



Britannia

Club Financial Summary

September 2019

Highlights

Owned tonnage increase

4.7%



Premium reduction

-1.8%



Incurred claims

+13.9%



Free Reserves

-8.4%



Investment return

0%



Combined ratio

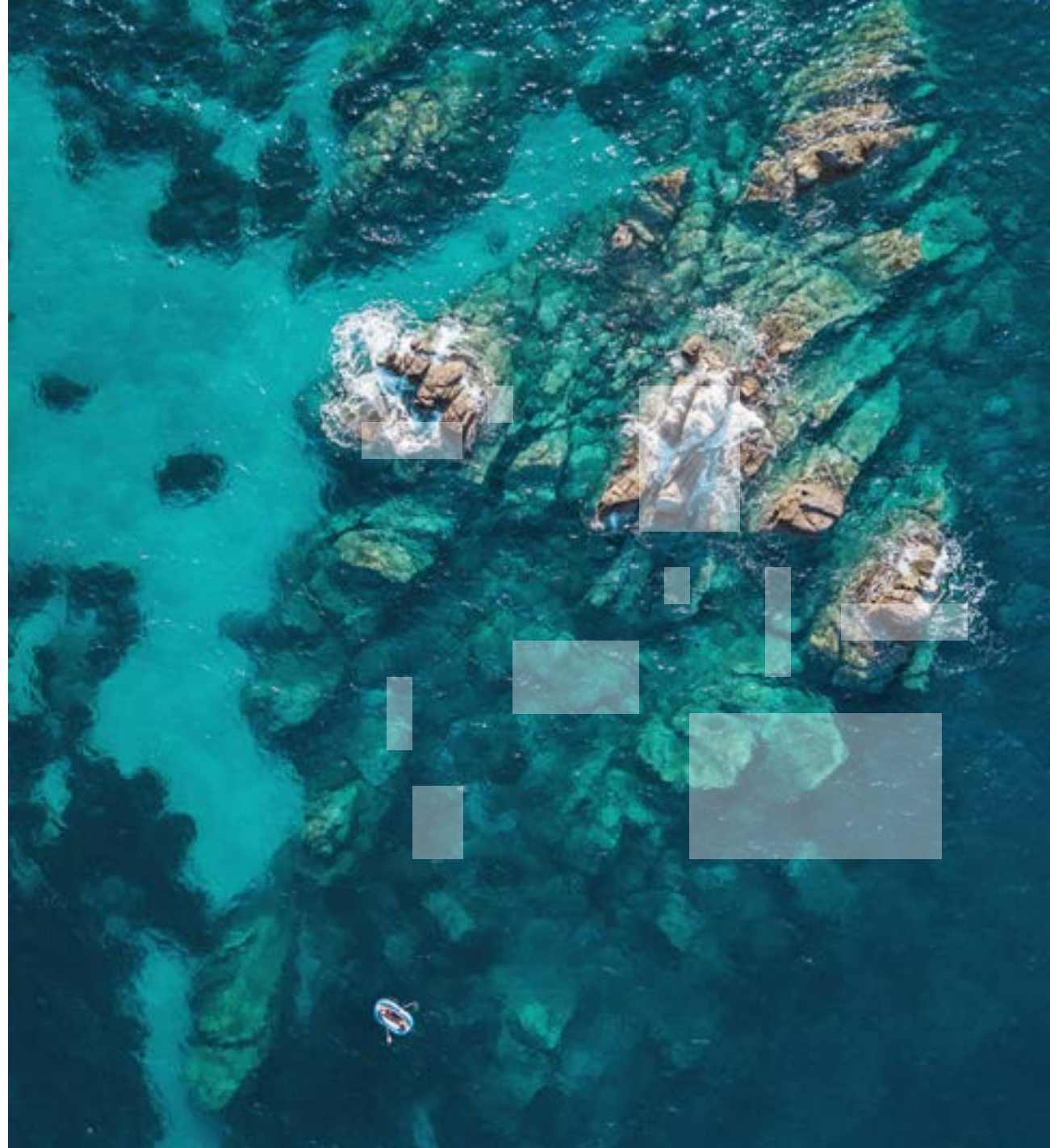
113%



- Owned **tonnage increased by 4.7%**
- Premiums reduced by 1.8%
- Gross and net paid claims reduced by 34.6% and 2.6% respectively
- **Net incurred claims increased by 13.9%**
- **Underwriting deficit of USD 21.6 million**
- USD 2.4 million loss on investments
- Negative technical result combined with a small investment loss led to an overall deficit of USD 24 million
- Assets and free reserves reduced by 2.5% and 8.4% respectively, reversing the gains 2017/18

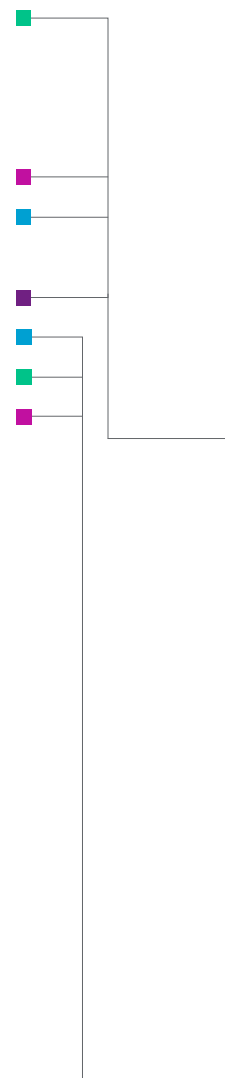
Combined ratio

Britannia reported a combined ratio of 113% in 2018/19, a change to the technical surpluses reported in 2016/17 (75%) and 2017/18 (96%).



Consolidated financials

Year Summary (USD 000s)	2016/17	2017/18	2018/19
Calls and Premiums	225,854	208,147	204,415
Reinsurance Premiums	-39,498	-30,507	-32,433
Operating Expenses (policy year)	-25,719	-25,666	-28,649
Operating Income	160,637	151,974	143,333
Gross Paid Claims	290,362	257,142	168,167
Net Paid Claims	163,748	151,106	147,120
Net Change in Provision for Claims	-48,959	-6,278	17,821
Net Incurred Claims	114,789	144,828	164,941
Technical Surplus (Deficit)	45,848	7,146	-21,608
Investment Income	42,498	63,369	-2,388
Overall Surplus for Year (Deficit)	88,346	70,515	-23,996



NB the above figures include the combined figures of Britannia and Boudicca to show the complete group picture. The Assets of Boudicca included in the combined results above, are as follows:

	2016/17	2017/18	2018/19
	221,700	211,600	221,700

Britannia is entered into a reinsurance contract with Boudicca Insurance Company Limited, located and regulated in Bermuda.

Boudicca Insurance holds assets in a way that cannot be dissipated to the detriment of the reinsurance contract with Britannia. This is intended to be a tax efficient vehicle for a proportion of Britannia's reserves. For the sake of effective comparison, we have consistently included Boudicca's assets in the figures set out in the above summary.

Consolidated financials

Group result (USD 000s)	2016/17	2017/18	2018/19
■ Net Assets (market)	1,406,583	1,440,819	1,404,645
■ (Net) Outstanding Claims	805,541	799,263	817,084
■ Free Reserves	601,042	641,557	587,561
	2017	2018	2019
S&P Rating	A	A	A
AER (Average Expense Ratio)			
Five years ending 20, February:	9.42	9.73	10.90

Britannia capital distributions

Britannia made two capital distributions to members in 2018/19 totalling USD 30m (USD 20m in May 2018 + USD 10m in October 2018).

These capital distributions are made from the club asset base, rather than via rebates of premiums which explains why the decrease in free reserves is larger than the overall result of the club in the 2018/19 financial year.

Entered tonnage

	2017	2018	2019
Entered Tonnage (GT, millions)			
Owned / Mutual	100.9	107.0	112.0
Chartered / Fixed	15.0	20.0	19.0
Total	115.9	127.0	131.0

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Glossary

Combined Ratio

Combined ratios provide a direct comparison of club underwriting performance. The combined ratio is essentially the net loss ratio for the club and is defined as follows:

$$\text{Net combined ratio} = \frac{\text{(Net incurred claims + operating expenses)}}{\text{(Premium - reinsurance costs)}}$$

- A combined ratio of 100% represents an underwriting break-even position
- Anything in excess of 100% would be an underwriting loss
- A combined ratio less than 100% would represent an underwriting surplus.

Average Expense Ratio (AER)

Average Expense Ratios (AERs) were introduced in 1999 following pressure from the European Commission in an attempt to enable direct comparisons of operating costs between clubs within the International Group. The formula that all clubs are required to adhere to when calculating their AER figure is as follows:

$$\text{The AER formula is the five-year average of:} = \frac{\text{(Operating costs x 100)}}{\text{(Premium income + Investment income)}}$$

In principle the AER is a reasonable idea, but in reality it is only ever a very approximate guide to the relative operating costs of individual clubs. For example different membership profiles, disproportionately high levels of premium or investment, whether the club owns or rents their office space, how much the club spends on loss prevention, global office network, member portals etc all have an impact on the AER.

Basis of financial analysis

The main aim in the Willis Towers Watson analysis of club report and accounts has been consistency. Although there are still variations between the way clubs report, we try as far as possible to compare 'like with like' and to apply the same approach year after year.

A glossary of terms is provided below.

Glossary of terms

Calls and Premiums	All calls (gross basis, including brokerage)
Reinsurance Premiums	All reinsurance premiums
Operating Expenses	All general management, administrative and audit expenses (not including claims management costs)
Operating Income	Calls, less reinsurance costs, less expenses
Gross Paid Claims	Paid gross claims, including Pool contributions (including claims management costs)
Net Paid Claims	Gross paid claims less reinsurance and Pool recoveries
Net Change in Provision for Claims	Change in net estimated outstanding claims
Net Incurred Claims	Net paid claims plus change in provision for claims
Technical Surplus (Deficit)	Operating Income less Net Incurred Claims
Investment Income	All investment income, including exchange gains/losses, tax etc.
Overall Surplus for Year (Deficit)	Incurred technical surplus (deficit), plus investment income
Net Assets	Total assets, less creditors, less miscellaneous provisions for taxation etc
Net Outstanding Claims	Total net estimated outstanding claims
Free Reserves (Including Forecast Deferred Calls)	Net assets, less outstanding claims

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