

TW 12 Oct 07

# Britannia seeks huge rates hike

Some owners may have to fork over a massive 23.8% more in P&I premium next year.

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London

A premium increase far above market expectations is to be sought by the Britannia Steam Ship Insurance Association for the protection-and-indemnity (P&I) year that begins in February.

The club is seeking a general increase of 15% but is also raising its deferred call from 30% to 40%, which has the effect of charging shipowners an extra 8.8%.

If the deferred call is collected, shipowners will end up paying a massive 23.8% more in P&I premium than this year.

The claim from the spectacular blaze on the 5,500-teu *Hyundai Fortune* (built 1996) was the biggest to hit the Britannia Club last year. Britannia is the first of the P&I clubs to set its renewal strategy and the move may well encourage other clubs to seek heftier increases.

Britannia has long been one of the better performing P&I clubs and has a history of undercalling rather than making cash calls.

Rumours in the market had suggested that Britannia was likely to go for a 10% or 12.5% general increase but its shipowner directors decided at a meeting near Edinburgh that the rising claims trend and a reduced investment return warranted a more robust response.



**SIR DAVID THOMSON:** The Britannia chairman says a robust response to rising claims is needed.

Photo: Jim Mulrenan

Britannia posted a large underwriting loss last year but an investment return of \$69m ensured a bottom line surplus of \$3.5m that pushed free reserves of the second wealthiest of the P&I clubs over the \$300m mark.

The big increase is partly down to a decision that the club must try to break even at the technical underwriting level.

“The Britannia committee concluded that the situation is unlikely to improve significantly in the short term. With retained and pool claim costs at an all-time high, the committee resolved to face the issue in a robust way,” the club’s management said in a statement.

“In recent years almost all sectors of the commercial maritime industry have been experiencing unprecedented success. This ‘boom’ accounts in part for the exceptionally high cost of claims

being experienced by clubs,” added Britannia chairman Sir David Thomson.

“The other principal factor is the increasing levels of liability imposed on shipowners by new conventions and legislation. The Britannia committee considers that the current high level of claims’ costs is unlikely to abate in the near future. In these circumstances we have taken what we consider to be prudent steps to protect the interests of members of the club.”

Britannia, which insures a fleet of some 132 million gt, is telling its shipowner members that they should budget for a full 30% deferred call for both last year and this year.

Although Britannia is raising its deferred call, the club has a history of not collecting the full amount and forgave 10% for the two previous years.