



TO ALL MEMBERS

5 November 2009

Dear Sirs

**FINANCIAL POSITION
OPEN POLICY YEARS
RENEWAL 2010**

The board reviewed the club's financial position, the open policy years and the requirements for the 2010 renewal at its recent meeting.

FINANCIAL POSITION

At 20 August 2009, free reserves were projected to be \$225m, and therefore had effectively recovered to the level they had reached before the financial crisis of the last 18 months. This recovery is largely due to a good investment performance in the first half of this policy year, while underwriting is almost in balance.

OPEN POLICY YEARS

P&I CLASS

Claims in all open policy years remain in line with expectations and no calls in addition to the Estimated Total Premium are expected.

DEFENCE CLASS

The club has experienced a significant increase in claims in the last two policy years, arising out of the current conditions in the shipping market. However, no further calls in addition to ETP are expected.

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The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited
Incorporated in Bermuda No.01837 Registered office: Burnaby Building, 16 Burnaby Street, Hamilton, Bermuda
Authorised and regulated by the UK Financial Services Authority
Website www.standard-club.com

The Managers' London Agents: **Charles Taylor & Co. Limited**
Registered in England No.2561548 Registered office: International House, 1 St. Katharine's Way, London E1W 1UT
Telephone: +44 (0)20 7488 3494 Fax: +44 (0)20 7481 9545 E-mail: p&i.london@ctcplc.com
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RENEWAL 20 FEBRUARY 2010

P&I CLASS

The board also reviewed the club's premium requirements for the 2010/11 policy year.

The board is acutely aware of the difficult trading conditions facing many members and is therefore committed to keeping to a minimum any general increase in premiums.

As explained above, the club's finances are in good shape. However, while the general level of claims is within expectations, the club has experienced a higher than usual number of large claims, some of which have reached the Pool level. In addition, investment conditions remain fragile. Significant work has been undertaken in recent years to bring the club's underwriting to balance, but the claims activity indicates that there is no room for complacency. The board is keen to ensure that the club maintains its financial strength so that it can continue to provide the stability which it has provided to members to date.

Accordingly the board has determined that there will be a 3% general increase in premium rates. As in previous years members with adverse records should expect to see their premiums further increased and rates will also be adjusted for any increase in International Group's general excess loss reinsurance programme.

The board continue to believe that deductibles are too low in many cases and have instructed the managers to increase deductibles where necessary.

DEFENCE CLASS

The number and cost of defence class claims has increased significantly, but the impact has been contained by the class's reserves and reinsurance arrangements. In order to address the significant increase in claims costs and move towards a balanced direct underwriting result, the board has determined that there will be a 15% general increase in premium rates. The standard deductible will be amended so that, while the percentage share of each claim to be borne by the member will remain at 25%, the deductible will be a minimum of \$10,000, with no maximum.

A further update will be issued in due course in relation to other renewal matters, such as any possible changes in relation to the club's reinsurances, war and terrorism risks, US voyage surcharges for tankers and limits on cover.

Yours faithfully

Alistair Groom
Chief Executive
Charles Taylor & Co Limited