

UK and BRITANNIA P&I CLUBS in merger discussions

4th March 2016

As you have recently noticed from their circulars, the boards of The Britannia Steam Ship Insurance Association Limited and The United Kingdom Mutual Steam Ship Assurance Association Limited, two of the oldest P&I Clubs in the world, have announced that they are in merger discussions. The boards of the two Clubs will now begin a process to determine whether the merger is possible and delivers appropriate benefit to their respective Memberships.

The talks are concurrent with discussions between their managers, Thomas Miller and Tindall Riley, which would also lead to a merger of the respective businesses should the Clubs decide to merge.

This merger, if actually finalised, would create a club with nearly 250 million owned GT and around 125 million chartered tonnage, and free reserves exceeding US\$1.1 billion. It is understood that the merger is based on the preference of both Clubs to remain P&I specialists rather than diversify into other insurances, with the consolidation expected to produce economies and other benefits of scale for the members. The merger would also enable the new club to invest in people and resources for the direct benefit of members.

An additional board meeting is scheduled for April, where the issues will be

discussed in some detail. Then, after a period of further consideration, the boards of both clubs will decide at their Board meetings in May whether they are prepared to recommend the merger to their membership. If so, there would then be a Special General Meeting of each Club towards the end of June.

If the Membership of both clubs votes in favor of the merger, then steps would be taken with a view to creating a single merged club in time for the 2017 renewal.

In the meantime, business will continue as usual.

P.L. Ferrari & Co. will continue to monitor the progress of the proposed merger but inevitably the announcement has prompted much market speculation as to other potential mergers. Such gossip is, indeed, speculative and we do not comment or report on speculation. However logic would suggest that other clubs may well view the potential merger as a catalyst for their own preferred partner alignments. And such alignments, if they are to happen, may well be split between diversified product clubs merging and, similarly non-diversified clubs seeking likeminded alliances. There may well be further pressure, as a consequence, on substantially increasing individual club retentions which are possibly kept low to accommodate the smaller clubs and dilute pressure on their balance sheets. As always we would take this opportunity to advocate the primacy of the membership itself. The individual ship owner's interests must be the prime motivation and club consolidation should not be at the expense of the service values that are the bedrock of the mutual. We have concerns that less sensitive Management companies might be tempted to mergers through perceived expense savings: savings that may well be achieved at the expense of service.

We remain at your complete disposal for any further information or advice on this matter.

The Newsletter, and our information archive, can also be accessed at www.plferrari.com

P.L. FERRARI & CO. S.r.l.