

ANNUAL REPORT AND FINANCIAL STATEMENTS

20 FEBRUARY 2024

DNK

ESP

GBR

GRC

HKG

JPN

KOR

LUX

SGP

TWN

USA

# THE BRITANNIA GROUP'S MISSION STATEMENT IS TO BE THE FINEST PROVIDER OF P&I AND FD&D INSURANCE BY:

- OFFERING OUR MEMBERS THE HIGHEST LEVEL OF SERVICE
- MAINTAINING OUR FINANCIAL STRENGTH
- SUPPORTING MUTUALITY

The strategic report outlines key information for the year ending 20 February 2024, while showing how we look to meet our mission statement.

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KEY  
PERFORMANCE  
INDICATORS

248

MEMBERS

33

COUNTRIES

4,217

SHIPS

ENTERED TONNAGE BY  
AREA OF MANAGEMENT  
CLASS 3 (% OF TOTAL)  
START OF 2023/24 POLICY YEAR

42.3

ASIA

11.0

SCANDINAVIA

38.7

REST OF EUROPE

4.0

AMERICAS

3.4

MIDDLE EAST

0.6

AUSTRALASIA

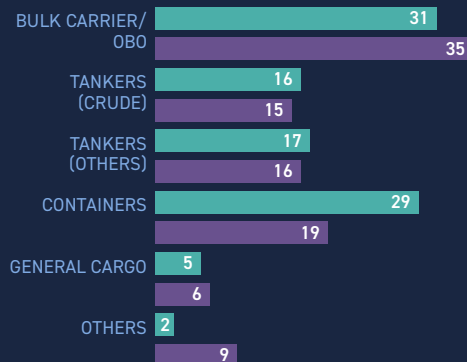
141.7m

OWNED TONNAGE

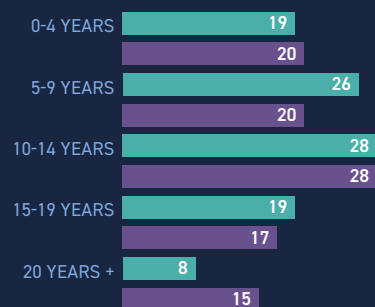
55.2m

CHARTERED TONNAGE

## SHIPS BY TYPE (% OF TOTAL)



## AGE OF SHIPS (% OF TOTAL)



ENTERED TONNAGE (OWNED)

WORLD TONNAGE

	20 FEB 2024 (m gt)	20 FEB 2023 (m gt)	20 FEB 2022 (m gt)
ENTERED TONNAGE (OWNED)	141.7	142.0	134.7
ENTERED TONNAGE (CHARTERED)	55.2	51.0	73.5

KEY FINANCIAL DATA	USD(000)	USD(000)	USD(000)
CALLS AND PREMIUMS*	288,815	258,140	216,931
NET CLAIMS INCURRED*	(181,261)	(169,933)	(164,888)
INVESTMENT INCOME*	63,573	(63,781)	16,048
NET OPERATING EXPENSES*	(50,245)	(46,490)	(39,113)
NET (DEFICIT)/SURPLUS AFTER TAXATION*	58,243	(77,837)	(13,950)
FREE RESERVES	549,931	501,688	587,869
COMBINED RATIO	102.3%	106.6%	116.4%
IG AVERAGE EXPENSE RATIO	15.48%	15.39%	12.53%
STANDARD & POOR'S RATING	A (negative)	A (negative)	A (negative)

\*These balances consist of The Britannia Steam Ship Insurance Association Holdings Limited (Britannia Holdings), The Britannia Steam Ship Insurance Association Limited (Britannia (UK)), The Britannia Steam Ship Insurance Association Europe (Britannia Europe), Universal Shipowners Marine Insurance Association Limited (USMIA) and Hydra Insurance Company Limited - Britannia Cell.

# CHAIRMAN'S STATEMENT

**GBR**  
LONDON, UK

**ESP**  
BILBAO, SPAIN

**THE BRITANNIA GROUP REMAINS COMMITTED TO BEING THE FINEST P&I AND FD&D INSURER AND THIS STRATEGIC REPORT DETAILS HOW WE STRIVE TO MEET THAT COMMITMENT.**

This report on the Britannia Group's past financial year, the outlook for the coming years, and the geopolitical and world economic situation, taken all together, paint a very mixed picture.

Total claims, especially from Pool claims, have been moderate, the past year's corporate structure changes have strengthened our organisation, investments performed well and a further USD10m capital distribution was made to mutual P&I Members. Most important, the 2023/24 policy year combined result has improved compared to 2022/23 as we move towards breakeven. At the same time the conflicts resulting from the Russian invasion of Ukraine and the Hamas attack on Israel continue, we see geopolitical risks in other parts of the world and several economies are in, or risk being in, recession. There is also continuing uncertainty resulting from international sanctions and the increasing size of the 'parallel' fleet. Inevitably these negative factors affect world trade and shipping as well as the Britannia Group and its Members.

The start of 2024 saw attacks on shipping off the coast of Yemen and the re-emergence of piracy. The security and health of ships' crews remain a major concern. Also, many of the shipping industry changes required to meet environmental targets will result in additional tasks and responsibilities for both owners and their crew. Despite all of the high-level pressures on shipping, we should ensure that crews and officers are not overburdened and can continue to work safely. As a member of the International Group, we interact globally with



authorities and policy makers to co-ordinate and promote the interests of the shipping community.

As in the past years, the result of the 20 February 2024 renewal confirms our Members' loyalty to the Britannia Group and their appreciation of the consistent high level of service and financial stability. Tonnage remains unchanged at the beginning of the 2024/25 policy year. The quality of our membership remains at the highest level and the effective renewal cost increase to the Members was a move to ensure a sustainable underwriting base, while our mutual P&I Members also benefited from a further USD10m capital distribution and the reduction in reinsurance rates.

The Britannia Group's strategic targets sit comfortably with our proven, long-term guiding values; financial stability, a superior level of service to Members, active cost control and conservative growth.

**USA**  
NEW YORK, USA

**SGP**  
SINGAPORE

## CHAIRMAN'S STATEMENT

**DNK**  
COPENHAGEN, DENMARK

**KOR**  
SEOUL, KOREA

**HKG**  
HONG KONG

AS IN PAST YEARS, THE RESULT OF THE 20 FEBRUARY 2024 RENEWAL CONFIRMS OUR MEMBERS' LOYALTY TO THE BRITANNIA GROUP AND THEIR APPRECIATION OF THE CONSISTENT HIGH LEVEL OF SERVICE AND FINANCIAL STABILITY.

**GRC**  
PIRAEUS, GREECE

**LUX**  
LUXEMBOURG

Aligned with our targets, the Britannia Group has made further investments in the organisation, specifically in the regional hubs and loss prevention. The structure of our investment portfolio is proactively adjusted to co-ordinate with claims expectations and seeks to protect against market fluctuations. Loss prevention continues to be a major focus. Further new business and growth opportunities will be evaluated as to their value in improving the quality of service to the Members after first having assessed possible risks.

We monitor delivery of our services through regular Members' surveys, including tracking areas where we can improve to ensure we provide the highest level of service.

Since 20 February 2023 we have had some changes within both the Members' Representative Committee (MRC) and Boards. So, I say farewell and thank you to the following, who resigned from the MRC during the course of the year: P Enoizi, S Enslev, A Bisbas, S Kitazato, F A Alasmari, K Koo and K M Sheth. I would like to especially thank Kenneth Koo, who also Chaired our Standards Subcommittee for seven years and was responsible for many positive developments in the area of loss prevention.

I also thank K M Sheth, who was a member of the Committee and MRC for 35 years. Both were active in advising the Board and the Managers.

It gives me pleasure to have welcomed the following to the MRC: D Bond, J Cordeiro, A Laios and K Sonoda. In addition, we welcomed N Yamamoto to the Board (a member of the MRC since 2021). Full details of the membership of the Boards and MRC, and their subcommittees, are found on our website.

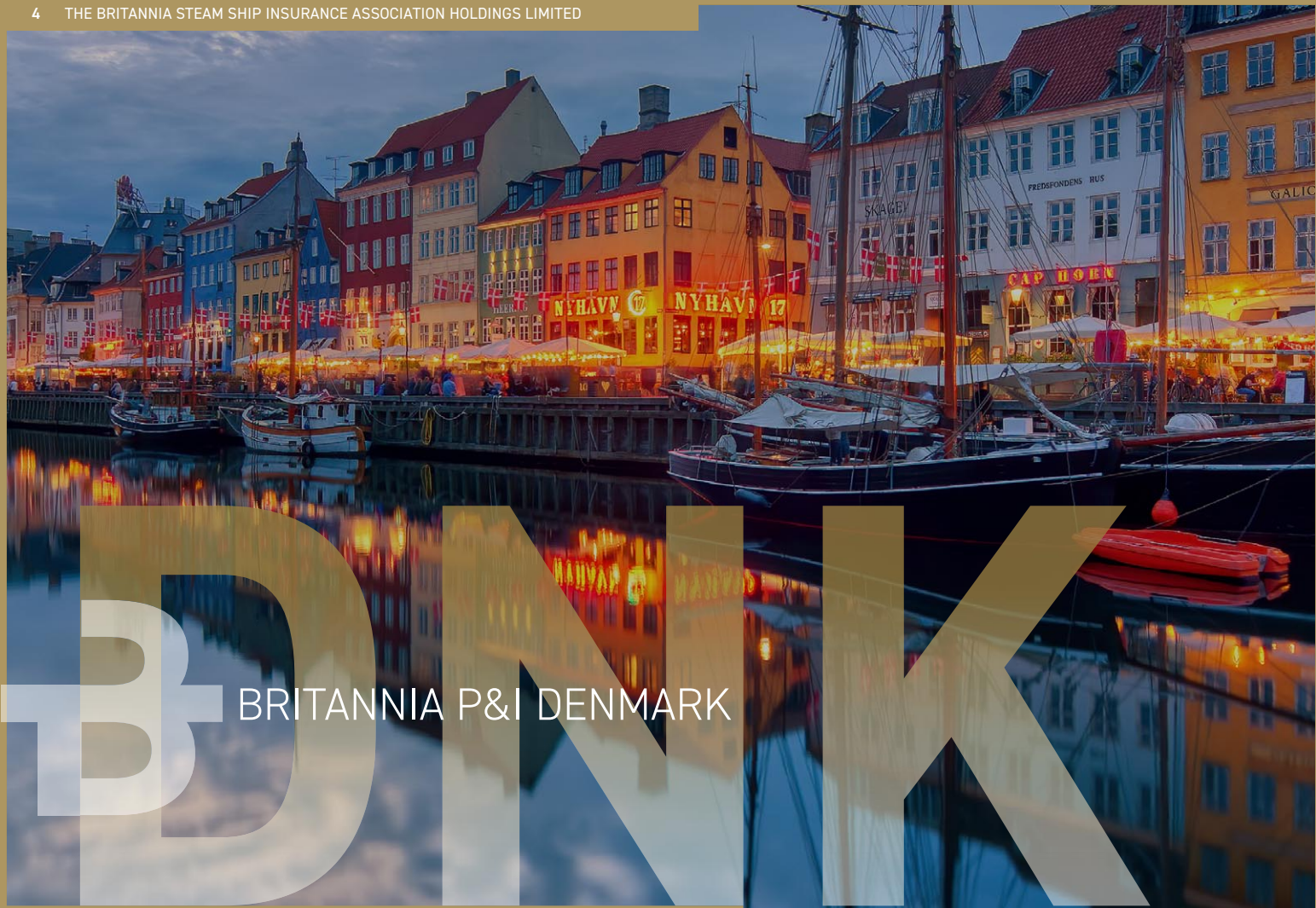
Last, it is important that I acknowledge the incident on 26 March 2024 (after the 2023/24 policy year-end) involving the *DALI's* allision with the Francis Scott Key Bridge, Baltimore. Any claim involving the loss of life is tragic and my thoughts are with all involved. In the meantime, our Members continue to co-operate with all authorities.



Anthony Firmin Chairman

**TWN**  
TAIPEI, TAIWAN

**JPN**  
TOKYO AND KOBE, JAPAN



OUR COPENHAGEN HUB WAS ESTABLISHED IN 2018 WITH THE AIM OF FURTHER STRENGTHENING THE CLUB'S SUPPORT FOR THE SCANDINAVIAN MARITIME SECTOR. SCANDINAVIA IS A CRUCIAL MARKET FOR BRITANNIA P&I, CONSTITUTING APPROXIMATELY 11% OF OUR ENTERED TONNAGE. THE HUB SPECIFICALLY SERVES THE NEEDS OF NORDIC SHIPOWNERS AND OPERATORS THROUGH PROVIDING TAILORED MEMBER SERVICES, CLAIMS ASSISTANCE, AND RISK MANAGEMENT.



# FINANCIAL REVIEW

**THE BRITANNIA GROUP IS RECOGNISED FOR ITS FINANCIAL STRENGTH, WITH S&P ASSIGNING US AAA CAPITAL AND EXCEPTIONAL LIQUIDITY. THIS FINANCIAL STRENGTH UNDERPINS OUR ABILITY TO SUCCESSFULLY NAVIGATE AN UNCERTAIN AND CHANGING WORLD AND TO PROVIDE THE HIGHEST LEVEL OF SERVICE TO MEMBERS.**

This strength is built on the solid foundations of a prudent approach to reserving claims liabilities that results in a strong balance sheet and sensible use of Members' capital. This capital strength reassures Members that we will pay their claims when required while looking to return surplus capital to Members whenever possible.

On 26 March 2024 the container ship *DALI*, which is entered with the Britannia Group, allided with one of the pillars of the Francis Scott Key Bridge, Baltimore at approximately 01:30 local time on its journey from Baltimore to Colombo. The ship's owners and their managers continue to work with the relevant authorities. The exact cause of the incident is yet to be determined and a full investigation has been launched by the National Transportation Safety Board. In allision incidents such as this there is a presumption of liability on the part of the ship, however the quantum of any loss and final liability are yet to be determined. Claims arising from this incident will fall within the 2024/25 policy year.

The insurance position in relation to the *DALI* is that, in common with all IG P&I Clubs, the Britannia Group uses a combination of its own balance sheet, intragroup reinsurers, Pooling between all 12 IG Clubs and external reinsurers (the General Excess of Loss Contract (GXL)) to fund claims as they fall due. See the Reinsurance section for more details.

Returning to 2023/24, the result for the year is a profit of USD58.2m, which consists of an underwriting loss of USD5.3m and an investment return of USD63.5m. The Britannia Group has a strategic goal to return to underwriting balance i.e. an underwriting balance equivalent to a combined ratio of 100%. We continue to use our financial strength to achieve that goal over a sustainable timeline. The combined ratio for the year ended 20 February 2024 is 102% (compared to 107% in 2023 and 116% in 2022). Further progress has been made at the 2024 renewal through a combination of measures e.g. rate increases, changes in deductibles and some targeted remedial action.

Our investment performance was, again, volatile but the return of USD63.5m showed positive contributions from all areas of the portfolio. See the Investments section for more information.

Calls and premiums were USD288.8m (compared with USD258.1m for the prior year). This reflects increased tonnage and the start of the move to achieving underwriting balance. Reinsurance costs were higher, both for the GXL and the other reinsurances bought by the Britannia Group.

Claims incurred in the financial year were slightly higher than the prior year, but the claims ratio showed a pleasing fall from 84% to 80%. Pool claims in the 2023/24 policy year were again light, but in contrast to last year there was no significant deterioration in prior year Pool claims. See the Claims section for more details.

Our expense ratio was 22.2% (down from 22.9%) based purely as a proportion of net premium. This differs from the ratio in note 9 as that also includes investment income in the calculation. This reflects the Board's continued emphasis on providing value to our Members.

The Britannia Group remains in robust financial shape with USD549.9m of free reserves at 20 February 2024 (up from USD501.7m a year ago). That capital strength enabled the Board to continue to support its membership by declaring in October 2023 a further capital distribution of USD10m.

# INVESTMENT STRATEGY AND PERFORMANCE

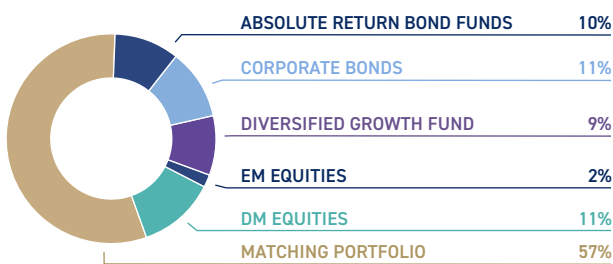
## THE MARKET REMAINS VOLATILE IN PART DUE TO THE ONGOING WAR IN UKRAINE, THE CONFLICT IN GAZA, AND THE DIFFICULTIES FACED BY VESSELS TRANSITING THE RED SEA TO AND FROM THE SUEZ CANAL.

Continuing high inflation and interest rates have also affected economic activity. In 2022, the Board agreed a new investment strategy which has proved to be resilient and adaptable to market movements over the last year.

During 2023, the Board re-examined its investment risk tolerance and the way in which it responds to market movements, both positive and negative. Investment risk tolerance is a forward-looking metric that helps the Board set a long-term investment strategy and asset allocation. The tolerance has been set using a 1 in 10 value in risk over one year to ensure the portfolio can withstand future volatility while maintaining the flexibility to cater for short-term fluctuation. That flexibility enabled the Board to maintain the Britannia Group's financial strength but also take advantage of positive developments in the equity markets and relatively high long-term interest rates. At the same time, we maintained the strategic asset allocation that supports the Britannia Group's financial strength.

The graph below shows the asset allocation at 20 February 2024.

**INVESTED FUNDS AT MARKET VALUE**  
20 FEBRUARY 2024  
TYPE OF INVESTMENT



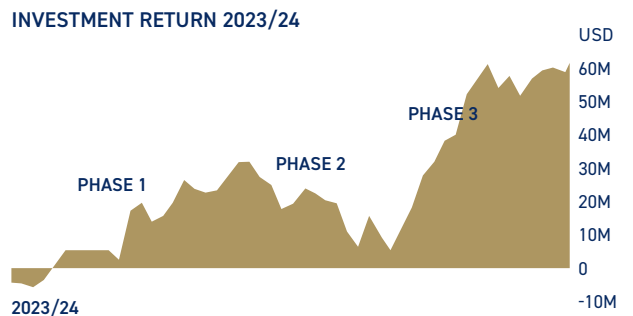
The year ended 20 February 2024 was challenging for investment markets but has resulted in a very positive investment return. There were three distinct phases to the year for investment returns:

**PHASE 1** – up until the end of July there were positive returns from all areas of the portfolio, particularly bonds and developed market equities.

**PHASE 2** – from August until the end of October saw flat returns from bonds and equities give up all of the gains from the first phase.

**PHASE 3** – saw strong growth in all areas of the portfolio, particularly equities, on the back of 'the magnificent seven' US tech stocks.

The graph below shows those three phases.



The overall return for the year was USD63.5m or 6.6%. As we head into the new policy year the portfolio is well positioned within the strategic asset allocation to navigate any future turbulence. Longer-term expected returns from the portfolio are now 5.1% pa and reflect the expectation that interest rates will begin to ease in 2024. This return is considerably higher than in recent years and nearer to the returns expected before the 2008 financial crisis.



SINCE ITS ESTABLISHMENT IN 1855, THE BRITANNIA P&I CLUB HAS MAINTAINED ITS OPERATIONAL HEADQUARTERS IN LONDON, MAKING OUR UK HUB THE CENTRE FOR THE CLUB'S WORLDWIDE OPERATIONS. WITH A TEAM OF OVER 230 PROFESSIONALS, THE LONDON OFFICE OFFERS COMPREHENSIVE MEMBER SERVICES, INCLUDING CLAIMS MANAGEMENT, UNDERWRITING, LOSS PREVENTION AND REGULATORY COMPLIANCE SUPPORT, AND CO-ORDINATES THE BRITANNIA GROUP'S OPERATIONS AND ACTIVITIES WORLDWIDE.



# INTERNATIONAL GROUP REINSURANCE

## THE INTERNATIONAL GROUP (IG) CONTINUES TO ARRANGE COLLECTIVE REINSURANCE FOR THE BENEFIT OF ALL MUTUAL MEMBERS, REPRESENTING THE MOST EFFICIENT FORM OF REINSURANCE AND RISK SHARING.

The Pooling and GXL reinsurance structure for the 2024/25 policy year was finalised in late December 2023. The pooling arrangements are unchanged with each Club retaining the first USD10m of each owned P&I claim. Between USD10m and USD100m, claims are pooled between the 12 IG Clubs. The IG's captive Hydra continues to reinsure the Clubs for claims in excess of USD30m up to USD100m as well as for the Annual Aggregate Deductible within the first layer of the GXL.

Notwithstanding some deterioration in prior years' claims within the Pool, the overall impact on the IG's reinsurance partners was not significant and the 2023 hurricane season was less impactful than in the previous year including other non-marine losses. All vessel classes saw a reduction in reinsurance costs, which was a more positive outcome than had been expected at the start of the renewal process.

The main GXL placement has been maintained as three layers (Layers 1-3, USD2bn excess of USD100m). There continues to be the USD1bn Collective Overspill cover excess of the GXL together with three private placements in Layer 1 (maintaining their 25% overall share).

The Collective Overspill (USD1bn excess of USD2.1bn) and ancillary covers were renewed with premiums included within the overall rate per GT.

The IG's Bermuda based reinsurance captive Hydra continues to support the IG through its risk retention. This enhances stability in pricing. The use of private placements has also continued to give shipowners greater pricing stability.

**BRITANNIA P&I SPAIN**

**BILBAO**

THE BRITANNIA GROUP'S EXCLUSIVE SPANISH CORRESPONDENT, CORREDURIA GENERAL MARITIMA, IS BASED IN GETXO (IN BILBAO'S ESTUARY) AND HAS BEEN LINKED TO THE BRITANNIA GROUP AND TINDALL RILEY FOR 125 YEARS. SINCE THE MID-1980s CORREDURIA HAS FOCUSED EXCLUSIVELY ON THE MARINE INSURANCE BUSINESS, AS WELL AS ACTING AS OUR LOCAL PORT CORRESPONDENTS TO ASSIST VESSELS THAT MAY ENCOUNTER PROBLEMS WHEN CALLING IN BILBAO.

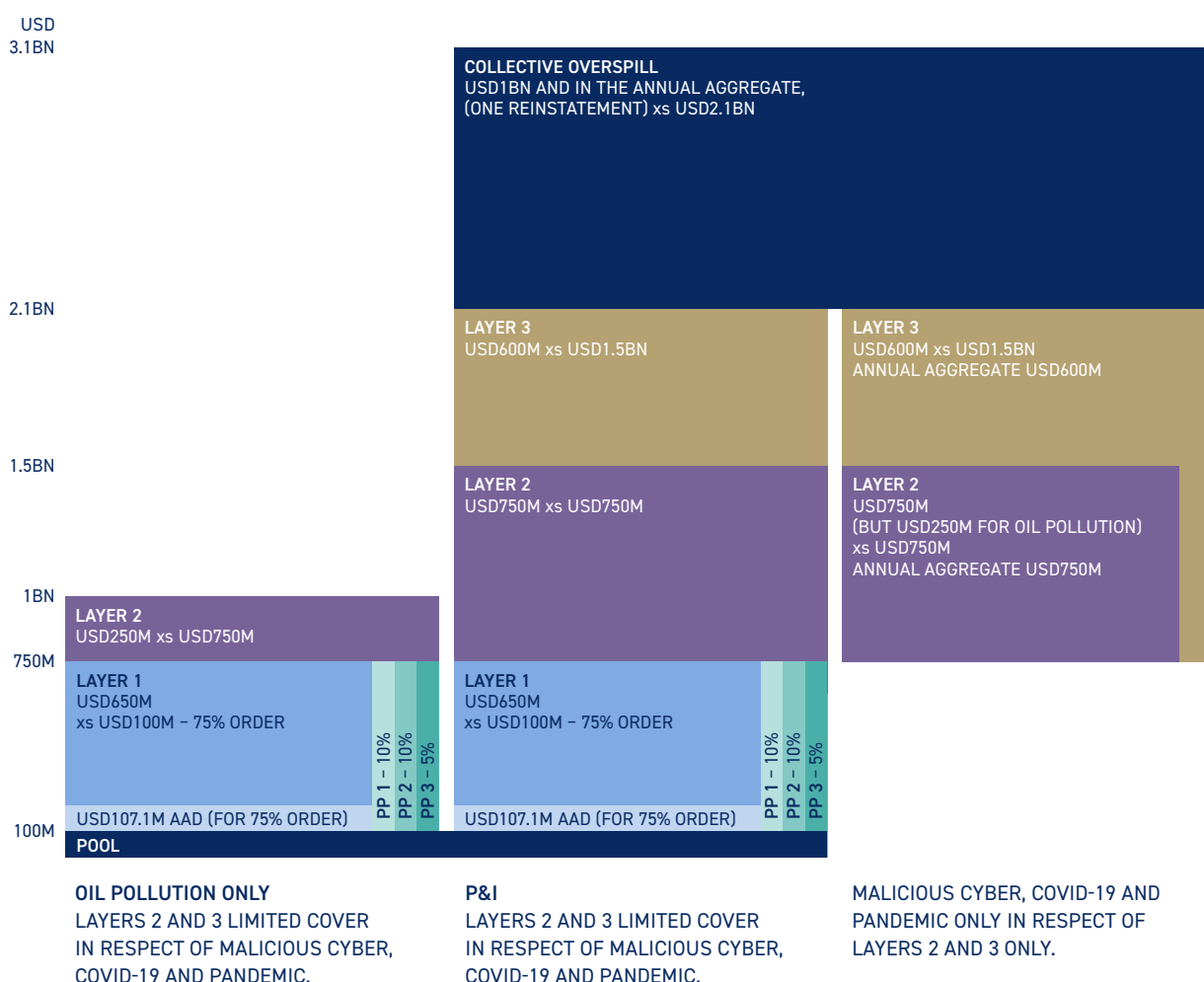
**REINSURANCE COST ALLOCATION 2024/25**

As part of its annual analysis and in addition to reviewing premiums, the IG’s Reinsurance Committee looked at vessel categories.

The conclusions were that there should be no change in the number of categories at this time, but that there should be some adjustments to the relative rate changes having regard to each category’s historical claims performance against the GXL. The record for PCCs will remain under review.

TONNAGE CATEGORY	2024 RATE IN US CENTS PER GT	% CHANGE IN RATE PER GT
PERSISTENT OIL TANKERS	61.63	-7.5%
CLEAN TANKERS	39.82	-1.7%
DRY	58.63	-2.1%
FCC	72.04	-1.0%
PASSENGER	338.42	-12.5%
CHARTERED TANKERS	31.27	0.0%
CHARTERED DRIES	15.26	0.0%

**INTERNATIONAL GROUP EXCESS OF LOSS (GXL) REINSURANCE PROGRAMME 2024/25 POLICY YEAR (NOT TO SCALE)**  
THE DIAGRAM BELOW ILLUSTRATES THE LAYER AND PARTICIPATION STRUCTURE OF THE GXL PROGRAMME FOR 2024.



# MEMBERSHIP

**THE BRITANNIA GROUP IS COMMITTED TO MUTUALITY AND TO SAFEGUARDING ITS FINANCIAL STRENGTH THROUGH ENHANCED PRICING ADEQUACY, ALLOWING FOR A MANAGED SUSTAINABLE RETURN TO BREAKEVEN UNDERWRITING.**

Following a number of years of premium reductions across the market, there has been a gradual increase in rates over the past couple of years which has started to reduce the underwriting deficit. The need to continue to address the underwriting imbalance and to reduce exposure to underperforming sectors of the entry saw the Britannia Group’s Board target an improvement in the premium adequacy equal to a 7.5% increase on the expiring Estimated Total Call for the 2024 policy year renewal.

The technical-based approach to renewal promoted sustainable premiums and provided flexibility to consider a suite of measures to achieve the target, including encouraging Members to retain more risk in lieu of premium increases. Securing this year’s

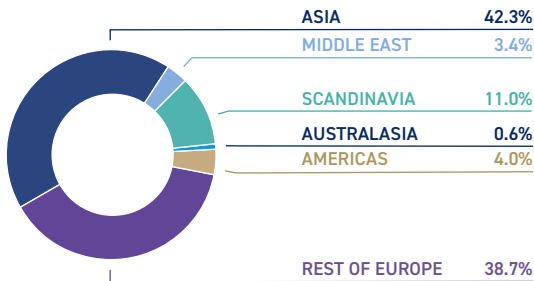
renewal target was a significant challenge when shipowners were extremely sensitive to increasing costs. As a result there were a number of Members with whom it was not possible to reach acceptable renewal terms either in part or on whole fleet entries. This resulted in a modest reduction on the day in entered tonnage, although the Britannia Group commences the new policy year stronger in terms of both pricing adequacy and risk profile.

At the start of the 2024/25 policy year, the Britannia Group’s owned tonnage totalled approximately 141.7m gt, which meant the net reduction of tonnage at renewal matched the gains during the policy year. Committed tonnage for delivery during the new policy year is likely to result in further tonnage growth. Chartered tonnage now stands at approximately 55m gt.

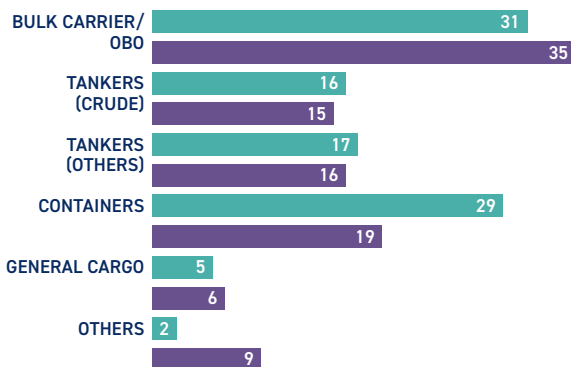
Entered tonnage by area of management reflects the global reach of the Britannia Group supported strongly by its regional hub offices, which underpin our commitment to service. The entry by ship type underlines the continued commitment to core areas of shipping and mutuality.

The Britannia Group aims to continue to improve operating performance and reach breakeven underwriting over the medium term, with a strategy for managing the existing entry and any future growth that matches these key objectives.

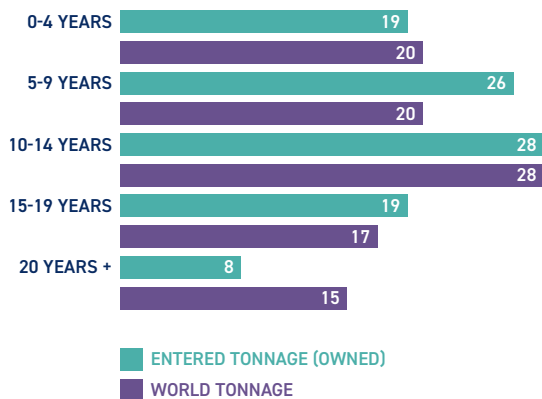
**ENTERED TONNAGE BY AREA OF MANAGEMENT – CLASS 3**  
(START OF 2024/25 POLICY YEAR)



**SHIPS BY TYPE (% OF TOTAL)**  
(START OF 2024/25 POLICY YEAR)



**AGE OF SHIPS (% OF TOTAL)**  
(START OF 2024/25 POLICY YEAR)



THE GROWTH OF THE BRITANNIA GROUP'S TONNAGE IN GREECE PROMPTED THE CLUB TO OPEN AN OFFICE IN 2018. THE HUB PROVIDES COMPREHENSIVE MEMBER SUPPORT, CLAIMS MANAGEMENT AND RISK MITIGATION SOLUTIONS TAILORED TO THE REQUIREMENTS OF OUR GREEK MEMBERS. THE TEAM FOSTERS STRONG RELATIONSHIPS WITH LOCAL STAKEHOLDERS AND THE HUB NOW ACCOUNTS FOR 16% OF OUR ENTERED TONNAGE.



## LOSS PREVENTION

# B SAFE



PROVIDING A PERSONALISED LOSS PREVENTION SERVICE HAS ALWAYS BEEN A CRUCIAL ASPECT OF THE BRITANNIA GROUP'S ETHOS AND CENTRAL TO THE LOSS PREVENTION STRATEGY.

The adoption of a data-driven and risk-based analytical approach enables loss prevention to tailor its initiatives to address the main identified exposure areas to the Club and to Members.

The Britannia Group's loss prevention team now comprises ten marine specialists who, drawing on extensive shipping experience, provide Members with technical expertise to understand and effectively mitigate risks across all technical aspects of the shipping industry. With loss prevention resources in both London and Singapore, there is coverage across time zones ensuring a timely, high-quality service to all Members as required.

The loss prevention team continues to develop initiatives to help Members and the wider industry mitigate their risk exposure. In 2024, a loss prevention claims analysis programme will be introduced to assist Members' understanding of their claims records, which will enable targeted initiatives moving to a more preventive rather than reactive approach.

Management Reviews are routinely conducted as part of the Britannia Group's new Member induction

process. Loss prevention will meet with Members' technical management teams to discuss areas that may have a bearing on claims exposure and consider how loss prevention can assist in mitigating any perceived risks.

The Britannia Group continues to publish topical publications and materials including 'Insight' reports developed in collaboration with industry experts. These publications provide useful guidance on specific issues of interest to Members. Going forward the publication portfolio will also include papers providing a more technical focus to help Members better understand emerging risks in a shipping environment that has become increasingly complex to navigate.

As part of the Britannia Group's award-winning **BSafe** initiative, quarterly case studies have been launched in addition to a series of videos addressing critical safety issues facing seafarers. The first video in the series on Working at Heights, was well received and has been included in the training programme of a large third-party technical manager, making it available to almost 40,000 seafarers.



B KOREA WAS LAUNCHED IN 2021 AND ITS ESTABLISHMENT REFLECTS THE BRITANNIA GROUP'S COMMITMENT TO SHIPOWNERS AND OPERATORS IN KOREA. THE OFFICE IS STAFFED BY A PROFESSIONAL TEAM WITH SUBSTANTIAL EXPERIENCE IN THE P&I BUSINESS, WHO HAVE BEEN CLOSELY ASSOCIATED WITH BRITANNIA P&I FOR MANY YEARS.

# SUSTAINABILITY

**IN AN EVER MORE COMPLEX AND FAST-CHANGING WORLD FOR OUR MEMBERSHIP TO NAVIGATE, THE BRITANNIA GROUP WILL CONTINUE TO MEET AND RESPOND TO THE EXPECTATIONS OF OUR MEMBERS, OTHER STAKEHOLDERS AND THE SHIPPING INDUSTRY TO ADDRESS ESG CHALLENGES AND WORK TOWARDS CREATING A MORE SUSTAINABLE FUTURE.**

Over the last year the Britannia Group has continued its work on ESG to support a more sustainable world. In October 2023 we issued our third annual sustainability report providing the latest status on our sustainability journey. Sustainability is now a fixed part of the Britannia Group's Board meetings, and its Risk & Audit and Investments Committees, where we address our sustainability strategy progress and emerging ESG risks and opportunities.

Our strategy is aligned with the ten principles of the United Nations' (UN) Global Compact and ten of the UN Sustainable Development Goals (SDGs).

Furthermore, our aim is to help our Members to achieve their ESG goals while ensuring that the Managers' operations are appropriately resourced to allow us to be a key partner in the transition journey. We are supporting our Members in a number of different areas – our loss prevention department continues to organise seminars and webinars to help raise awareness of specific hazard areas such as helping to ensure the safety and wellbeing of seafarers and protecting the marine environment. The loss prevention department regularly produces insight in the form of articles and reports to assist our membership in mitigating risk exposure during the transition to green energy and on emerging risks in relation to climate change and the use of alternative fuels.

The Britannia Group continues to be active in contributing to the work of the IG, helping to shape the IG's strategy and contributing to its core workstreams. As a member of the IG's Sustainability Committee we were influential in drafting the IG's first sustainability report, published in July 2022, as well as its next report, to be published in 2024.

In 2024 the Managers will be joining ClimateWise, which is part of Cambridge University's Centre for Sustainable Finance. ClimateWise represents a network of leading insurance organisations which helps to align the expertise of its members to directly support society as it responds to the risks and opportunities of climate change. This will benefit the Britannia Group and its Members by providing access to thought leadership in the ESG field from the world's leading insurers and academics.



The Britannia Group and its Managers continue to support a wide range of volunteering and charity fundraising activities undertaken by its employees across its office locations. It also supports local and maritime charities, particularly those concerned with seafarer welfare, through regular donations. In July 2023 the Britannia Group made separate one-off donations of USD75,000 to four maritime charitable organisations based in Bermuda (home to our primary intragroup reinsurer, USMIA). All the charities support aspiring or more experienced sailors as well as local maritime communities in Bermuda.

# CLASS 3 – PROTECTION AND INDEMNITY (P&I)

The following charts compare P&I claims notified at 20 February 2024 with the prior year.

### RETAINED CLAIMS

While the five-year average claim numbers and values have increased, this in part mirrors the growth in the Britannia Group's entered tonnage.

As usual, the vast majority of claims notified in the 2023/24 policy year have a value of significantly less than USD1m. Claims above USD1m are often small in number but have a significant impact on any given policy year. As at 20 February 2024, there were 20 claims above USD1m in respect of the 2023/24 policy year. While 20 is in line with the five-year average, their USD75m aggregate value is 12.5% higher than the five-year average.

Our professional handling of claims reinforces our support of mutuality and the Britannia Group's membership. This includes our loss prevention and claims teams continuing to work with Members to identify trends and 'learn lessons'.

Bridge team management and navigation continue to pose challenges, with two of our three largest claims notified in 2023/24 involving collisions. The first claim related to the sinking of a tug in the Suez Canal, with the subsequent salvage operation resulting in a disruption to other ships navigating in the canal. The second claim involved the sinking of a bulk carrier following a collision in a traffic separation scheme in the North Sea, sadly resulting in loss of life. The third largest claim involved a ship coming into contact with a gantry crane at a European port. The gantry crane collapsed causing damage to cargo and significant damage to the crane.

### POOL CLAIMS

The Britannia Group continues to benefit from the financial strength of Pooling claims with the 11 other IG Clubs.

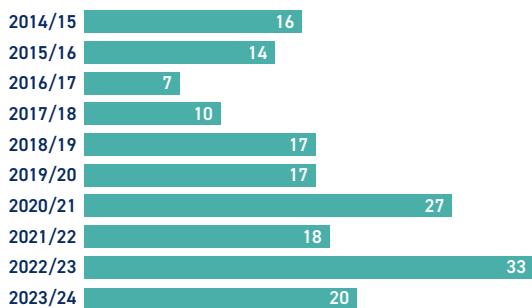
As at 20 February 2024, 12 Pool claims had been notified within the IG for the 2023/24 policy year, with a total ground up value of USD256.4m and of which USD136.4m is covered by the Pool.

The following chart shows Pool volatility over the past five years, which have seen aggregate claims range from USD256m to USD1.2bn (as at 20 February 2024).

We continue to see Pool claims from other IG Clubs involving collisions or property damage. During 2023/24, one such claim was *PRINCESS EMPRESS*, an oil tanker that sank off the coast of the Philippines. The cargo of oil escaped and affected the shoreline and other sensitive natural resources. *WAN HAI A02* was a container ship that, upon departure from a port in Vietnam, collided with a bulk carrier that was discharging cargo at the berth. The collision resulted in damage to the bulk carrier, a collapse of the jetty and damage to a moored barge.

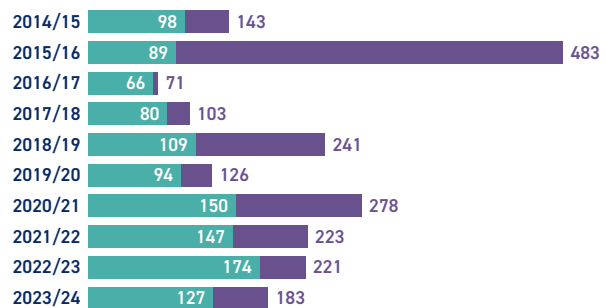
### CLASS 3 P&I CLAIMS

NUMBER OF CLAIMS THAT ARE GREATER THAN USD1M (NET) AT 20 FEBRUARY 2024



### ESTIMATED CLAIMS

(USDM) AT 20 FEBRUARY 2024



NET  
POOL AND REINSURANCE RECOVERIES





香港

BRITANNIA P&I HONG KONG

OUR HONG KONG OFFICE OPENED IN 2013 AND SERVES MEMBERS IN HONG KONG, TAIWAN AND MAINLAND CHINA, AS WELL AS IN SOUTH KOREA, AND REPRESENTS APPROXIMATELY 21% OF THE BRITANNIA GROUP'S ENTERED TONNAGE. THE HUB HAS A DEDICATED TEAM OF 20 PROFESSIONALS FOCUSED ON MEETING THE NEEDS OF OUR MEMBERS ACROSS THE REGION.



# CLASS 6 – FREIGHT, DEMURRAGE AND DEFENCE (FD&D)

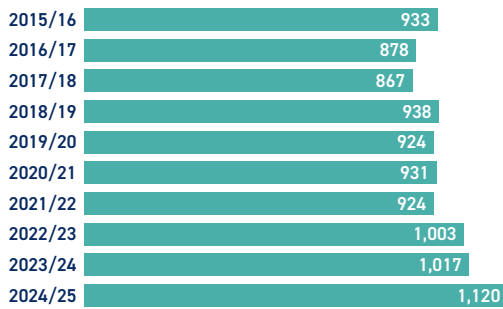
Class 6 FD&D provides our Members with insurance for legal costs relating to shipping disputes that are not already covered under Class 3 P&I or any other form of insurance. The most common disputes relate to the payment of hire, freight, demurrage and other sums due under charterparties, cancellation and breaches of charterparty, hull damage and bunker claims. For further details see:

<https://bit.ly/FDandD>

The Britannia Group has a well-established global FD&D team, which seeks to handle as many claims as practical in-house. For more complex claims or where the amount in dispute is significant, we usually work with external lawyers as well as experts.

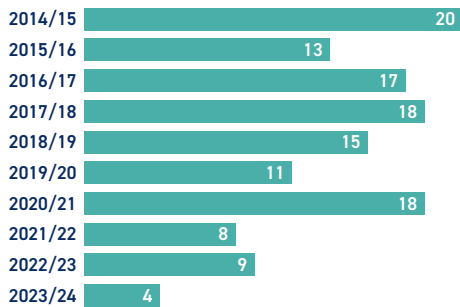
The charts below shows the number and value of claims notified at 20 February 2024, compared to the prior policy years at year end. Most FD&D disputes are settled but a small number of cases are only resolved by a hearing after several years of legal proceedings. These inevitably produce the highest value claims with estimated costs increasing as the case progresses, with the most significant costs usually being incurred in relation to the hearing itself. This is illustrated by the chart showing the number of claims greater than USD50,000.

## CLASS 6 FD&D SHIPS ENTERED

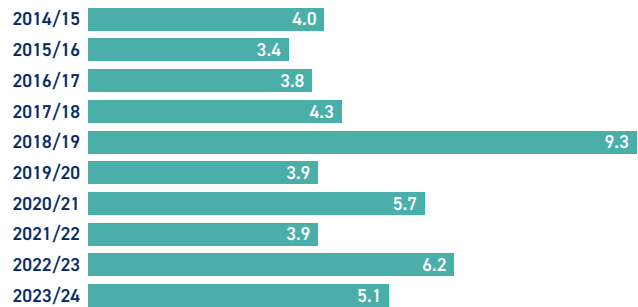


## CLASS 6 FD&D CLAIMS

NUMBER OF CLAIMS NOTIFIED TO DATE THAT ARE GREATER THAN USD50,000 (NET)



ESTIMATED RETAINED CLAIMS (USDM) AS AT 20 FEBRUARY 2024



GROSS AND NET



EVOLVING FROM THE BRITANNIA GROUP'S EXCLUSIVE CORRESPONDENT IN JAPAN, OUR JAPAN OFFICES HAVE A DEEP-ROOTED CONNECTION WITH THE CLUB AND OUR MEMBERS. THE BRITANNIA GROUP'S PRESENCE IN JAPAN DATES TO 1953 THROUGH OUR FORMER LOCAL EXCLUSIVE CORRESPONDENTS, CORNES & CO. LTD. IN 1989, BRITANNIA P&I JAPAN WAS GRANTED THE FIRST OVERSEAS P&I CLUB BUSINESS LICENCE IN JAPAN.

日本

BRITANNIA P&I JAPAN



BRITANNIA EUROPE'S HEADQUARTERS, BASED IN LUXEMBOURG, IS STRATEGICALLY POSITIONED TO SERVE THE CLUB'S EUROPEAN MEMBERSHIP BASE. WITH A DEDICATED TEAM, WE ENSURE THAT BRITANNIA EUROPE MEETS ALL REGULATORY EXPECTATIONS.

BRITANNIA P&I LUXEMBOURG



## MEMBERS OF THE BOARD

**A J Firmin** Hamburg<sup>1,2,3,4</sup>  
(Chair)

**R Ching** Hong Kong

**S-C Lan** Taipei<sup>2</sup>

**L Martel** Montreal<sup>3</sup>

**C Munch** Copenhagen<sup>1,3</sup>

**M Rothkopf** Hamburg<sup>4</sup>

**R L Sadler** London<sup>1</sup>

**D F Saracakis** Athens<sup>2,4</sup>

**E Verbeeck** Antwerp<sup>1</sup>

**X Villers** London<sup>1,3</sup>

**J Warwick** London<sup>3,4</sup>

**N Yamamoto** Tokyo

(Appointed 9 May 2023)

**A J Cutler** London (Manager)<sup>2,4</sup>

**M R A Hall** London (Manager)<sup>2,4</sup>

<sup>1</sup> Risk & Audit Group

<sup>2</sup> Nomination Subcommittee

<sup>3</sup> Remuneration Group

<sup>4</sup> Investment Group

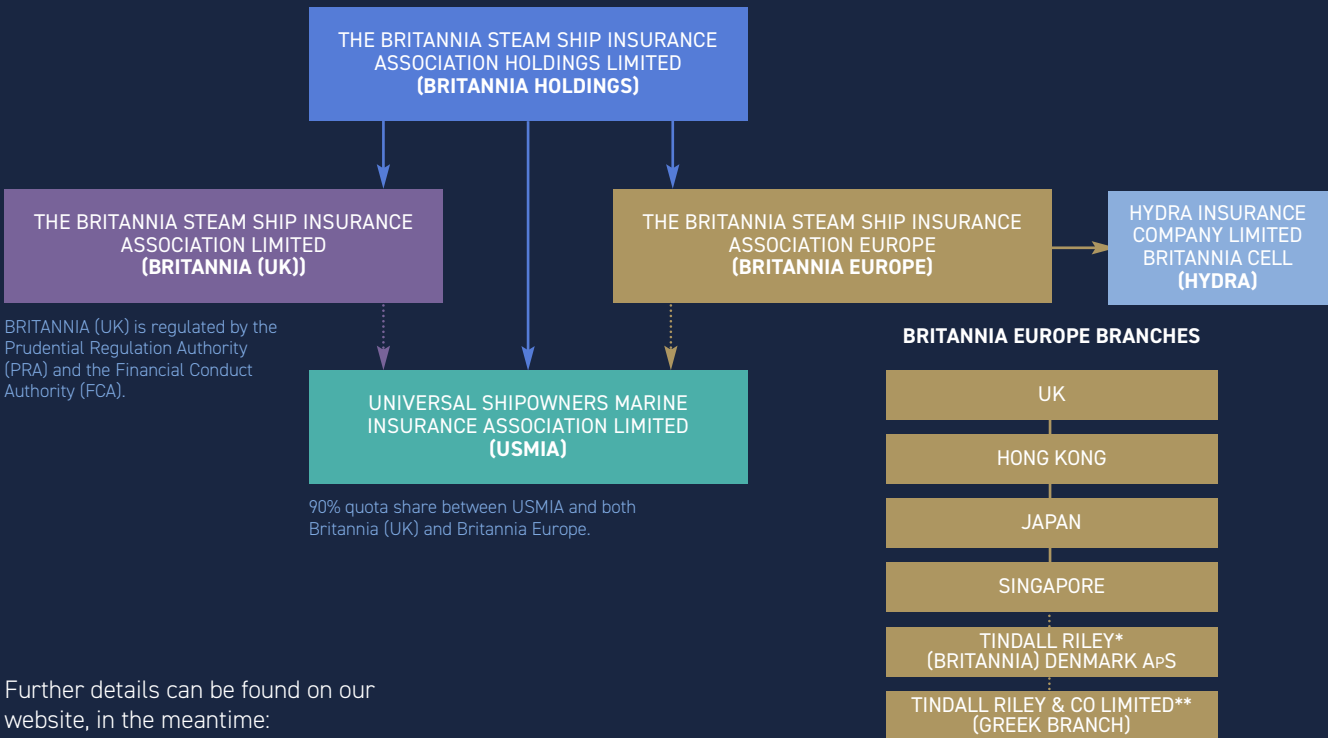


Taken at the Board meeting on 24 October 2023 in Athens.

# CORPORATE GOVERNANCE

TRUSTED BY OUR MEMBERS SINCE 1855, OUR CORE VALUES REMAIN MUTUALITY, TRUST, INTEGRITY, EXPERTISE AND EXCELLENCE. OUR PRIORITY IS OUR MEMBERS AND OUR TRACK RECORD OF FINANCIAL STRENGTH, TOGETHER WITH A PREMIUM SERVICE, HAVE ESTABLISHED THE BRITANNIA GROUP AS ONE OF THE MARKET LEADERS IN THE INTERNATIONAL GROUP (IG). ONE OF OUR STRATEGIC AIMS IS A COMMITMENT TO THE IG AND WE CURRENTLY HOLD THE ROLES OF IG CHAIR (ANDREW CUTLER) AND CHAIR OF THE PIVOTAL REINSURANCE COMMITTEE (MIKE HALL).

THE CHART BELOW DETAILS THE CORPORATE STRUCTURE OF THE BRITANNIA GROUP



Further details can be found on our website, in the meantime:

- Britannia Holdings is the controlling member of both Britannia Europe and Britannia (UK). This ensures that across the Britannia Group we apply common procedures and policies, along with a consistent approach to the cover provided to Members, solvency, capital management, risk, underwriting and claims handling;
- Whether insured by Britannia Europe or Britannia (UK), every Member is part of and benefits from the strength of the Britannia Group;
- The Boards of Britannia Holdings, Britannia Europe and Britannia (UK) are identical in representation and include an independent non-executive Chair, non-executive industry experts, representation from Members and two Manager appointed directors;

- The Boards are the ultimate decision making body (e.g. in respect of deciding our strategy, cover and Rule changes, risk and capital strategies, appointment of auditors and decisions on premium). However, an important element within our structure is the Members' Representative Committee (MRC); and
- The MRC's role includes acting as a sounding board on all significant matters considered by the Boards e.g. strategy, changes to our Rules and calls.

BRITANNIA EUROPE is regulated by the Commissariat aux Assurances (CAA) and its branches are regulated by both the CAA and the PRA/FCA (UK), Insurance Authority (Hong Kong), Japanese Financial Services Agency (Japan) and Monetary Authority of Singapore (Singapore).

\*Tindall Riley (Britannia) Denmark ApS is registered with the Danish Business Authority and the Danish Financial Supervisory Authority and treated by the CAA as a regulatory branch of Britannia Europe.

\*\* Tindall Riley & Co Limited (Greek Branch) is registered with the Bank of Greece and treated by the CAA as a regulatory branch of Britannia Europe.

# MANAGEMENT AND MUTUAL NATURE

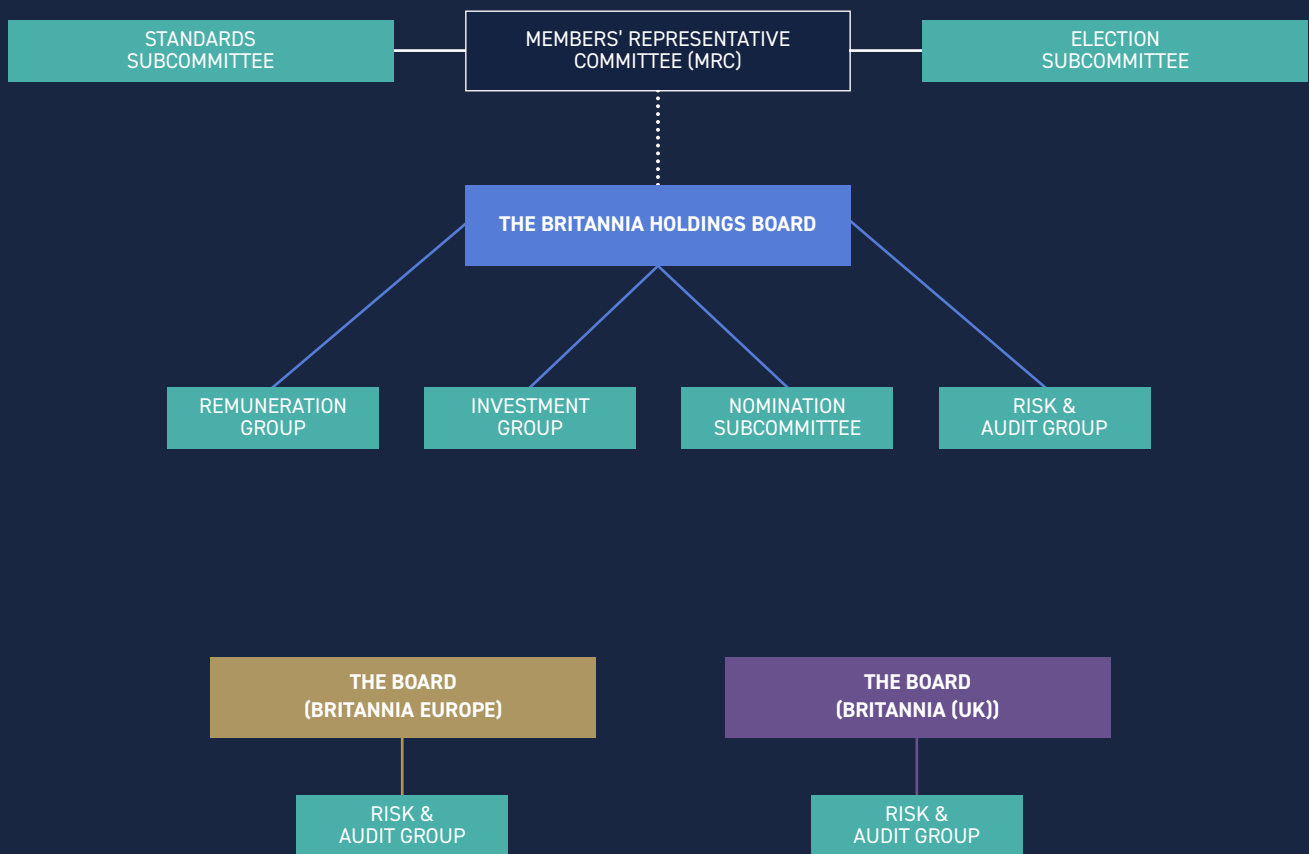
**OUR ARTICLES OF ASSOCIATION SET OUT THE TERMS UNDER WHICH WE OPERATE, WITH OUR MUTUAL STATUS DEFINED BY THE PROVISIONS CONTAINED IN THOSE ARTICLES AND ALSO THE RULES OF BRITANNIA EUROPE AND BRITANNIA (UK).**

We have appointed Tindall Riley & Co Limited, through its wholly owned subsidiaries Tindall Riley Europe Sàrl and Tindall Riley (Britannia) Limited, as the Managers who take care of our day to day business. We pay the Managers a fee to manage and provide these services, which is disclosed in the Britannia Group’s annual report and accounts.

Member’s premium based on their individual risk and claims record over a ten-year period. Underpinning this, our experienced team supports all of our Members by providing professional and proactive advice on loss prevention and claims management. Understanding our Members enables us to adapt our services to meet their needs.

We are committed to mutuality. As a mutual insurer we do not have to answer to shareholders, only to our Members, most of whom have been with us for many years. When considering new Members, we look to ensure that they mirror our values. Our mutuality allows us to write each

THE CHART BELOW DETAILS OUR GOVERNANCE STRUCTURE, INCLUDING THE RELATIONSHIP BETWEEN THE BOARDS AND THE MRC



The Boards and the MRC devolve some of their authority to subcommittees, whose Terms of Reference are found on our website.

ESTABLISHED IN 2018, THE SINGAPORE HUB LOOKS AFTER MEMBERS ENTERED IN THE BRITANNIA GROUP FROM INDIA, ASEAN AND AUSTRALIA. THE SINGAPORE TEAM ALSO HANDLES CLAIMS ARISING IN THE REGION AND, WHERE REQUIRED, WORKS IN ASSOCIATION WITH OUR NETWORK OF LOCAL CORRESPONDENTS. IN 2019, SINGAPORE'S INSURANCE REGULATOR GRANTED BRITANNIA P&I A LICENCE TO UNDERWRITE BUSINESS FROM OUR SINGAPORE BRANCH WHICH CURRENTLY REPRESENTS 7% OF THE BRITANNIA GROUP'S ENTERED TONNAGE. WITH A TEAM OF 25, THE SINGAPORE OFFICE ALSO HAS LOSS PREVENTION AND PEOPLE RISKS DEPARTMENTS.

# BRITANNIA P&I SINGAPORE





# STATEMENT OF COMPLIANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006

**SECTION 172(1) OF THE COMPANIES ACT 2006 REQUIRES THE DIRECTORS TO PROMOTE THE SUCCESS OF THE BRITANNIA GROUP FOR THE BENEFIT OF THE MEMBERS AND OTHER KEY STAKEHOLDERS.**

In doing so, the directors must have regard to six main areas:

- **THE LIKELY CONSEQUENCES OF ANY DECISION TAKEN IN THE LONG TERM;**
- **THE INTERESTS OF EMPLOYEES, WHICH IN THE CASE OF THE BRITANNIA GROUP RELATES TO THOSE EMPLOYED BY ITS MANAGERS;**
- **THE NEED TO FOSTER BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS;**
- **THE IMPACT OF THE OPERATIONS OF THE BRITANNIA GROUP ON THE COMMUNITY AND THE ENVIRONMENT;**
- **THE DESIRE TO MAINTAIN A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT; AND**
- **THE NEED TO ACT FAIRLY AS BETWEEN THE MEMBERS OF THE BRITANNIA GROUP.**

The Britannia Group's key stakeholders are the Members, who comprise the shipowners and charterers who have ships entered with it. Our corporate governance structure, explained in detail on pages 20 and 21, includes the Members' Representative Committee, which includes representatives drawn from the Britannia Group's shipowner Members, and which allows wider engagement with the membership on the impacts of the main decisions of the Board, which include call setting, capital distributions and investment strategy.

Further engagement with the membership takes place through the Standards Subcommittee and the Loss Prevention Programme, described on page 12, and the annual European and Asian Member Forums.

The other principal stakeholders that have been identified by the Board are the Managers, and their employees worldwide, who carry out all the day to day operational and management functions of the Britannia Group, and those others that provide services to it such as investment managers, professional advisers, the exclusive and local correspondents, local experts such as surveyors, the Britannia Group's reinsurance providers and insurance brokers. We have built strong relationships with these stakeholders over the years. In particular, the average length of the

current membership of the Associations is 25 years, and the partnering relationship with the exclusive correspondents goes back in some cases over generations.

One of the Britannia Group's seven risk appetite statements relates to the long-term sustainability of its business. All key decisions of the Board, such as those set out above, have regard to this principle such that 'short-termism' is avoided in favour of the long-term view. The Board also sets economic capital targets at high levels of confidence with the aim of achieving long-term financial stability.

The relationship between the Britannia Group and the Managers, which dates back over 166 years, is symbiotic, in that the success of one is inextricably linked to the success of the other. Decisions taken by the Board that directly impact the Managers, such as the amount of the management fee, take full account of this relationship, having regard to service levels and accountability.

We have a robust Environmental, Social and Governance (ESG) policy, which is used to assess the impact of our operations on the communities in which it operates and on the wider environment. It includes an assessment of the likely effects of political and climate change.

Through its regulated entities, the Britannia Group aligns the way in which it does business with the Regulators' conduct rule, such as 'treating customers fairly'. As a mutual insurance business, the fair treatment by the Britannia Group of its Members is a fundamental principle. It has in place a Standards of Business Conduct policy, which sets out the regulatory conduct rules and covers additional areas such as the whistleblowing policy, how we manage conflicts of interest, the remuneration policy, the Britannia Group's modern slavery statement and the anti-bribery and corruption policy. We also have a Financial Crime policy.

Our reputation is fundamental to our ability to carry out business and we seek to protect this reputation by sticking firmly to the principles of fairness and sound business conduct that the Board has established.

# STATUTORY DIRECTORS' REPORT

## THE PRINCIPAL ACTIVITIES OF THE BRITANNIA GROUP AND ITS SUBSIDIARIES DURING THE YEAR WERE THE INSURANCE AND REINSURANCE OF THE RISKS OF PROTECTION AND INDEMNITY (CLASS 3) AND FREIGHT, DEMURRAGE AND DEFENCE (CLASS 6).

### PRINCIPAL ACTIVITIES

The Strategic Report on pages 1 to 23 reports on these activities and the financial results of the Britannia Group for the year together with likely future developments.

### FINANCIAL PERFORMANCE

The directors are satisfied with the performance as stated on page 1.

### FINANCIAL INSTRUMENTS

Information on the use of financial instruments by the Britannia Group and its management of financial risk is addressed in Note 16 to the financial statements. Our exposure to cash flow risk is addressed under the headings of credit risk, liquidity risk and market risk in that note.

### AUDITOR

The Managers are responsible for the preparation of the financial statements and have confirmed they have provided all relevant audit information of which they are aware. The Risk & Audit Group have considered the financial statements with the Managers, met privately with the auditors, and reported to the Board.

So far as each of the persons who is a director at the time of this report is aware, there is no relevant audit information of which the Britannia Group's auditors are unaware. The directors confirm that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that our auditors are aware of that information.

Deloitte LLP have expressed their willingness to be reappointed as auditors of the Britannia Group. A resolution to reappoint them as the Britannia Group's auditors and to authorise the directors to fix their remuneration will be proposed at the annual general meeting (AGM).

The directors confirm that, to the best of their knowledge, the Strategic Report on pages 1 to 23 includes a fair review of the development and performance of the business and the position of the Britannia Group, together with a description of the principal risks and uncertainties that it faces.

### CARBON REPORTING

Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting)

Regulations 2018 (the Regulation) require the Group to report publicly on its UK energy use and carbon emissions as the Britannia Group has annual turnover in excess of GBP36m and a statement of financial position balance in excess of GBP18m. However, as the entirety of the management of the business is outsourced and managed by Tindall Riley & Co Limited, the Britannia Group has no direct control over these costs.

Hence, effectively this would classify the Britannia Group as a 'low energy user' and therefore no disclosures have been made.

### FUTURE DEVELOPMENTS

Likely future developments of the Britannia Group are discussed in the Strategic Report.

### DIRECTORS

The members of the Board are directors of the Britannia Group for the purposes of the Companies Acts. The present members of the Board are listed on page 19 of this report.

On 17 May 2023 Mr E Verbeeck was re-elected to the Board following a change in his employment status. He was then re-elected at the AGM on 4 July 2023.

A J Cutler, A J Firmin, M R A Hall, D F Saracakis and X V N Villers all retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election as directors.

### DIRECTORS' INDEMNITY INSURANCE

The Britannia Group has purchased directors' and officers' liability insurance in respect of all of its directors and also its representatives on the MRC.

### GOING CONCERN

In accordance with the requirements of Financial Reporting Standard 102, the Board of Directors has assessed the Britannia Group's ability to continue as a going concern. Our financial position, cash flows and liquidity position all form part of these financial statements. Principal risks and uncertainties are set out in Note 16 to the Financial Statements and include reference to the Britannia Group's objectives for managing capital in line with its financial risks as set out in its SFCR.

Our most recent ORSA was completed during November 2023. An important component of the ORSA process is an assessment of the Britannia



THE TAIWAN OFFICE IS STAFFED BY AN EXPERIENCED TEAM, WHO HAVE WORKED CLOSELY WITH THE BRITANNIA GROUP FOR MANY YEARS. THEIR COLLECTIVE EXPERIENCE IN P&I CLAIMS IS UNPARALLELED IN THE LOCAL MARKET. WITH A FOCUS ON MEMBER SERVICES, CLAIMS ASSISTANCE, AND RISK MANAGEMENT, B TAIWAN CATERS TO THE SPECIFIC NEEDS OF TAIWANESE SHIPOWNERS AND OPERATORS.



Group's projected future SCR and its projected own funds available to meet its SCR. These forward-looking assessments project the Britannia Group managing its risks successfully and maintaining sufficient financial resources to meet its SCR over the period assessed.

The Britannia Group is exposed to a number of financial risks, as set out in Note 16 to the Financial Statements, which could negatively impact future operating performance and financial strength. Events currently unfolding in Ukraine have contributed to what was already an elevated level of volatility in financial markets, but to date have not led to an escalation in claims activity. Our Capital Management Plan lists potential management actions for the Board to consider if there is ever a need to remedy a future capital deficiency. One potential management action is for the Board to exercise its contractual right, as a mutual organisation, to set Supplementary Calls on our Mutual Members.

The Board has a reasonable expectation that the Britannia Group has adequate resources to continue in operational existence for the foreseeable future, and for at least 12 months from the date when these financial statements were approved and signed.

Accordingly, the Board considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

#### SUBSEQUENT EVENTS

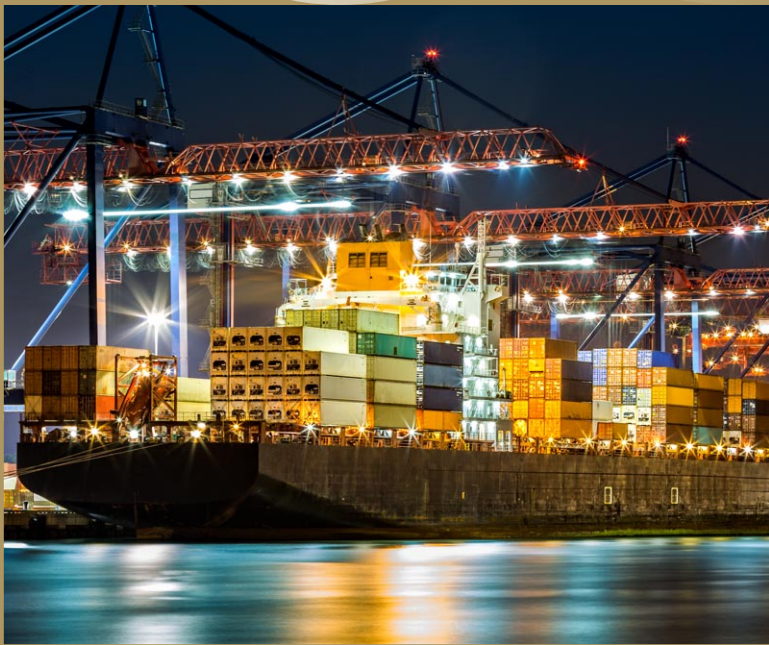
On 26 March 2024 the container ship *DALI*, which is entered with the Britannia Group, allided with one of the pillars of the Francis Scott Key Bridge, Baltimore at approximately 01:30 local time on its journey from Baltimore to Colombo. The ship's owners and their managers continue to work with the relevant authorities. The exact cause of the incident is yet to be determined and a full investigation has been launched by the National Transportation Safety Board. In allision incidents such as this there is a presumption of liability on the part of the ship, however the quantum of any loss and final liability are yet to be determined. Claims arising from this incident will fall within the 2024/25 policy year.

By order of the Board  
**H J Connell**  
 6 June 2024

Companies House Number 11686576

THE BRITANNIA GROUP'S NEW YORK HUB, ESTABLISHED IN 2020 AND OFFICIALLY BECOMING PART OF THE BRITANNIA GROUP IN 2023, PROVIDES SUPPORT TO ALL OUR MEMBERS REQUIRING ASSISTANCE WITH CLAIMS IN THE AMERICAS. THE OFFICE HAS AN EIGHT-STRONG TEAM DEDICATED TO PROVIDING EXCEPTIONAL SERVICE. NORTH AMERICA IS AN INCREASINGLY IMPORTANT MARKET FOR THE BRITANNIA GROUP AND ACCOUNTS FOR APPROXIMATELY 4% OF OUR ENTERED TONNAGE.

BRITANNIA P&I USA



# FINANCIAL STATEMENTS

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Britannia Group and its income and expenditure for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Britannia Group will continue in business.

The directors are responsible for keeping proper accounting records that show the Britannia Group's transactions and disclose with reasonable accuracy at any time the financial position of the Britannia Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Britannia Group and to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION HOLDINGS LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### 1 OPINION

In our opinion the financial statements of The Britannia Steam Ship Insurance Association Holdings Limited (the 'parent company') and its subsidiaries (the 'Britannia Group'):

- give a true and fair view of the state of the Britannia Group's and of the parent company's affairs as at 20 February 2024 and of the Britannia Group's net surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and Financial Reporting Standard 103 'Insurance Contracts' and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income and expenditure account
- the consolidated and parent company statements of financial position
- the consolidated statement of cash flows; and
- the related notes 1 to 24 (excluding the parts of note 16.6 (capital risk management) which are marked as unaudited).

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and Financial Reporting Standard 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

### 2 BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Britannia Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3 SUMMARY OF OUR AUDIT APPROACH

#### Key audit matters

The key audit matter that we identified in the current year was:

- Valuation of IBNR on retained claims reserves.

Within this report, the key audit matter is identified as follows:

 Similar level of risk.

#### Materiality

The materiality that we used in the current year for the Britannia Group was USD16.5m which was determined on the basis of 3% of net assets. For the parent company we used materiality of USD753,000 which was determined on the basis of 3% of net assets.

**Scoping**

Our scoping approach is to respond to the risk of material misstatement for financial significant components and components that are material due to risk. The audit work was performed directly by the group audit engagement team.

**Significant changes in our approach**

There have been no significant changes to our approach in the current year.

**4 CONCLUSIONS RELATING TO GOING CONCERN**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Britannia Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessing the financial performance of the Britannia Group and parent company, including investment holdings, cash position, technical provision reserves and net asset positions; this included performing a comparison analysis of the current year versus prior year-end positions;
- evaluating management's reverse stress testing within the Britannia Group Own Risk and Solvency Assessment (ORSA) report;
- assessing management's forecasts for the 12-month period from the date of approval of the financial statements;
- assessing the historical accuracy of past forecasts; and
- assessing the appropriateness of the going concern disclosure in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Britannia Group's and parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**5 KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**5.1 Valuation of IBNR on retained claims reserves <>****Key audit matter description**

Reserves for gross claims outstanding includes reserves for claims incurred but not reported (IBNR), which are typically recognised to reflect the uncertainty around the ultimate losses that will be incurred arising from claims due to the long-term nature of the Britannia Group's exposure.

The IBNR reserve is inherently subjective with high estimation uncertainty, and alterations in underlying assumptions may have a material impact of the financial position of the Britannia Group and on the results of its operations.

We have identified the valuation of IBNR on retained claims with a total amount of USD1.10bn (2022/23 – USD1.16bn) as our key audit matter since reserving inherently involves uncertainty, and judgement in the selection of key methodologies and assumptions relating to the frequency and severity of claims.

Further details are included in Note 7 of the financial statements.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION HOLDINGS LIMITED

## 5.1 Technical Provisions – Valuation of IBNR on retained claims reserves (continued)

### How the scope of our audit responded to the key audit matter

We obtained an understanding of relevant controls over the reserving cycle and in relation to valuation of IBNR on retained claims reserve;

With involvement of our actuarial specialists we assessed the appropriateness of the key assumptions and judgements used in determining the valuation of IBNR on retained claims reserves;

We also performed audit procedures on testing the key inputs of the technical reserves balance by agreeing policy and claims data to the underlying records; and

We performed a 'stand-back' analysis of technical provisions, evaluating whether audit evidence is robust and sufficient and assessing for consistency with other information obtained during the audit.

### Key observations

Based on the work performed, we concluded that the valuation of IBNR on retained claims reserves is reasonable.

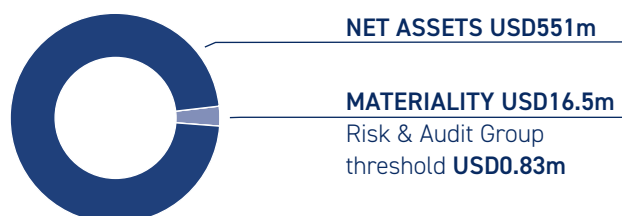
## 6 OUR APPLICATION OF MATERIALITY

### 6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Britannia Group financial statements	Parent company financial statements
<b>Materiality</b>	USD16.5m (2022/23 – USD15.3m)	USD753,000 (2022/23 – USD750,000)
<b>Basis for determining materiality</b>	3% of net assets (2022/23 – 3% of net assets)	3% of net assets (2022/23 – 3% of net assets)
<b>Rationale for the benchmark applied</b>	The Britannia Group is a mutual insurance company, which exists for the benefit of its Members. As such, we have judged net assets to be the most appropriate benchmark as this represents the Britannia Group's ability to meet claims as they fall due, which is deemed to be the most significant to the Members. The parent is a holding company and we considered net assets to be the most appropriate benchmark to use.	





## 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Britannia Group financial statements	Parent company financial statements
<b>Performance materiality</b>	65% (2022/23 – 65%) of Britannia Group materiality	65% (2022/23 – 65%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered the following factors: a) the quality of the control environment and the fact that we did not rely on controls; b) our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

## 6.3 Error reporting threshold

We agreed with the Risk & Audit Group that we would report to the Committee all audit differences in excess of USD826,000 for the Britannia Group (2022/23 – USD765,000) and USD37,000 for parent company (2022/23 – USD38,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Risk & Audit Group on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7 AN OVERVIEW OF THE SCOPE OF OUR AUDIT

### 7.1 Identification and scoping of components

The scope of our audit work was determined by obtaining an understanding of the Britannia Group and its environment and assessing the risks of material misstatement at the Britannia Group level.

The Britannia Group is comprised of The Britannia Steam Ship Insurance Association Europe (Britannia Europe), The Britannia Steam Ship Insurance Association Limited (Britannia (UK)), Universal Shipowners Marine Insurance Association (USMIA) and Britannia's Hydra cell (Hydra).

Britannia Europe is the main insurance risk carrier within the Britannia Group and, along with Britannia (UK) (a non-trading regulated insurance company), is subject to full scope audit procedures performed by the Britannia Group audit team to component materialities.

USMIA and Hydra provide reinsurance coverage within the Britannia Group, with mainly intra-group transactions and balances, with the exception of investments and cash. Therefore, we performed specified audit procedures on prescribed balances performed by the Britannia Group audit team to component materiality.

Component materialities ranged from USD238,000 to USD8.6m.

Based on the scope of our audit, we have scoped in 100% of consolidated calls and premiums, and 99% of consolidated net surplus and consolidated net assets within our scope of testing.

### 7.2 Our consideration of the control environment

As an insurance business, the Britannia Group's financial reporting processes are reliant on IT controls. In planning our 2023/24 audit, we worked with our in-house IT specialists to obtain an understanding of the two relevant IT systems (Oracle and BPMS) that handle data relating to premiums, investments, reinsurance, reserving, claims, expenses and other balances.

While the Britannia Group has made improvements in its control environment compared to the prior year, we identified a number of control deficiencies and reported these to the Risk & Audit Group. Due to the reliance of business processes on IT controls and our findings, we adopted a fully substantive approach in our audit and we did not rely on the controls, this has been communicated to the Risk & Audit Group in our report.

### 7.3 Our consideration of climate-related risks

As part of our audit, we have considered the impact of climate change on the Britannia Group's operations and its impact on its financial statements. We gained an understanding of management's processes to address climate-related risks, including the reporting and monitoring of climate-related risks to the Risk & Audit Group.

We performed our own risk assessment of the financial impact of climate risks on the financial statements. In doing so we considered the estimates and judgements applied to the financial statements and how climate risks may impact their valuation.

We have read the disclosures relating to climate risks in management's sustainability report on page 13 and the annual report and consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION HOLDINGS LIMITED

## 8 OTHER INFORMATION

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The other information comprises the information included in the annual report, and the parts of note 16.6 (capital risk management) which are marked as unaudited, but exclude the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

**We have nothing to report in this regard.**

## 9 RESPONSIBILITIES OF DIRECTORS

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As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Britannia Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Britannia Group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10 AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)  
This description forms part of our auditor's report.

## 11 EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

### 11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Britannia Group's remuneration policies and performance targets, key drivers for directors' remuneration;
- the Britannia Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management internal audit, the directors and the Risk & Audit Group about their own identification and assessment of the risks of irregularities including those that are specific to the Britannia Group's sector;

### 11.1 Identifying and assessing potential risks related to irregularities (continued)

• any matters we identified having obtained and reviewed the Britannia Group's documentation of their policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.

• the matters discussed among the audit engagement team and relevant internal specialists, including IT and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of IBNR on retained claims reserves. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Britannia Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation, authorisation by the Luxembourg Minister of Finance and regulations by the CAA, UK Prudential Regulation Authority (PRA) and regulations by the Financial Conduct Authority (FCA) as well as branches in Hong Kong (regulated by the Hong Kong Insurance Authority) and Singapore (regulated by the Monetary Authority of Singapore) and Japan (regulated by the Japanese Financial Services Agency). In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Britannia Group's ability to operate or to avoid a material penalty. These included the regulatory solvency requirements and insurance regulations.

### 11.2 Audit response to risks identified

As a result of performing the above, we identified valuation of IBNR on retained claims reserves as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, directors, and the Risk & Audit Group concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the PRA and the FCA, and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION HOLDINGS LIMITED

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### 12 OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Britannia Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 13 MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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#### 13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

#### 13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

**We have nothing to report in respect of this matter.**

### 14 USE OF OUR REPORT

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This report is made solely to the company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

**Adam Addis** FCA  
Senior statutory auditor  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
6 June 2024

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

20 FEBRUARY 2024

Technical account – general business	Note	2024 USD(000)	2023 USD(000)
<b>Earned premiums, net of reinsurance</b>			
Calls and premiums	4	<b>288,815</b>	258,140
Reinsurance premiums	5	<b>(62,602)</b>	(55,164)
		<b>226,213</b>	202,976
Allocated investment return transferred from the non-technical account		<b>39,859</b>	22,744
<b>Total income</b>		<b>266,072</b>	225,720
<b>Claims incurred net of reinsurance</b>			
Net claims paid	6	<b>(239,424)</b>	(184,282)
Change in provision for claims	7	<b>58,163</b>	14,349
Net claims incurred		<b>(181,261)</b>	(169,933)
<b>Net operating expenses</b>	9	<b>(50,245)</b>	(46,490)
<b>Total expenditure</b>		<b>(231,506)</b>	(216,423)
<b>Balance on technical account</b>		<b>34,566</b>	9,297
<b>Non-technical account</b>			
Balance on the technical account		<b>34,566</b>	9,297
Investment income	10	<b>46,370</b>	62,735
Investment expenses		<b>(1,832)</b>	(1,739)
Unrealised gain/(loss)		<b>19,036</b>	(124,777)
Allocated investment return transferred to the technical account		<b>(39,859)</b>	(22,744)
<b>Net surplus/(deficit) before taxation</b>		<b>58,281</b>	(77,228)
Taxation	12	<b>(38)</b>	(609)
<b>Net surplus/(deficit) after taxation</b>		<b>58,243</b>	(77,837)

All amounts are derived from continuing operations. The notes on pages 39 to 55 form part of these financial statements. There are no recognised gains and losses other than those included in the consolidated income and expenditure account.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

20 FEBRUARY 2024

<b>Assets</b>	Note	2024 USD(000)	2023 (restated) USD(000)
<b>Investments</b>			
Financial investments	13	<b>934,920</b>	827,532
<b>Intangible assets</b>			
	14	<b>5,748</b>	5,914
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding	7	<b>420,617</b>	414,840
<b>Debtors</b>			
Direct insurance operations – Members	18	<b>127,478</b>	96,927*
Reinsurance operations	19	<b>28,422</b>	26,148
Taxation		–	20
Other debtors		<b>6,370</b>	7,444
		<b>162,270</b>	130,539
<b>Other assets</b>			
Cash at bank		<b>182,130</b>	296,337
<b>Prepayments and accrued income</b>			
Accrued interest		<b>2,977</b>	816
Other prepayments and accrued income		<b>8,096</b>	2,809
<b>Total assets</b>		<b>1,716,758</b>	1,678,787
<b>Liabilities</b>			
<b>Reserves</b>			
Investment reserve	21	<b>109,795</b>	86,227*
General reserve	21	<b>55,000</b>	55,000
Income and expenditure account	21	<b>385,136</b>	360,461*
		<b>549,931</b>	501,688
<b>Technical provisions</b>			
Gross outstanding claims	7	<b>1,102,947</b>	1,155,333
<b>Creditors</b>			
Direct insurance operations – Members		<b>46,421</b>	15,000
Reinsurance operations		<b>16,399</b>	5,394
Other creditors		<b>1,060</b>	1,372
<b>Total liabilities</b>		<b>1,716,758</b>	1,678,787

\*Restated balances disclosed in note 20.

The notes on pages 39 to 55 form part of these financial statements.

**A J Cutler** Director**M R A Hall** Director

6 June 2024

# CONSOLIDATED STATEMENT OF CASH FLOWS

20 FEBRUARY 2024

	2024 USD(000)	2023 USD(000)
<b>Cash flows from operating activities</b>		
Net surplus/(deficit) before tax	<b>58,281</b>	(77,228)
Adjustments for:		
Amortisation of intangible assets	<b>166</b>	1,549
Change in provision for claims (net of reinsurance)	<b>(58,163)</b>	(14,349)
(Increase)/decrease in insurance and other debtors	<b>(39,199)</b>	25,163
Increase/(decrease) in insurance and other creditors	<b>42,114</b>	(32,442)
Net investment return	<b>(63,573)</b>	63,781
Cash from operations	<b>(60,374)</b>	(33,526)
Taxation paid	<b>(18)</b>	(629)
<b>Net cash from operating activities</b>	<b>(60,392)</b>	(34,155)
<b>Cash flows from investing activities</b>		
Purchase of intangible assets (software development)	-	(538)
Purchase of equities	<b>(56,557)</b>	(84,329)
Purchase of fixed interest investments	<b>(625,321)</b>	(154,798)
Proceeds from sale of equities	<b>43,190</b>	120,937
Proceeds from sale of fixed interest investments	<b>587,675</b>	215,135
Net change to deposits with credit institutions	<b>(11,685)</b>	69,646
Income received from equity investments	<b>1,653</b>	2,540
Income received from fixed income investments	<b>11,788</b>	4,300
Bank and other interest	<b>5,113</b>	7,746
Paid investment management expenses	<b>(1,832)</b>	(1,739)
<b>Net cash from investing activities</b>	<b>(45,976)</b>	178,900
<b>Cash flows from financing activities</b>		
Capital distribution to Members	<b>(10,000)</b>	-
<b>Net cash from financing activities</b>	<b>(10,000)</b>	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(116,368)</b>	144,745
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>296,337</b>	163,591
Exchange gains/(losses) on cash and cash equivalents	<b>2,161</b>	(11,999)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>182,130</b>	296,337

The notes on pages 39 to 55 form part of these financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION

20 FEBRUARY 2024

<b>Assets</b>	Note	2024 USD(000)	2023 USD(000)
<b>Investments</b>			
Investment in Britannia Group undertakings	15	<b>28,620</b>	28,620
<b>Other assets</b>			
Cash at bank		<b>4</b>	3
<b>Total assets</b>		<b>28,624</b>	28,623
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Income and expenditure account		<b>25,124</b>	25,122
Amounts owing to Britannia Group undertakings		<b>3,500</b>	3,500
Taxation		<b>-</b>	1
<b>Total liabilities</b>		<b>28,624</b>	28,623

The Britannia Steam Ship Insurance Association Holdings Limited (the Company) has taken advantage of the exemption in Section 408 of the Companies Act 2006 from presenting its own Statement of Comprehensive Income and related notes as it prepares consolidated accounts. The Company's surplus for the year ended 20 February 2024 was USD0 (2023 - USD0).

The notes on pages 39 to 55 form part of these financial statements.

**A J Cutler** Director

**M R A Hall** Director

6 June 2024



# NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2024

## 1 GENERAL INFORMATION

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The Britannia Steam Ship Insurance Association Holdings Limited is a company incorporated in England and Wales. The address of the registered office is given on the back cover. The nature of the Association's operations and its principal activities are set out in the Strategic Report on pages 1 to 23 of this publication.

### Basis of preparation

These Group financial statements, which consolidate the financial statements of the Company and its subsidiary undertakings, have been prepared under the historical cost convention as modified to include investments at market value, in compliance with Part 3 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (the Regulations) under the Companies Act 2006 and in accordance with applicable accounting standards in the UK. In accordance with Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103), the Britannia Group has applied existing accounting policies for insurance contracts. The Regulations require the use of the term 'profit and loss account' as a heading. This is replaced in these financial statements by 'income and expenditure account', consistent with the mutual status of the Britannia Group. The individual statement of financial position of the Company is prepared in accordance with the provisions of Section 394 of the Companies Act 2006 and the Regulations. Under FRS 102 Section 7 – Cash Flows, no Statement of Cash Flows has been presented for the Company as the cash flows of the Company are included within the Consolidated Statement of Cash Flows of the Britannia Group. An exemption has therefore been claimed under FRS 102 Section 1.12 (b).

### Going concern

The directors have a reasonable expectation that the Britannia Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. Subsequent events have been considered and if required are disclosed in note 24.

### Statement of compliance

These Group financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), FRS 103 and the Companies Act 2006.

## 2 ACCOUNTING POLICIES

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The following accounting policies have been applied consistently in dealing with items that are material to the consolidated financial statements.

### Basis of accounting

The Britannia Group's business is accounted for on an annual basis. Separate accounts are maintained for each class of business.

For the purpose of reporting to mutual Members, all transactions are allocated to individual policy years. Calls and premiums (including reinsurance premiums), claims and reinsurance recoveries are allocated to the policy year to which they relate. In the case of claims and reinsurance recoveries, the appropriate year is decided by the date of the incident giving rise to the claim. All other income and expenditure items are allocated to the current policy year except investment returns which are allocated to policy years on the same basis as they are credited to the technical account – general business.

### Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 20 February each year. Intra-group transactions, balances and gains and losses on intra-group transactions are eliminated upon consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Britannia Group. The Britannia Group has applied merger accounting to consolidate its subsidiaries of which it owns 100% by virtue of its controlling vote.

# NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2024

## 2 ACCOUNTING POLICIES (CONTINUED)

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### Rates of exchange

The Britannia Group uses the US dollar (USD) as its currency of presentation and functional currency. Monetary assets and liabilities denominated in other currencies are translated into USD at the rates ruling at the statement of financial position date. Revenue transactions are translated at the actual rate applying at the date of transaction or, where this is not practicable, the average rate for the year. Exchange rate differences are recognised in the non-technical account of the income and expenditure account.

### Calls and premiums

Calls and premiums in respect of policies incepting prior to the statement of financial position date are shown gross of acquisition costs and net of returns and bad and doubtful debts. Since all mutual insurance policies are coterminous with the Britannia Group's financial year, there are no unearned premiums at the year-end date. Reinsurance premiums are accounted for in the same accounting period as the direct insurance premium or calls to which they relate.

### Acquisition costs

Acquisition costs represent brokerage and commission charges relating to the writing of policies, underwriting management costs, renewal of existing Members' entries, negotiation with potential Members and the processing of entry documentation.

### Claims paid

Claims paid comprise all claims and related expenses approved by the Board and advances made on account of claims during the year. They include the Britannia Group's share of claims under the Pooling Agreement, together with internal management costs of handling and processing claims.

Reinsurance recoveries represent recoveries made and due in respect of claims paid by the Britannia Group in the year. They include amounts recoverable under the Pooling Agreement and market reinsurance contracts.

### Claims outstanding

The provision for claims outstanding in the financial statements comprises the Managers' estimate of the ultimate outcome of all reported claims based on current information, plus their forecast of the ultimate cost of claims incurred but not reported (IBNR). The provision also includes an allowance for future claims handling costs.

The Britannia Group reserves individual reported claims within its retention on a 'highest reasonable likely outcome' basis, except in circumstances where there is insufficient information available to make a meaningful estimate. In such cases, a statistically derived reserve is applied, which is based on the development of similar notifications made in earlier years.

The IBNR provision for claims within the Britannia Group's retention is determined by the Managers based on standard actuarial projection techniques supported by stochastic modelling. The model uses historical information on claims development, adjusted for inflation and other variables, such as the number of ships entered with the Britannia Group, to project the ultimate cost of claims. The principal assumption underlying this approach is that past experience is a reliable basis for projecting the ultimate cost of claims in more recent years. The confidence levels selected for setting IBNR reserves reflect the Britannia Group's risk tolerance.

Provisions in respect of the Britannia Group's share of other Clubs' Pool claims are based on information and data supplied by the other parties to the Pooling Agreement, to which the Managers apply similar actuarial techniques and models to those described above.

Provisions for all claims are based on information available at the statement of financial position date. Significant delays are experienced in the notification of certain claims (sometimes of many years' duration), and accordingly the ultimate cost of claims cannot be known with certainty at the statement of financial position date. It is possible that subsequent information and events may result in the ultimate liability varying from the amount provided. Any such differences between claims provisions and subsequent settlement are dealt with in the technical account – general business in later years.

Claims provisions are recognised gross of any reinsurance recoveries. The reinsurers' share of claims outstanding is derived from an estimation of the amounts that will be recoverable from reinsurers based on the gross provisions (including the IBNR provisions) and the structure of the Britannia Group's reinsurance programme, and having due regard to the possibility of default by reinsurers.

## 2 ACCOUNTING POLICIES (CONTINUED)

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### Investment return

The investment return recognised in the non-technical account comprises investment income (interest and dividends), realised gains and losses on investments sold in the year and movements in unrealised gains and losses arising in the year, net of investment management expenses.

Dividends are recognised from the date on which the shares are quoted 'ex-dividend' and include related tax credits. Interest and expenses are recognised on an accruals basis. Realised gains and losses on investments are calculated as the difference between the net sales proceeds and the purchase price. The movement in unrealised gains and losses recognised in the income and expenditure account represents the difference between the valuation of investments at the statement of financial position date and either their purchase price or their valuation at the commencement of the year, with an adjustment to reverse previously recognised unrealised gains or losses on investments disposed of in the current year. Realised and unrealised gains and losses include any related exchange gains or losses.

The transfer to/from the investment reserve represents the difference (net of tax) between the actual investment income for the year and the investment return allocated to the technical account – general business.

### Allocation of investment return

An allocation is made from the non-technical account to the technical account – general business in respect of the longer-term investment return on the total investment portfolio, since these investments relate wholly to the technical provisions and Members' funds held for mutually insured risks.

### Financial instruments

Non-derivative financial instruments are shown at current market value at the statement of financial position date. Non-derivative listed investments are stated at bid value. Non-derivative unlisted investments are valued by the directors on a prudent basis, having regard to their likely realisable value.

Derivative instruments are held to support the Britannia Group's investment return. Derivatives are categorised as held for trading and are classified as financial instruments at fair value through income. Derivative instruments are measured at initial recognition, and subsequently at fair value, and changes in fair value are recognised in the income and expenditure account. Transaction costs incurred in buying and selling derivative instruments are recognised in the income and expenditure account when incurred. The fair value of a derivative instrument is determined by reference to published price quotations in an active market.

### Investment in Britannia Group undertakings

Investments in Britannia Group undertakings and participating interests in the Company's own statement of financial position are stated at cost less impairment.

### Intangible assets

The Britannia Group has chosen to apply FRS 102 to software development costs as they are directly attributable to bringing the computer system into working condition for use within the business and therefore classified as intangible assets and amortised on a straight-line basis over the estimated useful economic life. Amortisation is recognised in the income and expenditure account.

### Policy year accounting

The calls and premiums, reinsurance premiums payable, claims paid and related expenses, reinsurance recoveries and outstanding claims are all allocated to the policy years to which they relate. The allocated investment return and operating expenses are allocated to the current policy year.

### Investments

The Britannia Group has chosen to apply the recognition and measurement provision and the disclosure requirements of FRS 102.

The Britannia Group classifies its investments as financial assets at fair value. Gains and losses are taken to the Income and Expenditure Account, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2 ACCOUNTING POLICIES (CONTINUED)

### Cash at bank

Cash at bank is defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition.

### Taxation (current and deferred)

The charge for taxation is shown in the consolidated income and expenditure account. The tax effects of carry forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The Britannia Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

### The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Britannia Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amount that the Britannia Group will ultimately pay for such claims. Estimates are made of the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Britannia Group uses a variety of estimation techniques based upon statistical analyses of historical experience which assume that past trends can be used to project future developments. Refer to note 16 for disclosure on the sensitivities of these assumptions.

## 4 CALLS AND PREMIUMS

	2024 USD(000)	2023 USD(000)
<b>Advance calls and premiums</b>		
2023/24 policy year	<b>287,476</b>	261,065
2022/23 policy year	<b>(396)</b>	(3,349)
2021/22 policy year	<b>1,499</b>	383
Closed years	<b>236</b>	48
	<b>288,815</b>	258,147
<b>Deferred calls</b>		
Closed years	-	(7)
	<b>288,815</b>	258,140

All insurance transactions of the Britannia Group are transacted by the subsidiary entities of the Company and therefore no Company-only information is provided, as no such transactions are entered into by the Company. Other than calls and premiums of USD18.7m (2023 – USD17.0m), USD9.0m (2023 – USD7.3m) and USD34.5m (2023 – USD30.7m) and USD3.0m (2023 – USD0) written in Singapore, Hong Kong and Japan and the UK respectively all other business is written in Luxembourg. All calls and premiums written are in the Marine class of business.

## 5 REINSURANCE PREMIUMS

	2024 USD(000)	2023 USD(000)
Group excess of loss	<b>41,097</b>	36,146
Other	<b>21,505</b>	19,018
	<b>62,602</b>	55,164

	2024 USD(000)	2023 USD(000)
<b>6 NET CLAIMS PAID</b>		
<b>Gross claims paid</b>		
Members' claims	<b>208,872</b>	154,877
Share of Pool claims	<b>48,146</b>	41,007
	<b>257,018</b>	195,884
<b>Recoveries on claims paid</b>		
From the International Group excess of loss reinsurance	<b>667</b>	288
From the Pool	<b>5,854</b>	13,490
Other reinsurers	<b>11,073</b>	(2,176)
	<b>17,594</b>	11,602
	<b>239,424</b>	184,282
<b>7 CHANGE IN NET PROVISION FOR CLAIMS</b>		
<b>Claims outstanding</b>		
Members' claims	<b>958,847</b>	987,114
Share of Pool claims	<b>144,100</b>	168,219
	<b>1,102,947</b>	1,155,333
<b>Reinsurers' share of claims outstanding</b>		
From the International Group excess of loss reinsurance	<b>123,590</b>	123,750
From the Pool	<b>188,650</b>	199,251
Other reinsurers	<b>108,377</b>	91,839
	<b>420,617</b>	414,840
Net claims outstanding carried forward	<b>682,330</b>	740,493
Net claims outstanding brought forward	<b>740,493</b>	754,842
<b>Change in net provision for claims</b>	<b>(58,163)</b>	(14,349)

Claims outstanding includes provision for IBNR claims which is set by reference to, amongst other factors, standard actuarial techniques and projections. The IBNR reserve includes an amount for Occupational Disease claims amounting to USD20.7m (2023 – USD32.9m) on a gross and net basis. Occupational Disease claims have a significant latency period making them particularly uncertain for reserving purposes. The reserve has been set with reference to industry studies and the Britannia Group's historical experience. These studies include a projection of the number of deaths expected, the probability of claims being made and the expected cost of those claims.

# NOTES TO THE FINANCIAL STATEMENTS

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## CLAIM DEVELOPMENT TABLES

The development of insurance liabilities provides a measure of the Britannia Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Britannia Group's estimate of total claims outstanding for each policy year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

### Insurance claims – gross (Class 3 and Class 6)

Estimate of ultimate claims cost attributable to the policy year

	2014/15 USD(000)	2015/16 USD(000)	2016/17 USD(000)	2017/18 USD(000)	2018/19 USD(000)	2019/20 USD(000)	2020/21 USD(000)	2021/22 USD(000)	2022/23 USD(000)	2023/24 USD(000)
End of reporting year	271,778	527,169	192,588	232,129	274,101	271,831	360,281	250,889	234,220	242,351
One year later	275,748	581,117	163,302	198,771	385,092	261,006	377,039	336,534	278,611	
Two years later	254,220	634,315	157,210	200,047	375,305	235,553	400,776	338,872		
Three years later	260,594	618,293	143,487	191,372	306,817	223,513	379,135			
Four years later	250,122	578,433	132,394	173,812	329,156	212,099				
Five years later	247,548	560,963	125,305	172,597	326,608					
Six years later	241,643	563,164	122,157	173,253						
Seven years later	214,856	562,714	116,960							
Eight years later	212,847	559,501								
Nine years later	195,748									
Current estimate of ultimate claims	195,748	559,501	116,960	173,253	326,608	212,099	379,135	338,872	278,611	242,351
Cumulative payments to date	175,159	447,743	111,313	142,493	238,702	169,116	236,296	180,239	97,460	67,672
Liability recognised in the consolidated statement	20,589	111,758	5,647	30,760	87,906	42,983	142,839	158,633	181,151	174,679
Total liability relating to the last ten policy years										956,947
Other claims liabilities										146,000

**Total reserve included in the consolidated statement of financial position**

**1,102,947**

### Insurance claims – net (Class 3 and Class 6)

Estimate of ultimate claims cost attributable to the policy year

	2014/15 USD(000)	2015/16 USD(000)	2016/17 USD(000)	2017/18 USD(000)	2018/19 USD(000)	2019/20 USD(000)	2020/21 USD(000)	2021/22 USD(000)	2022/23 USD(000)	2023/24 USD(000)
End of reporting year	241,357	273,333	189,297	223,316	247,407	247,003	254,580	235,260	192,819	213,555
One year later	222,557	257,142	156,222	195,302	254,848	238,593	266,274	257,262	215,957	
Two years later	201,707	247,529	152,022	196,152	244,761	223,206	278,455	263,143		
Three years later	198,457	231,842	136,872	186,995	233,811	212,096	267,190			
Four years later	186,557	200,442	126,512	173,745	232,189	201,570				
Five years later	184,405	191,135	121,112	172,530	229,639					
Six years later	179,396	191,401	117,969	173,187						
Seven years later	182,258	190,986	112,032							
Eight years later	179,973	187,739								
Nine years later	174,561									
Current estimate of ultimate claims	174,561	187,739	112,032	173,187	229,639	201,570	267,190	263,143	215,957	213,555
Cumulative payments to date	155,200	171,816	106,488	142,426	194,075	158,663	173,170	180,239	97,460	67,672
Liability recognised in the consolidated statement	19,361	15,923	5,544	30,761	35,564	42,907	94,020	82,904	118,497	145,883
Total liability relating to the last ten policy years										591,363
Other claims liabilities										90,967

**Total reserve included in the consolidated statement of financial position**

**682,330**

<b>8 MOVEMENT IN PRIOR YEARS' CLAIMS PROVISIONS</b>	2024 USD(000)	2023 USD(000)
Included within net claims incurred in the technical account are the following amounts in respect of adjustments to claims provisions for years ending prior to 20 February 2023.		
Net provision at beginning of the year	<b>740,493</b>	754,842
Net payments in the year in respect of these provisions	<b>(171,752)</b>	(134,604)
Net provision at the end of the year in respect of claims provided for at the end of the previous year	<b>(536,447)</b>	(599,647)
<b>Improvement in respect of prior years</b>	<b>32,294</b>	20,591

<b>9 NET OPERATING EXPENSES</b>	2024 USD(000)	2023 USD(000)
Directors' fees	<b>805</b>	984
Auditor remuneration	<b>673</b>	884
Amortisation	<b>166</b>	1,549
Other expenses	<b>19,867</b>	17,546
Administrative expenses	<b>21,511</b>	20,963
Acquisition expenses	<b>28,734</b>	25,527
<b>Net operating expenses</b>	<b>50,245</b>	46,490

The highest paid director received USD120,300 (2023 – USD126,100). The Britannia Group employs no staff, management services being provided by Tindall Riley (Britannia) Limited and Tindall Riley Europe Sàrl.

Auditors' remuneration includes GBP412,644 relating to the auditing of the financial statements and GBP75,000 for other services (2023 – GBP0).

In accordance with the International Group Agreement 2023, the Britannia Group is required to disclose the average expense ratio for its P&I business for the past five years. The ratio measures all costs of the Britannia Group (except those directly related to the management of claims) as a function of call, premium and investment income for a five-year period. The Britannia Group's average ratio for the five years to 20 February 2024 was 15.48% (2023 – 15.39%). The ratio has been calculated in accordance with the schedule and guidelines issued by the International Group.

<b>10 NET INVESTMENT INCOME</b>	2024 USD(000)	2023 USD(000)
Income from equity investments	<b>1,653</b>	2,540
Income from fixed income investments	<b>11,788</b>	4,300
Bank and other interest	<b>5,113</b>	7,746
Realised investment gain	<b>25,655</b>	60,148
Exchange gain/(loss) on cash balances	<b>2,161</b>	(11,999)
<b>Investment income</b>	<b>46,370</b>	62,735

#### **11 LONGER-TERM INVESTMENT RETURN**

Investment income is allocated to the technical account – general business on the basis of longer-term rates of investment return. The longer-term rates are based on historical real rates of return and current inflation expectations adjusted for consensus economic and investment forecasts. The return is calculated by applying the rates to the investible assets held during the period for each major market on a monthly basis. The following rates have been used:

Comparison of actual return achieved with the return allocated to the technical account using longer-term rates	10 years to 2024 USD(000)	10 years to 2023 USD(000)
Actual return achieved	<b>270,543</b>	263,744
Longer-term return credited to the technical account	<b>311,753</b>	291,686
Deficit of actual returns over longer-term returns	<b>(41,210)</b>	(27,942)

# NOTES TO THE FINANCIAL STATEMENTS

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## 12 TAXATION

	2024 USD(000)	2023 USD(000)
<b>Analysis of charge for period</b>		
UK Corporation Tax charge	-	(4)
Underprovision in previous year	(22)	(25)
Unrelieved foreign withholding taxes	(16)	(580)
<b>Taxation</b>	<b>(38)</b>	<b>(609)</b>

By virtue of its mutual status, the Britannia Group is not liable to tax on its underwriting operations. The investment income of the Britannia Group's subsidiaries USMIA and its cell in Hydra are not subject to tax in Bermuda but do suffer irrecoverable withholding tax on income from investments in certain jurisdictions.

### Factors affecting the tax charge for period

The tax charge for the period is lower (2023 – lower) than that produced by applying the standard rate of Corporation Tax in the UK of 19% until 31 March 2023 and 25% from 1 April 2023 to the surplus for the year to 20 February 2024 (2023 – 19%).

The differences are explained below:

	2024 USD(000)	2023 USD(000)
Net surplus/(deficit) before tax	<b>58,281</b>	(77,228)
Net surplus/(deficit) on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% to 31 March and 25% from 1 April (2023 – 19%)	<b>(14,205)</b>	(14,673)
Effects of:		
Non-taxable mutual insurance underwriting operations	<b>(1,290)</b>	2,554
Non-taxable investment income	<b>15,495</b>	12,123
Underprovision in previous years	<b>(22)</b>	25
Unrelieved foreign withholding taxes	<b>(16)</b>	580
Current tax charge	<b>(38)</b>	609

## 13 FINANCIAL INVESTMENTS

Investments comprise fixed interest investments (UK and US government securities), equities and other investments, and deposits with credit institutions. They are carried through to the income and expenditure account using the fair value methodology.

	2024 USD(000)	2023 USD(000)
<b>Market value</b>		
Quoted shares and variable yield securities	<b>341,452</b>	321,780
Debt securities and other fixed income securities	<b>554,811</b>	428,310
Deposits with credit institutions	<b>24,348</b>	12,664
Derivatives at fair value through income	-	(4)
Unsettled investment transactions	<b>14,309</b>	64,782
	<b>934,920</b>	827,532
<b>Cost</b>		
Quoted shares and variable yield securities	<b>272,094</b>	258,726
Debt securities and other fixed income securities	<b>543,220</b>	429,447
Deposits with credit institutions	<b>24,348</b>	12,664
Unsettled investment transactions	<b>14,308</b>	64,782
	<b>853,970</b>	765,619
Included in investments at market value were:		
Listed on other investment exchanges	<b>910,572</b>	814,872
	<b>910,572</b>	814,872



14 INTANGIBLE ASSETS	2024 USD(000)	2023 USD(000)
<b>Cost</b>		
Opening balance	9,021	8,483
Capitalisation of software expenditure	–	538
<b>Closing balance</b>	<b>9,021</b>	<b>9,021</b>
<b>Accumulated amortisation</b>		
Opening balance	(3,107)	(1,558)
Amortisation for the year	(166)	(1,549)
<b>Closing balance</b>	<b>(3,273)</b>	<b>(3,107)</b>
<b>Net book value</b>	<b>5,748</b>	<b>5,914</b>

Intangible assets comprise capitalised software development costs amortised on a straight-line basis over the estimated useful economic life of 10 years.

15 INVESTMENT IN BRITANNIA GROUP UNDERTAKINGS	Country of incorporation	Share held	Class of shares	Principal activity	2024 USD(000)	2023 USD(000)
<b>Direct related undertakings</b>						
The Britannia Steam Ship Insurance Association Limited (Britannia (UK))	United Kingdom	100%	N/A <sup>1</sup>	Underwriting	8,000	8,000
The Britannia Steam Ship Insurance Association Europe (Britannia Europe)	Luxembourg	100%	N/A <sup>2</sup>	Underwriting	20,500	20,500
Universal Shipowners Marine Insurance Association Limited (USMIA)	Bermuda	100%	Ordinary	Reinsurance	120	120
<b>Indirect related undertakings</b>						
Hydra Insurance Company Limited – Britannia Cell	Bermuda	100%	Preferred	Reinsurance		
Hydra Insurance Company Limited – General Cell	Bermuda	7.69%	Ordinary	Reinsurance		
Shares in subsidiary companies					<b>28,620</b>	<b>28,620</b>

The registered address of each Group undertaking is as follows:

**Britannia (UK):** Regis House, 45 King William Street, London, EC4R 9AN, United Kingdom

**Britannia Europe:** 53A rue Glesener, L-1631, Luxembourg

**USMIA:** Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

**Hydra Insurance Company Limited:** c/o Carey Olsen Bermuda Limited, Rosebank Centre, 5th Floor, 11 Bermudiana Road, Pembroke HM 08, Bermuda

Britannia Holdings controls Britannia (UK) and Britannia Europe by virtue of controlling vote where in each Association it has three times as many votes as the mutual Members. USMIA is controlled through the percentage of shares held which provides Britannia Holdings with direct control of the company. Hydra is a Bermudian segregated cell-captive established by the Members of the International Group of P&I Clubs, to reinsure part of the risks which are shared under the Pooling Agreement. Under the terms of Hydra's byelaws and the governing instrument, assets are segregated in separate cells in such a way that they can only be used to satisfy the liabilities of the 'owning' club. Accordingly, the Britannia Group consolidates its Hydra cell in these financial statements.

<sup>1</sup>Britannia Holdings' investment in Britannia (UK) represents USD8.0m of contributed surplus.

<sup>2</sup>Britannia Holdings' investment in Britannia Europe represents USD20.5m of contributed surplus.

# NOTES TO THE FINANCIAL STATEMENTS

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## 16 RISK MANAGEMENT

The Britannia Group is governed by the Board which drives decision making from Board level to operational decision making by the Managers. The Board considers the type and scale of risk that the Britannia Group is willing to accept in the ordinary course of its activities and this is used to develop seven Risk Appetite Statements (RAS) that are used when setting strategy or making material decisions. This is further expanded on in the Corporate Governance section on page 20, under the Regulation and Risk Management section.

The framework of governance through which risk is managed as decisions are taken is as follows:

- 1) **The Board** meets five times a year and has a maximum of 14 members. The Board currently comprises a non-executive chairman, up to eight non-executive directors drawn from the Britannia Group's shipowner Members, three non-shipowner non-executive directors, and two executive directors from the Britannia Group's Managers. Its responsibilities include undertaking reviews of the following matters: the Britannia Group's overall strategy, policy year results (including reserving) and proposed calls, reinsurance, investments, risk management, compliance matters and capital adequacy as evidenced by the Own Risk Solvency Assessment (ORSA). The Board also oversees implementation of the Britannia Group's investment strategy.
- 2) **The Risk & Audit Group (RAG)** comprises up to seven non-executive directors of the Britannia Group. Their responsibilities include the financial statements and the regulatory returns to the relevant regulatory authorities, the risk management framework, internal and external audit, and the robustness of internal financial systems and controls, including the making of recommendations thereon to the Board. The RAG meets four times a year.
- 3) **The Remuneration Group** comprises up to five non-executive directors of the Britannia Group. Its responsibilities include an annual review of the fee paid to the Managers and periodic reviews of directors' remuneration. The group meets twice a year.
- 4) **The Nomination Subcommittee** comprises up to four non-executive directors of the Britannia Group and the two Manager directors. Its principal responsibilities are to make recommendations to the Board on the appointment of new directors, the re-election of existing directors and the appointment of the chairman of the Board, and to review the skills, training requirements and performance of directors and Senior Insurance Management Function holders. The subcommittee meets as required during the year.
- 5) **The Investment Group** comprises up to four non-executive directors and the two Manager directors. It is responsible for monitoring the long-term performance and value-at-risk of the investments against the objectives set out in the investment strategy and for carrying out periodic reviews of the investment strategy. The group meets four times a year.

The Britannia Group is focused on the identification and management of potential risks. This covers all aspects of risk management including that to which the Britannia Group is exposed through its core activity as a provider of insurance services, and the broader range of risks. The key areas of risk faced by the Britannia Group are as follows:

- 1) **Underwriting risk** – being premium and reserving risk
- 2) **Market risk** – being equity risk, interest rate risk, spread risk and currency risk
- 3) **Counterparty default risk** – being the risk that a counterparty is unable to pay amounts in full when due
- 4) **Liquidity risk** – being the risk that cash may not be available to pay obligations as they fall due
- 5) **Operational risk** – being the risk of failure of internal processes or controls
- 6) **Strategic risk** – being the risk that strategy is poorly set, executed or is unresponsive to external developments.
- 7) **Group risk** – being the governance, capital, reputational or regulatory issues that can arise from having a Group structure.

In order to manage these risks, the Britannia Group has continued to develop and review the internal and external governance frameworks through the ORSA process.

The Board and Managers have established risk management procedures within the business through a compliance manual, an internal quality management system and a risk management framework which considers and logs potential risks and how they are to be managed. The Board monitors the development and operation of risk management policies and controls to mitigate risk through a governance structure which includes an internal audit function (which reports to the RAG) and the Board of the Managers.

The Britannia Group manages the risks relating to the operations of the Britannia Group through the quarterly risk register update, which uses metrics to monitor risk outcomes and the effect of controls, and receives attestation on less significant controls from risk owners. These risks are compared to the results of capital modelling, risk scenarios, self-reported risk incidents and internal audit findings to ensure that a rounded view of the Britannia Group's risk profile is achieved.

### 16.1 Underwriting risk

The Britannia Group's exposure to insurance risk is initiated by the underwriting process which selects Members and sets Call levels based on estimated future claims on the Britannia Group from the membership. This risk is managed through the underwriting process, the purchase of reinsurance cover, including the International Group Pooling Agreement, the management of claims costs and the reserving process. The Britannia Group's underwriting risk is limited to two classes of business, P&I and FD&D, which are both written on a worldwide basis.

## 16 RISK MANAGEMENT (CONTINUED)

### 16.1 Underwriting risk (continued)

#### Underwriting process

The Britannia Group provides Members with cover for P&I and FD&D risks. The Britannia Group sets a target level for Calls at a confidence level which should ensure that the call and investment income are sufficient to meet net claims incurred for the policy year. The development of claims is monitored monthly by the Managers and on a quarterly basis by the Boards of the Managers and the Britannia Group.

Underwriting authority is delegated to specific individuals who apply their expertise and set underwriting methodologies under the ongoing guidance and review of senior management. If required, a pre-entry inspection of new ships is carried out. In addition, all new Members are usually subject to a risk management audit of their shore-based operations before acceptance.

#### Reinsurance and International Group Pooling Agreement

The Britannia Group's reinsurance programme is driven by the Board's objective to manage risk to an acceptable level and to optimise the Britannia Group's capital position. The programme comprises excess of loss reinsurance cover purchased jointly with other members of the International Group, facultative reinsurance to cover specific risks, cover against a single catastrophic event and an accumulation of smaller attritional claims.

The International Group Pooling Agreement provides a sharing of claims costs above an agreed retention between 12 member associations.

The Britannia Group's chartered business is reinsured outside the International Group Pooling arrangements. The programme is predominantly placed with Lloyd's underwriters and the liabilities from these risks are reinsured from the ground up with the Britannia Group retaining a certain element of the risk.

#### Management of claims cost

The Britannia Group's strategy is to help its Members to prevent and avoid the occurrence of incidents while ensuring the efficient handling and management of claims when they occur. To facilitate this strategy, the Britannia Group has established programmes to ensure a high quality of claims management and to reduce claims risk. This includes an extensive loss prevention programme comprising technical seminars for crew and designated persons ashore (DPAs), information for Members on common claims and how they may be prevented, completion of ship inspections and the production of guides for safe carriage of goods and the avoidance of incidents.

#### Reserving process

The Britannia Group establishes provisions for unpaid claims, both reported and unreported, and related expenses, to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions and the key methods used by the Britannia Group in estimating liabilities are the chain ladder and stochastic bootstrap modelling methods. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by senior management and reserves are set to give a high level of confidence that they will prove adequate. The results are reviewed by the RAG.

The Britannia Group considers that the liability for insurance claims recognised in the consolidated statement of financial position is prudent. However, actual experience will differ from the expected outcome.

#### Sensitivity

The Britannia Group carries out sensitivity testing on its claims reserves. The results of sensitivity testing are set out below, showing the impact on the surplus/deficit before tax, gross and net of reinsurance. For each sensitivity, the impact of a change in a single factor is shown, with other assumptions unchanged. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

	2024 USD(000)	2023 USD(000)
Increase in loss ratio by 5%		
Gross	<b>14,441</b>	12,907
Net	<b>11,311</b>	10,149

A 5% decrease in loss ratios would have an equal and opposite effect.

# NOTES TO THE FINANCIAL STATEMENTS

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## 16 RISK MANAGEMENT (CONTINUED)

### 16.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and price changes. Market risk arises as a result of fluctuations in both the value of assets held and the value of liabilities.

The investment strategy, which is reviewed periodically, is set by the Board with the assistance of external investment consultants. The strategy reflects the risk appetite of the Britannia Group and is designed to maximise return while holding risk to a level deemed acceptable. The policy allows the investment managers to invest a proportion of the portfolio (the growth portfolio) in assets which carry a greater risk but potentially higher return, such as equities, with the balance in lower risk investments that match liabilities and provide a cash buffer (the matching portfolio).

### Foreign currency risk management

The Britannia Group is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than USD. The most significant currencies to which the Britannia Group is exposed are sterling, euro and yen. In order to manage this risk, the Britannia Group holds a proportion of its investments in each currency at a level to match expected future claim payments in those currencies. The split of assets and liabilities for each of the Association's main currencies, converted to US dollar, is set out in the tables below:

Amounts in USD(000)	USD 2024	USD 2023 (restated)	GBP 2024	GBP 2023 (restated)	EUR 2024	EUR 2023 (restated)	Other 2024	Other 2023 (restated)	Total 2024	Total 2023 (restated)
Total assets	<b>1,461,413</b>	1,471,523	<b>81,226</b>	103,834	<b>91,846</b>	47,900	<b>82,273</b>	55,530	<b>1,716,758</b>	1,678,787
Total liabilities	<b>931,070</b>	932,583	<b>61,950</b>	74,264	<b>109,047</b>	71,845	<b>64,760</b>	98,407	<b>1,166,827</b>	1,177,099
<b>Net assets</b>	<b>530,343</b>	538,940	<b>19,276</b>	29,570	<b>(17,201)</b>	(23,945)	<b>17,513</b>	(42,877)	<b>549,930</b>	501,688

The table below shows the effects of a 5.0% increase or decrease in exchange rates:

	GBP 2024	GBP 2023	EUR 2024	EUR 2023	Other 2024	Other 2023	Total 2024	Total 2023
5.0% increase in exchange rates	<b>(964)</b>	(1,479)	<b>860</b>	1,197	<b>(876)</b>	2,144	<b>(980)</b>	1,862
5.0% decrease in exchange rates	<b>964</b>	1,479	<b>(860)</b>	(1,197)	<b>876</b>	(2,144)	<b>980</b>	(1,862)

### Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates. Interest rate risk arises primarily from the nature and term of investments held and is managed through the buying and selling of appropriate fixed interest securities of different durations.

The Britannia Group uses a number of sensitivity management tools to understand the volatility of surpluses/deficits. The table below shows the effects of a 0.5% increase or decrease in interest on earnings from debt securities:

	2024 USD(000)	2023 (restated) USD(000)
0.5% increase in interest rates	<b>2,716</b>	2,147
0.5% decrease in interest rates	<b>(2,716)</b>	(2,147)

### Equity price sensitivity analysis

The Britannia Group is exposed to price risk through its holding of equities. This exposure is limited to a maximum proportion of the overall portfolio. At the year end the holding in equity instruments amounted to 14% (2023 – 16%) of the investment portfolio. The Britannia Group also holds an investment in a diversified growth fund amounting to 9% (2023 – 10%) of the portfolio.

Where available, the Britannia Group uses closing bid market values to determine the fair value of an investment holding. The carrying value of non-quoted equity holdings held by the Company at the year end amounted to USD28.6m (2023 – USD28.6m). The table below shows the anticipated change in equity market values from a 5% increase or decrease in underlying prices:

	2024 USD(000)	2023 USD(000)
5% increase in equity price	<b>11,905</b>	10,921
5% decrease in equity price	<b>(11,905)</b>	(10,921)

The table above demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. It should be noted that these sensitivities are non-linear, and larger or smaller impacts should not be extrapolated or interpolated from these results. Management actions could include selling investments, changing investment portfolio allocation and taking other protective action. In addition, the financial position of the Britannia Group may vary at the time that any market movement occurs.

## 16 RISK MANAGEMENT (CONTINUED)

### 16.3. Counterparty default risk

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Britannia Group.

The key areas where the Group is exposed to credit risk are:

- Amounts recoverable from reinsurance contracts, including other P&I Clubs
- Amounts due from Members
- Counterparty risk with respect to cash and investments

#### Amounts recoverable on reinsurance contracts

The Britannia Group is exposed to credit risk from a counterparty failing to comply with its obligations under a contract of reinsurance. In order to manage this risk, the Managers consider the financial position of significant counterparties on a regular basis and monitor aggregate exposure to each reinsurer. The Britannia Group has set selection criteria whereby each reinsurer is required to hold a credit rating of at least A- at the time the contract is made. The majority of reinsurance is placed with Lloyd's underwriters (A+ rated) with the benefit of the Central Guarantee Fund. Non-Lloyd's reinsurance is monitored and reported on annually to the Board of the Managers.

#### Amounts due from Members

Amounts due from Members represent premiums owing to the Britannia Group in respect of insurance business written. The Britannia Group manages the risk of Member default through a screening process to maintain the quality of new entrants to the Britannia Group and the ability to cancel cover and payment of outstanding claims to Members that fail to settle amounts payable. The Britannia Group's policy is that Members should have paid all outstanding Calls prior to being issued with Blue Cards in advance of the coming policy year. In addition, the directors reserve the right to offset outstanding debts against claim payments unless there is a contractual arrangement that prevents such offsetting. Amounts written off as bad debt have been minimal over recent years.

#### Counterparty risk with respect to cash and investments

The investment policy manages the risk of default through ensuring a diversification of the portfolio by asset, currency, geography, market and counterparty.

The following tables provide information regarding aggregate credit risk exposure for financial assets with external credit ratings.

	2024 USD(000)	2023 USD(000)
Debt securities	554,811	428,311
Derivatives at fair value through income	-	(4)
Reinsurers' share of technical provisions	420,617	414,840
Reinsurance debtors	28,422	26,148
Member and other debtors	133,848	104,390
Unsettled investment transactions	14,308	64,782
Deposits with credit institutions	24,348	12,664
Cash at bank and in hand	182,130	296,337
<b>Total financial assets bearing credit risk</b>	<b>1,358,484</b>	<b>1,347,468</b>

An analysis of this exposure by credit rating is shown below

AAA	4,126	-
AA	305,948	526,042
A	679,714	276,572
BBB+ and below	45,769	58,410
No rating	322,927	486,444
<b>Total financial assets bearing credit risk</b>	<b>1,358,484</b>	<b>1,347,468</b>

The unrated exposure relates principally to amounts due from Members in respect of future dated calls and the Absolute Return Bond Fund that is invested with M&G Investments.

# NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2024

## 16 RISK MANAGEMENT (CONTINUED)

### 16.3. Counterparty default risk (continued)

#### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due. The Britannia Group has adopted an investment policy which requires the maintenance of significant holdings in cash funds and short-term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Short-term cash needs are monitored to ensure the most efficient investment of cash balances.

The following table provides a maturity analysis of the Britannia Group's financial assets representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost:

	Short-term assets USD(000)	Within 1 year USD(000)	1-2 years USD(000)	2-5 years USD(000)	Over 5 years USD(000)	Total USD(000)
<b>At 20 February 2024</b>						
Quoted shares and variable yield securities	341,452	-	-	-	-	341,452
Debt securities and other fixed income securities	60,206	36,609	91,385	174,716	191,895	554,811
Deposits with credit institutions	24,348	-	-	-	-	24,348
Unsettled investment transactions	14,309	-	-	-	-	14,309
Reinsurers' share of outstanding claims	-	110,298	92,457	144,897	72,965	420,617
Direct insurance operations – Members	19,656	44,937	62,885	-	-	127,478
Reinsurance operations	28,422	-	-	-	-	28,422
Other debtors	6,370	-	-	-	-	6,370
Cash at bank	182,130	-	-	-	-	182,130
Accrued interest	2,977	-	-	-	-	2,977
Other prepayments and accrued income	8,096	-	-	-	-	8,096
<b>Total assets</b>	<b>687,966</b>	<b>191,844</b>	<b>246,727</b>	<b>319,613</b>	<b>264,860</b>	<b>1,711,010</b>

#### At 20 February 2023 (restated)

Quoted shares and variable yield securities	321,780	-	-	-	-	321,780
Debt securities and other fixed income securities	10,200	13,291	106,355	116,850	181,615	428,311
Deposits with credit institutions	12,664	-	-	-	-	12,664
Derivatives at fair value through income	(4)	-	-	-	-	(4)
Unsettled investment transactions	64,782	-	-	-	-	64,782
Reinsurers' share of outstanding claims	-	117,785	86,955	137,651	72,449	414,840
Direct insurance operations – Members	4,067	39,324	53,536	-	-	96,927
Reinsurance operations	26,148	-	-	-	-	26,148
Taxation	20	-	-	-	-	20
Other debtors	7,444	-	-	-	-	7,444
Cash at bank	296,337	-	-	-	-	296,337
Accrued interest	816	-	-	-	-	816
Other prepayments and accrued income	2,809	-	-	-	-	2,809
<b>Total assets</b>	<b>747,063</b>	<b>170,400</b>	<b>246,846</b>	<b>254,501</b>	<b>254,064</b>	<b>1,672,874</b>

The following is an analysis of the estimated timings of net cash flows by financial liability. The timings of cash flows are based on current estimates and historic trends. The actual timings of cash flows may be materially different from those disclosed below:

	Within 1 year USD(000)	1-2 years USD(000)	2-5 years USD(000)	Over 5 years USD(000)	Total USD(000)
<b>At 20 February 2024</b>					
Gross outstanding claims	289,226	242,441	379,952	191,328	1,102,947
Direct insurance operations – Members	46,421	-	-	-	46,421
Reinsurance operations	16,399	-	-	-	16,399
Other creditors	1,060	-	-	-	1,060
<b>Total liabilities</b>	<b>353,106</b>	<b>242,441</b>	<b>379,952</b>	<b>191,328</b>	<b>1,166,827</b>

#### At 20 February 2023 (restated)

Gross outstanding claims	328,033	242,171	383,359	201,770	1,155,333
Direct insurance operations – Members	15,000	-	-	-	15,000
Reinsurance operations	5,394	-	-	-	5,394
Other creditors	1,372	-	-	-	1,372
<b>Total liabilities</b>	<b>349,799</b>	<b>242,171</b>	<b>383,359</b>	<b>201,770</b>	<b>1,177,099</b>

## 16 RISK MANAGEMENT (CONTINUED)

### 16.4 Operational risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks, the Britannia Group documents all key processes and controls in a procedures manual. This manual is embedded within the organisation, updated on a continual basis by senior staff and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function, which is directed and reviewed by the managers and the RAG. A staff handbook contains all the key policies that have been documented.

### 16.5 Limitation of the sensitivity analyses

The sensitivity analyses in sections 16.1, 16.2 and 16.3 above show the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effect noted above.

### 16.6 Capital risk management

The Britannia Group maintains a resilient capital structure, consistent with the Britannia Group's risk appetite. The Britannia Group's objective is to maintain sufficient capital to ensure it is able to continue as a going concern, meet regulatory requirements and maintain an A rating with Standard & Poor's, with a substantial margin in each case.

The Solvency II regime has been in effect since 1 January 2016. The Britannia Group is subject to these regulations. The Britannia Group is required to meet the Solvency Capital Requirement (SCR) which is calibrated to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time horizon. The Britannia Group calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations, as the assumptions underlying the standard formula are considered to be a good fit for the Group's risk profile.

The Board's policy is to develop and maintain a strong and flexible capital base in order to meet and exceed the capital requirements of the relevant regulators. The SCR is monitored and updated annually, although if anything significant (such as large investment or claims movements) occurs in the year, it is updated immediately. Other capital measures used by the Board include an Economic Capital Benchmark, which is also monitored against actual capital resources.

In order to monitor capital requirements, the Board reviews the capital position on a quarterly basis and the Managers review performance monthly. This is further expanded on in the Strategic report under the economic and regulatory capital section of the Corporate Governance report on page 20.

The Britannia Group aims to maintain capital resources at a level which provides a comfortable margin above the requirements of the Prudential Regulation Authority (PRA) and the regulators of its branch offices in Hong Kong, Japan and Singapore. Capital resources for regulatory purposes for the Britannia Group consist of free reserves on a regulatory economic basis and an allowance for the ability to levy additional premium on Members.

The Britannia Group and its branches were in compliance with their regulatory capital requirements throughout the financial year.

### 16.7 Fair value hierarchy

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Britannia Group applies valuation techniques to measure such instruments. These techniques make maximum use of market-observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independently of the risk taker. These inputs and outputs are reviewed and approved by the Managers. The Britannia Group has minimal exposure to financial assets or liabilities which are valued at other than quoted prices in an active market.

The classification criteria and their application to the Britannia Group can be summarised as follows:

- The unadjusted quoted price in an active market for identical assets or liabilities that the Britannia Group can access at the measurement date (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly (Level 2)
- Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability (Level 3)

Britannia Group	2024 USD(000)	2023 USD(000)
Level 1	<b>365,800</b>	334,444
Level 2	<b>569,120</b>	493,088
Level 3	-	-
	<b>934,920</b>	827,532

# NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2024

## 17 TONNAGE INFORMATION

The Britannia Group provides Members with cover for P&I and FD&D risks. Members are only allowed to take up FD&D cover if they have taken up P&I cover and therefore there are no Members in the Britannia Group solely with FD&D cover. As this cover applies to ships at sea, it is not feasible to measure geographical concentration of insurance liabilities for either class of cover. Consequently, the Britannia Group has identified P&I risk to be the only reportable area.

The analysis of its tonnage from P&I cover from Members by geographical area is as follows:

	2024 gt (000)	2023 gt (000)
Asia	59,980	61,668
Middle East	4,795	4,534
Scandinavia	15,551	17,681
Australasia	872	872
Americas	5,602	6,451
Europe	54,880	50,836
	<b>141,680</b>	<b>142,042</b>

## 18 DEBTORS – DIRECT INSURANCE OPERATIONS

	2024 USD(000)	2023 (restated) USD(000)
Calls and premiums due from Members	5,093	4,067
Future payment dates	122,385	92,860
<b>Debtors – direct insurance operations</b>	<b>127,478</b>	<b>96,927</b>

## 19 DEBTORS – REINSURANCE OPERATIONS

	2024 USD(000)	2023 USD(000)
Amounts recoverable from the Pool	15,684	15,684
Other	12,738	10,464
<b>Debtors – reinsurance operations – Britannia Group</b>	<b>28,422</b>	<b>26,148</b>

## 20 PRIOR YEAR ADJUSTMENT

	As at 20 February 2023 USD(000)	As at 20 February 2022 USD(000)
<b>Direct insurance operations – Members</b>		
As previously stated	105,271	103,716
Prior year adjustment – correction of error	(8,344)	(8,344)
<b>As restated</b>	<b>96,927</b>	<b>95,372</b>
<b>Income and expenditure account</b>		
As previously stated	367,447	390,106
Prior year adjustment - correction of error	(6,986)	(6,986)
<b>As restated</b>	<b>360,461</b>	<b>383,120</b>
<b>Investment reserve</b>		
As previously stated	87,585	142,763
Prior year adjustment - correction of error	(1,358)	(1,358)
<b>As restated</b>	<b>86,227</b>	<b>141,405</b>

During 2019/20 the Britannia Group changed its policy management system. During the transfer of information, two batched entries, for brokerage and distributions were not correctly transferred. This resulted in those entries remaining on the Statement of Financial Position in error when they should have been recorded in the Income and Expenditure account. All payments were correctly made at the time, but the incorrect accounting resulted in the overstatement of the Income and Expenditure account, Direct insurance operations – Members and investment reserve in the prior year. The error was discovered during the year and has been treated as a material prior period error and adjusted as above in accordance with FRS102.10.21 at 20 February 2024.



	Investment reserve USD(000)	General reserve USD(000)	Income and expenditure account USD(000)	Total USD(000)
<b>21 RESERVES</b>				
At 20 February 2022 (restated)	141,405	55,000	383,120	579,525
Deficit for the financial year	-	-	(77,837)	(77,837)
Capital distribution	-	-	-	-
Transfer from investment reserve	(55,178)	-	55,178	-
At 20 February 2023 (restated)	86,227	55,000	360,461	501,688
Surplus for the financial year	-	-	58,243	58,243
Capital distribution	-	-	(10,000)	(10,000)
Transfer to investment reserve	23,568	-	(23,568)	-
<b>At 20 February 2024</b>	<b>109,795</b>	<b>55,000</b>	<b>385,136</b>	<b>549,931</b>

The investment reserve comprises the cumulative net transfers from the income and expenditure account. Annual transfers equivalent to the net unallocated return/(deficit) on the Britannia Group's investments are made to or from this reserve. The investment reserve can also be used to make a distribution to Members of such amount in such manner as the Board thinks fit.

The general reserve was established in accordance with Rule 39(1) of the Associations to provide for any claims, expenses, losses or other outgoings of the Associations (including any deficiency in respect of any closed policy year), or to eliminate or reduce any call in respect of any policy year. The general reserve can also be used to make a distribution to Members of such amount in such manner as the Board thinks fit.

## 22 LETTER OF CREDIT

The Britannia Group has a letter of credit facility available to it with DBS Bank (Hong Kong) Limited. The total letter of credit available amounted to USD19.2m (HKD150m), with no amounts drawn during the financial year. The undrawn letter of credit amount available at 20 February 2023 amounted to USD19.2m (HKD150m).

## 23 RELATED PARTY TRANSACTIONS

The Board, of up to 14 directors comprising a non-executive Chairman, two Manager nominees and a balance of representative of the membership out the Britannia Group and non-member directors, is elected to oversee the management of the Britannia Group on behalf of the Members. The members of the Board are directors of the Britannia Group and as such are related parties. Because of the mutual nature of the Britannia Group's operations and its Members, being both insured and insurers, the Members are in effect related parties. The aggregate of transactions with Members is disclosed in these financial statements and, in the opinion of the directors, there are no individual transactions, or connected transactions, other than in the ordinary course of the Britannia Group's business with Members, directors or their companies the disclosure of which is necessary for an understanding of the financial statements.

The Managers earned management fees of USD52.3m (2023 - USD50.4m) for the year. Three directors of the Britannia Group are also directors of the Managers.

## 24 SUBSEQUENT EVENTS

On 26 March 2024 the container ship *DALI*, which is entered with the Britannia Group, allided with one of the pillars of the Francis Scott Key Bridge, Baltimore at approximately 01:30 local time on its journey from Baltimore to Colombo. The ship's owners and their managers continue to work with the relevant authorities. The exact cause of the incident is yet to be determined and a full investigation has been launched by the National Transportation Safety Board. In allision incidents such as this there is a presumption of liability on the part of the ship, however the quantum of any loss and final liability are yet to be determined. Claims arising from this incident will fall within the 2024/25 policy year.

The financial statements were authorised for issue by the Board on 6 June 2024.

## CLASS 3 – PROTECTION AND INDEMNITY POLICY YEAR STATEMENT

20 FEBRUARY 2024

	2023/24 USD(000)	2022/23 USD(000)	2021/22 USD(000)	Closed years USD(000)	Total USD(000)
<b>Advance calls and premiums</b>					
Year to 20 February 2024	278,963	(478)	1,231		
Year to 20 February 2023	-	253,378	(3,780)		
Year to 20 February 2022	-	-	212,245		
	278,963	252,900	209,696		
<b>Reinsurance premiums</b>					
Group excess of loss	(41,852)	(36,871)	(26,721)		
Other	(19,582)	(19,030)	(19,276)		
	(61,434)	(55,901)	(45,997)		
Allocated investment return	35,467	24,910	29,793		
Taxation	(10)	(807)	(1,827)		
	252,986	221,101	191,666		
Claims paid less reinsurance recoveries	62,674	90,426	173,871		
Acquisition costs	26,686	23,117	20,531		
Administrative expenses	20,876	20,403	16,739		
	110,237	133,946	211,141		
<b>Balance available to meet outstanding claims</b>	142,749	87,156	(19,475)	963,504	1,173,933
<b>Estimated outstanding claims</b>					
Own claims	152,110	166,845	125,147	499,954	944,056
Share of Pool claims	18,238	11,497	32,181	82,184	144,100
	170,348	178,342	157,328	582,138	1,088,156
<b>Estimated reinsurance recoveries</b>					
Group excess of loss	-	-	-	(123,590)	(123,590)
Pool	(24,132)	(11,696)	(50,235)	(102,588)	(188,650)
Other reinsurers	(4,664)	(50,957)	(25,495)	(27,251)	(108,368)
	(28,796)	(62,653)	(75,729)	(253,428)	(420,608)
Net estimated outstanding claims	141,552	115,688	81,599	328,710	667,548
<b>Surplus/(deficit)</b>	1,198	(28,532)	(101,074)	634,794	506,385
Capital distribution	-	-	-	(130,000)	(130,000)
<b>Balance after distributions</b>	<b>1,198</b>	<b>(28,532)</b>	<b>(101,074)</b>	<b>504,794</b>	<b>376,385</b>

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**TR**(**B**)

MANAGERS:  
**TINDALL RILEY (BRITANNIA) LIMITED**  
Regis House, 45 King William Street,  
London EC4R 9AN  
United Kingdom  
T: +44 (0) 20 7407 3588  
britanniapandi.com

**TR**(**E**)

MANAGERS:  
**TINDALL RILEY EUROPE SÀRL**  
53A rue Glesener, L-1631,  
Luxembourg  
T: +352 28 80 32 00  
britanniapandi.com

**THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION HOLDINGS LIMITED**

Registered Office: Regis House, 45 King William Street,  
London EC4R 9AN United Kingdom

Registered in England and Wales No.11686576

**THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED**

Registered Office:  
Regis House,  
45 King William Street,  
London EC4R 9AN  
United Kingdom

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**THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION EUROPE**

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53A rue Glesener,  
L-1631 Luxembourg

Authorised by the Commissariat  
aux Assurances

**UNIVERSAL SHIPOWNERS MARINE INSURANCE ASSOCIATION LIMITED**

Registered Office:  
Clarendon House,  
2 Church Street,  
Hamilton HM 11,  
Bermuda

Authorised by the Bermuda  
Monetary Authority

**HYDRA INSURANCE COMPANY LIMITED**

Registered Office:  
c/o Carey Olsen Bermuda Limited  
Rosebank Centre  
5th Floor  
11 Bermudiana Road  
Pembroke HM 08  
Bermuda

Authorised by the Bermuda  
Monetary Authority