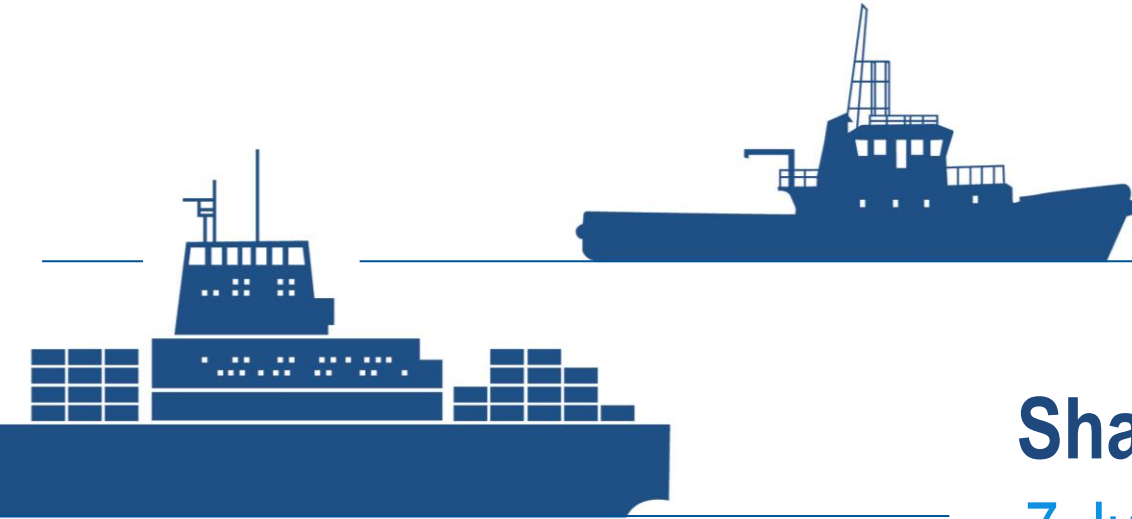
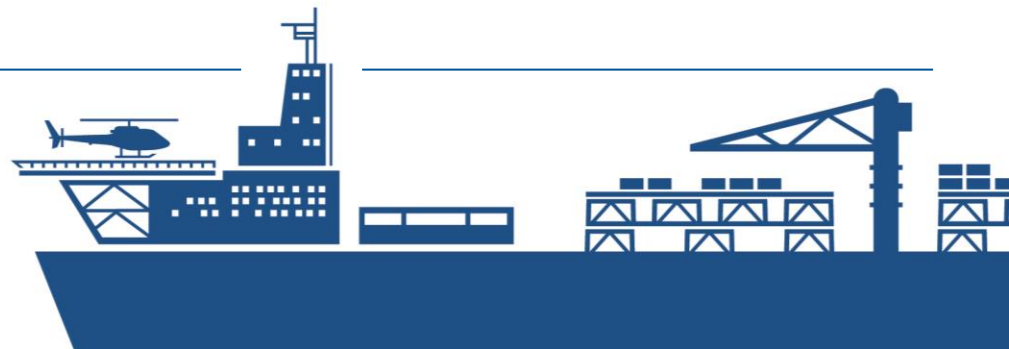


The Standard

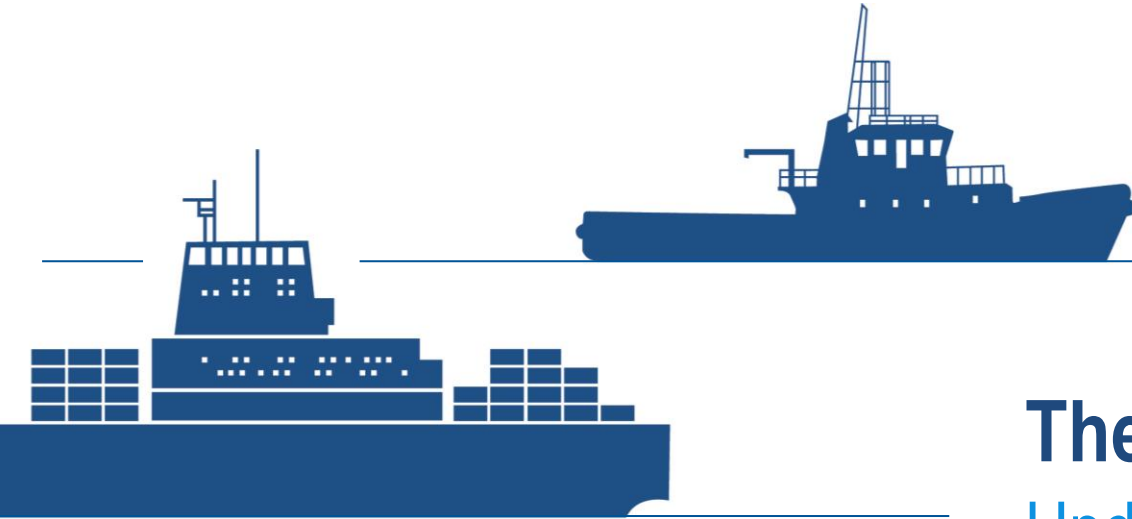


Shanghai Seminar

7 July 2015



The Standard

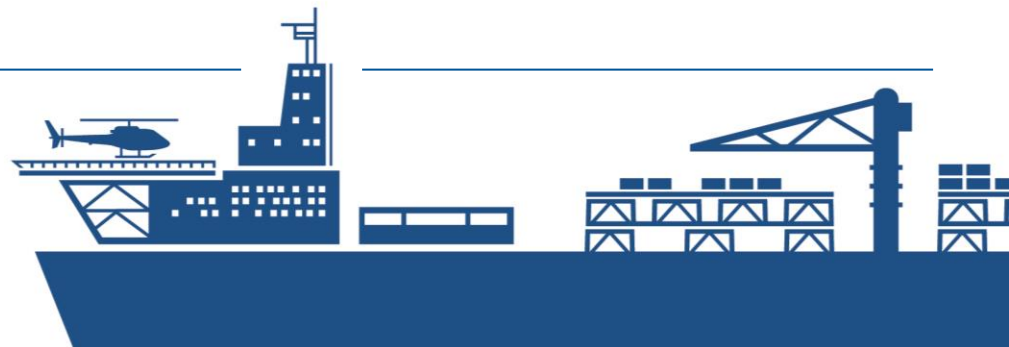


The Standard Club

Update

David Roberts, Managing Director

Charles Taylor Mutual Management (Asia) Pte. Limited



Club structure

The Standard Club Ltd

The Standard Club Europe Ltd

The Standard Club Asia Ltd

Introduction to The Standard Club

- A leading **International Group P&I club**, established in **1884** and now insuring over **10% of global shipping** across all major markets
- A broad range of **P&I and other marine and energy covers**, offering **sustained excellent value** to high-quality operators
- **Industry-leading service**, a **track record of financial security**, and a **selective, conservative approach to growth**
- **2014/15: breakeven underwriting, steady growth**, launch of **The Standard Syndicate** and **Singapore War Risks Mutual**

A culture of innovation and continuous improvement

Key financials

Steady, selective growth; breakeven underwriting; strong balance sheet

Total tonnage

136m gt

20 May 2015

+3.0%

20 May 2014 – 20 May 2015

Owned tonnage

114m gt

20 May 2015

+ 3.6%

20 May 2014 – 20 May 2015

Premium income

\$357m

Projected 2015/16

\$354m

2014/15

Combined ratio

100%

2014/15

101%

2014/15

Investment return

1.8%

2014/15 financial year

0.6%

2013/14 financial year

Surplus

\$11.8m

2014/15 financial year

\$5.9m

2013/14 financial year

Free reserves

\$380m

20 Feb 2015

\$369m

2013/14

S&P rating

A (strong)

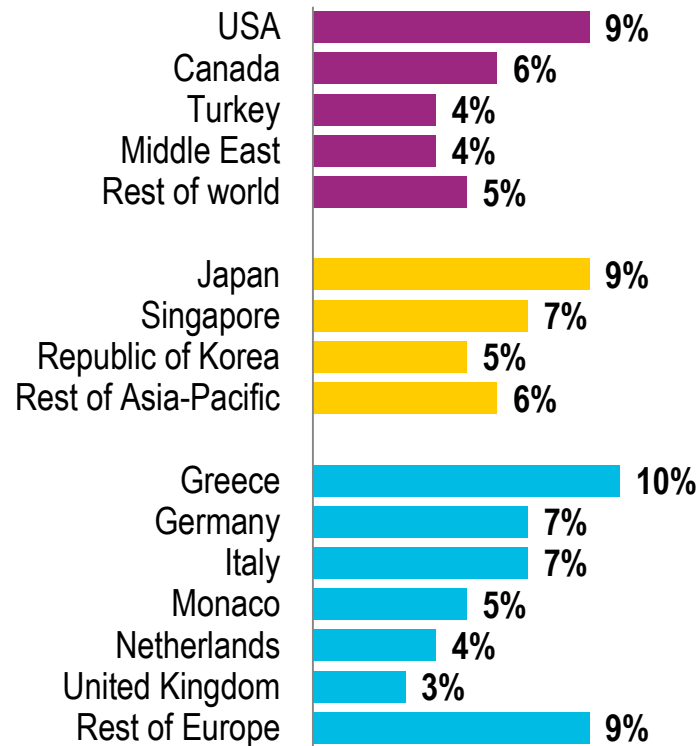
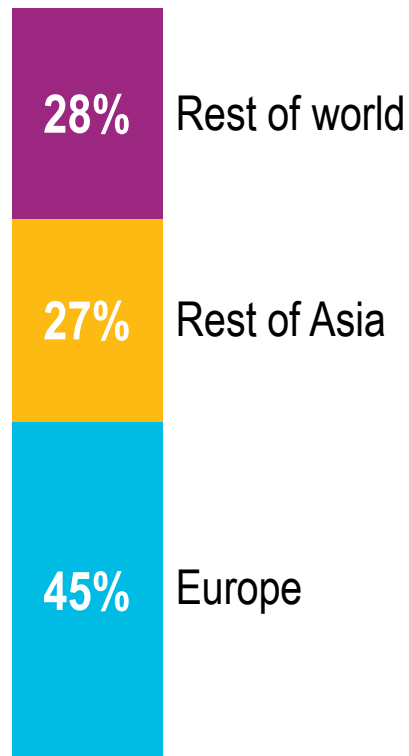
Affirmed July 2014

Membership

Diverse spread of business by country of management and ship type

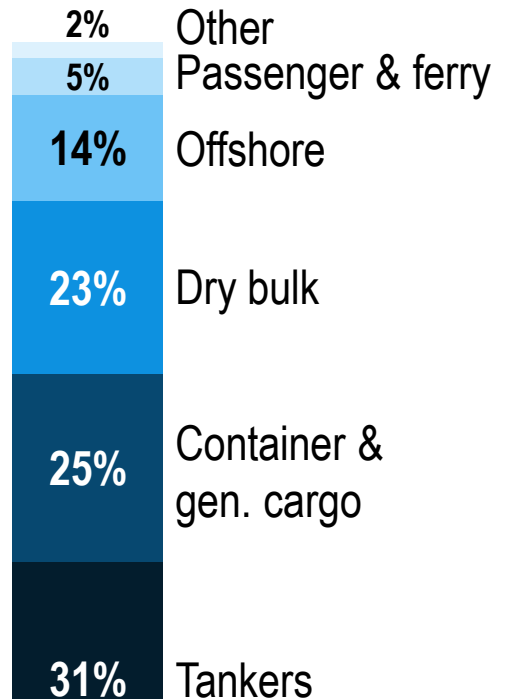
Owned tonnage by region

114m GT



Owned tonnage by ship type

114m GT



Our ambition

01

To **provide a broad range of P&I insurance & related covers** that represent **excellent and sustainable value**

02

To achieve strong results based on **understanding the quality of members' operations**

03

To be recognised for providing **excellent service** through **solving members' problems**

04

To provide **first class financial security**

05

To pursue **selective growth**, consistent with the other objectives

Enabled by
innovation
and
continuous improvement

**Charles
Taylor**

01

Broad range, excellent
& sustainable value



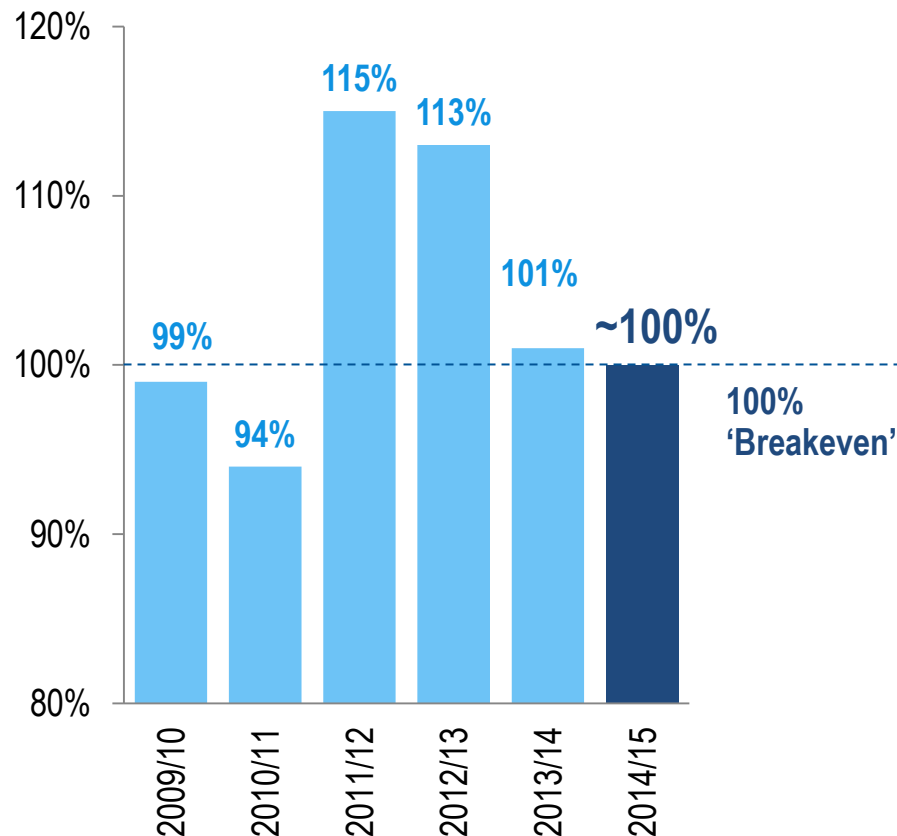
Meeting members' insurance needs



P&I	War & defence	Non-P&I liabilities*	Assets*	Specialist risks*
<ul style="list-style-type: none"> • Mutual owned pooled • Fixed premium owned • Fixed premium charterers • Tailored extensions – e.g., <ul style="list-style-type: none"> – Contractual cover – Crew – Kidnap & Ransom – Passengers – Salvors etc. 	<ul style="list-style-type: none"> • War P&I cover • War hull cover • Defence cover (FD&D) 	<ul style="list-style-type: none"> • General & professional liability • Corporate liabilities (E&O, D&O) 	<ul style="list-style-type: none"> • Hull / War • Cargo & specie • Property 	<ul style="list-style-type: none"> • Energy • Political risk • Terrorism

Sustainable 'breakeven' underwriting

Financial year combined ratio



Key principles

- Disciplined underwriting to align member premiums with claims and risk
 - Assessment of risk profile
 - Proprietary pricing tools
- Focus on operating quality of current and potential members
- Continuous improvement in efficiency to minimise rate rises required – e.g.,
 - Agreed rate reductions with lawyers and other 3rd-party suppliers
 - Centralisation of operational activity

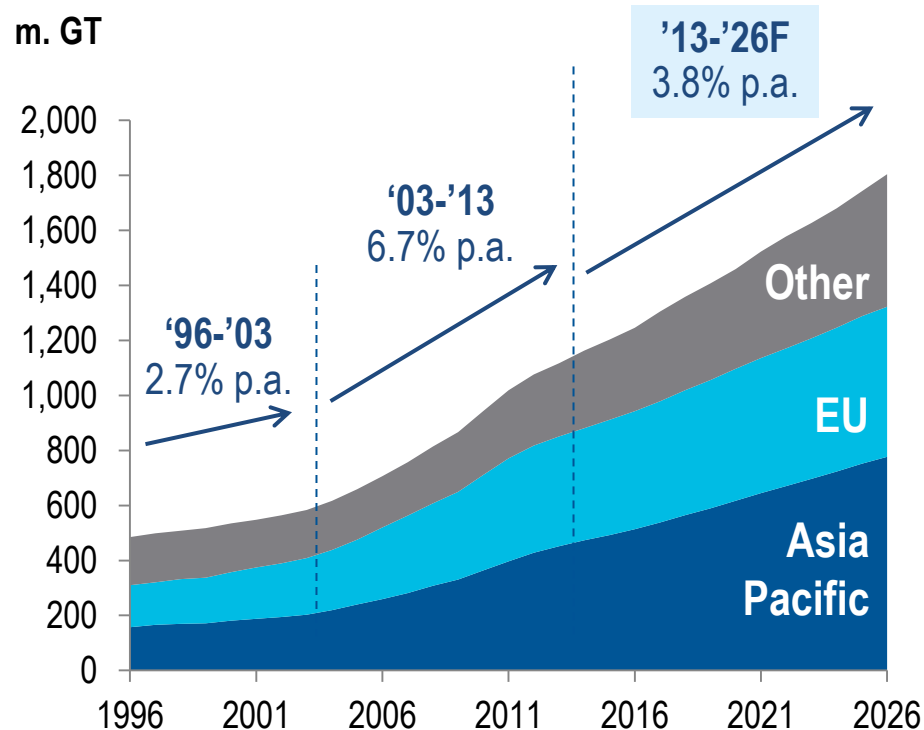
02

Quality of members' operations



Shipping market context

Forecast fleet growth of 4% P.A. – potentially faster than demand



Implications for operating quality

- Shipowners incentivised to pursue new unfamiliar trades...
- ...and/or reduce maintenance and training spend
- Potential difficulties in finding qualified and experienced crew...
- ...and in applying operating standards across increasingly large fleets

Focus on quality of operations

- Focus on operating quality supported by **‘Loss Prevention’ technical experts**
- Assessment of **member / vessel risk profile** – to support members and the club
 - **‘Desktop’ assessment** pre-attachment
 - **‘Member Risk Review’** and **‘Ship Risk Review’**
 - Efforts at each renewal to improve operating quality via non-renewal of some members
- Unique **Safety and Loss Advisory Committee**
 - Technical and operational experts from the membership
 - Informs the club’s stance and advice on safety and operational issues
- Communication of **‘best practice’** via **publications, seminars, member dialogue**

Selecting and managing risks based on operating quality

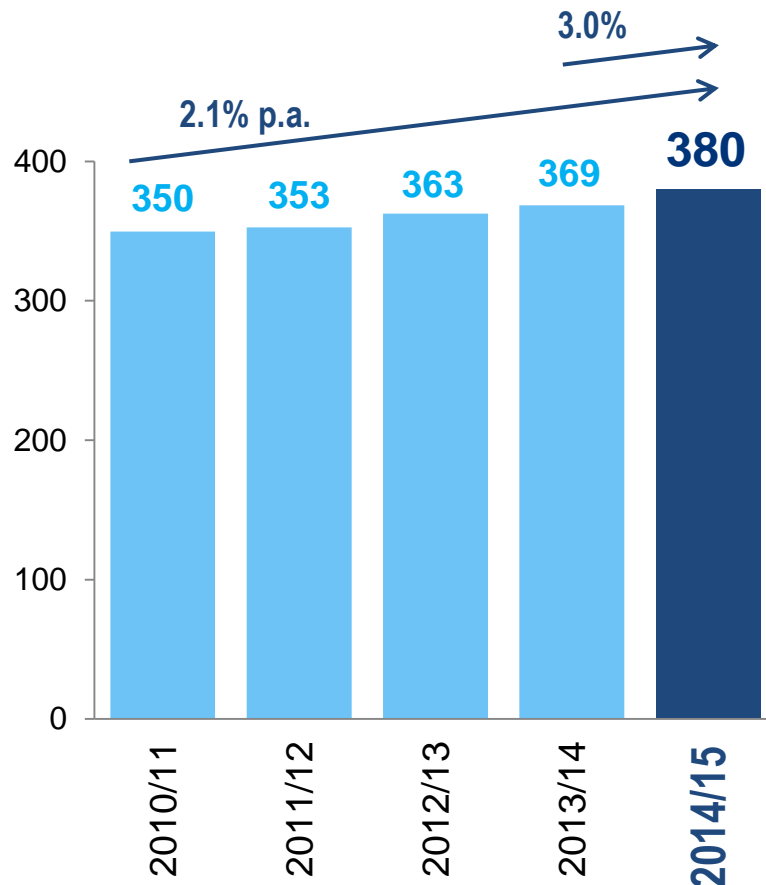
A stylized white silhouette of a ship's upper section, including a funnel and a bridge with windows. The ship is positioned on the left side of the frame. The background consists of a light blue sky and a dark blue sea, separated by a horizontal line. The sea is represented by three horizontal stripes of increasing darkness from top to bottom.

03

First class financial security

Consistent, steady growth in reserves

Free reserves, USDm



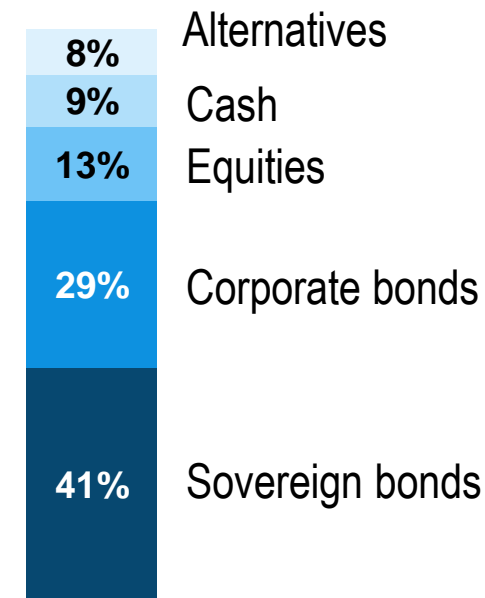
Indicators of financial strength

- Growth in free reserves in line with tonnage
- No unbudgeted supplementary calls for over 20 years
- A rated (strong) by S&P – among the top tier of International Group clubs
- Release calls among the lowest in 2014/15; reduced further in 2015/16

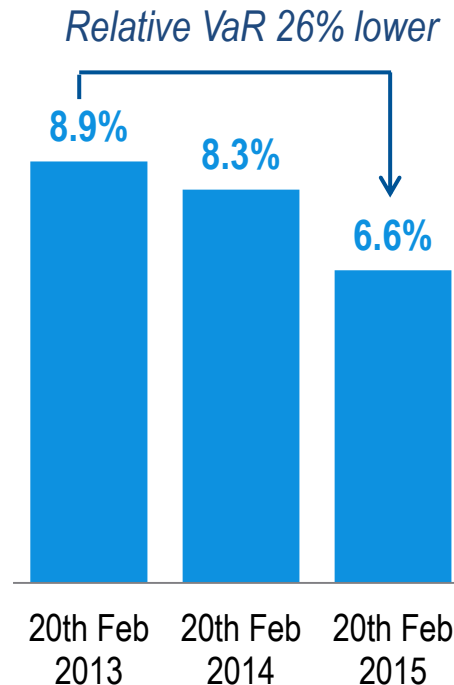
Lower-risk investment portfolio

Portfolio breakdown

% of portfolio
20th Feb 2015



'Value-at-risk' (AaR)
as% of portfolio value
% annual reduction in
portfolio value, 99.5% confidence



Rationale and approach

- Aim to 'break even' on underwriting; investment returns as a 'buffer'
- Prioritising capital preservation
- Reduction in risk profile over past 3 years
 - By asset class
 - Within fixed income
 - By currency
- Capital strength rated AAA by S&P

04

Excellent service



Club model designed around service

- **‘Single point of contact’** – all aspects of a members’ P&I cover managed through one integrated team
- **Leading expertise**, with more than **40 qualified lawyers** covering all aspects of marine liability and an in-house team of **technical experts**
- Commitment to finding **innovative, tailored solutions** to **members’ problems**
- An **inclusive, flexible approach** to **paying claims**
- **‘Continuous improvement’** in service levels – with efforts informed by member feedback and enabled by our culture

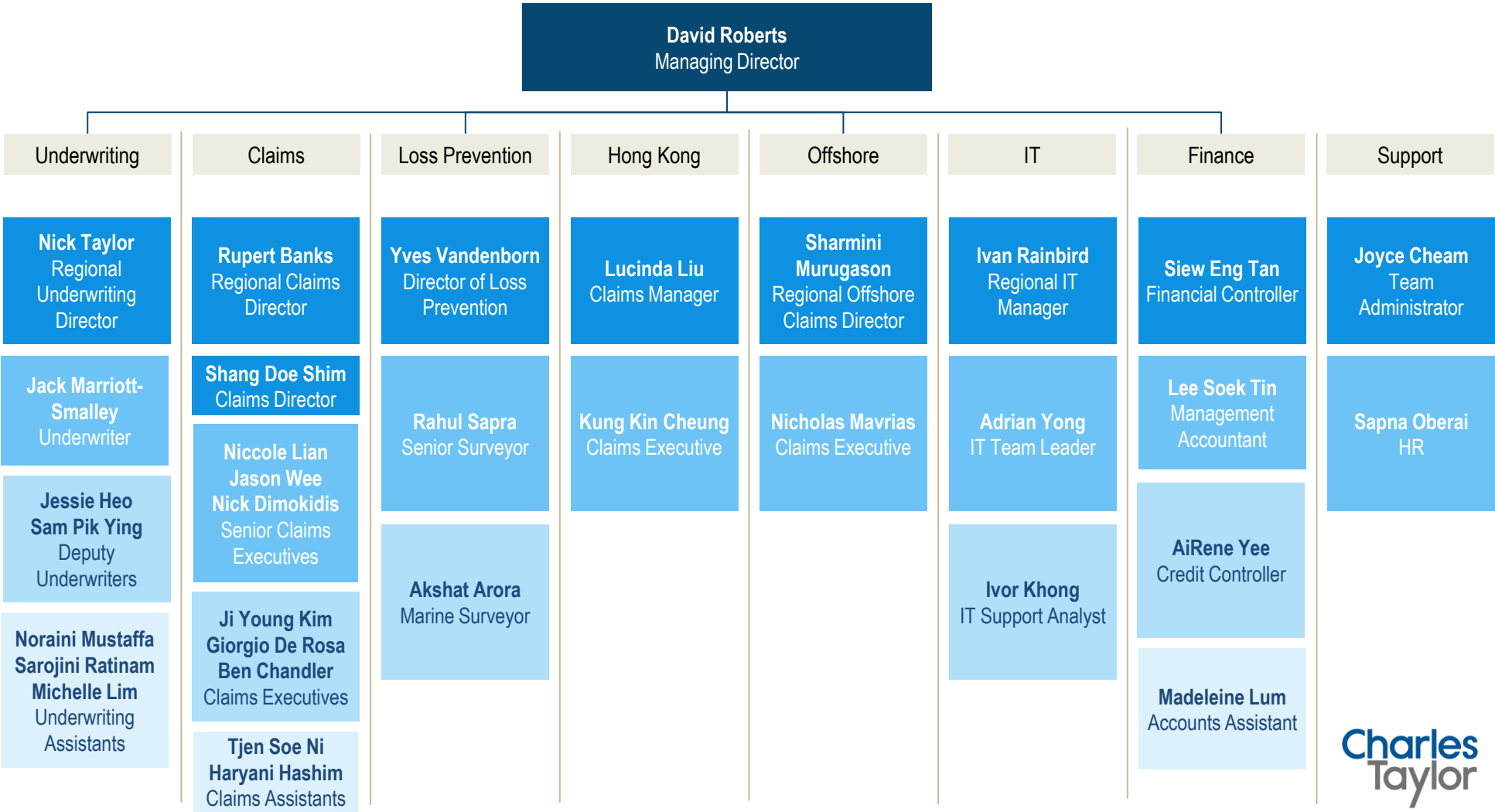
*Aiming to be recognised for consistently excellent service,
through solving members’ problems*

Service teams in key hubs globally



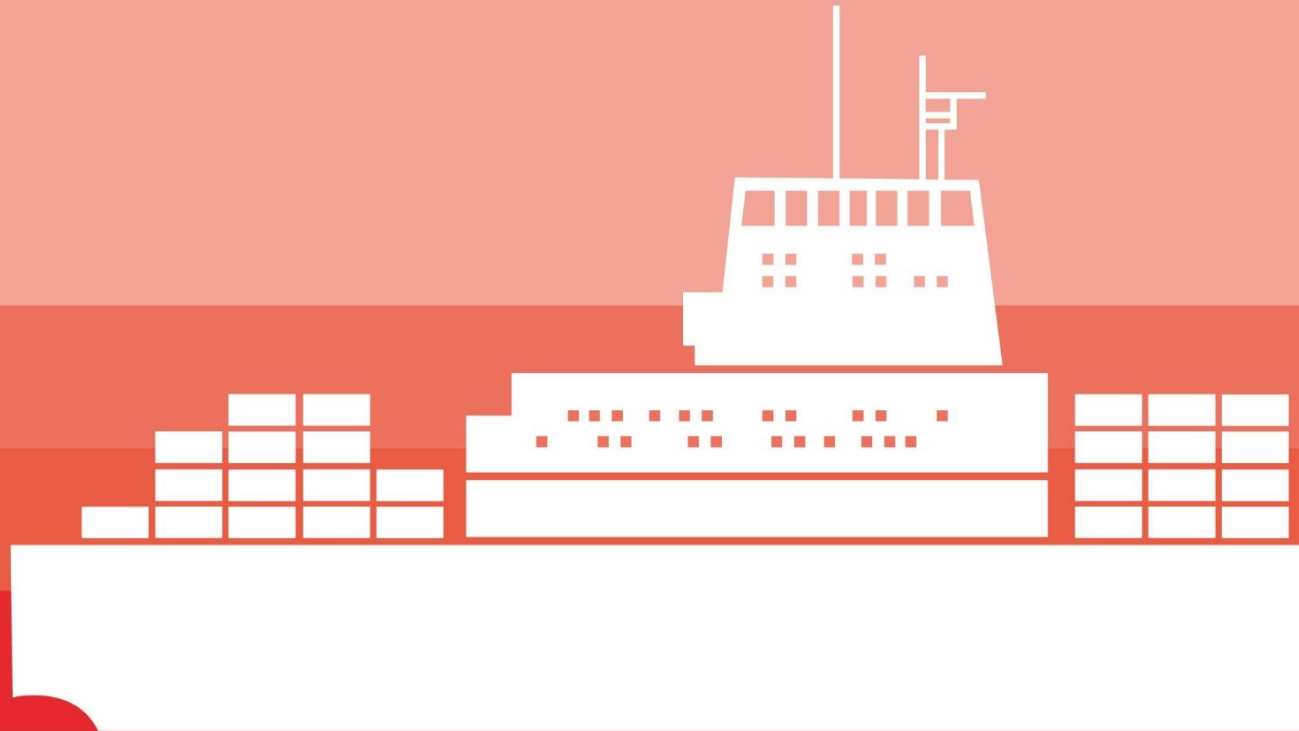
Standard Asia

Charles Taylor Mutual Management (Asia) Pte. Limited



05

Selective growth



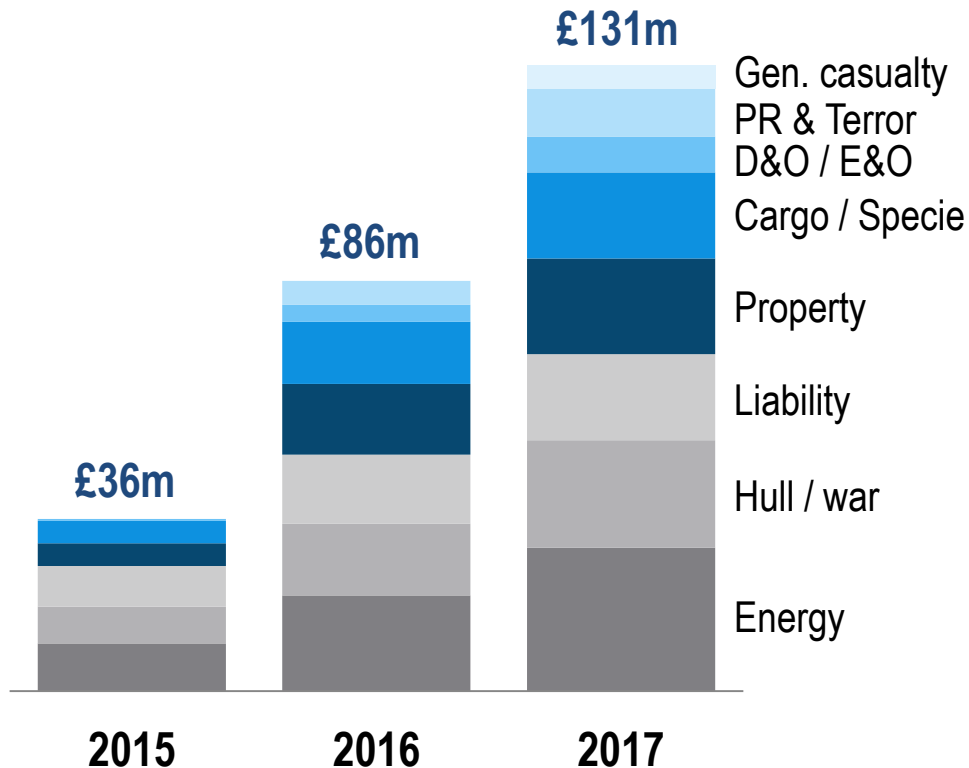
Selective approach to growth

- Growth and scale viewed as **positive for the membership** as a whole...
- ...but the long-standing **priority** is the **operating quality** of members and vessels
- Preference is to **grow with existing members** – in P&I and in non-P&I covers
- For **new members** – operating quality, relationship-focused approach, disclosure
- Particular specialisms in **offshore energy** and **small craft** (coastal and inland)

Aiming to drive growth, as long as this is consistent with the club's focus on operating quality, financial stability and service

The Standard Syndicate – introduction

Premium income – per business plan approved by Lloyd's



Rationale and status

- Lloyd's syndicate established by the club
 - to offer members (and others) a broader range of covers, with club-style service
 - to diversify and strengthen the club
- Approach leverages club's relationships and knowledge
- Commenced underwriting 1 April, after Lloyd's & regulatory approvals
- Board hopes that many members & their brokers will consider The Standard Syndicate to meet their non-P&I needs



The Standard Syndicate – approach

- Club quality **service** and **claims handling**
- Marine and energy covers **tailored to operators' needs**
- **Lloyd's insurance in local markets**
- Alignment of **club and member interests** in directing attractive business to the Syndicate
- Underwriting excellence for long-term **sustainability and profitability** – based on **knowledge of the risk**
- **Focus on low catastrophe risk**

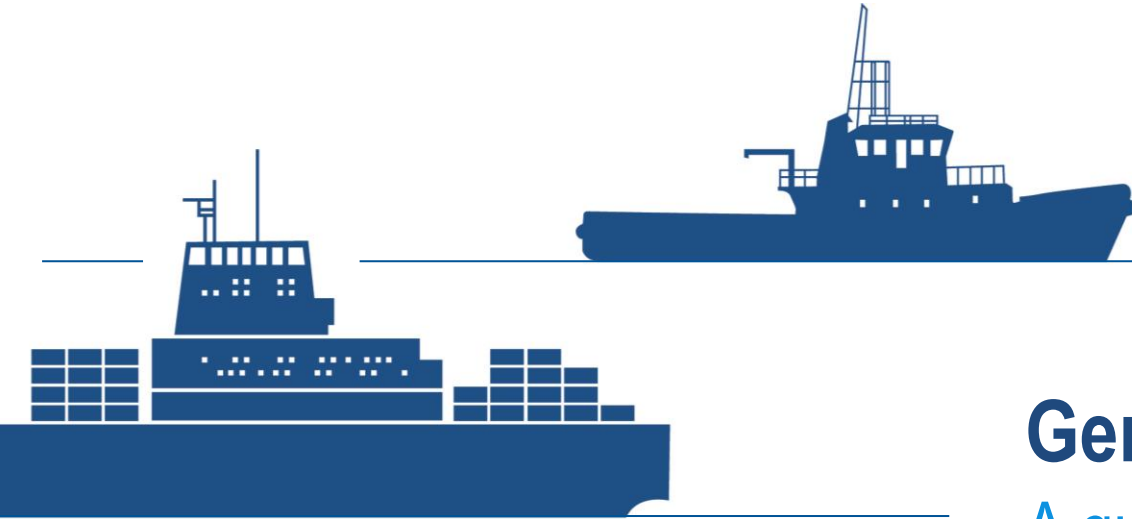
*An alternative approach to other Lloyd's syndicates,
leveraging the relationships and knowledge of The Standard Club*

Conclusion



Priorities for 2015/16

- Deliver a **stable ‘breakeven’** underwriting performance
- **Grow** The Standard Club’s **core P&I business**
 - Existing members – new attachments, acquisitions
 - New members – operating quality, relationship focus, disclosure
- Help to **deliver The Standard Syndicate’s year 1 business plan**, though referring members
- Build on our culture of **innovation** and **continuous improvement**

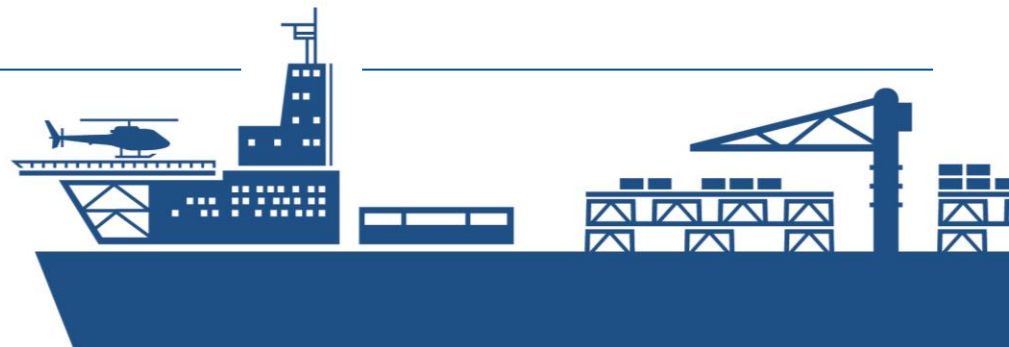
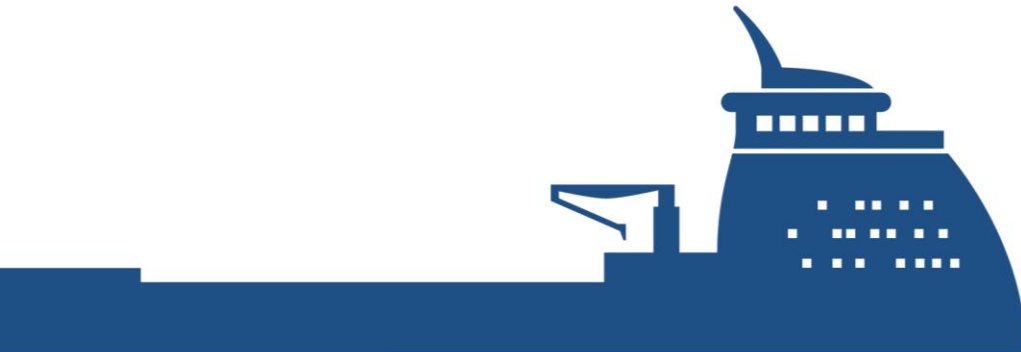


General average

A guide to the basics

Yibing Xu, Assistant General Manager

Richards Hogg Lindley, Hong Kong



Introduction to general average



General average



What is general average?

- York Antwerp Rules – Rule A

“There is a general average act when, and only when, any

extraordinary sacrifice or expenditure

*is **intentionally and reasonably** made or incurred*

*for the **common safety***

*for the purpose of **preserving from peril** the*

*property involved in a **common maritime adventure**.”*

When does general average occur?

- groundings
 - fires
 - collisions
 - machinery breakdowns
-
- Loaded passages
-
- Ballast GA clause





How does general average work?

- general average declaration – usually by vessel owner, but often not compulsory
- general average adjuster appointed by vessel owner to handle case and collect security as soon as possible

How does general average work?

- general average security – put up by cargo interests in order to release cargo
 - a) general average guarantee by cargo insurers
 - b) general average bond by cargo “owners”
 - c) general average deposit if cargo uninsured
- general average surveyor appointed to assess general average sacrificial damage, if required

How does general average work?

- contracts of carriage - charter parties and bills of lading - outline rights and responsibilities of parties
- general average clause - York Antwerp Rules, govern adjustment of general average - 7 lettered rules, 22 numbered rules
- Rule of Interpretation and Rule Paramount

How does general average work?

- Does it take long to carry out adjustment?
 - multiple cargo interests
 - delay in carrying out vessel repairs
 - document collection from multiple interests

How does general average work?

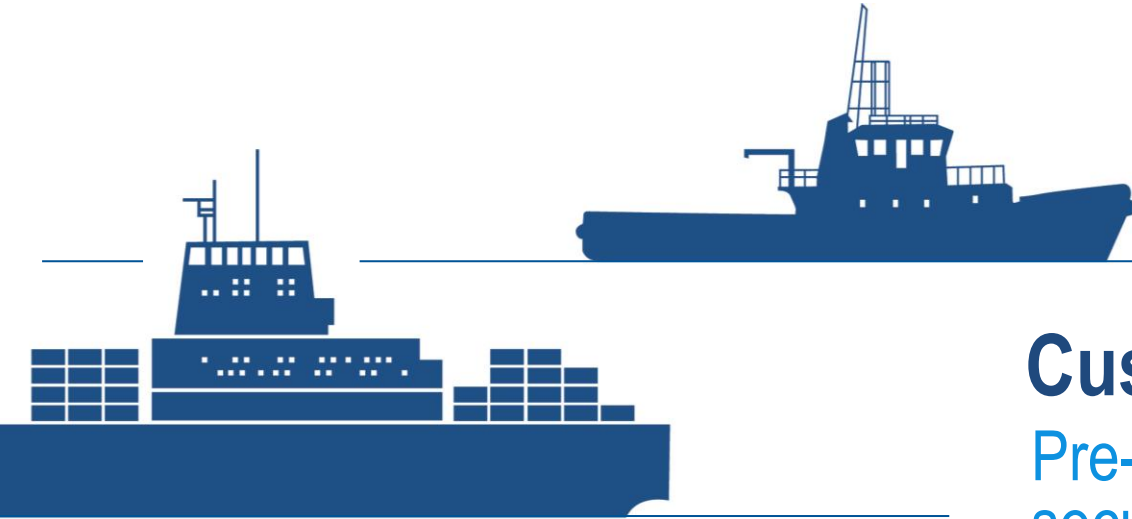
— Enforcement

- general average adjustment not binding (UK)
- breach of contract of affreightment (e.g. unseaworthiness) is a defence to contribution
- cargo's proportion picked up by P&I club if irrecoverable
- GA absorption clauses

Why we still need general average

- Not popular
- Avoids paralysis during a crisis
- Framework for allocation of costs that leaves the door open for legal redress

The Standard

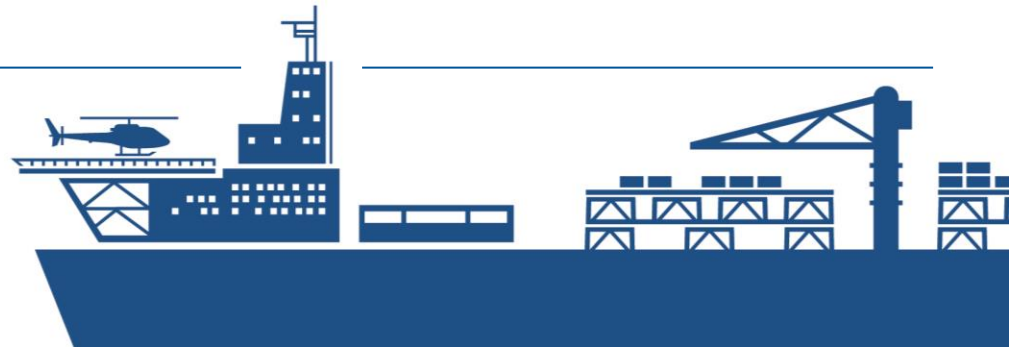


Customers who don't pay

Pre-contracting due diligence and
securing claims

Nathan Wheeler, Managing Director
LSR Services Hong Kong

Zeldar Wang, Senior Associate
Ince & Co Shanghai



Risk management and mitigation in an on-going fixture and post-fixture environment

- Why it matters.
- How to recognise potential problems.
- How to handle it.

Due Diligence

- Still a rare phenomenon in Shipping.
- If you have resources make the most of them.
- Not only useful prior to the fixture but also if a “situation” occurs.
- Get an audit to see where you stand now on both technical and counterparty risk procedures.

Claims and Disputes – Why Worry

- Apart from the direct financial cost:
 - Reputation – your reputation is at stake with fraudsters, shareholders, counterparts, colleagues
 - Management time
 - Potential increase in P&I premiums or deductibles
 - Adds to the work burden of everyone
 - Reduces bonuses

Red Flags

- Errors or inconsistencies in documents
- Confirmation from counterparties being provided via a middle-man
- If a deal is too good to be true – it probably is
- Requests by third parties to issue documentation on your behalf
- Unknown intermediary
- Request for advance payment
- Routing of funds through an unfamiliar path
- Overly aggressive and bullying approach from a counterpart
- Unusual trade flow
- Unexpected behaviour
- Reluctance to provide basic details
- It's a Friday

Small Claims

- Small claims should be settled where possible.
- Don't just call the P&I Club
- A review of old outstanding claims should be undertaken regularly
- Speed is a good thing

Do these things

- Act swiftly – don't “sit” on a problem
- Inform management
- Consider requesting external assistance
- Be discreet
- Enact procedures
- Secure evidence
- Communicate clearly
- Inform the legal department

Do not do these things

- Destroy evidence or cover-up any mistakes
- Get angry, start making threats etc without possession of the full facts
- Advertise or discuss the problem with third parties – this includes the media and social media

Customers who don't pay: pre-contracting due diligence and securing claims (*Part II*)



Zeldar Wang
Senior Associate
Ince & Co LLP
7 July 2015, Shanghai

订立合同前

Pre contract

- 尽职调查
due diligence
 - ▶ 集团公司? (Group company?)
 - ▶ SPV?
- 法律风险 vs 商业机会
Legal risk vs commercial opportunity



订立合同前

Pre contract

- 合同条款审查
examination of contractual terms
- 担保
guarantee
 - ▶ 公司?
corporate guarantee?
 - ▶ 个人?
personal guarantee?

合同执行中

during the performance of the contract

- 是否存在协议修改合同条款?
Contractual terms amended?
- **Contemporaneous correspondence:**
双方往来邮件、电话、微信 ...
e-mails, telecons & wechat ...
- 如出于商业考虑决定做让步时须注意的问题
when you want to compromise from commercial
point of view



争议发生后

when disputes turn up

- Contemporaneous correspondence:
双方往来邮件、电话、微信 ...
e-mails, telecons & wechat ...
- WITHOUT PREJUDICE
- 法律协助
Legal assistance
如：第一时间通知保险人、协会等
e.g., notify the insurer & Club etc.
- 可能的财产保全措施 / 法律行动
preservation of asset / legal action



Thank you

Zeldar.Wang@incelaw.com

Beijing
北京

Dubai
迪拜

Hamburg
汉堡

Hong Kong
香港

Le Havre
勒阿弗尔

London
伦敦

Monaco
摩纳哥

Paris
巴黎

Piraeus
比雷埃夫斯

Shanghai
上海

Singapore
新加坡



Cyber risks P&I insurance implications

Rupert Banks, Regional Claims Director

Charles Taylor Mutual Management (Asia) Pte. Limited

Overview

- Cyber risks faced by shipowners & charterers
- Impact on P&I cover
 - 'Poolable' cover
 - Relevant extensions
- Electronic bills of lading

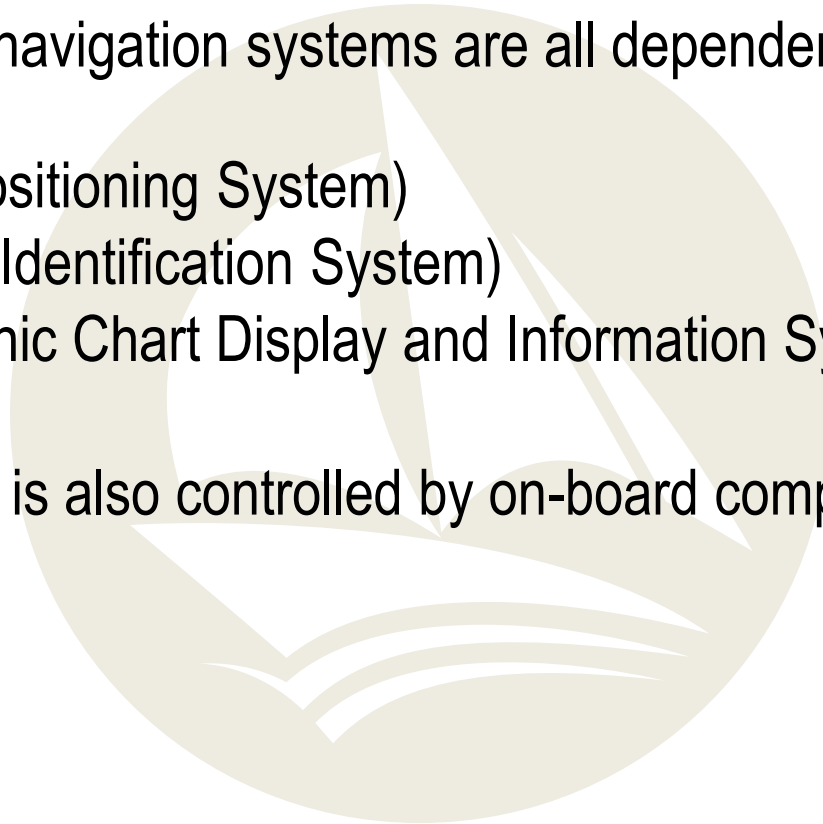


01 Cyber risks



Cyber risks

- Modern vessel navigation systems are all dependent upon computer software
 - GPS (Global Positioning System)
 - AIS (Automatic Identification System)
 - ECDIS (Electronic Chart Display and Information System)
- Ship propulsion is also controlled by on-board computer systems



Cyber risks

Modern ship bridge



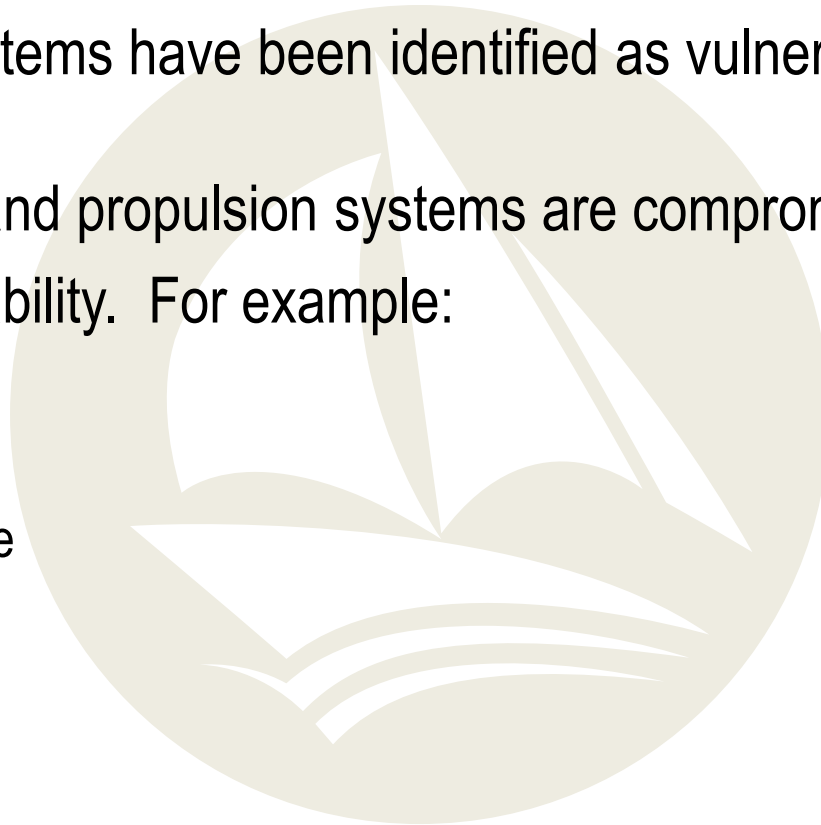
Cyber risks

Modern engine room control centre



Cyber risks

- All of these systems have been identified as vulnerable to cyber-attack
- If navigational and propulsion systems are compromised, could potentially lead to a P&I liability. For example:
 - Collision
 - Personal Injury
 - Property Damage
 - Pollution
 - Wreck



02

Impact on P&I cover



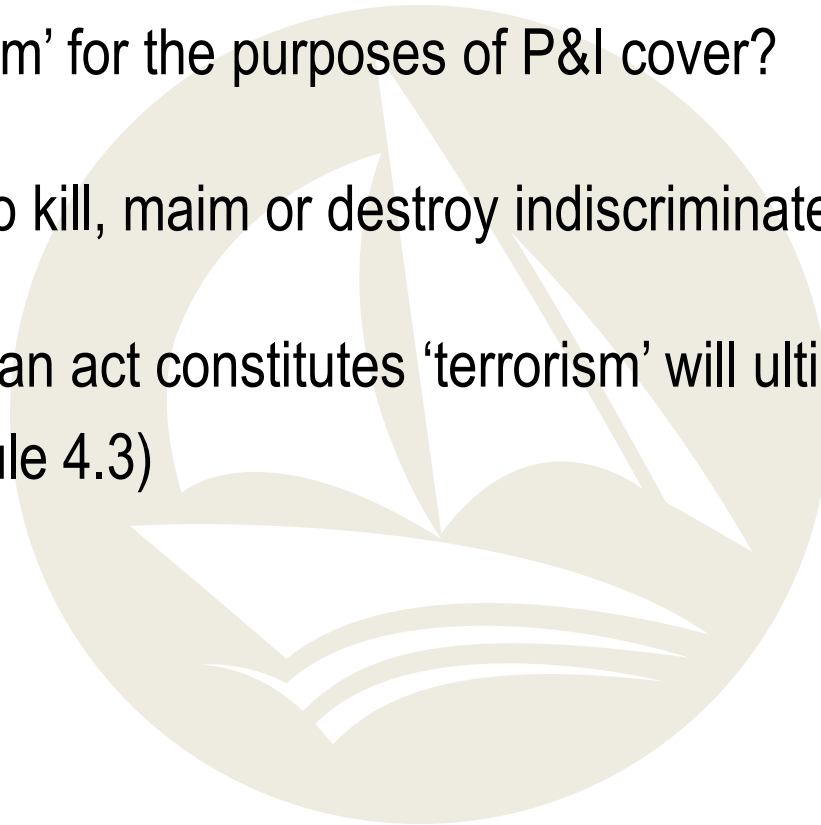
Impact on P&I cover

1. Poolable cover

- No cyber exclusion in Club Rules, Pooling Agreement or GXL
- War risk exclusion (rule 4.3):
“no recovery in respect of any liabilities...incurred as a result of...any act of terrorism”
- Unless act can be characterised as ‘terrorism’ or another war risk (e.g. hostile act by or against a belligerent power), poolable cover will continue to respond to P&I liabilities arising out of cyber-attack.

Impact on P&I cover

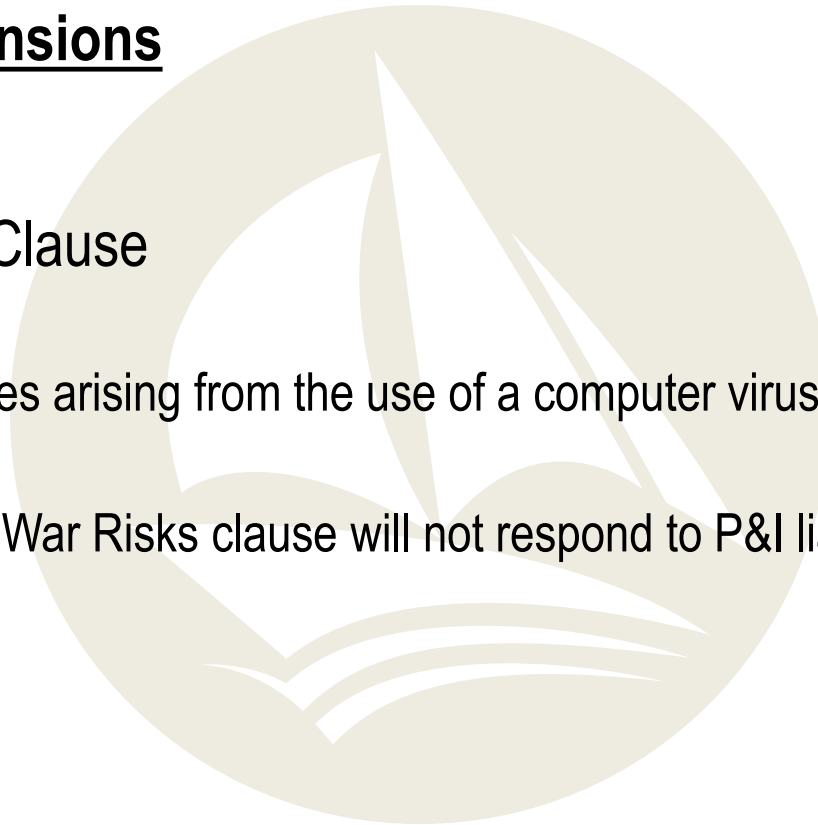
- What is 'terrorism' for the purposes of P&I cover?
 - Acts aimed to kill, maim or destroy indiscriminately for a public cause
- Whether or not an act constitutes 'terrorism' will ultimately be decided by the Club's board (rule 4.3)



Impact on P&I cover

2. Relevant extensions

- P&I War Risks Clause
 - Excluded: liabilities arising from the use of a computer virus as a means for *inflicting harm*
 - Accordingly, P&I War Risks clause will not respond to P&I liabilities arising out of cyber-attack



Impact on P&I cover

- Bio-chemical risks inclusion clause
 - Supplementary Pooling Agreement
 - Cover includes:
 - > liability for crew illness/injury/death/deviation expenses; and
 - > sue & labour expenses incurred to avoid/minimise another P&I risk arising from a computer virus up to \$30m for owned entries
 - However, use of ship or its cargo as a means for inflicting harm is excluded

A stylized white silhouette of a ship's superstructure is positioned on the left side of the frame. The ship features a funnel with a curved top, a bridge with five windows, and two rows of portholes on the main hull. The background consists of a light blue sky and a dark blue sea, separated by a horizontal line. The overall style is minimalist and modern.

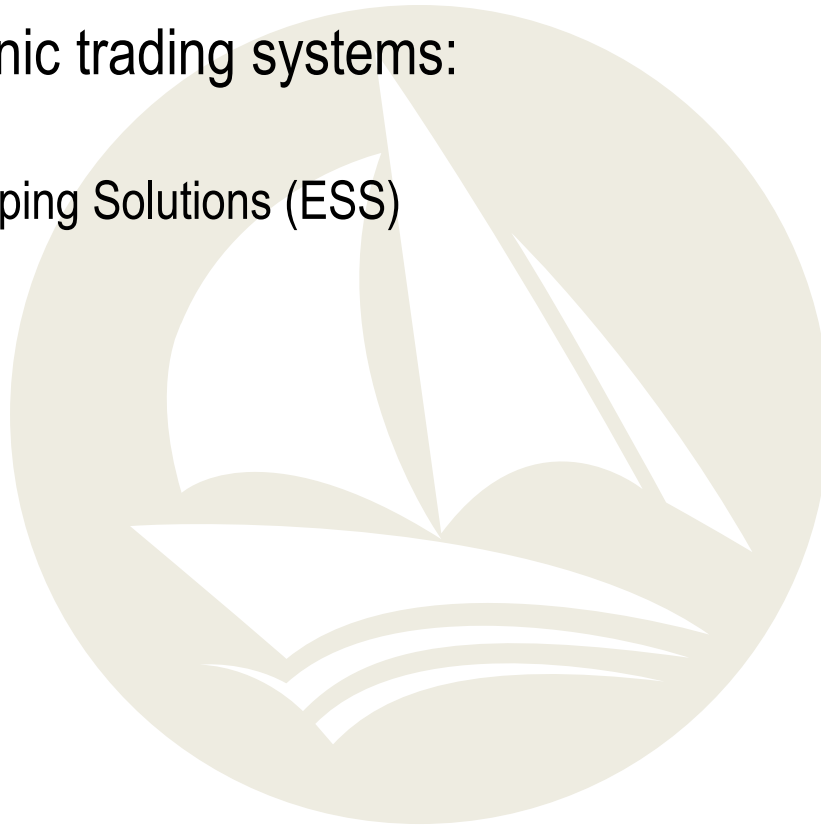
03

Electronic bills of lading

Electronic bills of lading

Approved electronic trading systems:

- Electronic Shipping Solutions (ESS)
- Bolero



Electronic bills of lading

- Approved electronic systems are only subject to those exclusions that are in place for paper B/Ls
- Cargo shortage claim arising out of hacking of an approved electronic system
 - P&I liability
 - Not terrorism
- However, non-P&I liabilities arising out of a cyber attack would not be covered

Regulatory status

The Standard Club Ltd is regulated by the Bermuda Monetary Authority. The Standard Club Ltd is the holding company of the Standard Club Europe Ltd and the Standard Club Asia Ltd. The Standard Club Europe Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Standard Club Asia Ltd is regulated by the Monetary Authority of Singapore.

Charles Taylor Services Limited (CTS) is authorised and regulated by the Financial Conduct Authority to carry out general insurance mediation activities for commercial clients. For more details please see www.fsa.gov.uk/register/home.do or call the FCA on 0845 606 1234. CTS is a wholly owned subsidiary of Charles Taylor Holdings Limited. The ultimate parent and controlling company is Charles Taylor plc.




The Standard



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 **The Standard P&I Club**
www.standard-club.com

Charles Taylor

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