



September 2020

Britannia

Club Financial Summary



Highlights 2019/20 financial year

- Owned tonnage increased by 4.9%
- Premiums reduced by 1.6%
- Gross and net paid claims increased by 58% and 36% respectively
- Net incurred claims increased by 15%
- Underwriting deficit of USD 53.7 million
- 7.3% investment return
- Very positive investment result offset material underwriting loss to allow a USD 31.8m overall surplus for the year
- Net assets reduced marginally (-0.3%) but free reserves increased by 1.2%
- Britannia made a USD 25m capital distribution to members in 2019/20

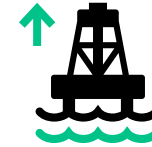
Owned tonnage
increased by
+4.9%



Premium income
decreased by
-1.6%



Net incurred claims
increased by
+15%



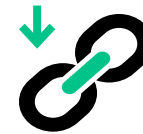
+1.2%
free reserves



Investment return
+7.3%



Combined ratio
deteriorated to
132%
(from 113% in 2018/19)

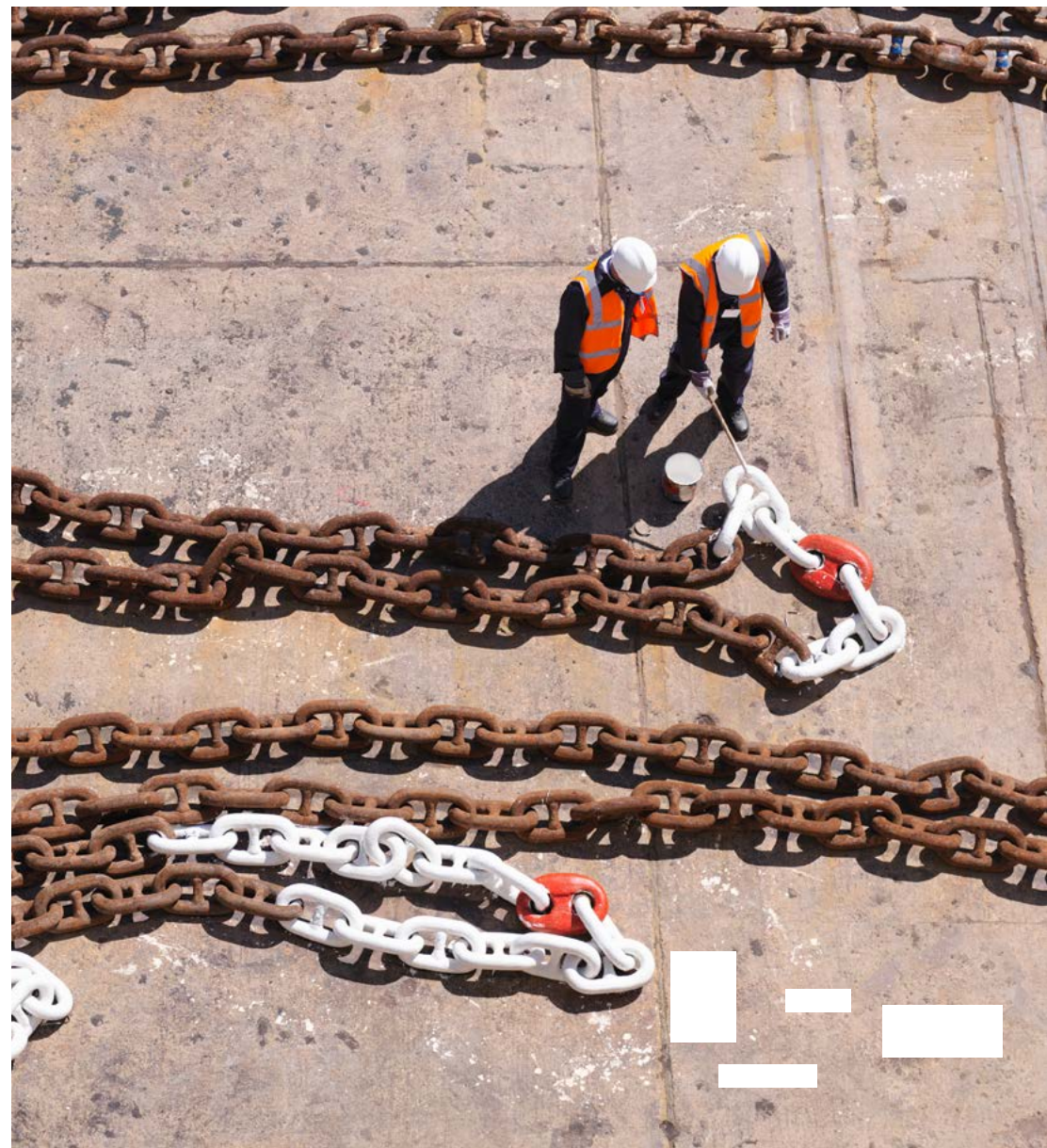


Combined ratio

The group underwriting result of Britannia (including Boudicca) in 2019/20 represented a net combined ratio of 132%.



This is a material deterioration from the 113% combined ratio reported in 2018/19, reflecting a statistically unusual number of major losses in the most recent reported financial year.



Consolidated financials

(USD 000s)	2017/18	2018/19	2019/20
Calls and Premiums	208,147	204,415	201,185
Reinsurance Premiums	-30,507	-32,433	-33,152
Operating Expenses	-25,666	-28,649	-31,891
Operating Income	151,974	143,333	136,142
Gross Paid Claims	257,142	168,167	265,354
Net Paid Claims	151,106	147,120	200,763
Net Change in Provision for Claims	-6,278	17,821	-10,931
Net Incurred Claims	144,828	164,941	189,832
Technical Surplus (Deficit)	7,146	-21,608	-53,690
Investment Income	63,369	-2,388	85,517
Overall Surplus for Year (Deficit)	70,515	-23,996	31,827

NB the figures shown on left table include the combined figures of Britannia and Boudicca to show the complete group picture.

The Assets of Boudicca included in the combined results below, are as follows:

Boudicca Assets	2017/18	2018/19	2019/20
(USD 000s)	211,600	196,900	172,300

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 our financial summaries for Britannia.

Consolidated financials

(USD 000s)	2017/18	2018/19	2019/20
Net Assets (Including Boudicca assets)	1,440,819	1,404,645	1,400,541
Net Outstanding Claims	799,263	817,084	806,153
Free Reserves (Including Boudicca)	641,557	587,561	594,388

	2018	2019	2020
S&P Rating*	A	A	A

AER (Average Expense Ratio)	2018	2019	2020
Five years ending 20 February:	9.73	10.90	11.50

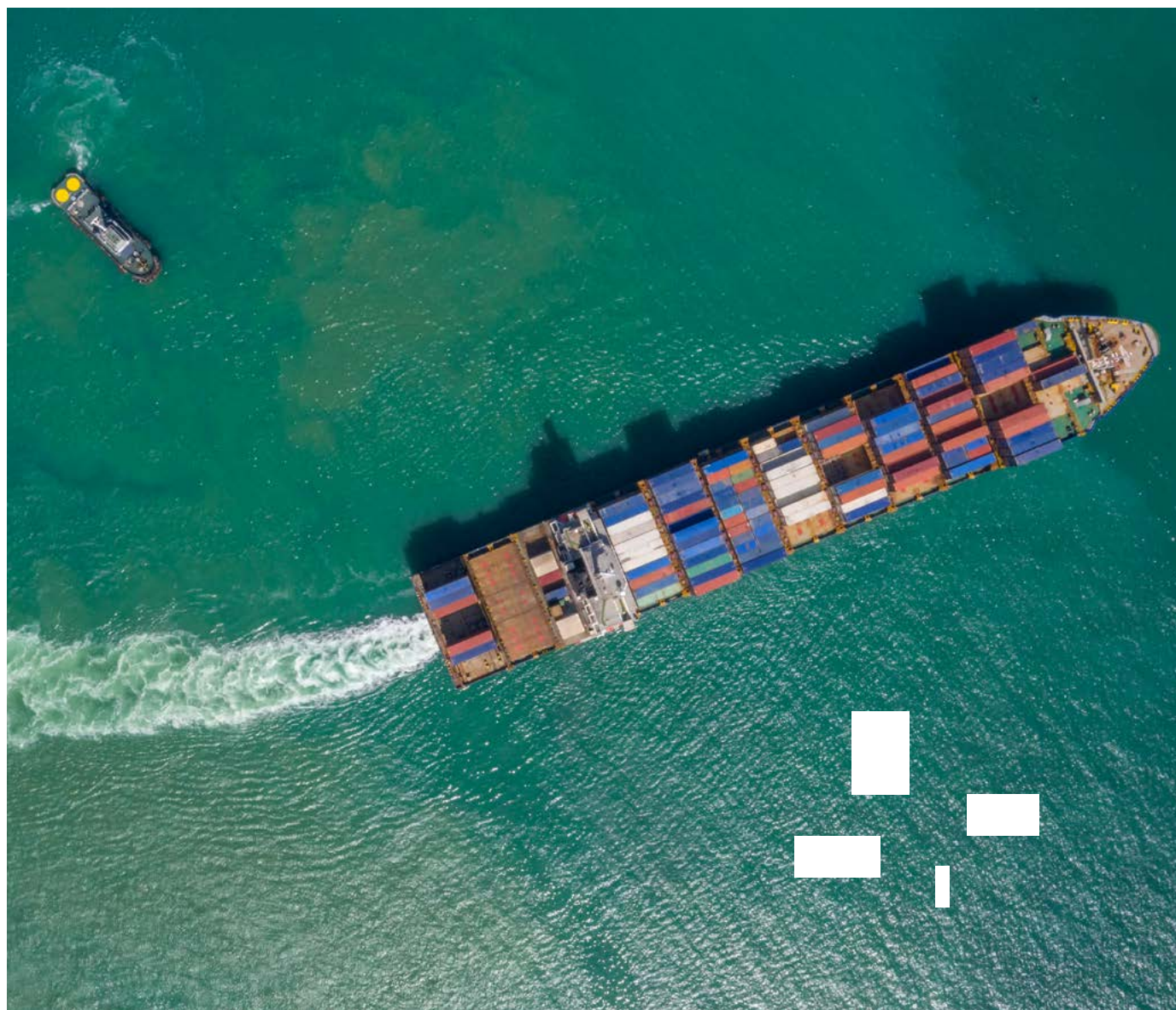
* Stable outlook. Figures are correct at the time of release.



Britannia's capital distributions have been made from the club asset base, rather than via rebates of premiums which explains why the increase in free reserves is smaller than the overall result of the club in the 2019/20 financial year.

Entered tonnage

(GT, millions)	2018	2019	2020
Owned / Mutual	107	112	117.5
Chartered / Fixed	20	19	45
Total	127	131	162.5



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:

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

- 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:

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

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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