

CHAIRMAN'S STATEMENT

As we enter a new decade, it is natural to think in terms of a new beginning coupled perhaps with a sense of optimism for the future. However, it is impossible to ignore the events of the last two years and any optimism we feel as we begin 2010 must be tempered by a sense of realism. The world economy is still fragile and the shipping industry, in particular, is struggling to cope with stubbornly low freight rates, large new-build programmes, dramatically reduced asset values, and a liquidity crunch which makes financing difficult.

It is therefore with some pleasure that I am able to report a good result for Britannia in 2009/10. The Association is still in sound financial health and, despite a challenging environment, I believe that it can face the immediate future with confidence.

In such difficult times it is, more than ever, the role of the Club to provide its Members with stability and security and to be a refuge from the volatility that affects other aspects of a shipowner's business. It was therefore satisfying to be able to restrict the general call rate increase to a relatively modest 5% at this February's renewal. This is consistent with our policy of setting appropriate and prudent rates to ensure the long-term viability of the Association without the need to make unbudgeted calls on our Members.

The Association's owned tonnage increased by 5.2m gt during the course of the last year. As has been the pattern in recent years, most of this was organic growth from new tonnage entered by existing Members during the course of the year, with only 1m gt being added at renewal in February. Although Britannia does not seek growth as an end in itself, it is pleasing to see our Members having the confidence to place their ships with the Association. Despite fears to the contrary, charterers' business entered in the Association has stood up remarkably well, with very little change in volume over the course of the year.

Claims levels have moderated when compared to recent years, particularly those within the Club retention. Interestingly however, there has been only a small reduction in the total cost of claims below US\$1m – the band where the majority of claims occur. These 'attritional' claims had been expected to fall in line with the reduction in trade volumes caused by the worldwide economic downturn; it remains to be seen whether they will reduce with the passage of time. Larger claims are more random in occurrence and therefore it is difficult to draw any conclusions from the reduction in claims between US\$1m and US\$7m. Disappointingly, the projected cost of claims on the Group Pool (excess of US\$7m) is much higher than last year, although still not as high as the peak years of 2006/07 and 2007/08.





The recovery in the investment markets over the past 12 months has boosted the Association's finances, and its overall resources sit well within the range set by the Committee. Following a lengthy and thorough review of the Association's asset allocation strategy, the Committee has responded to the increased volatility in global markets by reducing the Association's equity exposure from that maintained over the past decade. While providing greater stability, this reduction is likely to lead to reduced returns over the long term. Having agreed the new asset allocation strategy the Committee will now be able to concentrate more time on claims and general strategy.

FD&D (Class 6) claims have followed a different pattern to P&I claims. As referred to in my statement last year, one of the effects of the collapse in freight markets was a dramatic increase in the number of FD&D disputes notified to the Club. Although the level of notifications is still high, the predicted reduction has started to manifest itself and it is hoped that this trend will continue throughout the current policy year.

During the year, we were pleased to welcome Mr B Chiu and Mr S-M Kim as new Committee Members.

We live in difficult and uncertain times and it would be unwise to predict the future. However, the Club is here to serve its Members and help them, as best it can, in troubled times such as these. The Committee will do everything possible to ensure that the Association stays in good financial shape, to enable it to provide the stability and level of service that its Members rightly expect.

A handwritten signature in blue ink that reads "Nigel Palmer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Nigel Palmer OBE Chairman



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