



Australian takeover raises attraction of British Marine

Wednesday 8 February 2006

The chief executive of British Marine, Robert Johnston, believes the company's acquisition by Australian insurance group QBE has given it a renewed impetus and an added attraction for shipowners, writes Jon Guy .

Just over 50% of British Marine's premium income is derived from its P&I interests, with the other income from its hull insurance operation.

Mr Johnston said QBE's decision to acquire the company gave it a strong position as the P&I renewal season arrived.

British Marine was demutualised in 2000 when a controlling majority was acquired by Capital Z.

"In a strange way for us the management by a private equity firm was the best thing which could have happened to the business," says Mr Johnston. "Its focus was on the performance of the business and profitability."

He feels the underwriting discipline installed during that time remains and the acquisition late last year by QBE provides the financial security on which owners place increasing importance.

"QBE has made it clear that as far as British Marine is concerned it is business as usual," he says.

"The company has been able to continue doing what we do but with the backing of a \$10bn insurance group and an A financial strength rating.

"We have increased our free reserves or shareholders' fund by 160% in the past three years, moving from \$50m to \$130m, and its is a performance that we have only be able to achieve under the structure we have in place."

Mr Johnston says the structure puts British Marine outside the International Group and in some respects there remain benefits.

"We can offer out owners the opportunity to pay a fixed price for their cover," he says. "There are those who want to know how much their cover will cost and be assured of the single payment which will mitigate those risks.

“There is also the fact that, being outside the International Group, we do not have the issues of churning.

“The International Group does a tremendous job but in some respects the churning is self-inflicted because its members are the ones offering premium levels and terms to owners who are seeking to place newly built tonnage.

“In some ways it is an issue peculiar to the International Group, though we have had evidence recently of the issue when one of our owners was quoted a premium by one group member which was half the level of our rate for newly built tonnage. It is indicative of the competition within the market for new tonnage.”

Mr Johnston says the company will continue to drive its disciplined approach to underwriting with the needs of its clients balancing the need to deliver returns to its parent’s shareholders.

“We are confident for the future and delighted to be part of the QBE stable,” he says. “It has provided a great deal of benefit both to British Marine and our clients.”

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