



TO ALL MEMBERS

11 November 2008

Dear Sirs

**FINANCIAL POSITION
OPEN POLICY YEARS
RENEWAL 2009
NEW RULES**

The Board reviewed the Club's financial position, the open policy years and the requirements for the 2009 renewal at its meeting on 10 October 2008.

FINANCIAL POSITION

The Club has naturally been affected by the extremely difficult investment markets. The Club's free reserves stood at a record level at 20 February this year, at \$226 million. Although we do not usually publish half-year figures, as at 20 August 2008 the reserves were estimated to be around \$220 million, but have reduced further since that time in the even more difficult conditions which have existed in the last two months.

Action has been taken over the last 12 months to lower the risk in the investment portfolio in a number of ways. Equities have been reduced to below the usual minimum level allowed under the Club's own investment rules, cash has been increased, bond duration has been shortened, the use of money market cash funds has been virtually discontinued, the cash has been distributed around more banks, and alternative investments have also been reduced.

Although the free reserves at 20 February 2009 are likely to be well down on the figure at the last year end, they are expected still to be well in excess of the level needed for solvency purposes and within the range that the Board considers appropriate for the Club. As confirmed below, no supplementary calls are expected for any open year.

.. /...

The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited
Incorporated in Bermuda No. 01837
Authorised and regulated by the Financial Services Authority
Website www.standard-club.com

The Managers' London Agents: **Charles Taylor & Co. Limited**
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
Registered in England No. 2561548
Charles Taylor & Co. Limited is an appointed representative of Charles Taylor Consulting plc,
which is authorised and regulated by the Financial Services Authority



OPEN POLICY YEARS

P&I CLASS

2006/07 policy year

Claims in this policy year remain in line with expectations. No further call is expected before the year is closed in 2009.

2007/08 policy year

Claims in this policy year are currently performing a little better than originally forecast. No further call is expected.

2008/09 policy year

This year is at a very early stage of development and overall claims are developing, so far, as expected. Members' own claims are slightly higher than last year but Pool claims are, at this stage, lower. The Estimated Total Premium has already been debited for this policy year, with the final instalment due for payment on 1 November 2009. No further call in addition to ETP is expected.

DEFENCE CLASS

Estimated Total Premiums for all of the open policy years have already been debited. Claims are clearly on the rise, which is not surprising given the very difficult conditions in shipping markets. However, no further calls are expected to be made.

RENEWAL 20 FEBRUARY 2009

The Board also reviewed the Club's premium requirements for the 2009/10 policy year.

The uncertainties in the financial markets underline the fundamental importance of the Club underwriting to balance without reliance on investment income. Although progress was made towards an improved underwriting result at the last renewal, a further significant rise in premiums is necessary at the forthcoming renewal. It may be that a world recession and a contraction in shipping trade will in due course lead to a cyclical reduction in claims activity, but the Board does not think that it is prudent to rely on that until evidence of it becomes apparent.

While the Board is acutely aware of the very difficult trading conditions facing many members, the fact is that in many cases members' premiums do not reflect the true cost of providing insurance. In order to maintain the Club's financial strength and to reflect the real cost of providing the cover, the Board has determined that there will be a 15% general increase in premium rates for all members for both the P&I and Defence classes.

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 the International Group's general excess loss reinsurance programme.

../...



The Board is also keen to see P&I class deductibles increased, particularly where they are currently low, and we will discuss appropriate increases to deductibles with members on a case-by-case basis.

As far as Defence class deductibles are concerned, the percentage share of claims borne by members will remain at 25% but the minimum deductible will increase to \$7,500 and the maximum to \$50,000.

We will update members 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.

NEW RULES

The new rules for 2009/10 were approved by members at a Special General Meeting on 10 October 2008. The new rules are substantially shorter and clearer than the existing ones. New certificates of entry, which will be constructed in a more logical way and which reflect the new rules, will be issued for the 2009/10 policy year. There are likely to be some additional technical rule changes to reflect changes to the International Group's Pooling Agreement, and these will be notified to members as soon as they have been finalised.

Yours faithfully

Alistair Groom
Chief Executive
Charles Taylor & Co Limited

Direct Line: +44 (0)20 7522 7422
E-mail: alistair.groom@ctcplc.com