

## TO ALL OWNERS AND MEMBERS

19 November 2014

Dear Sirs

### **FINANCIAL POSITION OPEN POLICY YEARS RENEWAL 2015**

The board reviewed the club's financial position, the open policy years and the requirements for the 2015 renewal at its meeting on 15 October 2014.

#### **FINANCIAL POSITION**

The club's finances are strong, and the current forecast is for the reserves at year end to be similar to their current level. A small underwriting deficit is expected to be balanced by the modest investment returns forecast for the year.

#### **OPEN POLICY YEARS**

##### **P&I class:**

2012/13: Claims in this year have improved since the year end. An underwriting deficit, however, is still forecast for the year. No call in addition to the Estimated Total Premium is expected and the board determined that the release call margin remain at 3%. The year is expected to be closed in May 2015.

2013/14: This year has experienced an unusually large number of higher value claims. This has been reported to owners/members previously, and is reflected in the club's previously announced financial projections. There has been, however, some further slight deterioration since the year end. No call in addition to the Estimated Total Premium is expected, and the board determined that the release call margin remain at 4%.

2014/15: The year is forecast to produce a small underwriting deficit which is expected to be covered by the forecast investment return for the year. No call in addition to the Estimated Total Premium is expected, and the board determined that the release call margin remain at 8%.

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The Standard Club Asia Ltd

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**Defence class:**

This class is performing satisfactorily with claims levels reducing from the exceptional high levels seen during 2008 - 2011. No call in addition to the Estimated Total Premium is expected. The board determined that the release call margins should remain at 3% for 2012/13, 4% for 2013/14 and 8% for the 2014/15 policy year.

**RENEWAL 20 FEBRUARY 2015****P&I class:**

The club has a high quality membership and the majority of owners/members pay premiums that are commensurate with the level of claims and risk that they bring to the club. Nevertheless, the club's experience is that on average, across claims within the club's retention there is annual inflation in the region of 6%.

Consequently, the board has determined that a general increase of 5% should be applied to all owners' and members' premiums. This is below the level of expected inflation as it takes into account the club's financial strength and the level of expected investment income.

The board is mindful that, in the interests of fairness between owners/members, it is important that owners/members whose premiums are insufficient should not be subsidised by other owners/members. The board has determined therefore that the managers should engage with the minority of owners/members whose claims and exposure are out of line with their premiums to discuss the terms of their renewal. These owners/members should expect to incur significant premium increases and changes in terms which more accurately reflect their individual record and exposure. The club remains open to owners/members bearing a greater share of the risk by way of increases in deductibles to mitigate the necessary premium increases. The club aims to agree acceptable renewal terms with all of its owners/members but it is acknowledged that a few owners/members may be unwilling to accept fair and appropriate renewal terms, and will leave.

As is usual, any increase in the International Group's reinsurance costs will be reflected in owners'/members' premium.

In recent years, the club has increased the proportion of the final instalment, to benefit owners'/members' cash flow and the instalment pattern of premium payments will remain as for the current policy year.

**Deductibles:**

As mentioned above, the club is open to owners/members bearing a greater degree of risk to reduce premium increases. In addition, the board has determined that deductibles should be applied to correspondents', survey and legal fees so appropriate changes to the rules of the club are proposed to give effect to this. Steel preloading surveys will only be paid by the club if agreed in advance with the managers. The board continues to be concerned that the general level of deductibles is too low so they have decided that there should be a 10% increase in all deductibles. Where existing deductibles are below \$10,000, a mandatory increase of \$1,000 should be applied. In a number of cases, increased deductibles over and above the increases outlined above will form part of the renewal offer.

**Non-Pool cover:**

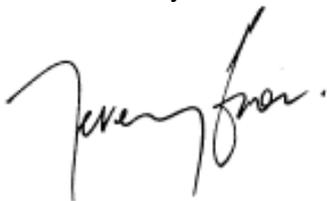
A general increase of 5% in premiums will apply to all classes of non-pool cover except for ships insured under the Standard Offshore Rules (offshore/mobile drilling units) which will be as expiring.

**Defence Class:**

A general increase of 5% will apply.

The board appreciates the continuing support given by owners and members to the club, particularly when trading conditions for shipowners remain challenging and it is encouraged to note that the club has continued to grow year on year. A further update will be issued in due course in relation to other renewal matters, such as possible changes in relation to the club's insurances, war and terrorism risks, and limits on cover.

Yours faithfully



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