of the year historically has seen a higher level of incidents. Attritional claims – those estimated to cost less than USD1million – have so far continued at the high levels seen over the last three years. Whilst it might be anticipated that the level of these claims should decline following the reduction in shipping activity, this has not yet materialised.

Taking these factors into account the Committee concluded that the general increase in calls for 2010/11 could be more modest than in the two previous years, without compromising the Association's financial strength. The Committee therefore decided on an advance call increase of 5% for the policy year 2010/11. Members are also advised to budget for a 40% deferred call. Individual rates will be adjusted to reflect any changes in the cost of the International Group Reinsurance Programme, as well as Members' individual claims' record and risk profiles. The policy of adjusting Members' deductibles to maintain their value will continue.

The Committee also decided to close the 2006/07 policy year without any further call. The 2007/08 policy year will be reviewed in twelve months time with the expectation that the year will then be closed. The Committee approved the budgeted 40% deferred call for the 2008/09 policy year; 25% to be collected in October 2009 and the remaining 15% in October 2010.

The Committee recommends that Members continue to budget for the full 40% deferred call for the 2009/10 policy year; the position will be reviewed again in October 2010.

Commenting on the decisions made by the Committee, the Chairman, Nigel Palmer said; "The call increases in 2008/09 and 2009/10, together with the action taken over the last eighteen months to protect the equity portfolio, have enabled the Association to continue in sound financial health, despite a tough claims environment and difficult investment markets. Positive investment returns in the first half of the current policy year have materially boosted the Association's free reserves. "

He added; "These factors make it appropriate to recommend a more modest general increase in advance calls than those of the two previous years. The Club continues to offer a safe haven in increasingly difficult times for shipowners. "

Detailed information on call decisions for all open policy years for both Class 3 and Class 6 will be circulated to Members later in October.