

15 October 2019

**To all Members of Class 3 – Protection and Indemnity**

Dear Sirs

**Calls : Class 3 - Protection and Indemnity**

**Summary**

At its meeting on 15 October 2019, Britannia's Board reviewed the Association's financial position and considered requirements for the 2020/21 Renewal.

In August 2019, S&P re-affirmed Britannia's A (stable) rating with capital well above the AAA level with an 'exceptional' liquidity rating. However, the 2018/19 policy year was challenging, with claims being higher than expected. Claims continue to be high in 2019/20, in particular those in excess of USD1 million. In addition, all insurers in the P&I sector have seen rates declining, with Britannia anticipating an underwriting deficit for the current policy year, with an expected combined ratio of 108%.

The Board noted Britannia's continued capital strength but recognised the challenge of having to improve rates. The Board therefore decided that the Managers should undertake a more technically based renewal of the membership, to promote sustainable premiums and restore underwriting balance. To support this, the Board agreed to move from the practice of a General Increase, which it considers a less sophisticated method of trying to raise premium levels. The Board has made the same decision in respect of Class 6, Freight, Demurrage and Defence.

Accordingly, from the 2020/21 renewal, Members' rates will be adjusted to reflect their individual claims records and risk profiles, recognising the impact of claims inflation and absence of any GI for the past three years.

In addition, the Board reached the following further decisions:

**Capital Distribution**

The Board agreed a further Capital Distribution of USD15 million to mutual P&I Members with ships on risk at midnight (BST) on 15 October 2019 (using the same method of calculation for each Members' share as for prior distributions). This brings the total of capital distributed to Members since 2017 to USD85 million.

Since October 2016 Members have benefitted from deferred call waivers and capital distributions totalling USD100 million.

Members will receive additional information on the capital distribution separately.

**2016/17**

The year will be closed, in accordance with the provisions of Rule 37(1), with no further call being made.

**2017/18**

The originally notified deferred call of 45% to be collected in full.

25% of the 45% deferred call was collected in October 2018. The remaining 20% will be collected immediately. The Board will review the 2017/18 policy year again in 12 months' time with the expectation that it will then be closed with no further call.

**2018/19**

The originally notified deferred call of 45% to be collected in full.

25% will be collected immediately and the remaining 20% in 12 months' time. The Board will review the position further in 12 months' time.

**2019/20**

Claims continue to be high and Members are advised to continue to budget for the full 45% deferred call.

The Board will review the position in 12 months' time

**2020/21**

The Board agreed that Members' individual rates be adjusted to reflect their claims' record and risk profile, as well as any changes in the cost of the International Group Reinsurance Programme.

In order to bring Britannia in to line with the practice of most other clubs, with effect from 20 February 2020 it will simplify its calls system and the terminology used. The terms "Advance Call" and "Deferred Call" will be replaced with Estimated Total Call (ETC). There will be no difference in the total amount of premium collected by the new ETC approach (compared to if the traditional call structure was maintained).

Premium will now be payable over three equal instalments; the first instalment and second instalment in February and August of the relevant policy, with the final instalment being collected in the second October following the end of the relevant policy year. (For example, for 2020/21 Members' premium will be payable in February and August 2020 and in October 2022.)

Members will therefore benefit from significantly improved credit terms, with the new structure also reducing administration costs.

The new structure applies to the 2020/21 and subsequent Policy years. The traditional calls structure will apply to open policy years until those years are closed.

### **Deductibles**

The Board agreed that there will be no changes to minimum deductibles, which will remain at the levels set for 2019/20.

Members will have the option to vary their deductibles in return for an appropriate rate adjustment.

### **Release calls**

The Board set the following release calls percentages:

- 2017/18               NIL
- 2018/19               5%
- 2019/20               7.5%
- 2020/21               15%

These percentages will be reviewed further in 12 months' time

Yours Faithfully  
Tindall Riley (Britannia) Limited  
Managers