

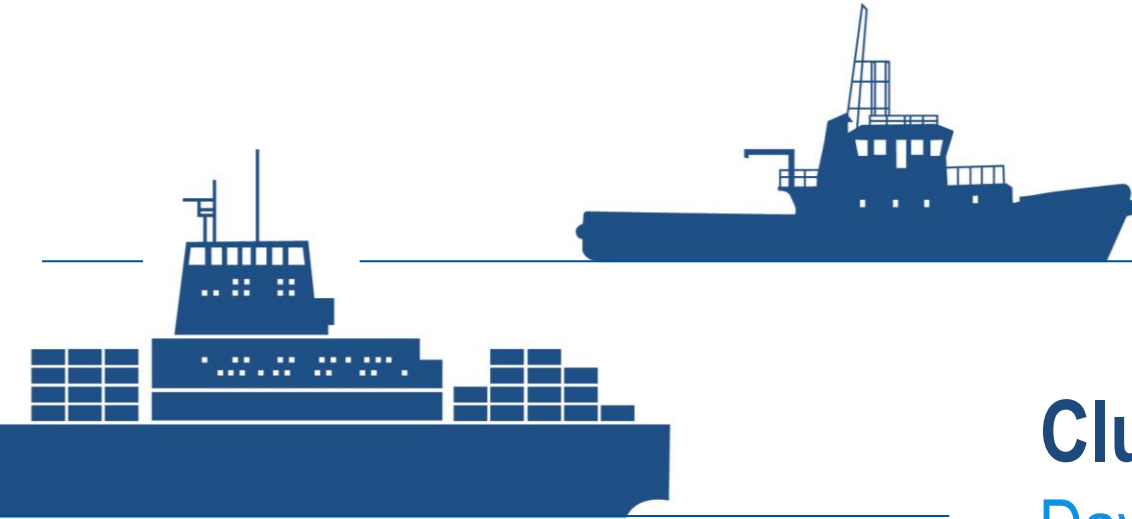
The Standard Club Mumbai Seminar

26 May 2016



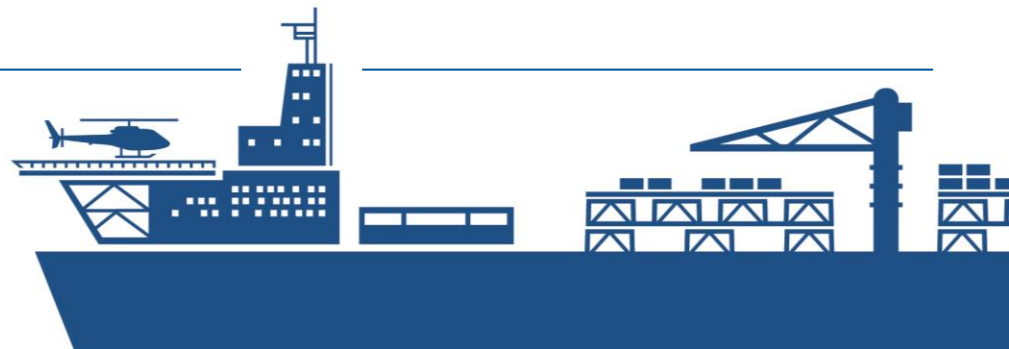
Programme

- Club update
- Iran sanctions
- The Maritime Labour Convention: current status and key issues
- Navigational incidents: the club's perspective



Club update

David Roberts, Managing Director



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
- **Industry-leading service**, a **track record of financial security**, and a **selective, conservative** approach to **growth**
- **2015/16: overall underwriting profit for the financial year, steady growth**, launch of **The Standard Syndicate** and the **Singapore War Risks Mutual**
- A **broad range of P&I and other marine and energy covers**, offering **sustained excellent value to high-quality operators**

Overview of the club: key financials

Selective growth; breakeven underwriting; strong balance sheet

Total tonnage

138m gt

20 February 2016

+2.5%

20 Feb. 2015 – 20 Feb. 2016

Owned tonnage

116m gt

20 February 2016

+ 3.6%

20 Feb. 2015 – 20 Feb. 2016

Premium income

\$322m

Projected 2016/17

\$358m

2015/16

Combined ratio

95%

2015/16

100%

2014/15

Investment return

-1.3%

2015/16 financial year

1.8%

2014/15 financial year

Surplus

\$10m

2015/16 financial year

\$11.8m

2014/15 financial year

Free reserves

\$390

20 Feb 2016

\$380m

20 Feb 2015

S&P rating

A (strong)

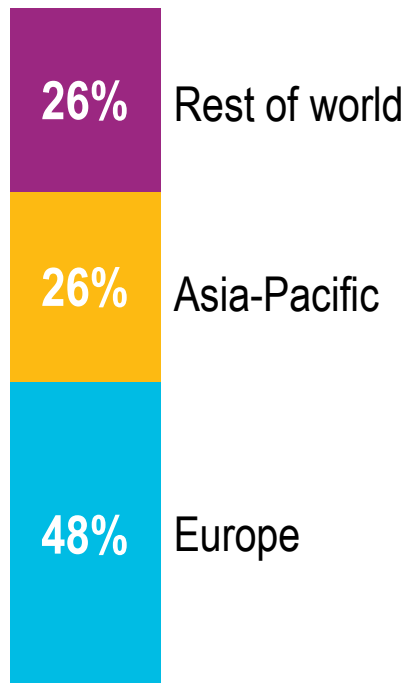
AAA capital strength

Affirmed June 2015

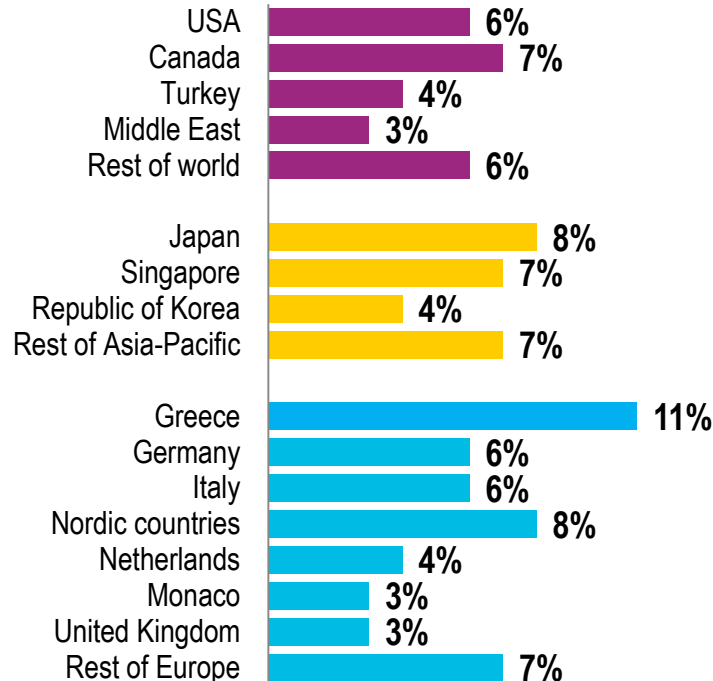
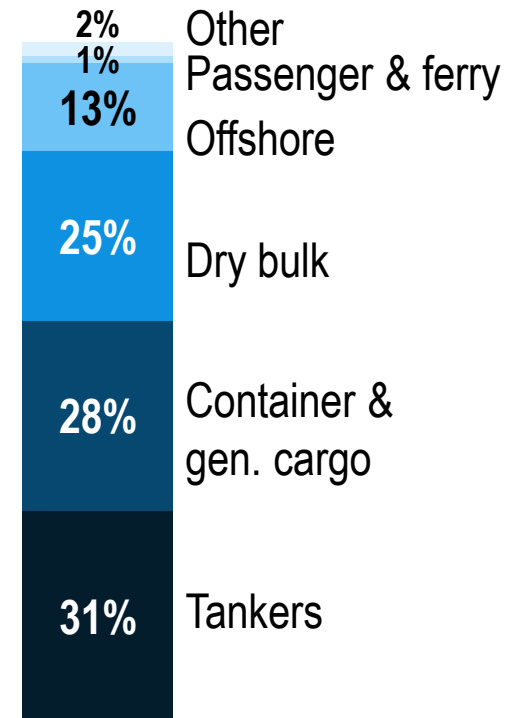
Membership

Diverse spread of business by country of management and ship type

Owned tonnage by region
116m GT



Owned tonnage by ship type
116m GT



Our ambition

01

To provide **first class financial security**

02

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

03

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

04

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



Enabled by a culture of **flexibility** and **innovation**

Charles
Taylor

01 Financial security



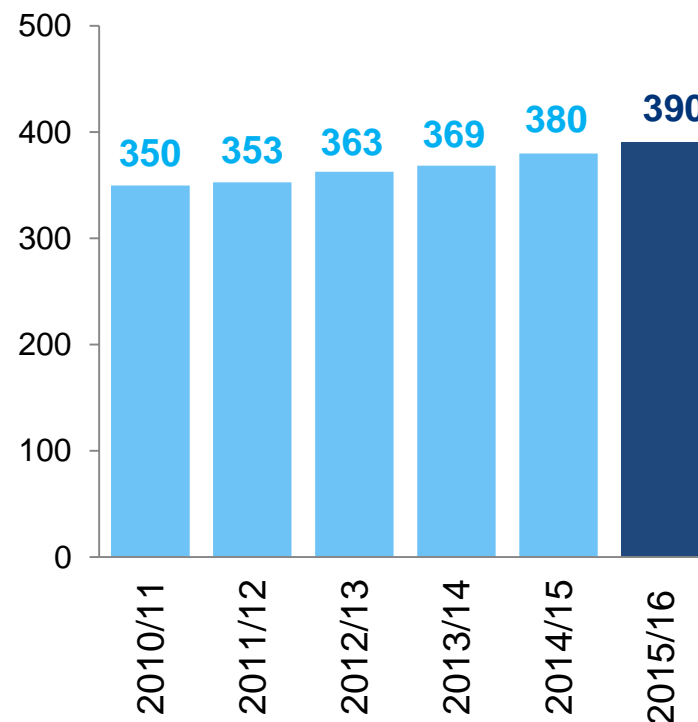
Financial security

Leading capital strength; steady growth in reserves

S&P ratings of IG clubs

CLUB	RATING	S&P CAPITAL STRENGTH
GARD	A+	AA
STANDARD	A	AAA
UK CLUB	A	AAA
BRITANNIA	A	AAA
SKULD	A	AA
NORTH OF ENGLAND	A	AA
STEAMSHIP MUTUAL	A-	AA
SHIPOWNERS	A-	AAA
JAPAN	BBB+	A
WEST OF ENGLAND	BBB+	AA
SWEDISH	BBB+	AAA
LONDON	BBB	AAA
AMERICAN	BBB-	BBB-

Free reserves, USDm



No unbudgeted supplementary calls for over 20 years
Release calls among the lowest in the IG

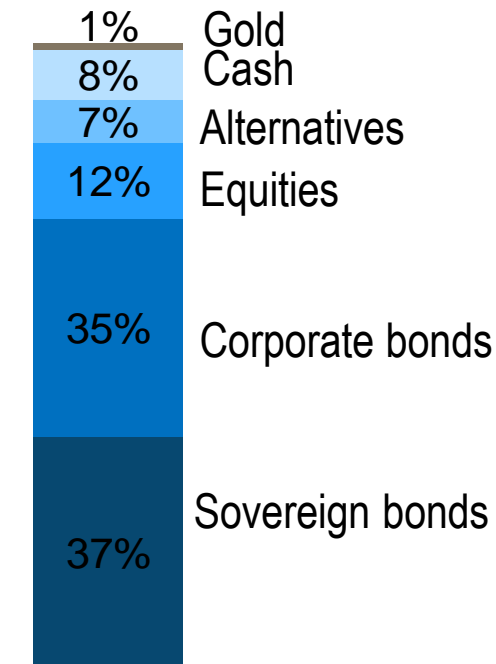
Investment policy

The portfolio is low-risk, consistent with AAA capital strength

Portfolio breakdown

% of portfolio

20 February 2016 unaudited



Approach

- Aim to **‘break even’** on underwriting; investment returns as a ‘buffer’
- **Prioritising capital preservation**; risk profile has reduced over past 3 years to combat market volatility
- Asset allocation criteria established by the board
- Managers seek to maximise returns while operating within criteria and maintaining AAA capital strength
- Performance monitored actively by the board using agreed benchmarks

02

Excellent service



Principles of the Standard service model

- **‘Single point of contact’** – all underwriting, claims and loss prevention services managed through integrated teams
- A commitment to **listening to members** and **‘going the extra mile’ to find solutions** to members’ needs, particularly in times of difficulty
- **Responsive, flexible claims handling** provided via the club’s international network of offices, with a proactive approach to achieving the best solution
- **Leading expertise**, with more than **40 qualified lawyers** covering all aspects of marine liability, an in-house team of **technical experts** and access to the **full resources of CT**
- **Continuous improvement** in service levels – with efforts informed by member feedback and enabled by our culture

*96% of members expressed a likelihood
to recommend the club to another shipowner (August 2015)*

Club service teams in key hubs

Supported by Charles Taylor's global network



03

Broad range of covers,
excellent & sustainable value

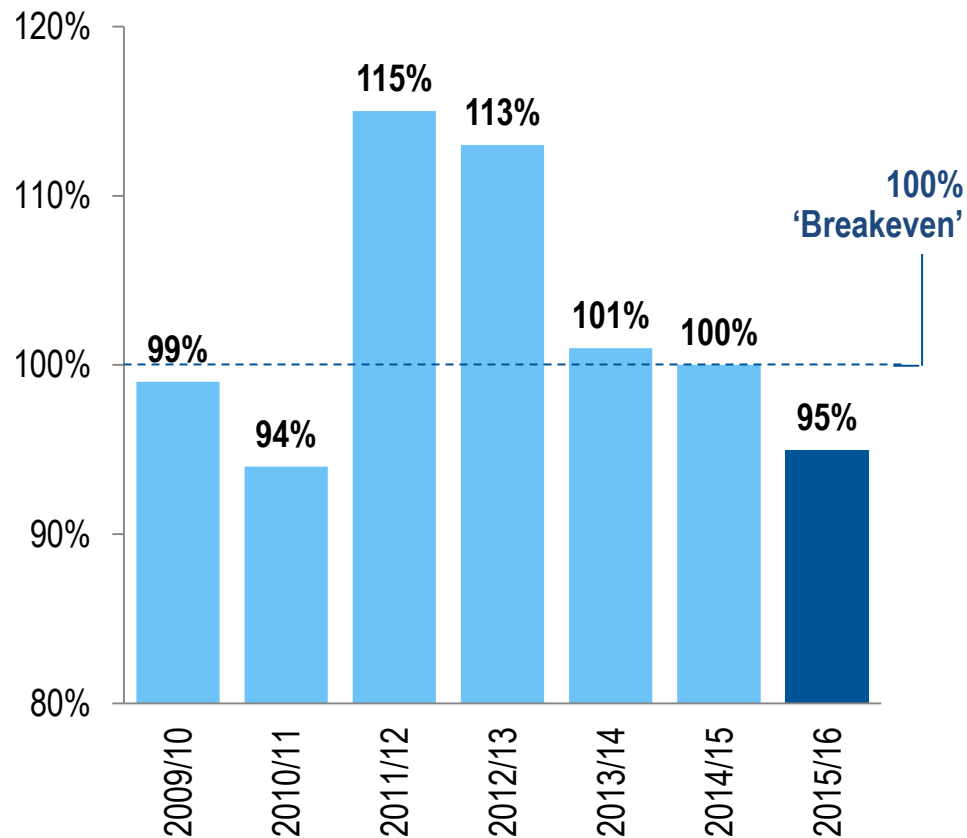


Meeting members' insurance needs

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 risks <ul style="list-style-type: none"> – War P&I – War hull • Defence (FD&D) 	<ul style="list-style-type: none"> • Liability <ul style="list-style-type: none"> – Ship owners / operators – Ship builders – Port authorities – Terminal operators – Stevedores – Wharfingers etc. • Corporate lines <ul style="list-style-type: none"> – E&O – D&O 	<ul style="list-style-type: none"> • Hull & machinery <ul style="list-style-type: none"> – IV, Loss of Hire – Mort'gee's Interest – Builder's Risks – Marine War Risks • Cargo & specie <ul style="list-style-type: none"> – Transport liability – Loss or damage – General / specialist, logistics, ROVs, specie, project • Property <ul style="list-style-type: none"> – Marine property – Ports and terminals infrastructure – Buildings, equipment – Industrial / commercial property – Business interruption 	<ul style="list-style-type: none"> • Energy <ul style="list-style-type: none"> – Property – e.g., offshore platforms, drilling rigs, FPSO's. – Oil, gas or condensate wells offshore / onshore – Construction projects for offshore installation • Political risk & terrorism

Sustainable 'breakeven' underwriting

Financial year combined ratio



Key principles

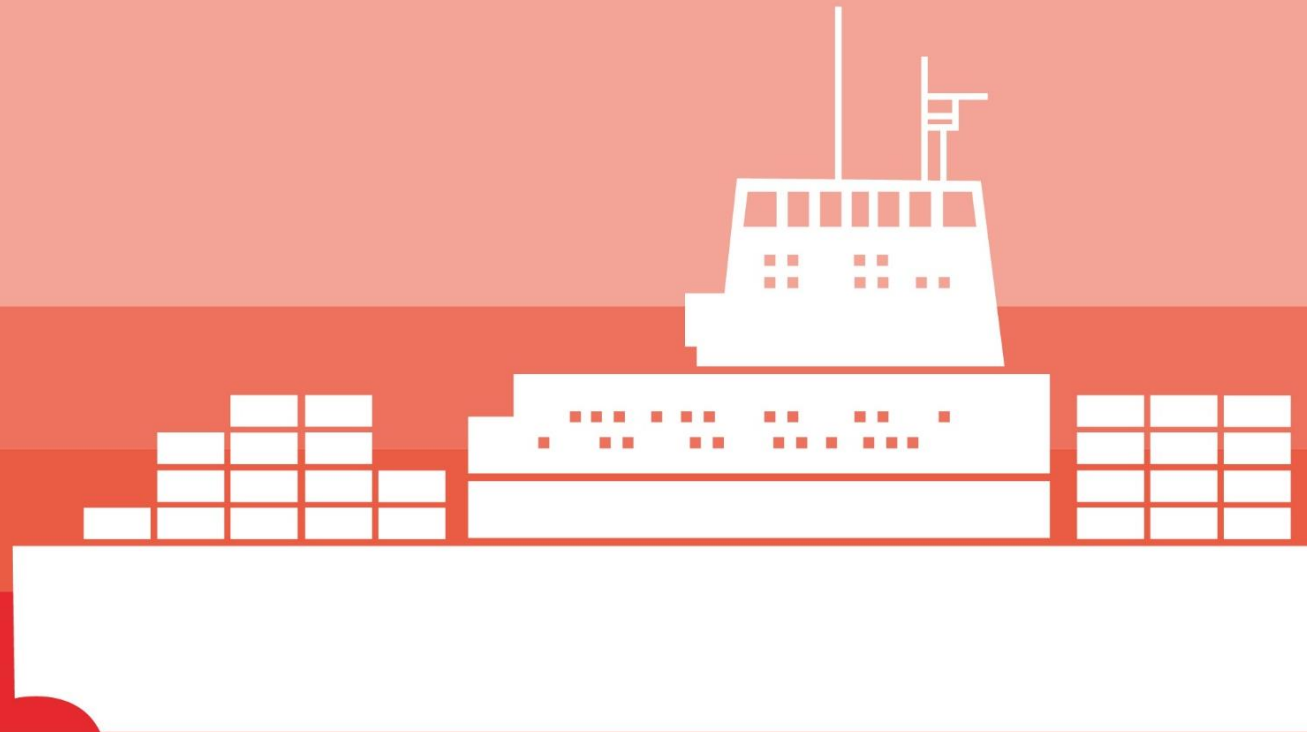
- Disciplined underwriting to align member premiums with claims and risk
 - Assessment of risk profile
 - Proprietary pricing tools
- Selection and management of risk based on a sound understanding of operating quality
- Continuous improvement in efficiency to minimise rate rises required – e.g.,
 - Agreed rate reductions with lawyers and other 3rd-party suppliers
 - Centralised operational activity
- Diversification into profitable non-P&I lines to support P&I business

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’** carried out by the club’s own technical experts
 - **‘Ship Risk Review’** with ~20% carried out by the club’s own technical experts
 - 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**

04

Selective growth



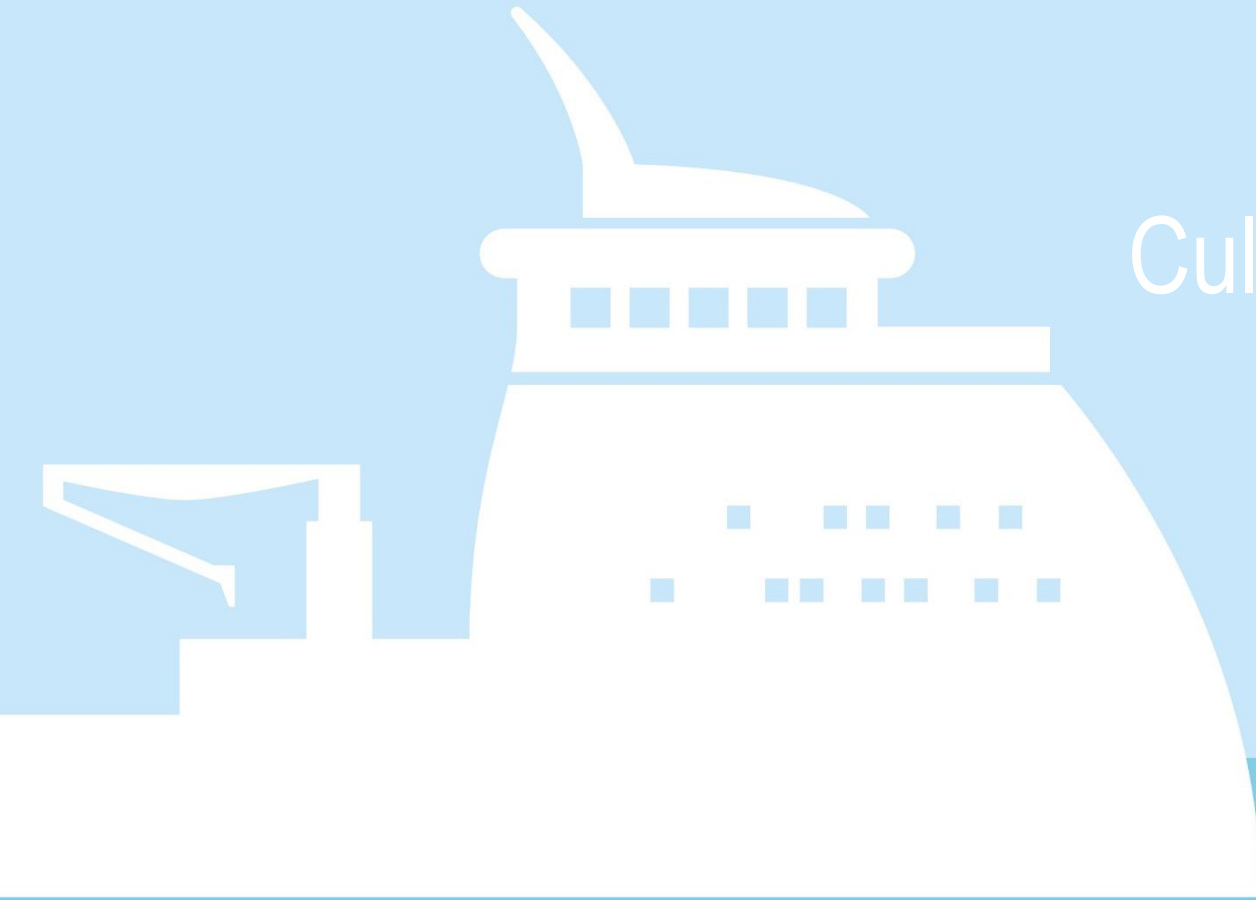
Approach to growth

- High-quality growth viewed as **positive for the membership** as a whole, as it increases the financial strength and efficiency of the club over time
- In pursuing new business, the club will ensure the **operating quality** of members and ships and an **appropriate spread of risk**
- Preference is to **grow with existing members** – in P&I and in non-P&I covers
- The club welcomes new members that are **quality operators** seeking a **long-term partnership** with their marine and energy insurer
- The club aims to build in all major trades and markets, but has particular specialisms in **offshore energy, LPG/LNG, 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

05

Culture of flexibility and innovation

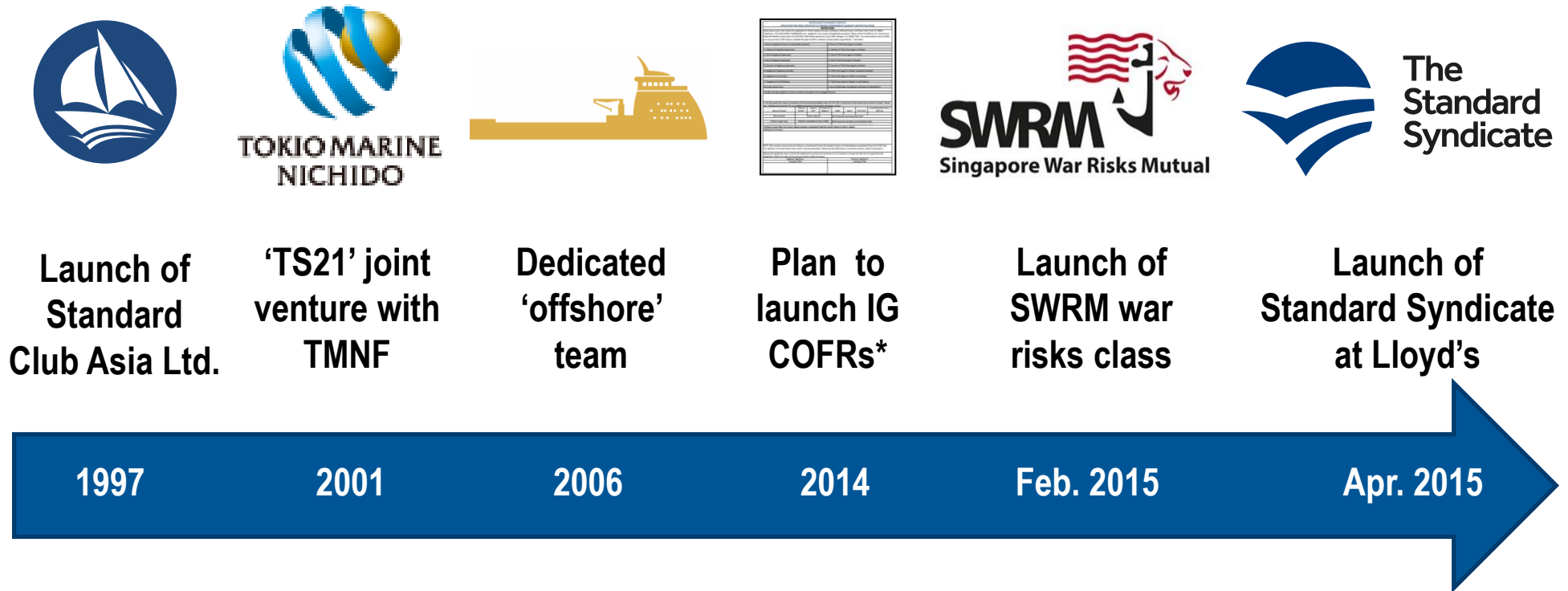


Principles of flexibility and innovation

The club will...

- Create **tailored solutions for members** by combining poolable and non-poolable P&I and other covers (right limits, competitive price, minimal overlap / gaps)
- Develop **innovative partnerships** to provide capabilities ‘on the ground’ in key markets (e.g., TS21 with Tokio Marine & Nichido Fire)
- **Work with the International Group** to refine and strengthen the system, and to maximise its benefits to shipowners (e.g., development of IG-backed COFRs)
- **Seek efficiencies** within the club’s operations and in third-party spend, in order to sustain the result of the club and minimise rate increases
- **Expand the club’s range of products and services**, in order to serve members better and to strengthen the club (e.g., The Standard Syndicate at Lloyd’s)

Track record of flexibility and innovation



*Not supported by the International Group, but resulted in a competitive new entrant to this market
 "Owners could save close to \$40m each year if International Group clubs support [Standard's] move and guarantee US COFRs" – Tradewinds, January 2014

The Standard Syndicate – overview

- **Launched** as planned in **April 2015**
- Aims: to improve the **financial strength** of the club and to expand the **range of marine and energy covers** available to members
- An **alternative approach** to other Lloyd's syndicates, leveraging the **relationships, knowledge, service** of The Standard Club
- Early **performance** has been highly encouraging, in terms of:
 - Premium levels achieved
 - Support from the club's members and brokers
- **Ambitious plan** for 2016 and beyond, in order to achieve scale; we will need to build further on the support from members

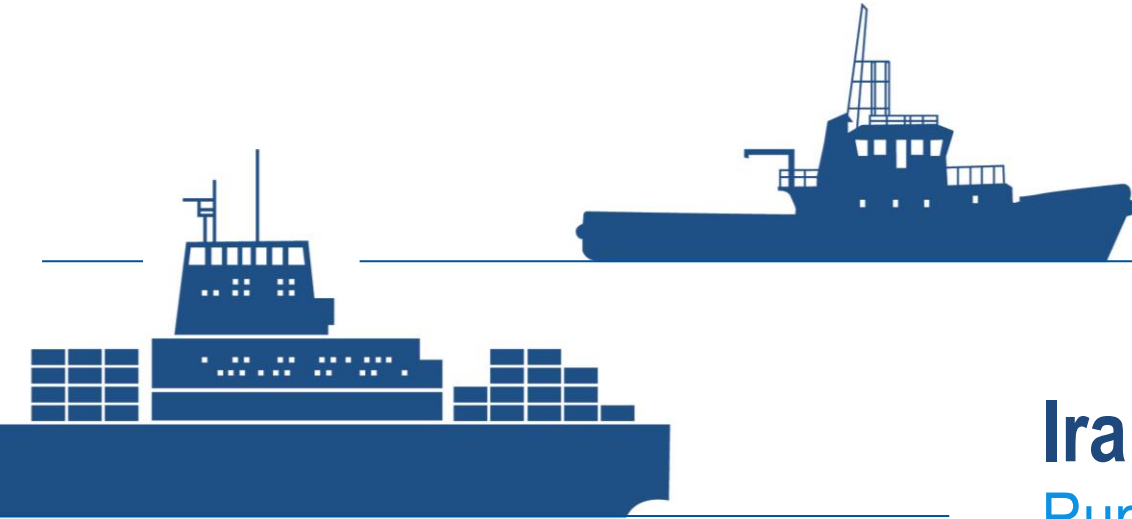
A critical part of the strategic and financial success of the club

Conclusion



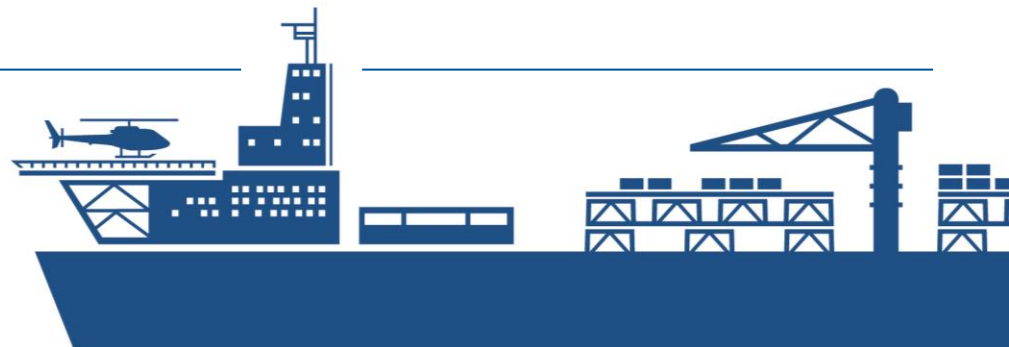
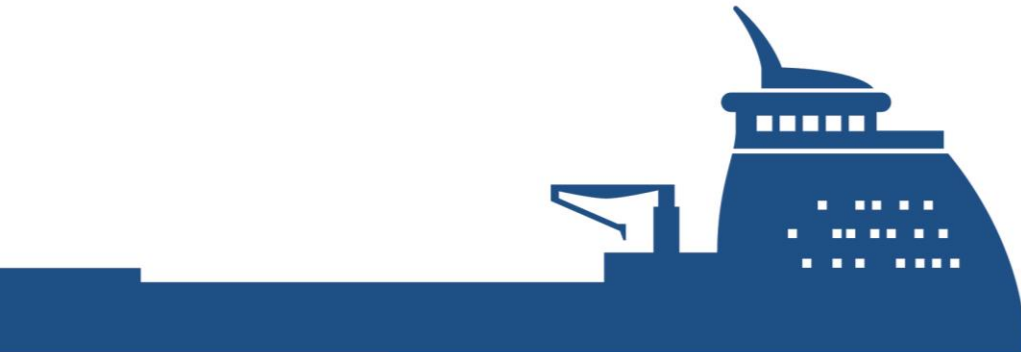
Current priorities

- Continue to **service existing business** to the highest standards
- 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
- Help to **deliver The Standard Syndicate's business plan**
- Build on our culture of **flexibility** and **innovation**



Iran sanctions

Rupert Banks, Regional Claims
Director



Contents

01 Overview

02 Recent developments

03 Implications for shipowners & charterers

04 Club cover

05 Practical guidance

06 Conclusion

01 Overview



Overview

- Sanctions against Iran by UN, US, and EU
- US sanctions
 - ‘Primary’ sanctions: US persons anywhere
 - ‘Secondary’ sanctions: non-US persons outside US jurisdiction
- Joint Comprehensive Plan of Action (JCPOA) between P5+1 countries and Iran
- Milestones
 - ‘Adoption Day’, ‘Implementation Day’, ‘Transition Day’

02

Recent developments



Recent developments



Joint Comprehensive Plan of Action (JCPOA)

Recent developments

- ‘Adoption Day’
 - 18 October 2015
- ‘Implementation Day’
 - 16 January 2016
 - General lifting of EU sanctions
 - Partial lifting of US ‘secondary’ sanctions
 - Exception in respect of Iranian persons/entities who remain on SDN List

Recent developments

- Sanctions relief includes:
 - Import and transport of petroleum, petroleum products, petrochemical products and natural gas from Iran
 - Export of key equipment or technology to Iran for its oil, gas and petrochemical sectors
 - Design and construction of cargo ships and oil tankers
 - Transfer of funds to or from Iranian banks or Iranian persons
 - Provision of insurance and reinsurance

03

Implications for shipowners/charterers



Implications for shipowners/charterers

- Non-US shipowners and charterers can engage in trade with Iran

However

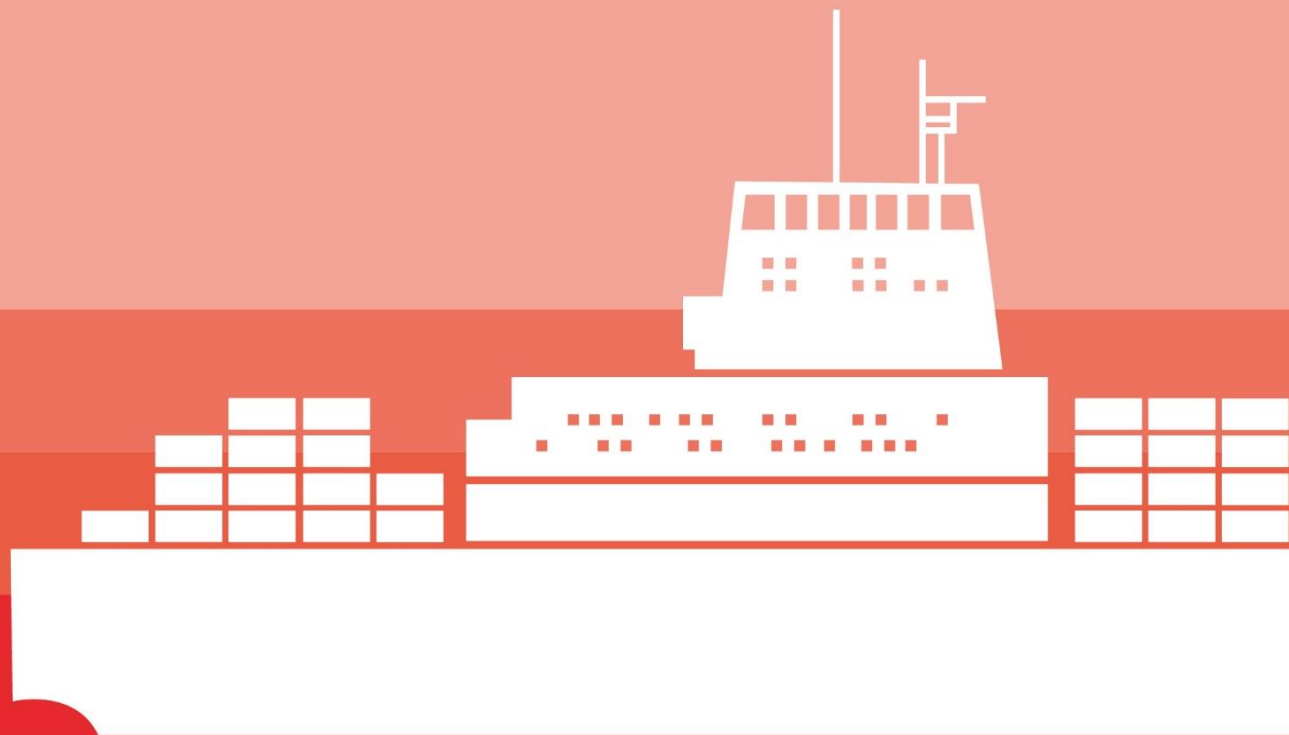
- Prohibition on SDN's
 - Tidewater: owned by Iran Islamic Revolutionary Guard
- Restrictions remain on certain goods (e.g. missile related technology)
- US dollar transactions
- Reluctance from banks to remit funds in any currency for any matter relating to Iran
- “Snap-back” provisions



Implications for shipowners/charterers



04 Club cover



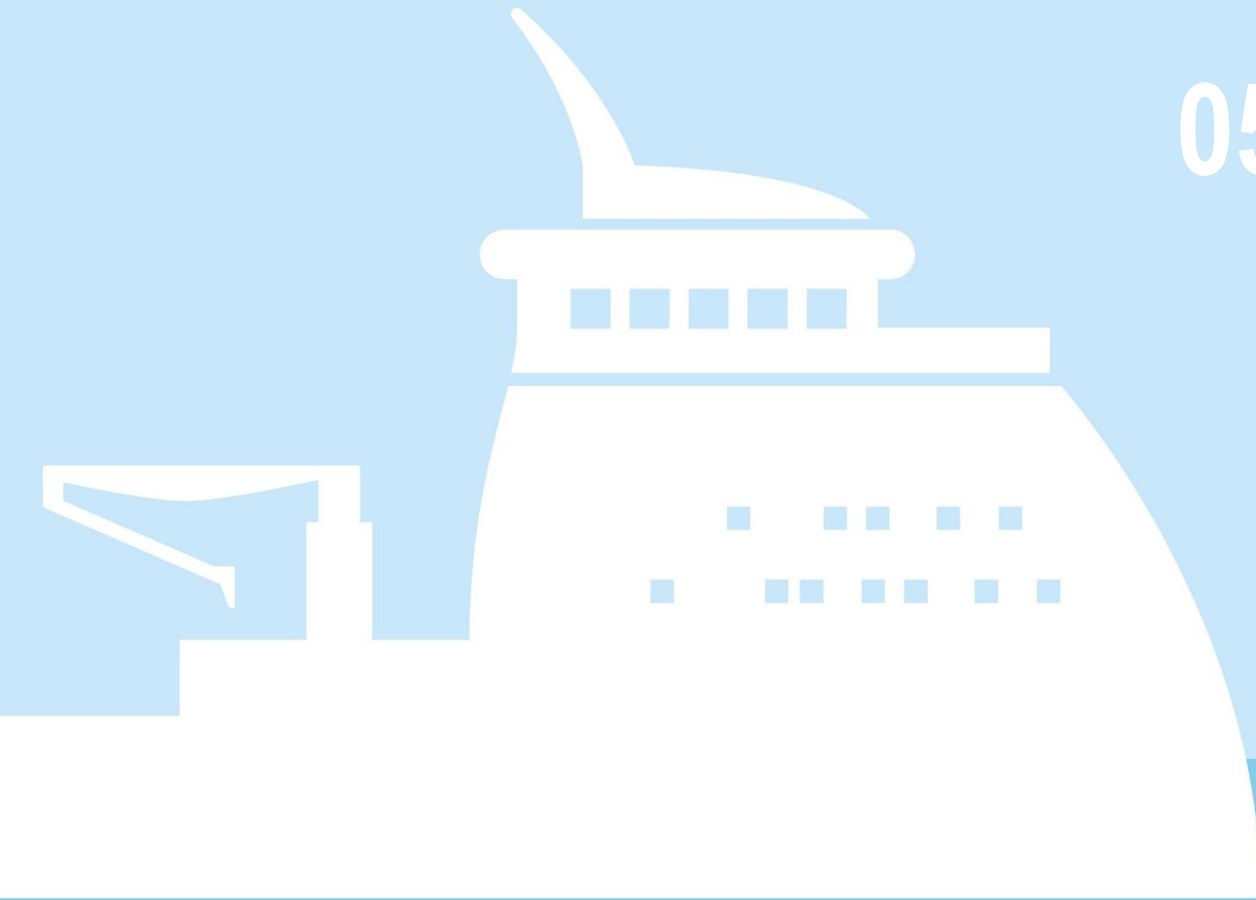
Club cover

- Cesser of insurance rule
- Sanctionable trades, voyages and operations
- Individual club retention and pooling
 - The American Club
 - > Was previously fined by OFAC
 - 'Write down' rule

Club cover

- GXL and US reinsurers
- ‘Certificated liabilities’
 - CLC, Bunker Convention, Wreck Removal Convention Blue Cards
- Fall-back reinsurance
- Club LoU’s & bank guarantees
- IG currently engaging directly with US State Department and OFAC with a view to finding a long term solution

05 Practical guidance



Practical guidance

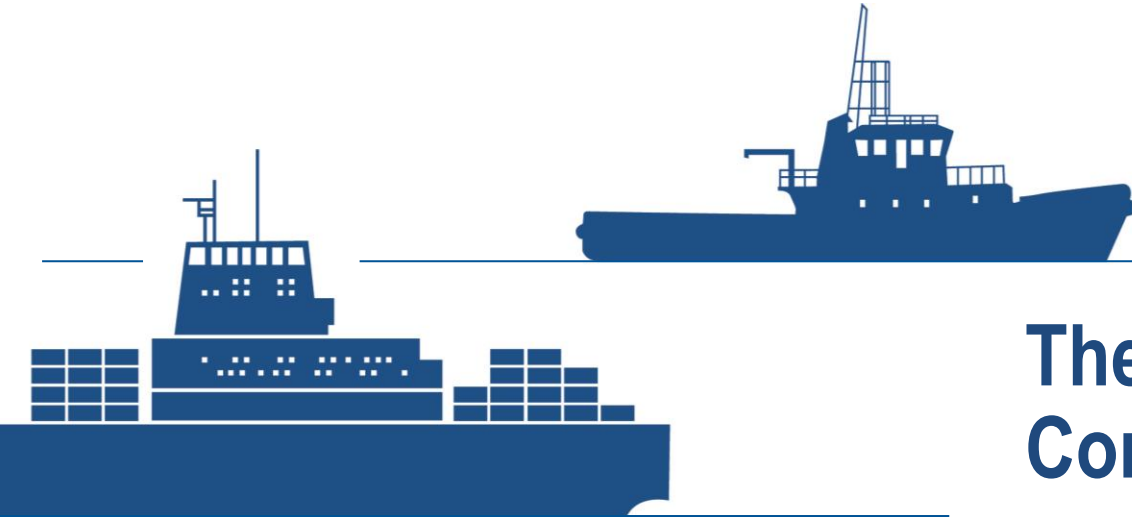
- US-person, non-US person, US jurisdiction?
- Is any party on the OFAC, UN or EU SDN lists?
- Is cargo subject to any restrictions?
- Are any payments in US Dollars contemplated?
- Check with insurers and banks
- Seek independent legal advice

06 Conclusion



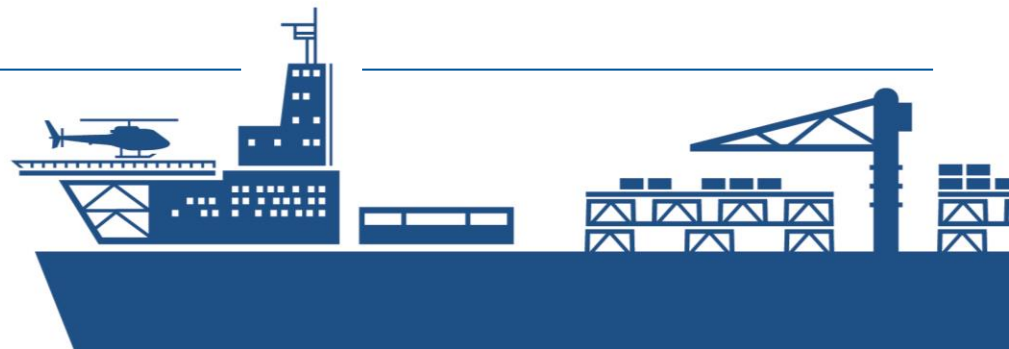
Conclusion

- Cover is in place for shipowners and charterers who wish to trade to and from Iran
- However, there are still significant risks
- Penalties are severe
- Continue to carry out comprehensive due diligence



The Maritime Labour Convention: current status and key issues

Nick Dimokidis, Senior Claims Executive



Contents

01 An overview

02 Current status

03 Amendments

04 Certification

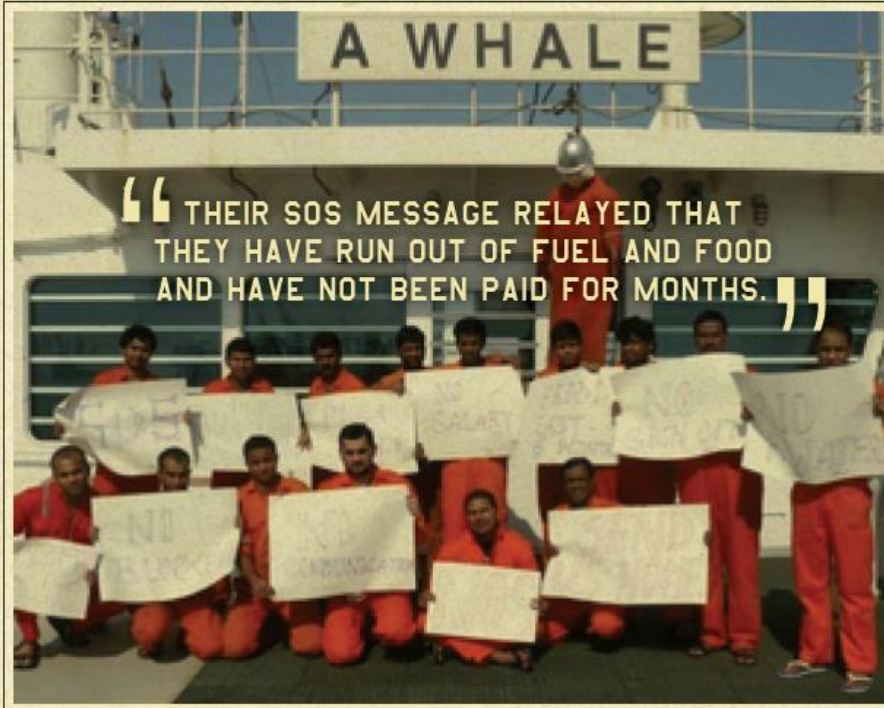
MLC – an overview

- The Maritime Labour Convention 2006 ('MLC') entered into force on 20 August 2013
- More than 70 states have ratified same, representing over 80% of the world's gross tonnage of ships
- It is hoped to stop incidents such as the 'A Whale' a 320,000dwt which was abandoned by the owner's

MLC – an overview

A Whale SOS distress

Twenty-one seafarers remain stuck on board a Liberian-flagged vessel in the Gulf of Suez for nearly six months due to a technical problem.



They have sent a message to a sailors' helpline in Chennai, which is the capital city of the Indian state of Tamil Nadu located on the Coromandel Coast off the Bay of Bengal. Their SOS message relayed that they have run out of fuel and food and have not been paid for months.

The ore-oil carrier, *A. Whale*, is owned by TMT group, a global shipping company based in Taiwan. It has been reported that the group filed for bankruptcy protection and is unable to pay its debts.

A. Whale has 14 Indian sailors on the vessel. The crew members' SOS, sent on June 21 to sailors' helpline in Chennai, said no help was forthcoming from any quarter. "We have run out

MLC – current status

- Since 2008 IG Clubs waived “pay to be paid” rule and cesser of insurance in respect of cover rules for seafarer death and injury liabilities
- 13/14 PY - All IG clubs extended their P&I cover to meet the repatriation liabilities under the MLC
- Currently IG club Certificate of Entry accepted as evidence of cover in the majority of MLC State Parties

MLC – amendments

- MLC requires member states to ensure ‘financial security’ is in place for:
 - Repatriation costs (Reg. 2.5); AND
 - Compensation for sickness, injury or death, etc. – as set out in national law, the seafarers’ employment agreement or collective agreement (Reg. 4.2).

MLC – amendments

Amended Reg 2.5:

Financial security must be sufficiently broad to cover:

‘up to four months of outstanding wages and other entitlements due under the employment agreement, the collective bargaining agreement or national law of the flag State...’

MLC – amendments

- Amendments will come into force on 18 January 2017
- From 18 January 2017 onwards, evidence of financial security must meet the requirements in Standard 2.5 & Standard 4.2
- Requirement for separate certificate to be issued

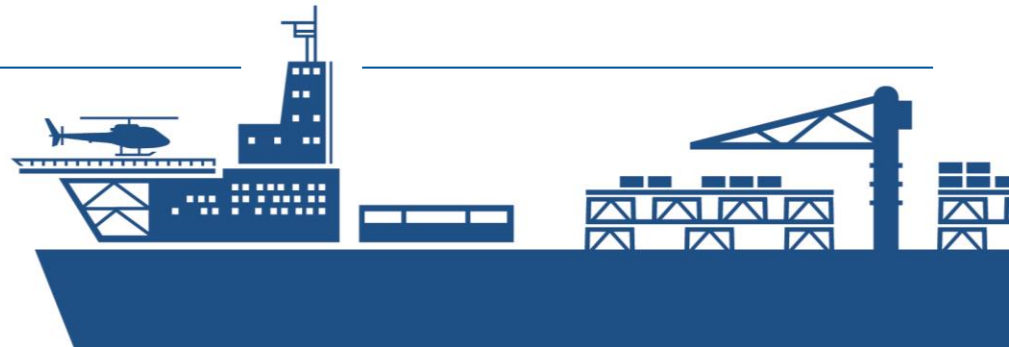
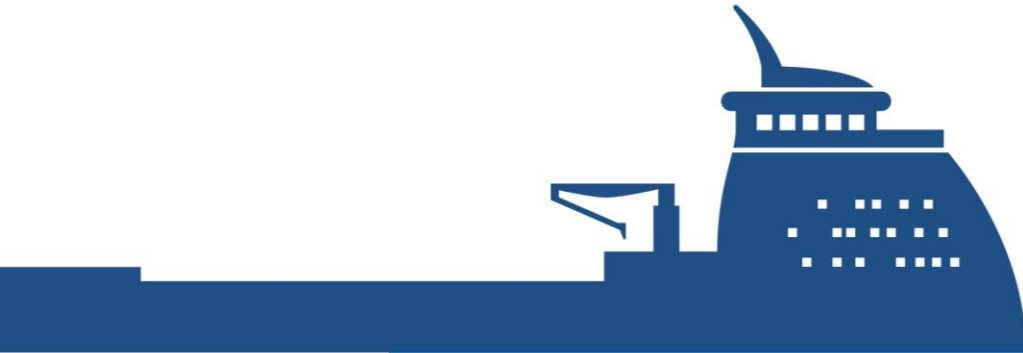
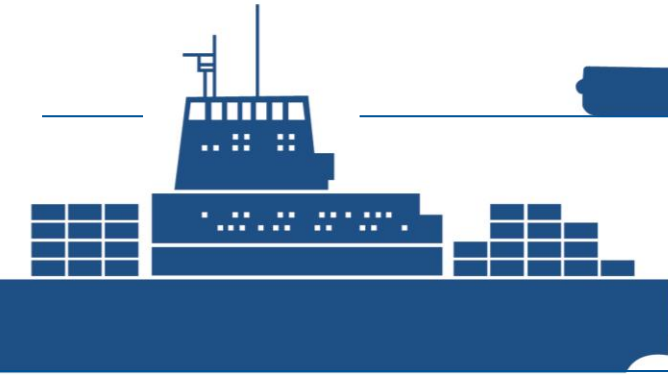
MLC – certification

- MLC certificates to be issued by clubs are currently in draft stage
- MLC certificates to be supplied directly to the shipowner
- Form & contents of the certificates are still under discussion between flag states and the IG



Navigational incidents: the club's perspective

Rahul Sapra, Senior Surveyor



Contents

01 Club statistics

02 Navigation related incidents: impact

03 Risk reviews

04 ECDIS

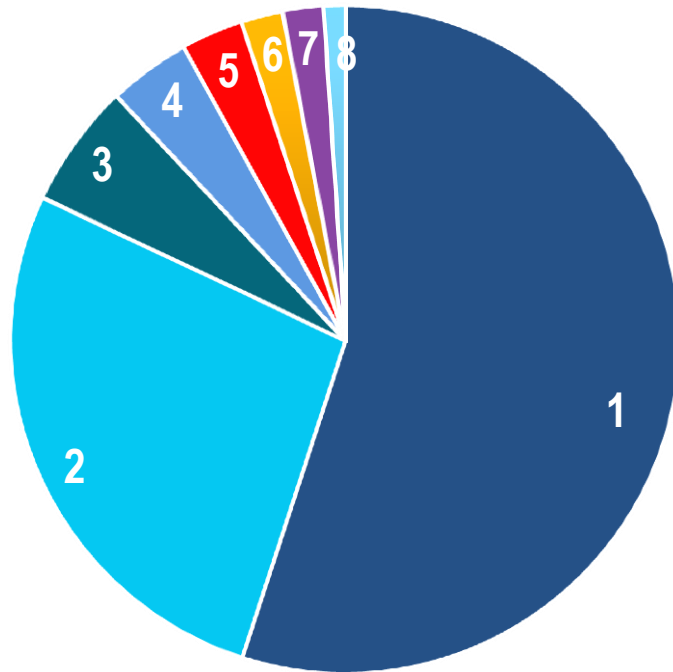
05 Conclusion

01 Club statistics



P&I claims by claim type

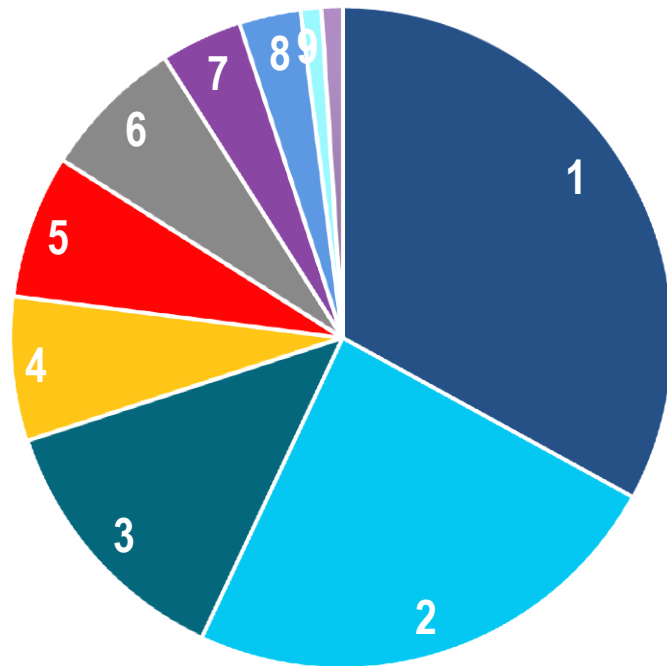
PY 2010-2015 number of claims



1	Cargo	55%
2	Personal Injury	27%
3	FFO	6%
4	Fines	4%
5	Collision	3%
6	Pollution	2%
7	DTH	2%
8	Other	1%
9	Wreck	<1%
10	Towage	<1%

P&I claims by claim type

PY 2010-2015 value of claims (capped at \$9m per claim)



1	Cargo	33%
2	Personal Injury	24%
3	FFO	13%
4	Pollution	7%
5	Collision	7%
6	Wreck	7%
7	DTH	4%
8	Fines	3%
9	Other	1%
10	Towage	1%

02 Navigation related incidents: impact



Navigation incidents - not just collisions



Navigation incidents - not just collisions



Navigation incidents - not just collisions



Navigation incidents - not just collisions



Navigation incidents - not just collisions

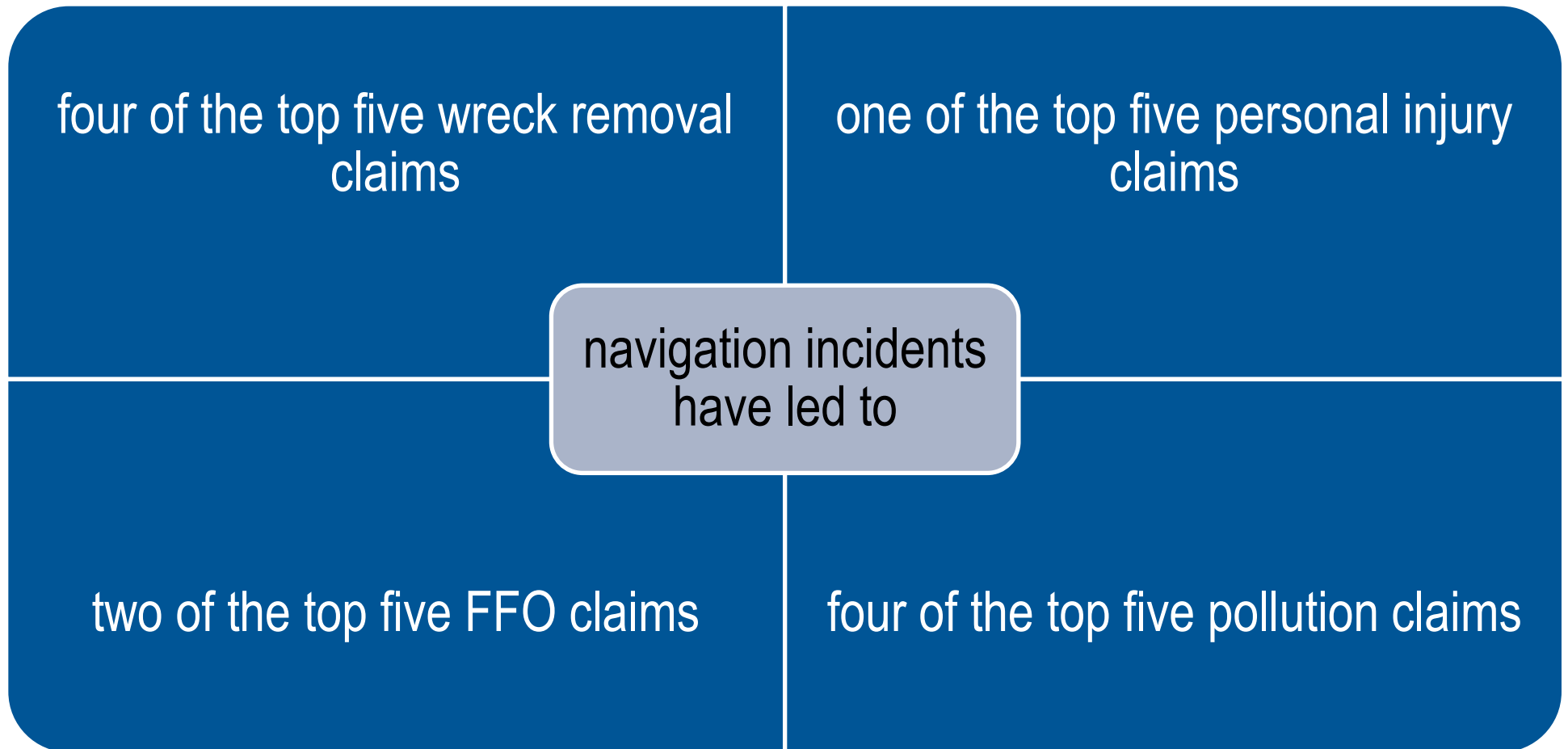


Methodology: key risk factors

- Bridge team failure
- Pilot error
- Loss of situational awareness
- Poor liaising with tugs
- Pilot / tug language and M/E failure



Navigation incidents – impact



03 Risk reviews



Risk reviews

What is really going on?

- Accidents keep happening on-board ships **despite**:
 - ISM certification
 - experienced and qualified officers



Risk reviews: why?

Aims of the program

- Reduce the number of navigation related claims
- Identify weaknesses in on-board practices, behaviours and procedures
- Provide advice to members

Risk reviews: findings

- Most officers were knowledgeable and professional
- Attitude and working relationships appeared to be satisfactory
- However, failings identified affecting various areas of bridge operations
 - non compliance with SMS
 - working with the pilot
 - choice of language
 - use of navigation aids, particularly ECDIS

Non compliance with SMS

- SMS is only effective **if followed**
- Some SMS procedures routinely ignored
- Failure to follow established procedures

Working with the pilot

- Insufficient pilot control
- Reluctance to challenge pilot's actions
- Failure to properly monitor the pilot
- Master/pilot exchanges inconsistent and frequently inadequate
- Masters frequently unaware of their own weaknesses

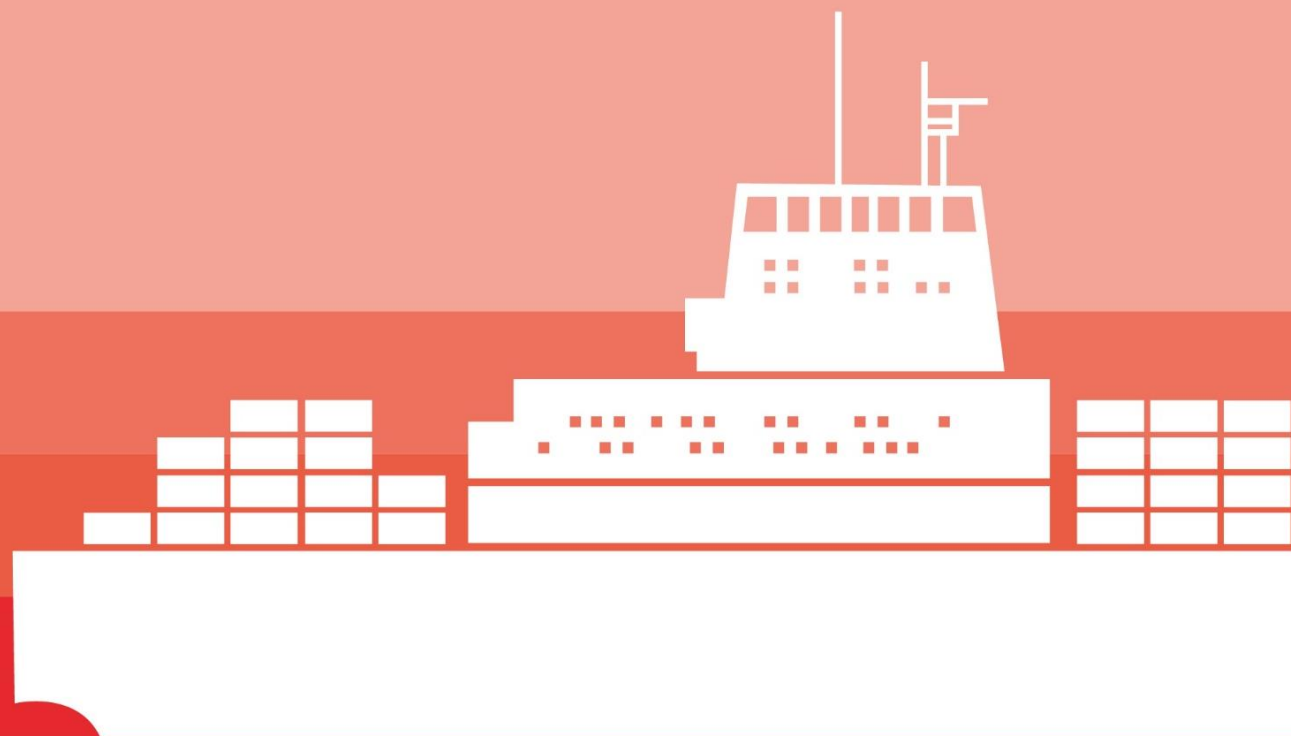
Language issues

- Communication on-board
- Communication with third parties

Use of navigation aids

- Over-reliance on navigation aids, e.g. ECDIS
- Insufficient guidance on the correct use of ECDIS
- Inadequate independent verification and cross referencing of information

04 ECDIS



ECDIS: issues surrounding operational use

- Human element
- ECDIS technical design

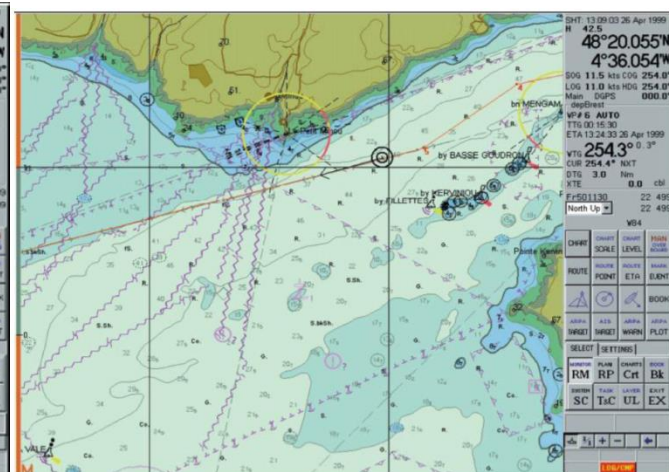
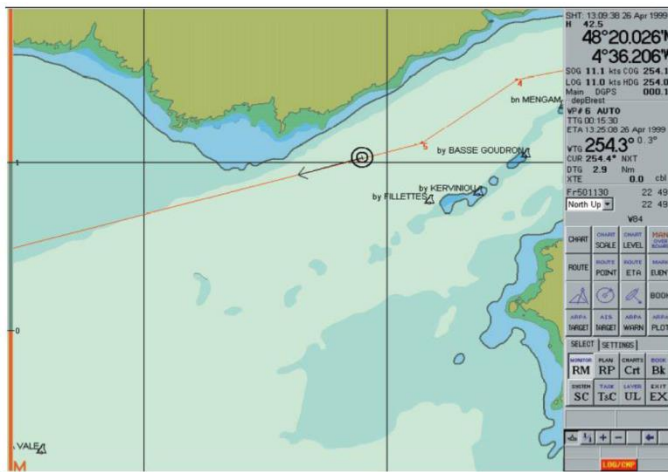
ECDIS technical design

Display

Base Display

Standard display

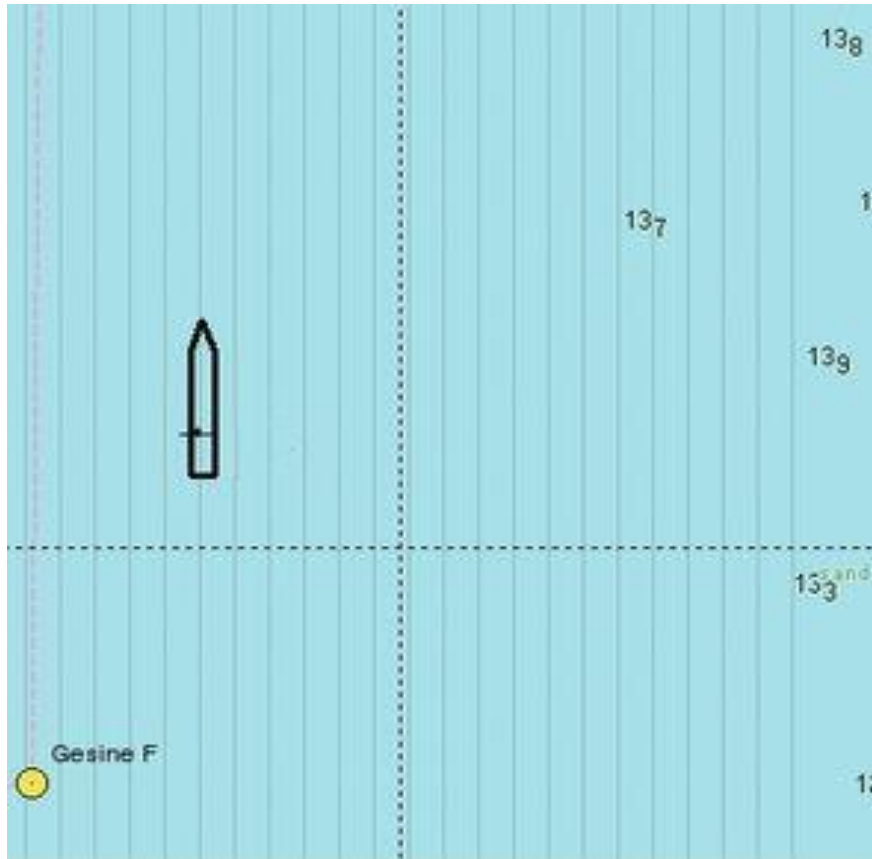
Full Display



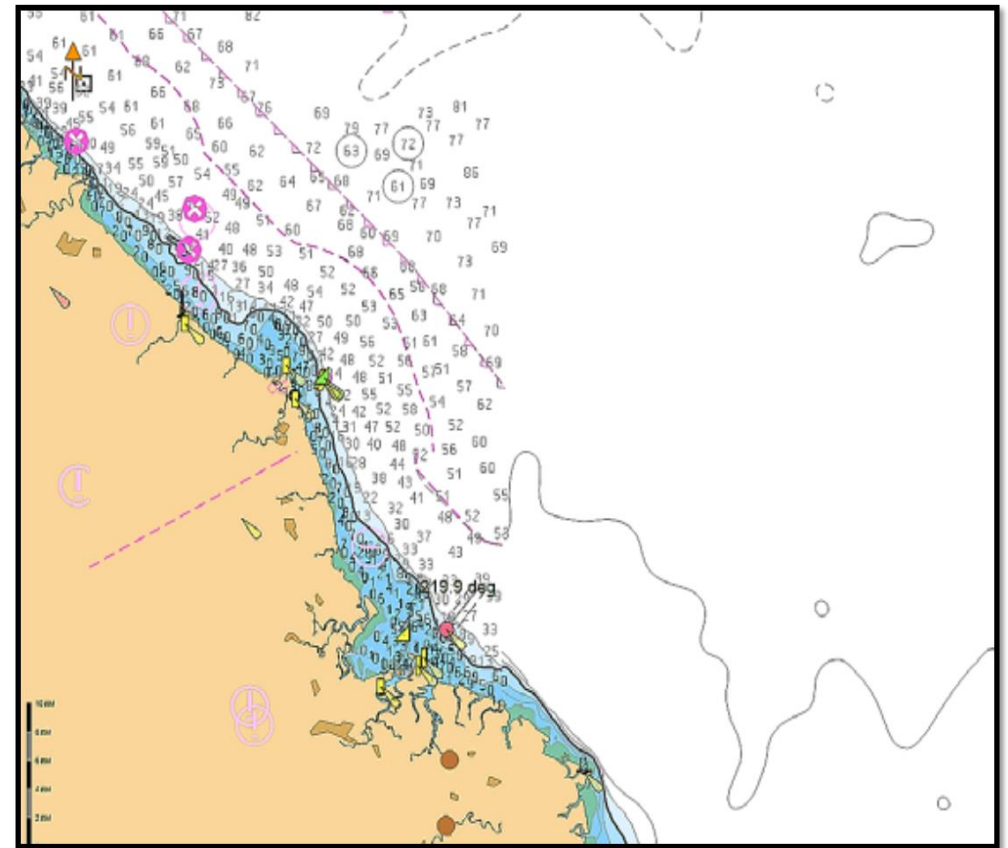
ECDIS technical design

Scale and screen size

Over scale ENC



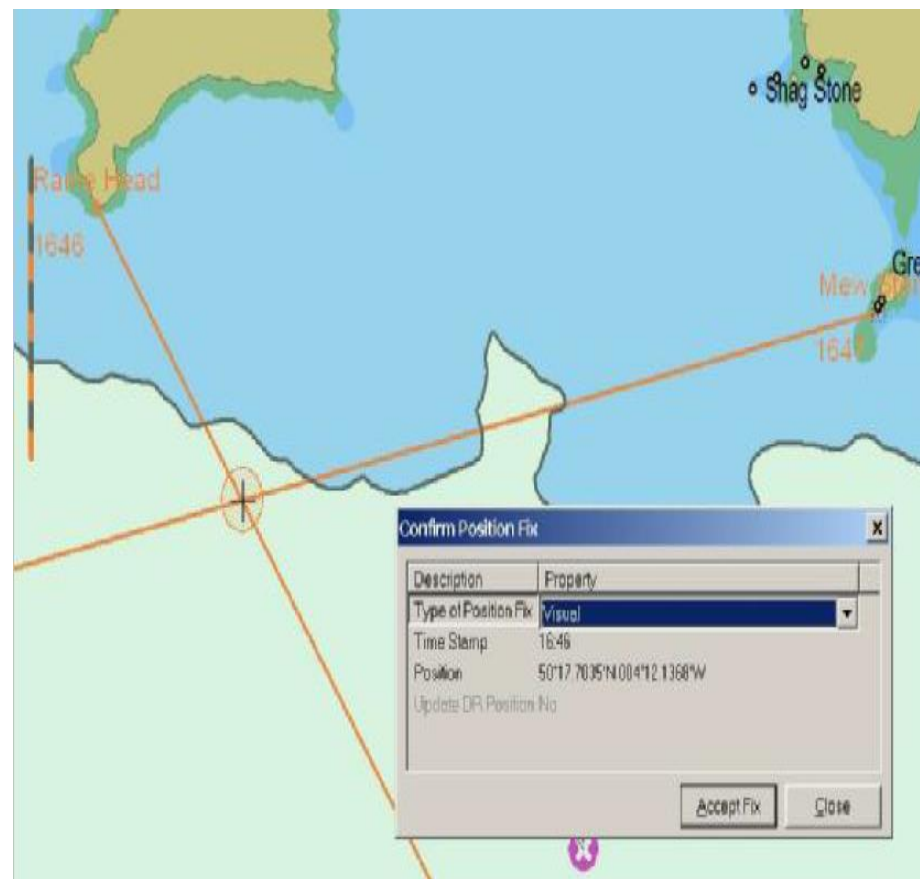
Under scale ENC



ECDIS technical design

Manual fix procedure
















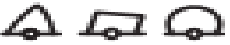


- Using ECDIS, crew should be able to:
 - manually plot bearing and distance
 - calculate ship position
 - use position as origin for dead reckoning
- But in practice rarely done
- Training required



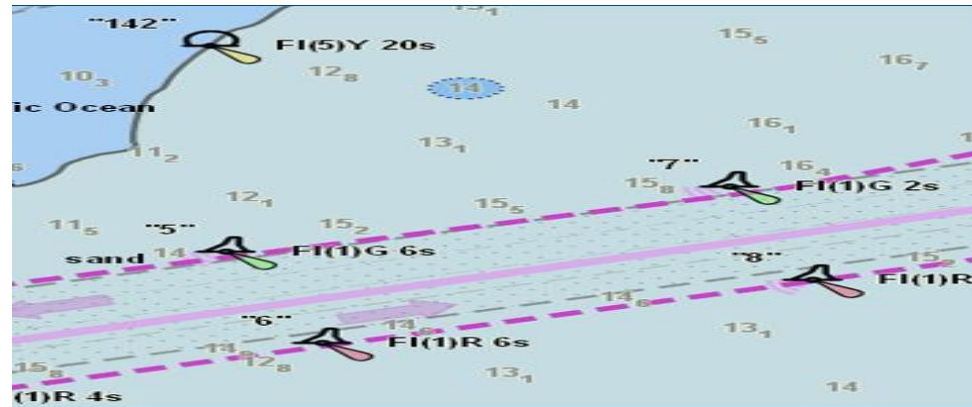
ECDIS technical design

Buoyage system

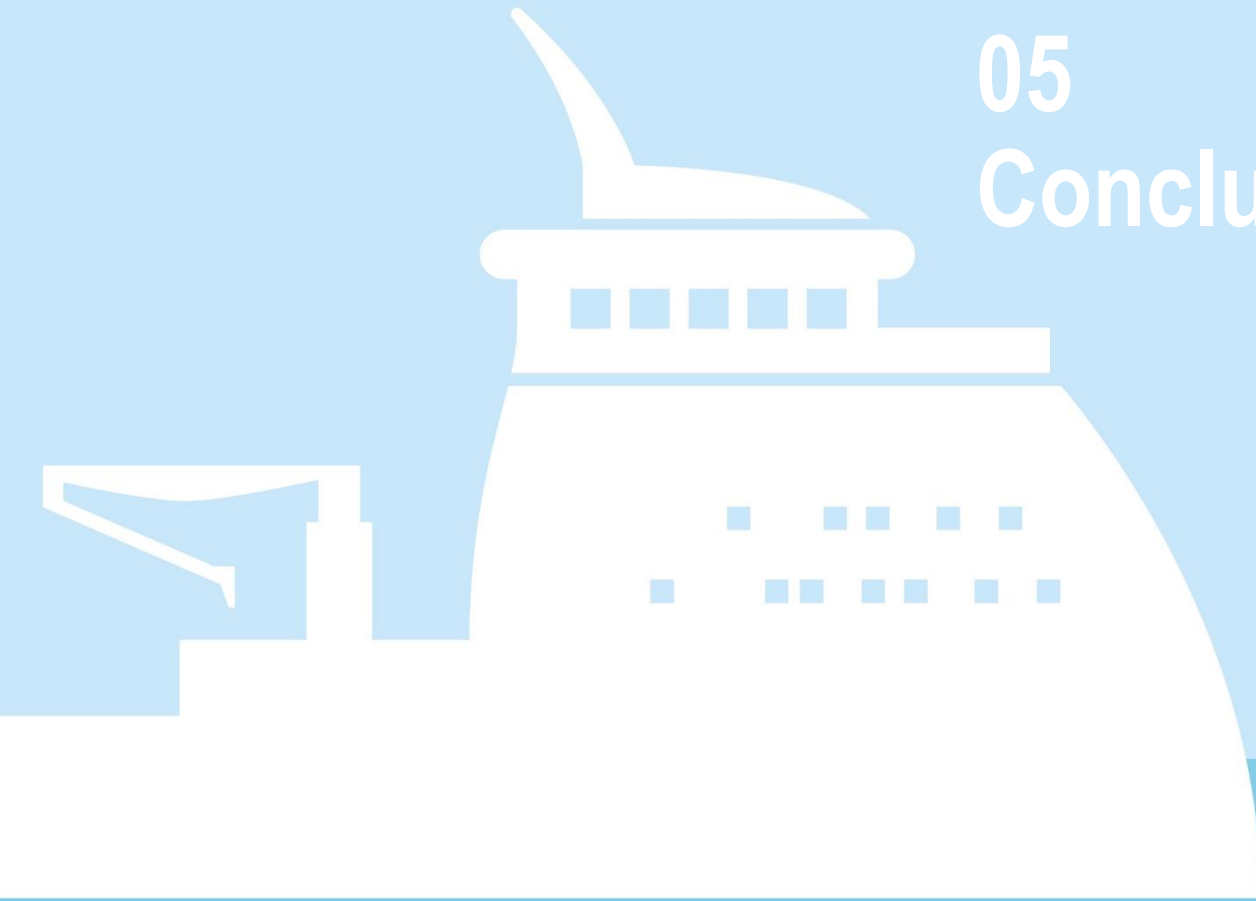
Two buoyage system

Simplified	Traditional
	
	
	
	
	
	
	
	
	

Day and night palette for traditional buoyage



05 Conclusion



Navigational incidents: the club's perspective

- A significant proportion of club exposure
- Wide variety of claims
- Biggest single cause: bridge team failures
- Risk reviews: identify weaknesses and reduce claims
- A key factor: over-reliance and incorrect use of navigation aids, e.g. ECDIS
- Strengthen the safety net

Regulatory status

The Standard Club



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.

The Standard Syndicate



The Standard Syndicate 1884 is managed by Charles Taylor Managing Agency Ltd, a Lloyd's managing agent, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Standard Syndicate Services Limited, trading as 1884 Europe, is a service company and a Lloyd's coverholder that is part of the Charles Taylor PLC group of companies. The Standard Syndicate Services Limited is an appointed representative of Charles Taylor Managing Agency Ltd which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Standard Syndicate Services Limited has authority to enter into contracts of insurance on behalf of the Lloyd's underwriting members of The Standard Syndicate 1884 which is managed by Charles Taylor Managing Agency Ltd.

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