Standard Club

THE STANDARD CLUB ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

2019

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* Appendices I, II and III are unaudited.

01 – CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Despite some challenges last year, our club continues to be in good financial shape, with a healthy balance sheet, improved risk profile, a broad revenue base, continued strong financial rating and focus on service excellence. The year has seen both some notable achievements and some less positive developments.

Cesare d'Amico
Chairman

A significant achievement was the decision to welcome The Strike Club into The Standard Club from 1 February 2019. This has added around $18.5m to The Standard Club's balance sheet and given our members a valuable new mutual class of delay and disruption insurance. Founded over 60 years ago and managed in recent years by Charles Taylor, The Strike Club is the world's leading specialist marine delay insurer with around 120 members and over 2,000 entered ships. We believe the move is a win-win for the members of both clubs.

I am pleased to confirm that the club's new subsidiary, Standard Ireland, necessitated by Brexit, was successfully launched. We renewed all non-UK European Union (EU) and European Economic Area (EEA) members (nearly 40% of our global business) into our new EU-regulated Irish subsidiary on 20 February 2019.

The club created some strong new business opportunities through Standard Asia during the year. In November we entered into an agreement with Chinese insurer Ping An, one of the world's largest insurers, to provide mutual and fixed premium P&I cover to Chinese shipowners. This follows similar agreements reached with the Korea P&I Club in 2016 and 2017 in respect of Korean shipowners. In January 2019 Standard Asia received regulatory approval to carry on insurance business from Hong Kong and has established a full service branch there. Our Hong Kong team is focused on developing and servicing business in Greater China and we look forward to further growth in this exciting region. Standard Asia's Singapore War Risks Mutual Class, now in its fourth year of operation, has continued to develop strongly with 39 insured owners and 750 ships on risk with a total insured value of $12bn.

On the negative side, the club has seen claims return to a level approaching that experienced in 2013, and we do not foresee that claims will revert to the relatively benign levels of more recent years. This is likely to impact the cost of P&I insurance in future years. Also, your board decided in October last year to cease underwriting in our Lloyd's syndicate from 1 January 2019 to eliminate any further risk to the club's balance sheet.

CHAIRMAN'S STATEMENT
CONTINUED

The Standard Syndicate was launched in 2015 with the intention of achieving a contribution to the club's premium needs, diversifying revenues and extending our product range. However, the syndicate proved unable to make a positive contribution in a market struggling with overcapacity and a weak pricing environment. Following protracted discussions with Lloyd's, the board decided that the interests of the club would be best served by a decision to withdraw from the end of the syndicate's financial year.

As well as a loss of around $20m this year, the 2018/19 accounts include provisions of about $30m to cover potential future liabilities arising from the closure. It goes without saying that the board and managers are disappointed and regret that the venture, and the investment of members' funds in it, was unsuccessful, but believe that the decision to withdraw at this stage was in the club's best interests.

Turning to this year's renewal, your board again decided to apply no general increase in premiums, given the continued difficult trading conditions faced by our members. We also took the opportunity to consolidate our membership quality by not renewing some members who were unable to meet the club's expectations for first-class operating standards, or who were not prepared to pay premiums that reflected their risk to the club. This robust position ensures fairness across the membership as a whole. While this resulted in a net 3% decrease in tonnage year-on-year to 155mgt, we believe that in the current low rating environment, the club's focus should be on disciplined underwriting.

The Standard Club's balance sheet benefited from a 2.2% return on investments during 2018/19, better than forecast and making a positive contribution to our free reserves. Reserve releases on prior years have allowed the club to achieve an underlying combined ratio for the financial year (on the P&I class) of 100%, despite, as I have already reported, claims rising significantly in 2018/19. The net effect of closing our Lloyd's syndicate was therefore moderated to a 5.9% reduction in the free reserves, which now stand at $435m. This is still ahead of the position at the start of the 2017/18 policy year and means we remain very well capitalised, with free reserves well in excess of regulatory and rating agency capital requirements.

However, I repeat my warning of last year: there is no room for complacency given the constantly changing regulatory, economic, political and technological environments in which we operate. The benign claims environment of the past few years is certainly over and there are now signs that insurance and reinsurance rates are beginning to harden after an unusually long lull.

We will keep taking all necessary steps to ensure The Standard Club continues to deliver excellent value P&I insurance cover, financial security and market-leading standards of service. We will keep adapting and innovating to satisfy our members' needs and carry on building deep relationships with them based on trust, transparency and flexibility. Our increasing global footprint and local representation also mean we can continue to meet the differing cultural expectations of our worldwide membership.

We remain committed to providing our members with the most supportive P&I service available in the market – our cover is broad and inclusive, and we take a sympathetic, fair and consistent approach to discretionary claims.

We continue to make significant investments in technology: for example, improving both service and efficiency through a complete overhaul of our policy administration system, and the implementation of a new claims management system; strengthening our relationships with members and brokers through the roll-out of a new portal; and further enhancing risk selection and pricing by acquiring new datasets and applying machine learning technologies.

Your shipowner directors play a vital role in ensuring the club's continued success. It therefore gives me great pleasure to welcome to the board Karl Howarth of P&O Ferries, Marielena Procopiou of Dynacom and Hugh Williams from Graig Shipping. I am also very grateful for the tremendous support provided over recent years by Paolo Clerici, Emanuele Lauro and Ken Soerensen, all of whom stepped down from the board during this year. My thanks go to them for their contribution. I would also like to recognise the dedication and professionalism of our managers in helping the club achieve another strong set of results.

Above all, I wish to acknowledge all our members for their commitment to The Standard Club. It is thanks to their support that we can continue to deliver high-quality insurance cover backed by exceptional standards of service across all areas of the club's work.

Cesare d'Amico
Chairman

THE CLUB AT A GLANCE

FREE RESERVES

$435m

2019	435
2018	461
2017	430
2016	390
2015	380

CALLS AND PREMIUMS[1]

$289m

2019	289
2018	298
2017	319
2016	348
2015	354

TONNAGE

155mgt

2019	155
2018	159
2017	149
2016	138
2015	135

COMBINED RATIO[1]

100%

2019	100
2018	98
2017	87
2016	93
2015	100

INVESTMENT RETURN

2.2%

2019	2.2
2018	6.4
2017	3.0
2016	-0.9
2015	1.8

CLAIMS COVER RATIO OF NET ASSETS TO OUTSTANDING CLAIMS

1.74

2019	1.74
2018	1.76
2017	1.75
2016	1.67
2015	1.66

1 Excludes the club's share of The Standard Syndicate and before a return of call on the 2016 and 2017 policy years.

02 – THE DIRECTORS

THE DIRECTORS

Directors who have served since the date of the last annual report and financial statements are:

C d'Amico [1,2,3,4,5,6,7]
Chairman
d'Amico Società di Navigazione SpA

N Hadjioannou [2,4,6]
Deputy Chairman
Cymona Shipping Management Sam

E Johnsen [1,2,3,4,6]
Deputy Chairman
Seaocean Carriers Ltd Pte

N Aksoy [2]
Akmar Shipping Group and Turkish Cargo Lines

A Bensler [2,3]
Teekay Corporation

P Clausius [3,5]
Transport Capital Pte Ltd

P Clerici
Coeclerici SpA
(Resigned 28 September 2018)

C Cosimi [1]
Saipem Spa

A Cossar [1,4]
Bermudian resident director

L D'Amato
Fratelli D'Amato SpA

R Forest [2,3]
Matson Navigation Co Inc.

A Groom [1,2,3,4,6]
Non-executive director

J Grose [4]

B Harinsuit [2,5,6]
The Harinsuit Transport Co Ltd

L Henneberg [1]
A.P. Moller-Maersk

K Howarth [1,4]
P&O Ferries
(Appointed 28 September 2018)

B J Hurst-Bannister [1,3,4,6,7]
Non-executive director

G Jaegers [3]
Reederei Jaegers GmbH

H Joshi [1,5]
The Shipping Corporation of India Ltd

D Koo [2,5]
Valles Steamship Co Ltd

T Kuroyanagi [2,5]
Kumiai Navigation (Pte) Ltd

E Lauro
Scorpio Group
(Resigned 29 January 2019)

D Marock [4]

R Menendez Ross [2,3,4,5,6]
Interocean Transportation Inc.

A Paterson [3]
CSL Group Inc.

C Peraticos [2,3]
Pleiades Shipping Agents SA

M Procopiou [3]
Dynacom Tankers Management Ltd
(Appointed 28 September 2018)

K Soerensen
Algoma Central Corporation
(Resigned 20 February 2019)

O Tangen [1]
SBM Offshore

C W Teo [2,5]
Pacific International Lines (Pte) Ltd

H Williams
Graig Shipping Plc
(Appointed 17 May 2019)

J Woodrow [3,5]
The China Navigation Co Pte Ltd

C-H Yeh [3,5]
Kuang Ming Shipping Corp

1 Member of the Audit and Risk Committee.
2 Member of the Nomination and Governance Committee.
3 Member of the Strategy Committee.
4 Director of Standard UK.
5 Director of Standard Asia.
6 Member of the Chairman's Group.
7 Director of Standard Ireland.

03 – REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

BUSINESS REVIEW

The Standard Club is one of the world's leading marine and energy specialist insurers, owned by and operating for the benefit of its members and leading the market in service quality.

The club's four strategic objectives are to offer a range of P&I insurance and other marine and energy covers that represent excellent and sustainable value; to be recognised as providing excellent service by solving members' problems; to maintain first-class financial security; and to achieve selective growth, consistent with the other objectives.

This is supported by a technology and innovation strategy that will enable us to enhance service, strengthen our relationships with members and brokers, increase our operating efficiency, further enhance risk selection and pricing, and capture value from new business opportunities.

We have made developments in support of each of these areas over the course of the past year; these are covered in more detail in the operational review.

Principal activities

The principal activity of The Standard Club Ltd is to act as a holding company for subsidiaries that provide insurance and reinsurance of third-party liabilities and related risks, marine delays, war risks and defence risks on behalf of its members. At 20 February 2019, there was approximately 155mgt of shipping entered in the club. In 2018 the club also had an 86% share in a Lloyd's syndicate (The Standard Syndicate), which wrote marine and energy business in part (but not exclusively) for the club's members.

Directors

The directors of the club who were in office from the last report and up to the date of signing the financial statements are shown on page 7 of this report. During the year, the board was pleased to welcome Marielena Procopiou from Dynacom, Karl Howarth from P&O Ferries and Hugh Williams from Graig Shipping, who represents The Strike Club, as new directors. Having been appointed during the year, they offer themselves for election at the AGM.

The directors who retire by rotation in accordance with the bye-laws and offer themselves for re-election are Carlo Cosimi, Alan Cossar, Philip Clausius, Jeremy Grose, Harjeet Joshi, Tomomaru Kuroyanagi, Oivind Tangen, James Woodrow and Choo Wee Teo. The directors fulfilling the corporate governance requirement to seek annual re-election after serving a period of nine years on the board and who, being eligible, have also offered themselves for re-election are: Neçdet Aksoy, Arthur Bensler, Cesare d'Amico, Alistair Groom, Bhumindr Harinsuit, Erik Johnsen, David Koo, Ricardo Menendez Ross and Constantine Peraticos. Details of those directors seeking annual re-election are included in the notice of the AGM, set out on pages 71 and 72.

BUSINESS REVIEW
CONTINUED

Since the last report, Ken Soerensen, Emanuele Lauro and Paolo Clerici have retired from the board. The directors of the club would once again like to take the opportunity to thank each of them for their valued contribution.

Meetings of the board

Since the date of the last report, the board has met on three occasions: on 28 September 2018 in Vancouver, on 29 January 2019 in Dubai and on 17 May 2019 in Cyprus. At each meeting, the board reviewed the club's strategy and business plan, the risk overview, financial and underwriting performance of both the club and The Standard Syndicate, significant claims, new members admitted to the club, new ships attaching, reinsurance arrangements, legal, regulatory and tax matters, industry developments, control and governance matters, and investment strategy and results. The principal issues discussed by the board, and the decisions reached, are set out in this report.

Financial results

Standard & Poor's

S&P reaffirmed the club's 'A' (strong) rating in June 2018 with stable outlook, reflecting S&P's expectations that the club will 'maintain capital and earnings commensurate with the 'AAA' capital rating' (a key component of the overall credit rating). As at February 2019, the club has maintained that capital and earnings position and expects S&P to maintain the 'A' rating following its annual review in June 2019.

Summary of financial results and consolidated balance sheet

As set out in the consolidated statement of comprehensive income, there was a deficit for the year of $45m (2018: $31m surplus). The merger with The Strike Club in February 2019 has added $19m to the club's free reserves, with those reserves at 20 February 2019 standing at $435m (2018: $461m). Total reserves available for claims stand at $1,054m (2018: $1,040m). The amount set aside to meet outstanding claims and IBNR was $619m at 20 February 2019 (2018: $578m).

Statement of comprehensive income

Revenue from calls, premiums and releases amounted to $386m (2018: $334m), including the club's share of The Standard Syndicate ($289m excluding the syndicate). Paid claims, net of reinsurance recoveries, were $242m (2018: $212m). Pool and reinsurance recoveries amounted to $130m (2018: $46m).

Average expense ratio

The average expense ratio for the club's P&I class for the five years ended 20 February 2019 was 12.78% (2018: 12.5%). The ratio was calculated in accordance with the Schedule and Guidelines issued by the International Group pursuant to the International Group Agreement and is consistent with the relevant financial statements. The ratio expresses the club's expenses as a percentage of its total income. Although members' brokerage is not an expense of the club, for the sake of consistency, the ratio includes members' brokerage fees paid by members to their brokers through the agency of the club.

Open and closed policy year balances – P&I class

The appendices to the report set out details of the open policy years together with the closed policy year balances. The board closed the 2016/17 policy year at its meeting on 17 May 2019 on the basis of the financial position at 20 February 2019. The total open policy year balance at 20 February 2019 amounted to $218m after closure of the 2016/17 policy year. Included in this balance are estimated reinsurance recoveries of $132m. The estimate of net outstanding claims liabilities for the closed years amounted to $275m (including liabilities for the 2016/17 policy year).

Free reserves

The free reserves represent the surpluses built up out of open and closed policy years (which includes investment returns and the club's share of The Standard Syndicate) and constitute the core capital of the club. The club's free reserves reduced to $435m at the year end (2018: $461m).

The board has reviewed the strategic purpose of the club's capital and agreed that the appropriate level of free reserves would:

1. ensure that the club has sufficient capital to reflect its business risks and to comply with regulatory requirements
2. provide a sufficient buffer so as to make the probability of supplementary calls very low and unnecessary in any phase of a normal underwriting cycle, levied only in extreme stress scenarios
3. ensure that the club is perceived as being in the top division of clubs from a financial perspective, in order to give the club flexibility and the power to maintain discipline on pricing and quality
4. maintain an S&P or similar rating of 'A' or above.

The current level of free reserves is within the target strategic range set by the board. The board will ensure that the free reserves continue to be aligned with the volume of risks in the club's business. Further details on the club's approach to capital management were set out in a bulletin to members published in November 2017.

The board keeps the need to make supplementary calls under review when considering the overall financial resources available to the club and has decided that no supplementary call is currently needed for any of the open policy years, nor is any expected.

The claims environment

The latter half of the 2018/19 policy year saw a significant uptick in claims activity, following relatively benign prior years. This was partly attributable to the general run of attritional P&I claims, but also a smaller number of low-frequency, high-impact casualty claims including a large container ship fire. Older policy years have seen improvements, particularly 2013/14 and 2016/17. Defence Class claims have remained relatively flat, with the current policy year developing in line with expectations and some modest improvements in the back years.

Claims activity is a barometer for the wider economic environment. The fragile recovery from the global economic crisis has recently met headwinds from the US/China trade war, Brexit uncertainty and a general slowdown in growth in the Eurozone. However, if economic conditions improve in 2019 leading to an increase in shipping then this could lead to a further increase in claims activity.

Over the longer term, the further tightening of low sulphur fuel regulations from January 2020 could lead to increases in fines, Defence Class disputes and possibly casualties arising out of engine breakdown. More generally, the club continues to experience claims inflation of approximately 4% a year which means attritional claims are becoming more expensive year-on-year.

A relatively small number of large casualties have a disproportionate impact on the club's overall claims exposure. Three out of the club's four Pool claims for the 2018/19 policy year have involved fires, with the remaining claim a grounding. Fire has the potential not only to result in damage (and sometimes total loss) to a ship and its cargo, but the disposal of the resultant waste and firefighting water is complex from a legal perspective and can be a significant cost driver.

The loss prevention department carried out an analysis of the club's large claims over the last two policy years. The analysis showed poor navigational practices at the root of several large claims. This was related either to poor implementation of master/pilot exchange procedures or poor navigational competency. A separate project carried out with one of the club's members also showed that navigators tend to overestimate their own ECDIS competency, increasing the risk of a navigational error and a resulting claim. The Loss Prevention section of this report provides further information on our initiatives to help members manage this issue.

Pool claims

20 claims have been notified to the International Group Pool for the 2018/19 policy year, which is consistent with prior years. Four were claims from The Standard Club which is more than double the expected number. There were more large claims within retention in 2018/19 than in prior years and, the average claim value was significantly higher, suggesting a trend of increasing claim values.

Providing members with first-class financial security is one of The Standard Club's four strategic objectives. This includes holding sufficient free reserves to cushion members from paying extra calls to cover shock claims or losses.

But in setting the level for its free reserves, the club must also consider its regulatory and rating requirements.

This bulletin explains how the club works out the appropriate level of its free reserves, enabling it to:

- minimise the risk of making extra calls
- continue to benefit from its 'A' rating from Standard & Poor's
- comply with financial regulations
- ensure its free reserves are no higher than needed to meet these objectives.


www.standard-club.com
Capital management methodology
(How the board assesses the appropriate level for the club's free reserves)
November 2017

To find out more, visit
www.standard-club.com

OPERATIONAL REVIEW

Underwriting

The club continues to deliver market-leading underwriting capabilities to support the membership and maintains a disciplined focus on selectively targeting additional high-quality shipowners and operators to complement the club's existing membership. The managers firmly believe its solution-based, flexible and responsive approach to underwriting, coupled with offering a broad range of P&I covers supported by a first-class reinsurance programme, provides the club with a strong foundation upon which to deliver desired controlled growth.

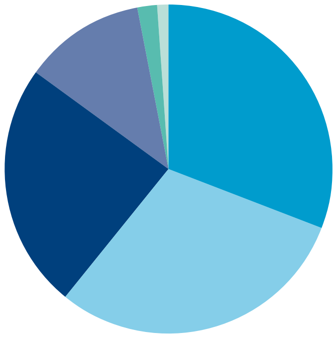
In addition to the breadth of covers offered, we remain proud of the diversification of the club in terms of geographic spread of our members and the wide variety of trade and operations within which they participate. Our strategic plan to expand our offering with established partners to provide 'local' P&I solutions continues to prove successful. We have further expanded the platform this year in Asia, in particular the exciting new joint venture with one of the world's largest insurers, Ping An.

The 2018/19 policy year experienced a notable increase in the frequency and cost severity of high-value claims, as already mentioned. When combined with the effects of soft market underwriting conditions in 2016 and 2017, and consequent reductions in premium rates, this negative shift in exposure has led to a forecast technical underwriting deficit for 2018/19. However, the positive improvements in claims estimates relating to prior years, point to a projected P&I combined ratio of 100% for the financial[1] year with free reserves now at $435m.

For the third consecutive year, the club announced no general increase for renewal which was mirrored by all but one International Group club. Underwriters continued to focus on ensuring all members fairly contribute towards their own individual risks and exposure and maintained a robust position with the few members where operational standards were no longer in line with

SHIP TYPES ENTERED

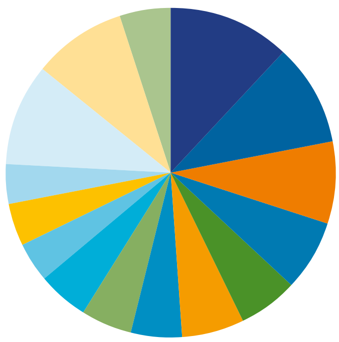
Owned tonnage as at 20 February 2019



Tankers	**31%**
Container and general cargo	**30%**
Dry bulk	**24%**
Offshore	**12%**
Passenger	**2%**
Other	**1%**

COUNTRY OF MANAGEMENT

Owned tonnage as at 20 February 2019



Greece	**12%**
Nordic Region	**10%**
Japan	**8%**
Italy	**7%**
Canada	**6%**
Singapore	**6%**
Switzerland	**5%**
United States of America	**5%**
Turkey	**5%**
Germany	**4%**
South Korea	**4%**
Monaco	**4%**
Rest of Europe	**10%**
Rest of Asia	**9%**
Rest of World	**5%**

1 P&I business only.

club expectations. In this way, the club remains attractive to the majority of its members which, in return, enjoy high levels of security and service at excellent value. As anticipated, a small number of members were not renewed. Pleasingly, the club welcomed 11 new members at renewal and obtained commitment from existing members for a notable volume of new tonnage due to be delivered during the coming year. As at 20 February 2019, entered gt stood at 155m.

Release calls

An actuarial assessment is undertaken to establish the level of release calls for each policy year, as the various risks to which the club is exposed and the long tail nature of claims development could lead to a wide variety of profit and loss outcomes. The club has considered each of a large number of possible results to assess the probability of the free reserves falling to a level at which a supplementary call might be made. The size of such a supplementary call, weighted by the probability of requiring a call of that size, represents the liability foregone by a member that leaves the club.

A benchmark release call rate is calculated as this amount plus a risk transfer premium, adjusted to take into account any commercial or market considerations.

In line with recent years, the club is sufficiently confident in its balance sheet strength to maintain a relatively low level of release calls, as compared to other IG clubs, of 0% for 2017/18, 0% for 2018/19 and 6% for 2019/20.

The London Class release calls are set at 0% for each of the three open policy years 2017/18, 2018/19 and 2019/20.

Claims service

The club is active in supporting members in all aspects of the claims service, including handling major casualties. For example, a recent incident involved a fire on board a 15,000 TEU ship, which spread quickly and destroyed cargo in the forward three cargo holds. Salvors were engaged and they towed the ship to Dubai. The club provided a financial guarantee to port interests, facilitating the ship being granted refuge without delay. The club then appointed a multidisciplinary team of both local and international experts to investigate the cause of the fire and supervise the removal and disposal of fire-damaged cargo. The club is also managing the various claims flowing from the casualty, including in respect of approximately 2,000 fire-damaged containers. In 2019, we will publish a bulletin focusing on issues arising out of casualties involving very large container ships, to share our knowledge with the membership.

Furthermore, the club keeps its members informed of a broad range of topical issues, including tighter sulphur fuel regulations coming into force from 1 January 2020, technological advancements in the shipping industry, US claims and the impact of the European General Data Protection Regulation. Our subject matter experts stay up to date on the latest industry developments, and ensure this information is disseminated. Updates, comments and advice are shared through the club's social media channels, website and publications. During 2018, the club also held various forums and seminars for members in over 15 different cities, including New York, San Francisco, Singapore and Piraeus.

Discretionary claims

The club prides itself on a supportive and member-friendly approach to claims, adopting an expansive interpretation of the rules to provide maximum cover to members. This extends to the club's treatment of discretionary claims. Once a discretionary claim has concluded, the managers will work with the member (sometimes involving external solicitors and technical experts) to fully investigate the circumstances of the incident and prepare a detailed report which is then laid before the club's board for its consideration. The Standard Club's board is largely composed of shipowners, drawn from different sectors of the industry. This means that a fellow member submitting a claim for consideration can have confidence that their claim will be determined in a fair, objective manner by industry peers well versed in the relevant issues.

Release calls

Policy year	20 May 2019	20 May 2018	20 May 2017	20 May 2016	20 May 2015	20 May 2014	20 May 2013
2019/20	6						
2018/19	0	6					
2017/18	0	0	6				
2016/17		0	0	7			
2015/16			0	3	7		
2014/15				2	3	18	
2013/14					2	4	14

OPERATIONAL REVIEW
CONTINUED

Standard Safety: Seafarer Wellbeing

Seafarer wellbeing is a holistic concept combining physical, mental and social wellbeing, and the mix of articles in this publication reflects this:

- an update on The Standard Club's enhanced PEME scheme after three years of operation
- a look at some specific chronic diseases and the ways these may affect seafarers' abilities to carry out their duties or respond to an emergency situation
- a discussion of diet on board – the impact of the MLC on the quality of food and the health of seafarers, some thoughts on how to make sure crews eat the right quantity of the right things and the different options for victualling
- articles concerning exercises that can be done on board ships, and ways to incentivise crews to do them
- ways to address the trend of rising mental illness or PTSD amongst crew
- how the proliferation of the internet and social media has changed the way crews interact and communicate on board ships
- the impact of fatigue on ship safety – how it is caused and what can be done to prevent or at least minimise its effects.

To find out more, visit
www.standard-club.com

Loss prevention

The club's loss prevention programme remains at the heart of the club's quality control and is also a crucial aspect of the service provided to members.

The loss prevention team is multidisciplinary and consists of 11 mariners and naval architects split between the club's London and Singapore offices. The team welcomes direct discussion with members and would encourage any member with technical or risk-related queries to get in touch via their usual club contact.

Survey programme

One of the core objectives of the loss prevention team is to ensure the operating quality of the club's entered tonnage.

During the 2018/19 policy year the managers carried out a total of 427 ship risk reviews. Of this, 13% were carried out by the loss prevention surveyors in order to ensure that the team remains closely in touch with the members' ships and practices on board. In 2018/19, 63% of the surveys resulted in recommendations being issued to the members. Of these, 9% required repairs to be carried out as a condition of continued cover. Over the last three policy years the managers have implemented a smart ship survey selection, focusing the ship risk reviews on those ships with a higher chance of defects, resulting in a significant saving on the survey costs.

The team carried out 22 member risk reviews (MRR) in the last policy year. The MRR process serves two key purposes. It allows the managers to familiarise themselves quickly with the safety management practices of a newly joined shipowner or third-party manager, which in turn enables better servicing and support to the member. It also gives existing members confidence that any new member, with whom they share their liability exposure, is a good-quality owner or charterer. Guidance has been published setting out the purpose and benefits of the MRR programme in more detail. This can be downloaded from the club's website.

PEME scheme

The club has operated an enhanced Pre-Employment Medical Examination (or PEME) scheme in the Philippines since 2015. Since the start of the current policy year this scheme has expanded to 41 accredited clinics in the Philippines, Indonesia, India and Ukraine.

The managers have received positive feedback from those members using the enhanced PEME scheme who have seen a decrease in their seafarers' illness claims. We continue to recommend that members carry out enhanced PEME tests for their seafarers in order to safeguard the crews' lives and reduce the potential for personal illness claims.

Seafarer wellbeing

In addition to the expansion of the enhanced PEME scheme, the club has published a special edition of *Standard Safety* on seafarer wellbeing. The publication explains how physical and mental wellbeing are linked and gives guidelines on a wide variety of wellbeing-related topics.

ECDIS

Electronic navigation systems (ECDIS) are now widely fitted on seagoing ships and are mandatory requirements for all ships over 10,000gt. The many benefits of ECDIS are widely acknowledged, such as greater accuracy of navigation and ease of passage planning, assistance in position fixing and monitoring of the ship's position. There are, however, real dangers associated with ECDIS technology which, if not fully understood by the users, can result in serious operator errors which, potentially, could imperil ships at critical periods of the voyage.

The loss prevention team worked closely with one of the club's members to study these specific risks and engaged with a sample of their navigators to gauge their knowledge and understanding of ECDIS systems and operating parameters. The project results indicated that navigators do not always understand the consequences of a change of the safety contour or safety depth settings, nor were they able to recognise all the ECDIS symbols. It also showed how frequently the master fails to show leadership on ECDIS-related matters.

We cannot sufficiently stress the importance of having concise navigational procedures in place, including ECDIS, and ensuring that navigators are properly familiarised with the navigational equipment on board. The club has produced numerous articles discussing this topic, available on its website, and will continue doing so.

Publications

The managers continuously produce high-quality and concise publications on a wide variety of topics, related to loss prevention. The *Better Box Booking* publication published in March 2018 describes in detail the various ways in which shippers can misdeclare dangerous goods in order to get unsuspecting carriers to accept them on board. The publication makes various recommendations for carriers to guard their booking processes against these malpractices.

The team is also continuing to both update existing and produce new Master's Guides which focus on delivering best practice advice on key areas of ship operations. These guides harness the professional knowledge of those members of the LP team who have served at sea. The aim of the guides is to provide advice which will serve to eliminate claims deriving from common errors made during routine operations.

Business updates

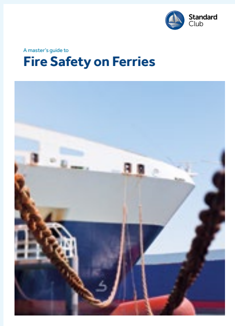
London office move

In July 2018, the managers' London-based team moved into The Minster Building, following the sale of Standard House. This move was part of Charles Taylor's strategy to bring together businesses that had previously been spread across multiple buildings in London and to provide a convenient, high-quality, efficient space for the managers to work in and service our clients from, supported by the latest technologies. A new agile working environment facilitates collaboration between colleagues across Charles Taylor in insurance management, adjusting, claims services and InsureTech.

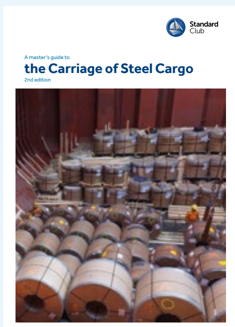
The managers are justly proud of their new office and would welcome those members and brokers who have not yet visited them to do so on their next visit to London.

Master's Guides

In 2018, a new guide was produced to discuss fire safety on ferries. This guide explains basic and advanced fire science, ferry safety construction, firefighting equipment and preparedness, accident investigation and the involvement of the human element on board ferries.



The club's updated Master's Guide to the Carriage of Steel Cargo brings the original publication from 2009 up to date with current best practices. Since steel cargo damage claims are still a persistent issue, we would recommend any member carrying steel cargoes to make use of the valuable information contained within this publication.



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OPERATIONAL REVIEW

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Hong Kong office

In January 2019, Standard Asia received authorisation from the Hong Kong Insurance Authority to carry on insurance business in Hong Kong and to operate a branch office there. This followed a lengthy application and approval process, a journey which a number of other IG clubs have also embarked upon. Additional staff have been recruited to support the branch, including a chief executive officer, an underwriter and a finance officer. Standard Asia now has 37 staff in its Singapore and Hong Kong offices.

Regulatory authorisation and the establishment of the Hong Kong branch are significant achievements and represent an important milestone in Standard Asia's business development strategy in Greater China. Standard Asia will build on its strong presence in Hong Kong to grow in the People's Republic of China and in Taiwan.

In November 2018 a co-operation agreement was concluded between Standard Asia and Ping An Property & Casualty Insurance Company of China Ltd, under which both entities will provide P&I cover to China's rapidly growing maritime sector, with a focus on shipowners performing ocean-going voyages. With Asian countries now controlling almost half of the global fleet, led by China which has been growing at 9% per annum, the club's strategic initiatives to grow in the region are particularly important.

Singapore War Risks Mutual

SWRM, a class within Standard Asia with its own committee, completed its fourth year of underwriting on 20 February 2019. The year ended with 750 ships (representing 18.4mgt) on risk entered by 39 owners. The premium income generated, and the number of ships entered, remain in excess of business plan targets, despite strong competitive pressures. SWRM remains 100% reinsured, with the reinsurance now largely placed in and led from Singapore.

SWRM was established with the support of the Singapore Shipping Association and is a key component of the country's strategic aim to grow its position as one of the world's leading maritime centres. With no claims since inception, the class continues to make a positive contribution to Standard Asia's overall result.

Standard Offshore

Standard Offshore continues to represent a significant proportion of the club's tonnage and premium and is established as one of the core offerings of The Standard Club beyond conventional mutual P&I cover.

Tonnage and premium development across the offshore division were steady over the course of 2018, with both organic growth and some new members being welcomed into the club. We were pleased to see initial evidence of higher utilisation rates across various classes of offshore business, and a significant number of new FPSO project awards being forecast over the next three years. Claims across the offshore division developed in line with expectations and were stable both in frequency and value.

The offshore division was established with a view to finding more effective ways to support the ongoing development of the offshore industry, and in particular, to help support our members who help to drive that change. 2018 has seen a continuation of this philosophy, with the Standard Club Offshore Advisory Committee (SCOAC) continuing to guide the managers and help develop our thinking in this sector.

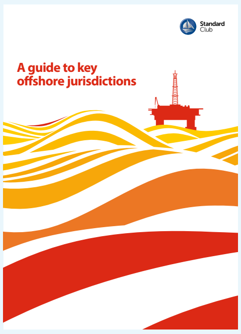
We have seen some significant changes during the course of the year, such as the extension of cover by the International Group (IG) to include accommodation units that were previously excluded from mutual cover. This was strongly supported by the SCOAC, and we were able to represent these views at IG level.

A guide to key offshore jurisdictions

In this publication we share our findings from our global network of contacts to show how the law in a particular jurisdiction may impact the enforceability of key contractual provisions.

The jurisdictions covered are:

- Angola
- Australia
- Brazil
- India
- Indonesia
- Malaysia
- Mexico
- Nigeria
- Norway
- Qatar
- Saudi Arabia
- Singapore
- Thailand
- UK
- USA



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Another suggestion of the SCOAC was to develop a guide to key offshore jurisdictions as there is often a lot of uncertainty about the right to limit liability, the enforceability of knock for knock indemnity provisions, and the application and geographical reach of the CLC Convention, Wreck Removal Convention, Maritime Labour Convention or any related domestic legislation. This was published in October 2018. The feedback from the membership has been extremely positive and it has been pleasing to see the guide being used as a first point of reference when we visit member offices. This publication will be updated regularly to ensure it remains a useful reference document available to the membership.

London Class

The specialist inland and coastal class of the club continues to grow selectively in a market that remains extremely challenging despite the recent restructuring in the fixed premium sector. During the 2018/19 policy year the class has seen a 7.6% growth and now insures 5.4mgt. The class committee agreed renewal for the 2019/20 policy year with no general increase for the ninth consecutive year.

The Strike Club

In August 2018, the board received a proposal from The Strike Club, a leading mutual provider of marine delay insurance, for that business to join the Standard group. Having reviewed it, the directors decided that it offered the following benefits for the Standard Club and its members: reinforcing The Standard Club's existing strategy of providing a wide range of covers, introducing approximately 120 new members to The Standard Club, further diversifying the club's underwriting portfolio and risk profile, strengthening The Standard Club's finances, increasing capital efficiency and providing the opportunity for synergies, greater efficiencies and cost savings in governance, management, underwriting and reinsurance. The board therefore recommended the acquisition to the members, which was subsequently approved at an extraordinary general meeting on 20 November 2018 in Dublin. The group acquired control of the business of The Strike Club from 1 February 2019.

Regarding the performance of The Strike Club business generally, there was strong growth in the mutual business through 2018/19, with 20 new members joining the club and total marine delay insurance (MDI) premiums up 20% on the previous year. However, the year also experienced a high number of claims. Truck strikes in Brazil and a significant double terminal closure in Changshu were exceptional events for the mutual delay cover, leading to numerous claims that clearly demonstrate the value of the cover.

OPERATIONAL REVIEW
CONTINUED

The Strike Club concluded a successful renewal at 1 February. This delivered an effective 10% uplift on expiring rates from both rate increases and terms changes on renewing business. Twenty members did not renew, representing total premium of approximately $2.9m. This is an acceptable outcome to a process necessarily focused on improving underwriting performance and as a result the exposure of the business is materially improved for 2019/20. The Strike Club currently has about 120 members and net mutual premium for the year to February 2020 is forecast at approximately $17.5m.

The Standard Syndicate

A key decision over the past year was the placement of the The Standard Syndicate into run-off at the end of 2018. This followed the board's recognition that market conditions in Lloyd's made it a much less attractive place to do business than it was three years ago. Overcapacity and a weak pricing environment made it an increasingly challenging environment in which to underwrite profitably, and the syndicate experienced protracted challenge to obtaining approval for its proposed 2019 business plan. On this basis, the board decided to cease underwriting in its Lloyd's syndicate from 1 January 2019.

Since then, the transition has proceeded as anticipated – any business club members have placed into the syndicate will continue to be serviced by the Charles Taylor Managing Agency (CTMA) team under the run-off arrangements, which ensure that all policyholders' interests remain protected. The club's accounts for the 2018/19 financial year also include provisions for future costs associated with the run-off and subsequent closure of the syndicate.

Brexit

In response to the UK's decision to exit the European Union, we advised in last year's annual report our intention to make an application to the Central Bank of Ireland (CBI) for approval of a new Standard Club subsidiary based in Dublin. This will ensure that the club can continue to access EEA markets in the event of Brexit, in whichever form that takes.

In July 2018, to coincide with the move into The Minster Building, the managers took the opportunity to reorganise the divisions to reflect the imminent regulatory changes arising from Brexit and review the balance of business across the teams. This required both personnel changes as well as various changes to a number of systems and processes. The whole process went very smoothly.

On 24 January 2019, we were pleased to be able to advise members that The Standard Club Ireland DAC had received authorisation from the CBI and that all renewing EEA members would be underwritten into Standard Ireland from 20 February 2019. This was successfully achieved with all Standard Ireland members receiving their policy documentation before the start of the new policy year. Furthermore, all necessary steps were taken to mitigate and minimise any business disruption brought about by this change.

It is important to note that all policyholders of Standard Ireland will continue to be members of The Standard Club Ltd, along with policyholders of The Standard Club UK Ltd and The Standard Club Asia Pte. Furthermore, the insurance and reinsurance arrangements for Standard Ireland will also be the same.

Diversity and inclusion

The club is committed to promoting an inclusive and diverse environment in which the managers actively appreciate and celebrate difference and where all employees can be true to themselves and do their best work. As part of their diversity and inclusion (D&I) strategy in 2018, the managers focused on:

- **people engagement** to build understanding, celebrate difference and demonstrate support for colleagues
- **communication** amongst staff and clients to raise awareness of their D&I initiatives and develop associations with bodies or other organisations to support this mission
- **learning and development** to build awareness amongst staff so that they are able and willing to demonstrate and role model inclusive behaviours
- **data, policy and procedure** to understand their diversity and address issues by updating policies and procedures.

The managers are an equal opportunities employer and base all decisions on individual ability without regard to gender, race, religion, beliefs, political opinions, creed, colour, ethnic origin, citizenship, nationality, marital/parental status, identity, expression, sexual orientation, age or disability. Appropriate training and career development are available to staff at all levels and the managers are committed to helping all employees to realise their full potential by gaining relevant skills and experience.

My Standard Club

The club has launched My Standard Club, an extranet service which allows the club's members and their brokers improved access to various information via a secure online portal. Users will be able to instantly view and download policy information and documentation, including debit and credit notes, and to run a range of real-time reports. Access to My Standard Club is being rolled out to users this year and further functionality will be added to improve the user experience over time.

Reinsurance

Club retention and the Pool

The individual club retention increased to $10m in 2016 and remains unchanged for the 2019/20 policy year. The attachment point of the Group's General Excess of Loss (GXL) reinsurance programme, which increased to $100m in 2017, remains unchanged.

The pooling mechanism maintains fairness between IG clubs and ensures that the exposures generated are manageable.

The IG reinsurance programme

This year's GXL renewal resulted in a small premium decrease. The structure of the programme this year has changed. The first layer is now for $650m xs $100m. There are three private placements totalling 20% and there is now a $100m annual aggregate deductible on the first layer for this 80% share.

The second layer is now for $750m xs $750m with 10% private placements going $350m into this layer, whilst the third layer is now $600m xs $1.5bn. Overspill is unchanged up to $3.1bn.

Non-pool reinsurance programme

A large proportion of the club's members benefit from the club's non-poolable covers. The biggest users of the non-pool programme are charterers, fixed premium members and those involved in the offshore energy and specialist sectors, whose risks are largely excluded from the Pool. The club continues to be able to offer the same maximum limit of $1bn.

Stop-loss reinsurance

During 2018, the board reviewed the club's reinsurance requirements and decided to renew the club's stop loss policy for a further three-year period.

The club appreciates the support given by its reinsurers and values highly its relationship with them.

Investments

For the year to 20 February 2019, the total of the club's investment assets returned 2.2%. The investment portfolio, which excludes the club's holding in Charles Taylor plc shares, returned 2.8%.

At the 20 February 2019 valuation point, the investment portfolio was invested across the following asset classes:

- Government bonds (including short-term bills and inflation-linked bonds) 42%
- Corporate bonds 37%
- Equities 9%
- Alternatives and Property 8%
- Cash/FX forwards 4%.

The allocation by currency was:

- US, Canadian and Hong Kong dollars 86%
- European currencies (excluding sterling) 6%
- Sterling 7%
- Other currencies 1%.

OPERATIONAL REVIEW
CONTINUED

The main changes in asset allocation over the year were an increase in the weighting towards government bonds, inflation-linked securities and corporate bonds, coupled with decreases in exposures to equities, alternatives and cash. The currency profile remained mostly stable apart from that of sterling which increased in the investment portfolio as a result of the sale of Standard House.

In light of the slowing in the global economy seen since the second half of 2018 and early 2019, plus the uncertainties around future growth prospects, the investment risk level remains cautious.

Solvency and capital management

The Standard group of clubs is regulated by the Bermuda Monetary Authority (BMA) under a regulatory regime deemed 'equivalent' to Solvency II, the EU-wide European regulatory regime which applies to the club's subsidiaries, The Standard Club UK Ltd (Standard UK) and The Standard Club Ireland DAC (Standard Ireland).

As part of the BMA's regulatory framework, insurance companies are required to publish a 'Financial Condition Report' setting out the business and performance of the company, its governance structure, risk profile, solvency valuation and capital management. This is published on The Standard Club's website. A key requirement of the regulatory regimes under which the Standard group of clubs operates is to have a well-developed Own Risk and Solvency Assessment (ORSA) programme in place (also referred to as the Commercial Insurer's Solvency Self Assessment (CISSA) programme in Bermuda). The club has been developing this programme over recent years, and its ORSA/CISSA is updated and reviewed annually by the board. As part of the ORSA, the club makes use of its internal model to make assessments of its own capital needs as well as to inform important business planning issues, including setting the renewal pricing strategy, reinsurance purchasing and projecting the club's prospective result against which actual performance can be measured.

The ability of the club to make supplementary calls remains an important part of the resources available to meet its capital requirements. Both the BMA's regulatory framework and the Solvency II Framework Directive allow mutual insurers, such as the club, to have the right to make supplementary calls included as additional capital. The board keeps the need to make supplementary calls under review when considering the overall financial resources available to the club and has decided that no supplementary call is currently needed for any of the open policy years, nor is any expected. The board's strategic approach to capital has been referred to in the free reserves section of the report of the directors and is set out in the club's capital management methodology bulletin available on the club's website.

INDUSTRY ISSUES

Subject specialists

Claims handlers in the club's operating divisions are supported by subject matter experts in the main disciplines likely to be relevant to the claims that members face. These subject matter experts also represent the club on various International Group subcommittees and working groups. The clubs collaborate across a range of industry issues through these bodies for the benefit of members generally.

Sanctions

US withdrawal from the Iran nuclear deal and reimposition of US sanctions

On 8 May 2018, the US announced its withdrawal from the Joint Comprehensive Plan of Action (JCPOA) otherwise known as the Iran nuclear deal and the reimposition of US secondary sanctions (which apply to non-US persons) which had been suspended under the terms of the JCPOA. US primary sanctions (which apply to US persons) had not been suspended under the JCPOA and remain in force.

The reimposition of secondary sanctions was subject to two winding-down periods; the second of which ended on 4 November 2018. Sanctions that have been reimposed (under Executive Order 13846) include the following:

- the provision of significant support to Iran's shipping, shipbuilding, energy sectors and port operators
- knowingly engaging in a significant transaction for the purchase of petroleum or petrochemical products
- transactions with Iranian specially designated nationals (persons or entities named on the US sanctions list)
- providing underwriting services, insurance or reinsurance for sanctionable activities involving Iran.

General Licence H (GLH) which permitted foreign entities owned or controlled by US persons to engage in Iran-related activities was also revoked, with effect from 5 November 2018. It had been relied upon by a minority of reinsurers on the International Group (IG) General Excess of Loss reinsurance programme and may result in an increase in reinsurance shortfalls in respect of claims with an Iranian nexus since these reinsurers will no longer be able to rely upon the GLH to contribute to these claims.

EU Blocking Regulation

The EU is still committed to the JCPOA and responded to the US withdrawal from the agreement by updating the EU Blocking Regulation (EU Reg. 2271/96) so that it applies to US secondary sanctions against Iran. The Blocking Regulation has been in place since 1996 and is designed to protect EU companies from sanctions imposed by a third-party country, such as the US.

Under the terms of the updated Blocking Regulation (Art 5), which came into effect on 7 August 2018, EU companies may apply to the EU Commission for authorisation to comply with US sanctions, where they can demonstrate that non-compliance would seriously damage their financial interests. EU entities also have the right to claim damages in the EU under the Blocking Regulation in respect of losses they have suffered as a result of the application of US secondary sanctions.

Although EU member states are responsible for enforcing the Blocking Regulation, many member states have not yet adopted legislation to enforce it. In the UK, breach of it constitutes a criminal offence which may result in a fine or conviction.

Members exposed to EU sanctions have to choose between complying with US secondary sanctions or the EU Blocking Regulation, whereby compliance with one will mean breach of the other. However, the dominance of US dollars in the international banking system and the threat of sanctions enforcement by the US authorities means that these companies may decide to comply with US sanctions even if they face the risk of breaching the EU Blocking Regulation.

The EU and other signatories to the JCPOA (Iran, China and Russia) considered creating a Special Purpose Vehicle (SPV) which would act as a clearing house to help EU companies that wish to trade with Iran – that is, by matching Iranian oil exports with the purchase of EU goods without involving the US banking system.

On 31 January 2019 the EU announced that an SPV called the Instrument in Support of Trade Exchanges (INSTEX) had been created, which is co-owned by France, Germany and the UK and is registered in France. It is hoped that it will facilitate trade between Europe and Iran; however, it will focus on non-sanctionable trade – that is, humanitarian goods such as food, medicine and medical goods which are specifically exempt from US primary and secondary sanctions.

INDUSTRY ISSUES
CONTINUED

Technology and innovation

Technology and innovation continue to become more common in the insurance industry and the breadth of applications is widening. The managers have been monitoring developments through a Technology Working Group, which published its first bulletin in September 2018.

Technology bulletin

This bulletin explores the impact of technological advancements upon both the shipping and insurance industries. The topics covered include:

- The current ability of 3D printing technology and its potential uses for the shipping industry.
- How big data can give insurers the opportunity to build a better risk picture and to refine their underwriting models and internal processes.
- Shedding light on blockchain technology and potential implications for the marine insurance industry.
- How to use technology to make it easier to do business with the London market and enable the London market to grow and adapt to changes in the global insurance market.
- A recap on club cover for cyber risks.

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www.standard-club.com

The working group continues to monitor technological progress in the industry with a new focus on alternative propulsion, berthing assistance systems, virtual reality survey tools, smart ports, cyber security, cargo tracking/monitoring platforms and smart bills of lading.

The working group is also investigating internal opportunities to use technology to further enhance the efficiency and quality of the management of the club and provide more insight to the membership. The main research focus is assessing and developing the club's own data, new sources of data enrichment, the benefits of artificial intelligence and providing new advanced claims investigation tools.

The managers recognise the growing importance of technology on the shipping and insurance industries and the Technology Working Group continues to grow and develop to reflect the pace of change.

IMO 2020

On 1 January 2020 the Regulation 14.1.3 of Annex VI of the Marpol Convention (IMO Sulphur Cap) adopted by the IMO in 2016 will come into force. The IMO Sulphur Cap prohibits not just the use, but also carriage of bunkers above 0.5% sulphur unless the ship has been fitted with equivalent means of compliance. The carriage ban is set to kick in on 1 March 2020 so that in the interim period it is anticipated that charterers will have to ensure that any non-compliant fuel is discharged from the ship's bunker tanks at the latest by 1 March 2020 and owners then have the obligation to clean such tanks to receive compliant fuel thereafter.

Under mounting pressure to reduce sulphur emissions this might be seen as simply the next step since the adoption of Annex VI of the Marpol Convention on 17 May 2005 to prevent air pollution from ships and the introduction of emissions control areas. In fact, the implications of this change cannot be underestimated, and, for most stakeholders, they remain unknown.

Failure to manage anything from fuel availability, stability and compatibility challenges to scrubber installation, operation and maintenance could result in costly delays, fines, which could be discretionary, and, worse still, loss of power resulting in groundings and collisions. This could have serious implications for insurers. For P&I clubs this could include claims arising from wreck removal, pollution, cargo damage/loss and injury/death of crew.

While members are taking the necessary steps to ensure they are compliant and mitigating against the risks associated with the different methods, the club is ensuring it is in a position to advise and assist members as necessary. A knowledge hub has been created on the club's website for this purpose.

Biofouling

Biofouling is the growth of aquatic organisms on the wetted hull of a ship. These organisms will accumulate on the hull and reproduce, competing with and endangering the local marine fauna. This is one of the most common ways by which marine species can migrate.

While the risk posed by invasive aquatic species (IAS) in ships' ballast water is now regulated internationally by the Ballast Water Management (BWM) Convention's entry into force on 8 September 2017, the control of ship biofouling remains largely voluntary. However, some countries, such as Australia, New Zealand and the US, have already set out regulations for the management of biofouling risks on ships entering their territorial waters.

Australia

There are currently no legislative requirements expressly dealing with biofouling for ships entering Australian waters. However, the Biosecurity Act 2015 provides for biosecurity measures to be taken in relation to ships if the level of biosecurity risk associated with them is unacceptable. Under the Maritime Arrivals Reporting System (MARS), all commercial trading ships are subject to pre-arrival reporting. The potential biosecurity threat (including threats due to possible biofouling) is then reviewed by the authorities. This allows for inspections to be more targeted and may provide a basis for banning a ship from making a port call.

New Zealand

On 15 May 2018, the Craft Risk Management Standard (CRMS) came into force, which sets out the requirements for the management of biofouling risks on ships entering New Zealand territorial waters (NZT). CRMS mandatorily applies to the operator of any ship scheduled to anchor, berth, or be brought ashore in New Zealand following a voyage originating outside NZT.

If the ship fails to comply with the CRMS requirements for hull cleanliness, the ship may be directed to leave NZT for hull cleaning. However, water hull cleaning is not permitted within the New Zealand territory and will have to be undertaken outside NZT.

United States

The United States Coast Guard (USCG) has authority to prevent the introduction and spread of marine invasive species via means that include hull fouling. This authority is granted by the National Invasive Species Act of 1996 (NISA).

The USCG requires a Biofouling Management Plan on board and rinsing of anchors and anchor chains, and removal of fouling from the hull, piping and tanks on a regular basis. The US Environmental Protection Agency (EPA) 2013 Vessel General Permit programme includes requirements for inspection of a ship's hull for attached living organisms.

When calling at various US ports or sailing through US waters, members should bear in mind that State law may be in force in addition to US federal law. State laws can often be more stringent than US federal law and carry different penalties. The State of California has developed the Marine Invasive Species Program (MISP) and the Biofouling Management Regulations in order to prevent, and eventually eliminate, the introduction of non-indigenous species into State waters. These regulations apply to all ships arriving at California ports that are 300gt and above and are capable of carrying ballast water. Such ships are required to establish a strategy for how to manage biofouling, to present a Biofouling Management Plan (BMP), and be able to document that the strategy has been implemented.

Biofouling management is an important issue and the lack of an international regulatory framework has prompted several countries to develop unilateral biofouling regulations. As the International Maritime Organization (IMO) shifts its attention to biofouling, it is anticipated that more countries will come up with similar regulations.

PRINCIPAL RISKS AND UNCERTAINTIES

How the club manages risk
The board is responsible for identifying and managing the club's risks. The board's risk management responsibilities are led by the Audit and Risk Committee, which reviews the risks facing the club and their potential impact, management and mitigation at each of its meetings. The board sets the club's risk appetite in relation to all key aspects of the club's operations, and the club's strategy reflects that appetite.

Key risks are evaluated to assess their likelihood and potential impact.

The club's management establishes controls which are designed to ensure that the tolerances contained in the board's risk appetite are not exceeded and, where possible, puts in place arrangements or processes to mitigate the club's risks. Acting through its Risk Committee, the club's management regularly monitors the effectiveness of the risk management system, including the impact of changes in the club's risk profile and emerging risks. A risk register is maintained which records the risks and their potential likelihood, impact, mitigation and controls.

The club's internal model reflects the risks identified and is used to assess the potential aggregate impact, and hence the levels of capital required to cover them.

The club's risk and internal audit functions report to the Audit and Risk Committee, providing assurance that the club's risk management systems are functioning correctly.

Type of risk	Risk description	Management of action
Underwriting risk		
Premium risk	The risk that premiums charged will not be sufficient to meet all associated claims and expenses, including: • internal risks arising from underwriting inappropriate or incorrectly priced business • external risks arising from adverse insurance or reinsurance market movements, or adverse trading conditions for the club's members.	• Premium risk is managed by: – clear underwriting controls, pricing models, and underwriting review and authority levels – monitoring for undue concentrations of risk, acceptability of member loss records and consistency of pricing with risk appetite – a dedicated loss prevention function, aimed at ensuring the club only underwrites those shipowners that operate to an acceptable standard as well as encouraging good risk management by members. • Premium risk is mitigated by appropriate reinsurance programmes, including the IG pooling and reinsurance programme, and the club's own non-pool and retention reinsurance. • Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the club's insurance risk through programmes tailored to the club's exposures. The efficacy of the club's reinsurance arrangements in mitigating club risks is tested by the actuarial function.
Reserve risk	The risk that claims reserves will be inadequate to cover known losses, and/or unknown or undeveloped losses, such as occupational diseases.	• Reserve risk is managed by: – prompt reserving of potential losses – regular review of individual estimates and overall reserve adequacy – systematic claims audits and monitoring the performance of individual claims handlers to ensure consistency of approach – modelling of technical provisions by the club's actuarial function – actuarial reserving process and controls, with a quarterly reserving committee incorporating a review of underlying assumptions and methodologies.

Type of risk	Risk description	Management of action
Financial risk		
Credit risk	The risk of a loss occurring owing to the failure of a counterparty to meet its contractual debt obligations. Counterparties include members, reinsurers, other IG clubs, intermediaries, banks and investment counterparties.	• The risk of default is mitigated by: – using only well-rated reinsurers and monitoring their financial condition – Pooling Agreement provisions, which provide security for inter-club obligations – prompt follow-up of outstanding member premiums, the ability to net overdue premium amounts against unpaid claims, and suspension or cancellation of cover – investment rules and counterparty limits.
Market risk	The risk of loss occurring from fluctuations in the value or income from investments, including the effects of fluctuations in interest and exchange rates.	• The club's investment strategy has been developed with the following objectives: a. To preserve capital for the payment of the club's claims and other liabilities by limiting the risk in the portfolio as agreed from time to time by the board. b. Within the risk tolerance agreed by the board, to maximise the overall returns as measured over rolling three-year periods. c. To ensure there are ready funds to meet liabilities as they fall due. • There are clear and regularly reviewed investment rules, and the club manages its investment risk through investing widely and in different asset classes to diversify the overall portfolio and produce reasonable returns with acceptable volatility. The club is exposed to equity price fluctuation risk, but the investment rules limit equity exposure. • The currency of investment is matched to the profile of the liabilities to which the club is exposed. The club makes use of forward currency contracts to hedge its exposure to fluctuations in the value of non-core currencies and to maintain the matching of the investment profile to the liability profile. • Interest rate risk exposure is measured and controlled through regular consideration of the appropriate duration of the fixed interest component of the portfolio. • The investment asset and currency benchmarks are modified from time to time to reflect the board's reassessment of market risk appetite, as informed by its assessment of the investment markets as well as by risk appetite and regulatory or rating agency considerations.
Liquidity risk	The risk arising from insufficient financial resources being available to meet liabilities as they fall due.	• The club continually monitors its cash and investments to ensure that the club meets its liquidity requirements. • Adequate cash holdings are maintained at all times and the club's asset allocation strategy is designed in part to enable the ready availability of funds to meet insurance liabilities as they fall due. • The club regularly reviews the time period required to liquidate the investment portfolio. • The likely cash outflows in relation to specific large claims are projected and monitored. • Significant claim settlements through the IG Pool and associated reinsurance arrangements are subject to special settlement provisions that provide the club with access to funding for those large claims that are subject to reinsurance recoveries.
Operational risk	The risk resulting from inadequate or failed internal processes, people and systems, or from external events.	• The club has identified its operational risks and has in place appropriate controls to manage and mitigate such risks, consistent with good practice, regulatory guidance and legislation relating to human resources, financial crime, business continuity and information security. • As the club employs independent third-party managers to manage its day-to-day activities, an appropriate governance structure and control framework are also in place to monitor the club's outsourcing of its operations.

CORPORATE GOVERNANCE

Overview

The club comprises members from the international shipping community and seeks to follow good governance principles that would generally be recognised throughout world markets. The club is principally regulated in Bermuda, with regulated operating insurance subsidiaries in the UK, Ireland and Singapore; the club has had particular regard for the requirements of these countries in arriving at its current practices.

Board responsibilities

The board's governance of the club is described in the board governance policies statement. This sets out, amongst other things, the board's role, matters reserved for the board, and the board's duties, composition and operation. The principal functions of the board are to:

- govern and direct the club's affairs
- ensure that the club's objectives are being fulfilled
- set the overall strategy and key policies
- set and review the club's risk appetite
- oversee risk management and compliance issues
- ensure that there is a suitable and clear allocation of responsibility between itself and the managers
- satisfy itself that the managers have an appropriate structure for the management of the club
- direct and supervise the managers and consider their reports on all significant aspects of the club's affairs
- ensure that there are suitable systems of control.

The directors are provided with up-to-date reports on the key financial indicators for the club and on risks, controls, underwriting, claims, investment and general policy issues at each board meeting. The directors are provided with board meeting papers in sufficient time before each board meeting to enable them to understand the relevant issues and to focus upon decisions that need to be made. The implementation of the board's strategy and policies and the management of the day-to-day operations of the club have been delegated to the managers by the board.

A formal management agreement between the club and the managers is in place and sets out their respective obligations and responsibilities. In addition, there is a service level agreement against which the board reviews the performance of the managers.

Governance review

The board commissioned international law firm, Latham & Watkins LLP, to undertake a review of the club's governance. The firm was tasked with reviewing the structure, size and functioning of the various club boards and committees, particularly with regard to the current regulatory expectations of relevant regulators, and oversight of senior executive management. The key finding of that review was that the current governance arrangements were effective and that the large board size posed no inherent governance-related issues. Following this review, the board adopted a number of recommendations aimed at ensuring continued good governance of the club. It was also agreed that a broad representation of members on the board, taking into account fleet and ship size, geographical location, business model and ownership structure, was 'fit for purpose' as the overall governing body for the club. The larger board with smaller operating subsidiary boards and committees was also considered to be more in line with the mutual ethos and ownership of the club. It was therefore decided to retain the current large board structure.

Board membership

The great majority of directors are non-executive and are not involved in the day-to-day executive management of the club. By virtue of the bye-laws, directors are, in the most part, the owners or senior executives of the club's member companies.

The chairman is responsible for the direction and effectiveness of the board and the oversight of the club's affairs and strategy. There are two deputy chairmen whose roles are to assist the chairman in carrying out his role. The chairman and deputy chairmen are elected for a term of three years but may be re-elected for four further three-year terms.

The board has the benefit of an insurance expert director, along with expert insurance and investment guidance provided by its managers and personnel within the managers' group. It also has access to additional independent insurance, regulatory, financial and investment expertise as required.

A Bermudian resident director with insurance and regulatory experience was appointed to the board in January 2016 and has continued to serve on the board during the year.

At each annual general meeting (AGM), one-third of the directors must retire from office by rotation and put themselves up for re-election. All directors appointed since the date of the last AGM must put themselves forward for election.

Directors who have held office for a period of nine years must offer themselves for annual re-election to the board. Directors who are no longer eligible to be elected to the board according to the bye-laws must retire from the board at the next AGM.

Remuneration

Directors receive fees recommended by the club's Nomination and Governance Committee and agreed by the board. Directors who are employed by the managers do not receive directors' fees. Charles Taylor plc's Remuneration Committee ensures that the personal performance objectives of club directors employed by the managers are designed to promote the long-term success of the club.

The club's administrative functions are undertaken by the managers, who receive a management fee for their services, which is agreed by the board annually based on a review by the Nomination and Governance Committee. The review, which is reported to the board, considers the managers' budgets, performance and costs, including a comparison with other clubs based upon available data. Full disclosure of the management fees paid by the club is provided in the club's financial statements. The board is keen to encourage greater transparency of administration costs by P&I clubs generally, although this does not appear to be a high priority for some clubs.

Insurance and indemnity

The club maintains liability insurance for its directors and officers with a cover limit of £30m, which is renewed on an annual basis. The club also indemnifies its directors through its constitutional documents.

Committees of the board

The board's three main committees, Nomination and Governance, Audit and Risk, and Strategy, meet prior to each board meeting and each has written terms of reference which are available on the club's website.

Nomination and Governance Committee

The committee's main responsibilities include:

- identifying suitable candidates to join the board and its committees
- reviewing the overall composition of the board
- leading reviews of the board's effectiveness
- reviewing and making recommendations on the club's governance structure, policies and practices.

During the year, the committee reviewed succession planning for key board appointments, as well as board attendance and potential candidates for board membership. The committee does not generally use the services of an external consultancy firm or open advertising for the appointment of non-executive directors, as board candidates are generally sought from the members.

The committee also reviews the induction and training programmes for board and committee members.

The committee leads the review of the managers' performance and, in this respect, during the year, reviewed their performance against the specific requirements of a service level agreement, as well as their remuneration. The committee considered succession planning, objectives and individual remuneration for key executive management roles.

In accordance with the requirements of the Insurance Code of Conduct 2015, the committee considers the group governance map at each meeting.

In 2018, the committee engaged Latham & Watkins LLP to carry out a review of the club's governance arrangements, which concluded that overall they were fit for purpose. A small number of recommendations to enhance some aspects of the governance of the club were made and these are being implemented by the managers.

Ensuring that members are satisfied with the club's performance and that they are receiving fair treatment from the club are high priorities for the board. The club conducts regular member and broker surveys, and the managers aim to visit as many members as practically possible every year to ensure that they are aware of the club's strategy and operations, and to identify any areas for concern.

Audit and Risk Committee

The Audit and Risk Committee's role includes:

- the review of the financial statements of the club and its financial regulatory returns
- relations with and reports from the external and internal auditors
- oversight of the club's risk management and internal controls.

During the year the committee retendered the external audit work and, as a result, BDO LLP has been appointed as the club's external auditors.

CORPORATE GOVERNANCE

CONTINUED

The committee reviewed the annual report and regulatory returns, and received a direct report from the external auditors' engagement leader and challenged him on the audit report.

The committee reviewed the integrity and effectiveness of the club's financial controls, the operation and resources of the risk management, compliance and internal audit functions, and the risk management, compliance and internal audit reports. The club's principal risks and uncertainties, and the effectiveness of the company's risk management and internal controls systems, including whistleblowing arrangements, were reviewed by the committee and the board.

The committee receives a report on any whistleblowing incidents and complaints at each meeting.

The committee monitored the capital requirements of the club and its subsidiaries, reviewed the progress of the report on the club's Own Risk and Solvency Assessment (ORSA), and reviewed the development of the club's internal model, including its inputs, assumptions, methodology, uses, sensitivities and outputs.

The committee oversaw the managers' implementation of projects to accommodate new significant European regulation in the form of the Insurance Distribution Directive and GDPR, the General Data Protection Regulations, as well as extensions to the UK regulator's senior manager accountability regime.

Strategy Committee

The committee's role includes:

- considering and making recommendations to the board concerning the strategy to be adopted by the club
- reviewing the performance of the club in meeting its strategic objectives
- reviewing the club's business environment
- considering new strategic initiatives, alliances and potential mergers.

During the year, the committee discussed new products and services, and the effective marketing of them. The committee also considered progress of business development initiatives and the impact, threats and opportunities arising from the decision by the UK in July 2016 to leave the EU.

The committee reviewed the performance of The Standard Syndicate and Charles Taylor Managing Agency, and the underwriting and renewal strategy for the 2019/20 policy year.

The Chairman's Group

The Chairman's Group assists the Chairman to discharge the responsibilities of his role and meets with the managers between board meetings. The group has met 14 times since the last report.

Risk management

Approach

The board, and its Audit and Risk Committee, set and review on a regular basis the club's risk appetite, the major business risks facing the club, their potential impact, and the systems and controls in place to manage and mitigate those risks.

During the year, the board reviewed the club's risk appetite statement which is used to provide guidance to management. At the highest level, risk appetite is considered in terms of the likelihood that the club may be required to make an unbudgeted supplementary call on members, whether directly as a result of its mutual underwriting activities or through other activities such as investing in risk-bearing assets. The club uses its internal capital model in the assessment of aggregate levels of risk against risk appetite.

In addition, detailed measures of the club's appetite for each of the club's key risks have been established, with key risk indicators reported at each board meeting.

The club operates a 'three lines of defence' system of internal control, supplementing the management of risk by its business units through regular reviews of controls by the risk management function and tests of controls to ensure their adequacy through internal audit assurance. The risk management system and processes are linked to the club's internal model, the outputs of which assist in the management of the business as well as in the assessment of the economic capital required to reflect the financial impact of business risks.

The principal risks facing the group and the risk mitigation actions, controls and processes by which they are managed have been explained in this report.

Maintenance of a sound system of internal controls

The board has satisfied itself, through review by the Audit and Risk Committee, that there are suitable and appropriate systems of control within the club's management, including a process for identifying, evaluating and managing the risks that the club faces, and that the controls operate effectively, including monitoring that the club operates within its risk appetite and complies with its regulatory responsibilities.

Compliance and regulation

Approach

The club's compliance and regulatory affairs are overseen by the Audit and Risk Committee. The managers' head of compliance & governance reports to and attends, in person, all Audit and Risk Committee and board meetings. The head of compliance & governance or any director may ask for a private 'in camera' session of the committee or board. The board agrees the compliance monitoring plan and oversees progress against the plan, considers the results of monitoring, upcoming regulatory risks and current priorities. The managers also report any incidents where controls have either failed or nearly failed, or where risks have crystallised or have come close to doing so.

Internal audit

The club's internal audit function is led by a senior Charles Taylor manager. The internal audit department is an independent unit within Charles Taylor and is not involved in the day-to-day management of the club.

The head of internal audit, who attends all Audit and Risk Committee and board meetings in person, is directly accountable to the chairman of the committee and has free and unrestricted access to the chairman of the club board. The head of internal audit has a private 'in camera' session with the committee as part of each meeting. The internal audit reports submitted to each committee meeting summarise the audits undertaken and identify progress against the agreed audit timetable. The audits themselves are usually rated red, amber, yellow or green. Individual audit issues are categorised as high, medium or low impact. The committee is also kept informed of progress towards closure of high and medium impact audit issues. Once a year an assurance map is tabled for discussion which sets out the main operational areas of the business and indicates the status of, and outlook for, the control environment.

The internal audit terms of reference are reviewed on an annual basis. The annual audit plan is risk based. It reflects, among other things, the operational, financial, administrative and regulatory aspects of the club's business, taking as its starting point internal audit's assessment of the risk environment. Some audits are carried out by external, specialist, consultants. The plan is flexible so that it can deal with any reprioritisation that may need to occur during the year.

Key policies

The board maintains policies across a range of areas, including conflicts of interest, financial crime and whistleblowing, and sanctions.

Conflicts of interest

The board has considered the potential conflicts of interest that exist within the club's and the board's operations and has adopted a conflicts of interest policy. A conflicts register is maintained, identifying potential conflicts of interest that could affect the club and this is considered at ach committee and board meeting.

In a mutual organisation, the members are also the insured parties. Negotiations relating to any matter concerning members or directors in their capacity as insureds are conducted at arm's length. Directors do not participate in board discussions on specific matters concerning their companies as insureds.

Procedures are in place to ensure that potential conflicts of interest between the club and the managers, between the club's members, and between members and other clients of the managers' group are identified and managed.

Prevention of financial crime and whistleblowing

The managers have procedures to prevent the club being involved unwittingly in money laundering or inappropriate payments. They also have whistleblowing procedures in place to ensure that members of staff can raise matters of concern confidentially so that they may be appropriately investigated.

The board has a whistleblowing policy which is kept under review by the Audit and Risk Committee.

CORPORATE GOVERNANCE

CONTINUED

Sanctions compliance

The club is committed to ensuring that it complies with all applicable legislation relating to international sanctions and has implemented internal procedures and an automated screening process to ensure compliance. The club also aims to ensure that members are kept up to date with relevant sanctions information to assist them in ensuring that they too are compliant and do not inadvertently breach sanctions.

Business and ethical values and treating customers fairly

The club is committed to conducting its business affairs in a fair, proper and ethical manner, and in compliance with all applicable laws, regulations and professional standards. The managers adopted an updated set of corporate values in January 2019 which was communicated to all staff to ensure that their work on behalf of the club is carried out with integrity and fairness. The board and the managers are committed to treating customers and all stakeholders fairly and keep under review the quality of service that the club provides. There is a complaints process, which is published on the website.

Business continuity

The managers have full business continuity contingency plans, which they periodically test, to ensure that the club can continue to operate in the event of a serious incident, such as, for example, a terrorist event. Business records and documentation are stored electronically, are regularly backed up and are accessible remotely. Continuity testing was carried out in 2018 across various offices, which confirmed that the business (including all key processes) would be able to continue functioning in the event of an incident, and further tests will be carried out in the forthcoming year.

The environment

The day-to-day business of the club is carried out by its managers, who are committed to minimising the impact on the environment of the club's business operations and to achieving best practice in areas in which these have an environmental impact. The managers have taken steps to reduce the club's carbon footprint and strive to minimise its energy consumption through its energy management policy and by encouraging staff to use energy thoughtfully. Where possible, the managers use energy-efficient business appliances, thereby giving rise to energy savings and a reduction in emissions. Standard House, which until April 2018 accommodated the managers' London operations, incorporated a number of design and other initiatives to reduce that office's environmental impact and carbon footprint, and it was compliant with the Energy Savings Opportunity Scheme in the UK. The managers' new headquarters, The Minster Building, has been occupied since the beginning of July 2018 and has adopted the same or a similar approach, in order to ensure compliance.

The club requires its members to comply with all relevant environmental regulations, standards and laws, and supports them in developing and maintaining best practice in their operating procedures and practices in order to minimise the impact of their businesses on the environment.

The club translates its environmental policy into practical guidelines to assist the implementation of good practice amongst its membership. It regularly audits members' ships and management to monitor compliance with environmental regulations, and to evaluate and encourage the implementation of good operating procedures. The club encourages its members to be 'best in class' and looks at initiatives to help them achieve this.

It will not accept for entry, or continue to insure, members that consistently fail to comply with acceptable standards of responsible operation.

Equality of opportunity and gender diversity

The managers have formal policies which aim to attract and retain a diverse and flexible workforce, and to promote equality of opportunity. As far as board appointments are concerned, the board believes that appointments should be based on merit and overall suitability for the role. When considering succession planning, the Nomination and Governance Committee bears in mind the balance of skills, knowledge, experience and diversity existing on the board.

Modern Slavery Act

Given the nature of its business, the club considers that there is minimal risk that the club, its managers or the supply chains which support the club's business activities are involved in, or complicit in, slavery and human trafficking. The managers are committed to making sure that the club's business and those of its suppliers are free from modern slavery and human trafficking.

DIRECTORS' RESPONSIBILITIES

Statement of disclosure of information to auditors

Each person who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the club's financial statements for the year ended 20 February 2019 of which the auditors are unaware
- each director has taken all steps that they ought to have taken in their duty as a director to make themselves aware of any relevant audit information and to establish that the club's auditors are aware of that information.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditors' report, as set out on pages 33 to 35, is made with the view to distinguishing for members the respective responsibilities of the directors and auditors in relation to the financial statements.

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable laws and regulations in Bermuda. The directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102: 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103: 'Insurance Contracts' (FRS 103), both issued by the Financial Reporting Council and in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) relating to insurance companies. The financial statements are required to give a true and fair view of the state of affairs of the group and parent company, and of the income or expenditure of the group and parent company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business, in which case, there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with applicable law and United Kingdom Accounting Standards. They are also responsible for safeguarding the assets of the parent company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. The maintenance and integrity of The Standard Club Ltd website is the responsibility of the managers. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board.

Charles Taylor & Co (Bermuda)
Company Secretary
17 May 2019

04 – INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STANDARD CLUB LTD

Our opinion

We have audited the financial statements of **The Standard Club Limited Group** (the 'Group') for the year ended 20 February 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Reserves, Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 '*The Financial Reporting Standard applicable in the UK and Republic of Ireland*' and Financial Reporting Standard 103 '*Insurance Contracts*' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 20 February 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 1981 (Bermuda).

Our opinion is consistent with our reporting to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We have provided no non-audit services prohibited by the FRC's Ethical Standard to the Group in the period.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

CONTINUED

Opinions on other matters prescribed by the Companies Act 1981 (Bermuda)

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 1981 (Bermuda) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Director's Responsibilities on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Group's members, as a body, in accordance with Section 90 of the Companies Act 1981 (Bermuda). Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

05 – FINANCIAL STATEMENTS AND OTHER INFORMATION

FINANCIAL HIGHLIGHTS 2019

	2019 US$m	2018 US$m
Results for the financial year ended 20 February 2019		
Calls and premiums net of reinsurance	**306**	254
Total claims net of reinsurance and operating expenses	**(355)**	(278)
Balance of technical account for general business	**(49)**	(24)
Net investment and other comprehensive income	**4**	55
Total comprehensive income for the year	**(45)**	31
Outstanding claims liabilities		
Estimated known outstanding claims net of all recoveries	**523**	421
Incurred but not reported claims (IBNR)	**96**	157
Total estimated claims liabilities	**619**	578
Funds available for claims		
Open policy years	**335**	275
Closed policy years	**284**	303
Free reserves	**435**	462
Total balance sheet funds	**1,054**	1,040

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 20 FEBRUARY 2019

	Note	2019 US$m	2018 US$m
Technical account – general business			
Earned premiums, net of reinsurance			
Gross premiums earned, including calls	4	**386.4**	334.3
Outward reinsurance premiums	5	**(80.7)**	(80.8)
Earned premiums, net of reinsurance		**305.7**	253.5
Total income		**305.7**	253.5
Expenditure			
Claims paid	7	**372.2**	258.0
Reinsurers' share	8	**(129.9)**	(46.3)
Net claims paid		**242.3**	211.7
Change in provision for claims		**(109.9)**	(8.5)
Reinsurers' share		**141.7**	29.1
Change in net provision for claims		**31.8**	20.6
Claims incurred, net of reinsurance		**274.1**	232.3
Net operating expenses	9	**81.1**	45.7
Total expenditure		**355.2**	278.0
Balance on the technical account for general business		**(49.5)**	(24.5)
Non-technical account			
Balance on the technical account for general business		**(49.5)**	(24.5)
Investment return net of expenses and charges	6	**18.3**	52.1
Exchange (losses)/gains		**(9.3)**	1.1
Other (charges)/income including value adjustments		**(2.3)**	(1.4)
Share of operating loss of associate undertaking		**(0.3)**	0.4
(Shortfall)/excess of income over expenditure before taxation		**(43.1)**	27.7
Tax on excess of income over expenditure	10	**(7.4)**	4.9
(Shortfall)/excess of income over expenditure after tax		**(50.5)**	32.6
(Shortfall)/excess of income over expenditure for the financial year		**(50.5)**	32.6
Other comprehensive income:			
Currency translation movement		**5.2**	(1.6)
Tax on currency translation		**–**	–
Other comprehensive income/(expenses) net of tax		**5.2**	(1.6)
Total comprehensive income/(expenses) for the year transferred to contingency reserve		**(45.3)**	31.0

The income, expenditure and results for the year are wholly derived from continuing activities.

Income of the club for the year is $5.1m (2018: $15.2m).

The notes on pages 42 to 67 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
AT 20 FEBRUARY 2019

	Note	2019 US$m	2018 US$m
Assets			
Investments			
Investment property	12	–	30.9
Investment in participating undertakings		0.9	1.2
Other financial investments	14	801.9	829.0
Reinsurers' share of technical provisions			
Claims outstanding	13	264.8	389.9
Provision for unearned premiums	13	23.5	5.1
		288.3	395.0
Debtors			
Debtors arising out of direct insurance operations	18	206.0	106.1
Deferred tax asset	11	0.3	8.3
Other debtors		15.9	22.8
		222.2	137.2
Other assets			
Tangible assets	16	–	2.4
Cash at bank and in hand		124.3	125.3
		124.3	127.7
Prepayments and accrued income		28.7	17.4
Total assets		1,466.3	1,538.4
Liabilities			
Reserves			
Statutory reserve		1.2	0.2
Contingency reserve		433.5	461.3
		434.7	461.5
Technical provisions			
Gross claims outstanding	13	883.6	967.9
Provision for unearned premiums	13	65.2	33.0
		948.8	1,000.9
Provisions for other risks and charges			
Deferred tax provisions	11	–	0.4
Creditors			
Creditors arising out of direct insurance operations		66.3	50.1
Other creditors including taxation and social security	19	8.5	22.2
		74.8	72.3
Accruals and deferred income		8.0	3.3
Total liabilities		1,466.3	1,538.4

The financial statements were approved by the board of directors on 17 May 2019 and were signed on its behalf by:

Cesare d'Amico
Chairman

The notes on pages 42 to 67 are an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

CONSOLIDATED	Statutory reserves US$m	Contingency reserves US$m	Total reserves US$m
Balance as at 20 February 2017	0.2	430.3	430.5
Excess/(shortfall) of income over expenditure for the financial year	–	32.6	32.6
Other comprehensive income	–	(1.6)	(1.6)
Total comprehensive income for the year transferred to the contingency reserve	–	31.0	31.0
Members' agent's fees	–	–	–
Balance as at 20 February 2018	0.2	461.3	461.5
Balance as at 20 February 2018	**0.2**	**461.3**	**461.5**
Excess/(shortfall) of income over expenditure for the financial year	**–**	**(50.5)**	**(50.5)**
Other comprehensive (expenses)/income net of tax	**–**	**5.2**	**5.2**
Total comprehensive income for the year transferred to the contingency reserve	**–**	**(45.3)**	**(45.3)**
Acquisition of a subsidiary	**1.0**	**17.5**	**18.5**
Balance as at 20 February 2019	**1.2**	**433.5**	**434.7**

The notes on pages 42 to 67 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 20 FEBRUARY 2019

	Note	2019 US$m	2018 US$m
Net cash from operating activities	20	**(66.4)**	17.9
Interest received		–	0.9
Taxation paid		–	0.1
Net cash generated from operating activities		**(66.4)**	18.9
Cash flow from investing activities			
Investment in associate undertaking		**18.5**	–
Disposal of subsidiary		**30.2**	–
Purchase of investments		**(908.6)**	(948.3)
Sale of investments		**936.0**	946.2
Net cash used in investing activities		**76.1**	(2.1)
Net (decrease)/increase in cash and cash equivalents		**9.7**	16.8
Effect of exchange rate fluctuations on cash and cash equivalents		**(4.6)**	3.4
Cash and cash equivalent at the beginning of the year		**130.5**	110.3
Cash and cash equivalent at the end of the year		**135.6**	130.5
Cash and cash equivalents consist of:			
Cash at bank and in hand		**124.3**	125.3
Short-term deposits presented in other financial investments		**11.3**	5.2
Cash and cash equivalent at the end of the year		**135.6**	130.5

The notes on pages 42 to 67 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The club is incorporated in Bermuda as a company limited by guarantee and has a statutory reserve but no share capital. The members of the club are liable for their rateable proportion of any deficiency of claims and expenses in excess of contributions and the board of directors decides whether any surplus is retained in the contingency reserve for the purposes of the club or returned to members. The address of its registered office is Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda.

2. Accounting policies

(a) Basis of preparation

These group financial statements, which consolidate the financial statements of the club and its subsidiary undertakings, have been prepared under the Bermuda Companies Act 1981, and also under the provisions of Schedule 3 to the UK Companies Act 2006. The club and its subsidiary undertakings have applied uniform accounting policies and, on consolidation, all intra-group transactions, income and expenditure have been eliminated. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103).

The financial statements have been prepared under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance groups.

The financial statements are prepared under the historical cost convention, as modified for the revaluation of investment properties and financial assets and liabilities (including derivative instruments) at fair value through income or expenditure.

The contingency reserve represents the free reserves of the club and is established in accordance with rule 20.6 of the rules of the club.

The financial statements are prepared on a going concern basis. The directors consider it appropriate to adopt the going concern basis of accounting in the preparation of these financial statements and are not aware of any material uncertainties to the company's ability to continue to do so for at least 12 months from the date of these financial statements.

(b) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the group's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and, for some types of policies, IBNR claims form the majority of the liability in the statement of financial position. At the end of the reporting period, and as presented in Note 13, the technical provisions for claims amounted to $883.6m gross of reinsurance recoveries.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on actuarial techniques and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than straight line.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development. At the end of the reporting period, and as presented in Note 4, the gross premium include an accrual for premiums due but not yet received of $6.0m.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country-specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, and financial conditions or counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Basis of consolidation

The consolidated financial statements include the financial information of the club and its subsidiary undertakings. Subsidiaries are fully consolidated from the date on which control is transferred to the club and de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

An undertaking is regarded as a subsidiary undertaking if the club has control over its operating and financial policies, generally determined by the ownership of more than 50% of the voting stock of the investee.

Associated undertakings are companies other than subsidiary undertakings in which the club holds 20% or more of the equity share capital for the long term and over which the club exercises significant influence. Associated undertakings are accounted for using the equity method of accounting.

Uniform accounting policies are applied to all subsidiary undertakings.

The Standard Club Corporate Name Ltd, a subsidiary company, operates as a corporate member of The Standard Syndicate at Lloyd's and therefore follows the syndicate's financial year-end date of 31 December.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. Accounting policies continued

(d) Annual basis of accounting

The Consolidated Statement of Comprehensive Income is prepared on an annual accounting basis and includes all the premiums for policies incepting in the year, the cost of claims incurred and reinsurance for the current year, and any adjustments relating to earlier years together with operating expenses and investment income. All revenue transactions appear in the Consolidated Statement of Comprehensive Income.

The calls and premiums, reinsurance premiums payable, claims paid and related expenses, reinsurance recoveries and outstanding claims are all allocated to the policy years to which they relate. Return on investments and operating expenses are allocated to the current policy year.

(e) Calls and premiums

Calls and premiums include gross calls less return premiums. These calls and premiums are the total receivable for the whole period of cover provided by the contracts incepting during the accounting period together with any premium adjustments relating to prior accounting periods.

(f) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(g) Claims incurred

Claims incurred comprise all claims and related expenses paid in the year, and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses.

(h) Reinsurance recoveries

The liabilities of the club are reinsured above certain levels with similar associations under the International Group's Pooling Agreement and with market underwriters. The figures in the Consolidated Statement of Comprehensive Income relate to recoveries on claims incurred during the year.

Outstanding claims in the balance sheet are shown gross and the reinsurance recoveries are shown as an asset.

(i) Claims provisions and related reinsurance recoveries

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the club. The club takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. An allowance for future claims handling costs is included in the provision.

Claims estimates for the club are derived from a combination of loss ratio-based estimates and a variety of estimation techniques. These are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. However, allowance is made for changes or uncertainties that may create distortions in the underlying statistics or that may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in club processes that might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- movements in industry benchmarks.

The variety of estimation techniques assists in giving greater understanding of the trends inherent in the data being projected and in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each policy year.

Large claims impacting each relevant business class are generally assessed separately, being measured and/or projected on a case-by-case basis in order to allow for the possible distortive effect of the development and incidence of these large claims.

Pollution and asbestosis claims can have a very long delay between the occurrence and notification. In estimating the cost of these claims, the club considers the type of risks written historically that may give rise to exposure to these liabilities, notifications received from policyholders, the nature and extent of the cover provided, the current legal environment, changes in the effectiveness of clean-up techniques and industry benchmarks of the typical cost of such claims.

Claims reserves are estimated on an undiscounted basis, apart from asbestos-related claims. Due to the very long delay between the occurrence and the final settlement of a claim which has arisen due to an exposure to asbestos, such asbestos-related claims provisions and IBNR thereon are discounted to take account of the expected investment income receivable between the balance sheet date and settlement on the assets held to cover these provisions.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, and are adjusted to reflect changes in the nature and extent of the club's reinsurance programme over time.

An assessment is also made of the recoverability of reinsurance with regard to market data on the financial strength of each of the reinsurance companies.

(j) Reinsurance premiums
Reinsurance Premiums, less returns, are debited to the Consolidated Statement of Comprehensive Income in the financial year as and when charged to the club, together with a provision for any future costs of existing reinsurance policies.

(k) Investment return
Investment return comprises all investment income, realised investment gains and losses, and movements in unrealised gains and losses, net of investment expenses, charges and interest. Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis. Realised gains and losses on investments carried at market value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. The investment return is reported in the non-technical account.

(l) Financial instruments
The group has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of financial instruments.

Financial assets at fair value through income
The club classifies its investments as financial assets at fair value through income. As a result, gains and losses are taken to the Statement of Comprehensive Income, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. Accounting policies continued

Derivative financial investments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The club does not engage in hedge accounting and changes in the fair value of all derivative investments are recognised immediately in the Consolidated Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable settlement values. Amounts due from members and reinsurers are included in this category and are measured at cost less any provision for impairment in value.

Investments in subsidiaries

In the balance sheet of the club, investments in group undertakings and participating interests are stated at cost, unless their value has been impaired, in which case they are valued at the fair value less cost to sell, as appropriate.

Investments in joint ventures and associates

Investments in joint ventures and associates are held at cost less accumulated impairment losses.

(m) Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date. Full valuations are made by independent, professionally qualified valuers in the year of acquisition, and thereafter once every five years. In the intervening years, these valuations are updated by the directors with the assistance of independent professional advice as required. In accordance with FRS 102, no depreciation or amortisation is provided in respect of investment properties.

Rental income from operating leases and initial direct costs are recognised on a straight-line basis over the term of the relevant lease.

(n) Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Furniture, fixtures and fittings are written off over a 15-year period following purchase on a straight-line basis.

Assets in the course of construction are included in the balance sheet at their cost at the balance sheet date. Once completed, they are recategorised as investment property and included at their open market value at the balance sheet date.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'other (charges)/income including value adjustments'.

(o) Foreign currencies
The group and club financial statements are presented in US dollars and rounded to millions.

The functional currency of the group and club is the US dollar, with the exception of the following companies whose functional currency is British pounds:

- The Standard Club Corporate Name Limited
- Standard House Limited

The results and financial position of companies whose functional currency is pound sterling are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date
- income and expenses are translated at the average rate of exchange during the year
- all resulting exchange differences are recognised in other comprehensive income.

Monetary assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the balance sheet date, with the resulting difference treated as an exchange gain or loss within the non-technical account.

Revenue transactions in foreign currencies are translated into US dollars at the rate applicable for the week in which the transaction takes place. Exchange differences are reported in the non-technical account.

Foreign currency contracts are entered into in order to hedge the currency exposure of the investment portfolio. The contracts are for the forward sale of currencies, which are matched by holdings of those currencies. The open contracts have been revalued at year-end rates of exchange and the potential profit or loss included in the non-technical account.

(p) General administration expenses
General administration expenses, including managers' remuneration, are included on an accruals basis.

(q) Taxation
Taxation provided is that which became chargeable during the year.

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the Consolidated Statement of Comprehensive Income.

Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the Statement of Comprehensive Income for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of changes in reserves. Deferred tax balances are not discounted.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable net taxable income from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3. Segmental analysis by class
The segmental results of the five classes of the club plus the club's share of The Standard Syndicate are set out as follows:

3.1 Statement of comprehensive income

As at 20 February 2019	Note	Total US$m	Class 1 – P&I US$m	Class 2 – Defence US$m	Class 3 – London US$m	Class 4 – War US$m	Class 5 – Strike US$m	Syndicate US$m
Technical account – general business								
Earned premiums, net of reinsurance								
Gross premiums earned, including calls	4	386.4	259.2	10.4	17.1	1.0	0.9	97.8
Outward reinsurance premiums	5	(80.7)	(60.7)	–	(2.0)	(0.5)	–	(17.5)
Earned premiums, net of reinsurance		305.7	198.5	10.4	15.1	0.5	0.9	80.3
Expenditure								
Gross claims incurred		262.3	165.1	4.4	17.2	(0.1)	0.6	75.1
Reinsurers' share		11.8	8.0	–	0.5	0.1	–	3.2
Claims incurred, net of reinsurance		274.1	173.1	4.4	17.7	–	0.6	78.3
Net operating expenses	9	81.1	26.2	1.1	2.3	0.2	0.3	51.0
Total expenditure		355.2	199.3	5.5	20.0	0.2	0.9	129.3
Balance on the technical account for general business		(49.5)	(0.8)	4.9	(4.9)	0.3	–	(49.0)
Non-technical account								
Balance on the technical account for general business		(49.5)	(0.8)	4.9	(4.9)	0.3	–	(49.0)
Investment return net of expenses and charges	6	18.3	15.1	0.4	0.7	0.2	–	1.9
Exchange (losses)/gains		(9.3)	(5.5)	(1.1)	(3.6)	–	–	0.9
Other income/(charges) including value adjustments		(2.3)	(2.6)	–	–	–	–	0.3
Share of operating profit of associate undertaking		(0.3)	(0.3)	–	–	–	–	–
Excess/(shortfall) of income over expenditure before taxation		(43.1)	5.9	4.2	(7.8)	0.5	–	(45.9)
Tax on excess of income over expenditure	10	(7.4)	0.3	(0.1)	–	–	–	(7.6)
Excess/(shortfall) of income over expenditure for the financial year		(50.5)	6.2	4.1	(7.8)	0.5	–	(53.5)
Other comprehensive (expenses)/ income net of tax		5.2	(1.1)	–	–	–	–	6.3
Total comprehensive income/ (expenses) for the year transferred to contingency reserve		(45.3)	5.1	4.1	(7.8)	0.5	–	(47.2)

As at 20 February 2018	Note	Total US$m	Class 1 – P&I US$m	Class 2 – Defence US$m	Class 3 – London US$m	Class 4 – War US$m	Class 5 – Strike US$m	Syndicate US$m
Technical account – general business								
Earned premiums, net of reinsurance								
Gross premiums earned, including calls	4	334.3	259.7	9.5	17.0	1.0	–	47.1
Outward reinsurance premiums	5	(80.8)	(66.7)	–	(3.4)	(0.6)	–	(10.1)
Earned premiums, net of reinsurance		253.5	193.0	9.5	13.6	0.4	–	37.0
Expenditure								
Gross claims incurred		249.5	173.8	4.1	9.5	–	–	62.1
Reinsurers' share		(17.2)	6.6	–	1.4	–	–	(25.2)
Claims incurred, net of reinsurance		232.3	180.4	4.1	10.9	–	–	36.9
Net operating expenses	9	45.7	22.0	0.4	2.2	0.2	–	20.9
Total expenditure		278.0	202.4	4.5	13.1	0.2	–	57.8
Balance on the technical account for general business		(24.5)	(9.4)	5.0	0.5	0.2	–	(20.8)
Non-technical account								
Balance on the technical account for general business		(24.5)	(9.4)	5.0	0.5	0.2	–	(20.8)
Investment return net of expenses and charges	6	52.1	47.3	5.1	(0.6)	0.3	–	–
Exchange (losses)/gains		1.1	(5.2)	(0.2)	6.5	–	–	–
Other income/(charges) including value adjustments		(1.4)	(1.1)	–	–	–	–	(0.3)
Share of operating profit of associate undertaking		0.4	0.4	–	–	–	–	–
Excess/(shortfall) of income over expenditure before taxation		27.7	32.0	9.9	6.4	0.5	–	(21.1)
Tax on excess of income over expenditure	10	4.9	0.1	0.1	–	–	–	4.7
Excess/(shortfall) of income over expenditure for the financial year		32.6	32.1	10.0	6.4	0.5	–	(16.4)
Other comprehensive (expenses)/income net of tax		(1.6)	1.6	–	–	–	–	(3.2)
Total comprehensive income/(expenses) for the year transferred to contingency reserve		31.0	33.7	10.0	6.4	0.5	–	(19.6)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3. Segmental analysis by class continued

3.2 Consolidated balance sheet

As at 20 February 2019	Total US$m	Class 1 – P&I US$m	Class 2 – Defence US$m	Class 3 – London US$m	Class 4 – War US$m	Class 5 – Strike US$m	Syndicate US$m
Assets							
Investments	**802.8**	**623.7**	**59.5**	**46.8**	**11.0**	**15.7**	**46.1**
Reinsurers' share of technical provisions	**288.3**	**248.8**	**–**	**–**	**14.5**	**1.0**	**24.0**
Debtors	**221.9**	**152.3**	**2.5**	**1.3**	**1.3**	**21.6**	**42.9**
Other assets	**124.6**	**74.8**	**4.1**	**2.2**	**0.7**	**7.5**	**35.3**
Prepayments and accrued income	**28.7**	**8.0**	**0.8**	**0.2**	**–**	**8.0**	**11.7**
Total assets	**1,466.3**	**1,107.6**	**66.9**	**50.5**	**27.5**	**53.8**	**160.0**
Liabilities							
Reserves	**434.7**	**386.8**	**70.8**	**28.5**	**12.7**	**18.5**	**(82.6)**
Technical provisions	**948.8**	**735.3**	**7.6**	**16.6**	**14.6**	**31.0**	**143.7**
Provisions for other risks and charges	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Creditors	**74.8**	**(16.6)**	**(11.5)**	**5.4**	**0.1**	**3.4**	**94.0**
Accruals and deferred income	**8.0**	**2.1**	**–**	**–**	**0.1**	**0.9**	**4.9**
Total liabilities	**1,466.3**	**1,107.6**	**66.9**	**50.5**	**27.5**	**53.8**	**160.0**

As at 20 February 2018	Total US$m	Class 1 – P&I US$m	Class 2 – Defence US$m	Class 3 – London US$m	Class 4 – War US$m	Class 5 – Strike US$m	Syndicate US$m
Assets							
Investments	861.1	723.1	73.9	48.0	10.9	–	5.2
Reinsurers' share of technical provisions	395.0	362.7	–	0.1	0.1	–	32.1
Debtors	128.9	86.7	2.2	1.6	0.3	–	38.1
Other assets	136.0	64.2	4.0	1.2	1.0	–	65.6
Prepayments and accrued income	17.4	7.7	0.8	0.1	–	–	8.8
Total assets	1,538.4	1,244.4	80.9	51.0	12.3	–	149.8
Liabilities							
Reserves	461.5	381.7	66.7	36.3	12.2	–	(35.4)
Technical provisions	1,000.9	880.8	10.1	12.9	0.1	–	97.0
Provisions for other risks and charges	0.4	0.4	–	–	–	–	–
Creditors	72.3	(19.8)	4.1	1.8	(0.1)	–	86.3
Accruals and deferred income	3.3	1.3	–	–	0.1	–	1.9
Total liabilities	1,538.4	1,244.4	80.9	51.0	12.3	–	149.8

4. Gross premiums earned including calls

	2019 US$m	2018 US$m
Estimated total premium, other premiums and releases 2018/19 (2017/18)	**419.5**	346.0
Adjustments to previous policy years	**(0.4)**	(3.6)
Change in the gross provision for unearned premiums	**(32.7)**	(8.1)
Total calls and premiums	**386.4**	334.3

5. Outward reinsurance premiums

	2019 US$m	2018 US$m
International Group excess of loss	**30.9**	31.5
Adjustment to prior years	**(0.6)**	(1.2)
Other premiums	**60.6**	54.0
Adjustment to prior years	**(4.3)**	(0.2)
Change in the provision for unearned premiums, reinsurers' share	**(5.9)**	(3.3)
Reinsurance premiums paid	**80.7**	80.8

6. Investment return

	2019 US$m	2018 US$m
Investment income		
Shares and other variable-yield securities and unit trusts	**24.2**	6.2
Debt securities and other fixed-income securities	**(3.0)**	13.3
Deposit interest	**1.7**	0.9
Income from investment property	**0.3**	1.7
Gains arising on realisation of investments	**18.2**	26.5
	41.4	48.6
Investment expenses and charges		
Investment management expenses	**(3.1)**	(3.3)
Losses on realisation of investments	**(8.0)**	(7.4)
	(11.1)	(10.7)
Unrealised (losses)/gains on investments	**(10.1)**	2.9
Unrealised losses on investments	**(1.9)**	11.3
	(12.0)	14.2
Total investment return	**18.3**	52.1

7. Claims paid

	2019 US$m	2018 US$m
Members' claims	**306.5**	206.9
Other P&I clubs' Pool claims	**24.5**	28.8
Syndicate claims	**41.2**	22.3
Gross claims paid	**372.2**	258.0

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. Reinsurers' share of claims paid

	2019 US$m	2018 US$m
Claims recoverable from group GXL reinsurers	**(32.4)**	(25.4)
Claims recoverable from other reinsurers	**(20.5)**	(4.4)
Claims recoverable from the Pool	**(77.0)**	(16.5)
Reinsurers' share of claims paid	**(129.9)**	(46.3)

9. Net operating expenses

	2019 US$m	2018 US$m
Acquisition costs		
Management fee	**11.6**	8.6
General expenses	**30.3**	15.5
Change in deferred acquisition costs	**(3.6)**	(2.0)
Administrative expenses		
Management fee	**9.6**	8.1
General expenses	**30.8**	12.9
Safety and loss control	**0.7**	0.8
Directors' fees	**1.0**	1.1
Auditors' remuneration for audit services	**0.5**	0.6
Auditors' remuneration for other services	**0.2**	0.1
Net operating expenses	**81.1**	45.7

During the year the group (including its overseas subsidiaries) obtained the following services from the group's auditors as detailed below:

	2019 US$m	2018 US$m
Audit services		
Fees payable to the club's auditors for the audit of the parent company and consolidated financial statements	**0.1**	0.2
The audit of the club's subsidiaries, pursuant to legislation	**0.4**	0.4
Other services		
Fees payable to the club's auditors and their associates for other services:		
(a) Other services pursuant to legislation, including the audit of the regulatory return	**0.2**	0.1
(b) Tax services	**–**	–
	0.7	0.7

Fees payable to the club's auditors for the tax services were $22,000 (2018: $9,000).

10. Tax on excess of income over expenditure

	2019 US$m	2018 US$m
Analysis of charge in the period		
Current tax on income for the period	**0.2**	0.2
Total current tax	**(0.3)**	0.3
Deferred tax		
Origination and reversal of timing differences	**7.7**	(3.9)
Changes arising from movement in tax rates	**–**	0.3
Adjustments in respect of prior periods	**–**	(1.6)
Total deferred tax (note 11)	**7.7**	(5.2)
Tax in excess of income over expenditure	**7.4**	(4.9)

Factors affecting tax charge for the period
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2019 US$m	2018 US$m
Excess of income over expenditure before taxation	**(43.1)**	27.7
Tax at 19% (2018: 19.25%)	**10.3**	10.7
Income not assessable for tax purposes	**(17.7)**	(7.0)
Adjustments in respect of prior years	**–**	1.5
Current tax charge for the period	**(7.4)**	4.9

The club is subject to corporation tax in the jurisdictions in which it does business, except in Bermuda, where there is no corporation tax. In the UK, corporation tax is limited to investment income owing to the mutual status of the club.

Factors affecting current and future tax charges
There are no factors affecting current and future tax charges.

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11. Deferred tax

Group	2019 US$m	2018 US$m
Deferred tax asset relating to:		
Untaxed loss on Syndicate results	**–**	7.9
Other timing differences	**0.3**	0.4
Deferred tax asset based on effective tax rate of 19% (2018: 19.25%)	**0.3**	8.3
Recognised deferred tax asset at 20 February 2018 (2017)	**8.3**	2.5
Effect of exchange rate fluctuations	**–**	0.3
Recognised deferred tax movement for the year in the income and expenditure account	**(8.0)**	5.5
Recognised deferred tax asset as at 20 February 2019 (2018)	**0.3**	8.3
Deferred tax liability relating to:		
Untaxed profit on rental income	**–**	(0.4)
Deferred tax liability based on effective tax rate of 19% (2018: 19.25%)	**–**	(0.4)
Recognised deferred tax liability at 20 February 2018 (2017)	**(0.4)**	(0.4)
Recognised deferred tax movement for the year in the income and expenditure account	**0.4**	–
Recognised deferred tax liability as at 20 February 2019 (2018)	**–**	(0.4)
Net deferred tax asset/(liability) as at 20 February 2019 (2018)	**0.3**	7.9

The group has unused tax losses arising in the UK of $1.1m that are available indefinitely for offset against future taxable profits.

The group expects to reverse $0.2m of the deferred tax asset in the year ending 20 February 2020.

12. Investment property

Group	2019 US$m	2018 US$m
Net book value at 20 February 2018 (2017)	**30.9**	27.4
Disposal	**(30.9)**	–
Revaluation (deficit)/surplus	**–**	3.5
Net book value at 20 February 2019 (2018)	**–**	30.9

During December 2017, the board agreed to sell the club's investment property at Essex Street, London. On 27 April 2018, the freehold building with a net book value of $30.9m (£22.0m) was sold for a cash consideration of $30.2m (£21.7m). Fixtures and fittings with a net book value of £1.7m were also disposed of upon sale of the property. Charles Taylor plc agreed to make total cash contributions of £1.2m towards the sale (approximately £0.4m on completion and £0.1m annually for seven years).

13. Claims outstanding

The board closed the 2016/17 policy year at its meeting on 17 May 2019. The table below provides the position after closure.

	2019 US$m	2018 US$m
Open years		
Claims – own	**429.8**	281.5
Claims – Pool	**65.6**	58.4
Reinsurance recoveries – Pool	**(86.8)**	(1.7)
Reinsurance recoveries – GXL & other	**(73.8)**	(63.3)
Net claims provision for open years	**334.9**	274.9
Closed years		
Claims – own	**317.0**	561.6
Claims – Pool	**71.1**	66.4
Reinsurance recoveries – Pool	**(30.2)**	(160.8)
Reinsurance recoveries – GXL & other	**(74.0)**	(164.1)
Net claims provision for closed years	**283.9**	303.1
Total		
Claims – own	**746.9**	843.1
Claims – Pool	**136.7**	124.8
Gross outstanding claims	**883.6**	967.9
Reinsurance recoveries – Pool	**(117.0)**	(162.5)
Reinsurance recoveries – GXL & other	**(147.8)**	(227.4)
Reinsurance recoveries – total	**264.8**	389.9
Net claims provision	**618.8**	578.0

Claims outstanding includes provision for IBNR claims which is set by reference to, amongst other factors, standard actuarial techniques and projections. Also included in the provision is an estimate for the internal and external costs of handling the outstanding claims.

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13. Claims outstanding continued

13.1 Movement in prior years' provision for claims outstanding

	2019 US$m	2018 US$m
Claims outstanding		
As at 21 Feb	**967.9**	971.1
Claims paid in the year	**(372.2)**	(258.0)
Changes to reserves in the year	**287.9**	254.8
As at 20 Feb	**883.6**	967.9
Unearned premium		
As at 21 Feb	**33.0**	23.3
Calls and premiums written in the year	**386.4**	334.3
Calls and premiums earned in the year	**(354.2)**	(324.6)
As at 20 Feb	**65.2**	33.0
Total insurance liabilities and unearned premiums	**948.8**	1,000.9
Reinsurers' share of claims outstanding		
As at 21 Feb	**(389.9)**	(416.9)
Reinsurance recoveries made in the year	**129.9**	46.3
Changes to reserves in the year	**(4.8)**	(19.3)
As at 20 Feb	**(264.8)**	(389.9)
Reinsurers' share of unearned premiums		
As at 21 Feb	**(5.1)**	(1.6)
Reinsurance premiums written in the year	**(86.6)**	(84.1)
Reinsurance premiums earned in the year	**68.2**	80.6
As at 20 Feb	**(23.5)**	(5.1)
Total reinsurance assets and reinsurers' share of unearned premiums	**(288.3)**	(395.0)
Total net technical provisions	**660.5**	605.9

13.2 Development claim tables

Claims outstanding (gross)

Policy year	2009/10 US$m	2010/11 US$m	2011/12 US$m	2012/13 US$m	2013/14 US$m	2014/15 US$m	2015/16 US$m	2016/17 US$m	2017/18 US$m	**2018/19 US$m**	**Total US$m**
Estimate of ultimate claims costs:											
– at end of policy year	250.4	299.2	446.7	343.0	373.7	353.7	332.1	249.1	273.3	**461.1**	
– one year later	240.1	340.7	651.8	320.9	403.0	304.1	306.5	252.6	282.8		
– two years later	224.8	334.3	824.6	308.9	433.7	275.4	311.4	232.0			
– three years later	213.1	321.7	972.0	306.1	533.5	289.8	294.7				
– four years later	212.2	310.8	958.4	308.4	509.9	301.1					
– five years later	212.1	307.1	964.3	313.2	462.0						
– six years later	209.3	303.5	957.9	249.0							
– seven years later	207.8	303.7	960.6								
– eight years later	207.8	321.5									
– nine years later	237.4										
Current estimate of cumulative claims	237.4	321.5	960.6	249.0	462.0	301.1	294.7	232.0	282.8	**461.1**	**3,802.2**
Cumulative payments to date	(232.5)	(301.7)	(939.9)	(210.9)	(411.4)	(251.5)	(254.7)	(166.4)	(159.6)	**(134.1)**	**(3,062.7)**
Liability recognised in the balance sheet	4.9	19.8	20.7	38.1	50.6	49.6	40.0	65.6	123.2	**327.0**	**739.5**
Provision in respect of prior years											**144.1**
Total provision included in the balance sheet											**883.6**

Claims outstanding (net)

Policy year	2009/10 US$m	2010/11 US$m	2011/12 US$m	2012/13 US$m	2013/14 US$m	2014/15 US$m	2015/16 US$m	2016/17 US$m	2017/18 US$m	**2018/19 US$m**	**Total US$m**
Estimate of ultimate claims costs:											
– at end of policy year	177.5	193.8	227.5	252.5	274.1	251.0	253.4	212.6	216.4	**269.8**	
– one year later	169.1	213.0	238.7	231.2	288.0	222.1	258.2	237.2	252.5		
– two years later	157.0	197.7	225.8	218.2	273.3	210.0	262.6	223.4			
– three years later	157.9	192.1	220.0	212.5	270.6	211.4	252.3				
– four years later	156.4	185.9	210.6	217.7	277.6	225.3					
– five years later	157.6	183.1	209.5	216.5	279.4						
– six years later	155.6	180.6	205.3	218.3							
– seven years later	154.0	179.4	219.2								
– eight years later	153.9	193.2									
– nine years later	176.4										
Current estimate of cumulative claims	176.4	193.2	219.2	218.3	279.4	225.3	252.3	223.4	252.5	**269.8**	**2,309.8**
Cumulative payments to date	(172.2)	(187.0)	(210.1)	(198.5)	(258.1)	(193.1)	(209.6)	(162.8)	(142.9)	**(100.4)**	**(1,834.7)**
Liability recognised in the balance sheet	4.2	6.2	9.1	19.8	21.3	32.2	42.7	60.6	109.6	**169.4**	**475.1**
Provision in respect of prior years											**143.7**
Total provision included in the balance sheet											**618.8**

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14. Other financial investments

	2019 US$m	2018 US$m
Financial assets at fair value through statement of comprehensive income	**801.9**	829.0
Total financial assets at market value	**801.9**	829.0
Financial assets at fair value through statement of comprehensive income	**769.8**	800.8
Total financial assets at cost	**769.8**	800.8
At market value		
Shares and other variable-yield securities and units in unit trusts	**189.6**	190.4
Debt securities and other fixed-income securities	**611.6**	639.8
Open forward currency contracts	**0.7**	(1.2)
Total investments at market value	**801.9**	829.0
At cost		
Shares and other variable-yield securities and units in unit trusts	**170.7**	14.9
Debt securities and other fixed-income securities	**599.1**	785.9
Total investments at cost	**769.8**	800.8

Included in the carrying values above are amounts in respect of listed investments as follows :

	2019 US$m	2018 US$m
Shares and other variable-yield securities and unit trusts	**189.6**	158.8
Debt securities and other fixed-income securities	**611.5**	548.0
	801.1	706.8

Open forward currency contracts	2019 US$m	2018 US$m
Fair value asset	**0.7**	(1.2)
Contract/notional amount	**–**	–

Open forward currency contracts represent potential losses or gains on forward contracts, which have been entered into to protect the assets of the club. These have been revalued at 20 February 2019 using exchange rates prevailing at that date. The total of the open forward contracts at any one time is limited by guidelines set by the board of directors and matched against currency and asset holdings in excess of the amount of the contracts.

Contractual amounts outstanding at the balance sheet date include forward currency contracts to transact the net equivalent of $0.8m (2018: $1.4m), as broken down by local currency in the following table:

	2019 Local currency US$m		2018 Local currency US$m	
	Purchase	**Sell**	Purchase	Sell
Australian dollar	**–**	**–**	2.6	–
British pound sterling	**29.4**	**(7.7)**	4.9	(37.5)
Canadian dollar	**2.3**	**–**	4.4	–
European euro	**17.9**	**(31.5)**	21.4	(57.5)
Japanese yen	**–**	**(2.3)**	–	(6.5)
Polish zloty	**1.2**	**(1.2)**	–	(9.7)
Swiss franc	**–**	**(3.0)**	–	–
US dollar	**44.8**	**(49.1)**	98.3	(21.8)

The net US dollar position of the above transactions at cost is $nil (2018: $nil).

The forward currency contracts outstanding at year end expire by 29 March 2019 (2018: 16 May 2018).

During the year a gain of $4.0m (2018: $10.2m) relating to such contracts was recognised. This is included in the net exchange loss of $(9.3)m (2018: $1.1m) in the consolidated income and expenditure non-technical account.

15. Management of insurance and financial risk

The club is exposed to a range of insurance and financial risks through its operations as a protection and indemnity insurer, and its investment in The Standard Syndicate at Lloyd's.

This section summarises these risks and the way the club manages those risks (in addition to the risk management policies set out in the report of the directors).

15.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. This risk can be divided into premium risk (the risk that premiums charged will not be sufficient to meet all associated claims and expenses) and reserve risk (the risk that claims reserves will be inadequate to cover either known losses and/or unknown or undeveloped losses, such as occupational disease). These risks are managed as follows:

15.1.1 Premium risk

Premium risk is managed by clear underwriting controls including risk assessment tools, pricing models and clear authority levels. This risk is monitored for undue concentrations of risk and consistency with the club's risk appetite as set by the board. The risk management process is aided by a dedicated loss prevention function, aimed at ensuring that the club underwrites only those shipowners who operate to an acceptable standard.

Premium risk is mitigated through the acquisition of appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, and also the club's own non-pool, retention and stop-loss reinsurances. Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the insurance risk through programmes tailored to the club's exposures.

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15. Management of insurance and financial risk continued

15.1.2 Reserve risk

Reserve risk is managed by the prompt reserving of potential losses, regular review of individual estimates and overall reserve adequacy, as well as regular, systematic claims audits and the monitoring of consistency of estimating approaches, and the modelling of technical provisions by the club's actuarial function.

While the board considers that the liability for insurance claims recognised in these financial statements is adequate, it recognises that actual experience will differ from the expected outcome. The following table presents the sensitivity of the value of insurance liabilities disclosed in note 13 to movements in the assumptions used in the estimation of insurance liabilities. These sensitivities relate mainly to the P&I class, as this represents the club's largest exposure.

	Decrease		Increase	
Impact on profit – gross of reinsurance	**2019 US$m**	2018 US$m	**2019 US$m**	2018 US$m
Increase/decrease in loss ratio by 5 percentage points	**19.3**	16.7	**(19.3)**	(16.7)
10% increase/decrease in the number of occupational disease claims	**2.9**	3.8	**(2.9)**	(3.8)
10% increase/decrease in claims handling expenses	**1.5**	1.8	**(1.5)**	(1.8)
10% increase/decrease in the number of IBNR claims	**5.8**	5.6	**(5.8)**	(5.6)

Impact on profit – net of reinsurance	**2019 US$m**	2018 US$m	**2019 US$m**	2018 US$m
Increase/decrease in loss ratio by 5 percentage points	**15.3**	12.7	**(15.3)**	(12.7)
10% increase/decrease in the number of occupational disease claims	**2.9**	3.8	**(2.9)**	(3.8)
10% increase/decrease in claims handling expenses	**1.5**	1.8	**(1.5)**	(1.8)
10% increase/decrease in the number of IBNR claims	**1.0**	3.8	**(1.0)**	(3.8)

15.2 Financial risk

The club is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the club primarily faces due to the nature of its investment and liabilities are interest rate risk and equity price risk.

15.2.1 Market risk

– Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities.

Interest rate risk is managed through the club's investment strategy. Debt and fixed interest securities are predominantly invested in high-quality corporate and government-backed bonds, with the club having defined investment guidelines that limit exposure in such holdings.

At the end of the financial year, approximately 79% (2018: 77%) of the club's investment portfolio was invested in fixed interest assets. The weighted duration of the investment portfolio was 3.5 years (2018: 2.6 years).

The club has no debt liability with interest payments that vary with changes in the interest rate.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 150 basis points in bond yields would result in a cost to the club of $32.7m (2018: $30.9m).

– Equity price risk
The club is exposed as a result of its holdings in equity investments and hedge funds. The club has defined investment guidelines that limit exposure in such holdings.

Sensitivity analysis for equity price risk illustrates the effect of changes in equity market indices on the value of the investment portfolio. A 10% decrease in equity values would be estimated to have decreased the surplus before tax and reserves at the year end by $19.0m (2018: $18.9m).

– Currency risk
The club is exposed in respect of liabilities under insurance policies denominated in currencies other than US dollars. The most significant currencies to which the club is exposed are pound sterling and the euro. The club seeks to manage this risk by constraining the deviation of the currencies of the assets from the estimated currencies of the liabilities. The club also uses forward currency contracts to protect currency exposures and maintain investment policy benchmarks.

The profile of the club's assets and liabilities, categorised by settlement currency, at their translated carrying amount, is set out below. Certain amounts, either due to their nature, notably reinsurers' share of outstanding claims, or the existence of forward contracts, may depend on a different underlying currency.

As at 20 February 2019	**US$ US$m**	**GBP US$m**	**EUR US$m**	**Other US$m**	**Total US$m**
Total assets	**1,256.9**	**103.0**	**74.5**	**31.9**	**1,466.3**
Total liabilities	**908.0**	**14.0**	**72.5**	**37.1**	**1,031.6**
Net asset position	**348.9**	**89.0**	**2.0**	**(5.2)**	**434.7**

As at 20 February 2018	US$ US$m	GBP US$m	EUR US$m	Other US$m	Total US$m
Total assets	1,126.0	252.3	117.4	42.7	1,538.4
Total liabilities	671.0	263.8	81.9	60.2	1,076.9
Net asset position	455.0	(11.5)	35.5	(17.5)	461.5

At 20 February 2019, had sterling strengthened by 10% against the US dollar with all other variables held constant, profit for the year would have been $1.5m lower (2018: $9.0m higher). Had the euro strengthened by 10% against the dollar, profit for the year would have been $0.9m higher (2018: $0.4m higher).

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15. Management of insurance and financial risk continued

15.2.2 Credit risk

The risk that a counterparty will be unable to pay amounts in full when due. Key areas where the club is exposed are:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from members
- counterparty risk with respect to cash and investments.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

Group	2019 US$m	2018 US$m
Derivative financial instruments	**0.7**	(1.1)
Debt securities	**611.6**	639.8
Loans and receivables	**141.1**	82.6
Assets arising from reinsurance contracts held	**81.1**	10.1
Cash at bank and in hand	**124.3**	125.3
Total assets bearing credit risk	**958.8**	856.7
AAA	**281.1**	361.0
AA	**125.4**	62.5
A	**289.6**	231.1
BBB	**107.1**	87.4
BB	**11.9**	14.5
B	**–**	3.8
Below CCC or not rated	**143.7**	96.4
Total assets bearing credit risk	**958.8**	856.7

The concentration of credit risk is substantially unchanged compared with the prior year. No credit limits were exceeded during the period. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

15.2.3 Liquidity risk

The risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk is the obligation to pay claims to policyholders as they fall due. The club maintains holdings in short-term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand.

The following table provides a maturity analysis of the club's financial assets (classes 1 to 5 combined) representing the dates that contracts will mature, amounts are due for payment or assets could be realised without significant additional cost:

Group	Short-term assets US$m	Within 1 year US$m	1-2 years US$m	2-5 years US$m	Over 5 years US$m	Total US$m
As at 20 February 2019						
Shares and other variable-yield securities and units in unit trusts	**118.2**	**11.8**	**–**	**–**	**59.6**	**189.6**
Debt securities and other fixed-income securities	**604.0**	**5.7**	**1.9**	**–**	**–**	**611.6**
Forward currency contracts	**0.7**	**–**	**–**	**–**	**–**	**0.7**
Cash balances	**124.3**	**–**	**–**	**–**	**–**	**124.4**
Investment property	**–**	**–**	**–**	**–**	**–**	**–**
Debtors	**121.2**	**85.5**	**–**	**–**	**–**	**206.7**
Reinsurers' share of claims outstanding	**–**	**82.1**	**52.7**	**70.4**	**59.6**	**264.8**
	727.4	**191.1**	**69.9**	**150.8**	**258.5**	**1,397.7**
As at 20 February 2018						
Shares and other variable-yield securities and units in unit trusts	158.6	11.2	–	–	20.6	190.4
Debt securities and other fixed-income securities	639.8	–	–	–	–	639.8
Forward currency contracts	(1.2)	–	–	–	–	(1.2)
Cash balances	125.3	–	–	–	–	125.3
Investment property	–	–	–	–	30.9	30.9
Debtors	24.2	68.6	–	–	–	92.8
Reinsurers' share of claims outstanding	–	119.0	75.4	102.5	93.0	389.9
	946.7	198.8	75.4	102.5	144.5	1,467.9

The following is an analysis of the estimated timings of net cash flows by financial liability (classes 1 to 5 combined). The timing of cash flows are based on current estimates and historic trends and the actual timings of cash flows may be materially different from those disclosed below:

Group	Within 1 year US$m	1-2 years US$m	2-5 years US$m	Over 5 years US$m	Total US$m
As at 20 February 2019					
Gross outstanding claims	**274.1**	**175.8**	**234.8**	**198.9**	**883.6**
Financial liabilities under investment contracts	**–**	**–**	**–**	**–**	**–**
Creditors	**74.8**	**–**	**–**	**–**	**74.8**
	348.9	**175.8**	**234.8**	**198.9**	**958.4**
As at 20 February 2018					
Gross outstanding claims	295.5	187.1	254.4	230.9	967.9
Financial liabilities under investment contracts	–	–	–	–	–
Creditors	72.3	–	–	–	72.3
	367.8	187.1	254.4	230.9	1,040.2

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15. Management of insurance and financial risk continued

15.2.4 Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Listed quoted prices in active markets and external broker quotes which are publicly, readily and regularly available on an active market
Level 2 – Inputs other than quoted prices included within level 1 that are observable, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the club's assets and liabilities measured at fair value at 20 February 2019 and at 20 February 2018.

Financial assets at fair value through profit or loss:

Group	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
As at 20 February 2019				
Shares and other variable-yield securities and units in unit trusts	**158.1**	**–**	**31.5**	**189.6**
Debt securities and other fixed-income securities	**459.3**	**152.3**	**–**	**611.6**
Forward currency contracts	**0.7**	**–**	**–**	**0.7**
	618.1	**152.3**	**31.5**	**801.9**
As at 20 February 2018				
Shares and other variable-yield securities and units in unit trusts	158.6	–	31.8	190.4
Debt securities and other fixed-income securities	492.9	146.9	–	639.8
Forward currency contracts	(1.2)	–	–	(1.2)
	650.3	146.9	31.8	829.0

15.3 Capital management

The club maintains an efficient capital structure from the use of members' funds (reserves) along with the ability to make unbudgeted calls, if required, consistent with the club's risk profile and the regulatory and market requirements of its business.

The club's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its members and meet regulatory requirements
- to maintain an 'A' rating with Standard & Poor's
- to manage exposures to movement in exchange rates
- to retain financial flexibility by maintaining strong liquidity.

The club's principal regulator is the Bermuda Monetary Authority (BMA) and the club is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held. The club manages capital in accordance with these rules and has embedded in its Asset Liability Management (ALM) framework the necessary tests to ensure continuous and full compliance with such regulations.
Throughout the year the club complied with the BMA's capital requirements and the requirements in the other countries in which it operates.

16. Tangible assets

Group	Furniture, fixtures and fittings 2019 US$m	2018 US$m
Book cost		
As at 20 February 2018	**6.1**	6.1
Additions	**–**	–
Currency fluctuation adjustments	**–**	–
Disposals	**(6.1)**	–
As at 20 February 2019	**–**	6.1
Accumulated depreciation		
As at 20 February 2018	**3.7**	3.6
Charge for the year	**–**	0.1
Disposals	**(3.7)**	–
As at 20 February 2019	**–**	3.7
Net book value	**–**	2.4

17. Investment in group undertakings and participating interests

	Classes of shares held	Year end	Principal business	% holding Group	% holding Company
Standard Reinsurance (Bermuda) Limited, incorporated in Bermuda	Ordinary	20 Feb	Reinsurance	100	100
The Standard Club UK Ltd, incorporated in the United Kingdom[1]	Note 1	20 Feb	Marine mutual	75	75
The Standard Club Asia Ltd, incorporated in Singapore	Ordinary	20 Feb	Marine mutual	100	20
The Standard Club Ireland DAC, incorporated in the Republic of Ireland	Ordinary	20 Feb	Marine mutual	100	100
Hydra Insurance Company Limited (Standard Cell), incorporated in Bermuda	Preferred	20 Feb	Reinsurance	100	100
Standard House Limited, incorporated in Bermuda	Ordinary	20 Feb	Property investment	100	–
Charles Taylor Managing Agency Limited, incorporated in the United Kingdom[2]	Ordinary	31 Dec	Lloyd's Managing Agent	49.9	49.9
The Standard Club Corporate Name Limited, incorporated in the United Kingdom	Ordinary	31 Dec	Lloyd's Corporate Name	100	100
Standard Hydor AS, incorporated in Norway[3]	Ordinary	31 Dec	Lloyd's Coverholder	50	50
The Shipowners' Mutual Strike Insurance Association Europe, incorporated in Luxembourg[4]	Ordinary	31 Jan	Marine mutual	99	–
The Shipowners' Mutual Strike Association (Bermuda) Limited, incorporated in Bermuda[4]	Ordinary	31 Jan	Marine mutual	100	–

1 75% of voting control, no participating interest. No minority interest is shown in the group financial statements because the affairs of each class are managed on a unified basis throughout the group.
2 The group has an investment of $1.1m in an associate company, Charles Taylor Managing Agent Limited (CTMA), a Lloyd's Managing Agent. The group holds 49.9% of the nominal value of the allotted ordinary shares of CTMA. The cost of this investment was $2.2m.
3 The group has an investment of NOK50k in a jointly controlled company, Standard Hydor AS, a service company. The group holds 50% of the nominal value of the allotted ordinary shares of the company. The cost of this investment was $6k.
4 On 1 February 2019, following approval by Strike Club members in general meetings, The Shipowners' Mutual Strike Insurance Association Europe (Strike Insurance Europe) and The Shipowners' Mutual Strike Association (Bermuda) Limited (Strike Association Bermuda) merged into the group for nil consideration. The group now has 99% of the voting rights in Strike Insurance Europe and 100% of the voting rights in Strike Association Bermuda.

All subsidiary undertakings are consolidated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18. Debtors arising out of direct insurance operations

Group	2019 US$m	2018 US$m
Members	**85.5**	68.7
Intermediaries	**39.4**	27.7
Reinsurers – Pool	**61.6**	5.4
Reinsurers – other	**19.5**	4.3
Debtors arising out of direct insurance operations	**206.0**	106.1

19. Other creditors including taxation and social security

Group	2019 US$m	2018 US$m
Corporation tax	**–**	–
Trade creditors	**4.6**	17.2
Other creditors	**3.9**	5.0
Other creditors including taxation and social security	**8.5**	22.2

20. Reconciliation of operating surplus to net cash flow from operating activities

	2019 US$m	2018 US$m
Excess of income over expenditure before tax	**(43.1)**	27.7
Gains arising on realisation of investments	**(18.2)**	(26.5)
Losses arising on realisation of investments	**8.0**	7.3
Unrealised losses/(gains) on revaluation of investments	**12.0**	(14.2)
(Increase)/decrease in debtors	**(101.8)**	(12.7)
Increase in net claims provision	**65.4**	22.1
(Decrease)/increase in creditors	**16.7**	15.1
Taxation	**(7.4)**	4.8
Other charges including value adjustments	**3.0**	(4.6)
Exchange differences	**(1.0)**	(1.1)
Net cash flow generated from operating activities	**(66.4)**	17.9

21. Letters of credit, bail bonds and guarantees

In the normal course of business, the club has provided letters of credit and guarantees on behalf of its members. These are secured by investments lodged with the club amounting to $35.6m (2018: $98.9m).

22. Related party transactions

The club, which is limited by guarantee, has no share capital and is controlled by the members, who are also its insureds. All members enter into insurance contracts negotiated with the club's managers on arm's length terms. These transactions are therefore with related parties and are the only transactions between the club and the members. The aggregate of these transactions is disclosed in these financial statements.

All the directors (except five: two directors and shareholders of Charles Taylor plc, the ultimate holding company of the club's managers, Charles Taylor & Co (Bermuda); one senior executive and shareholder of Charles Taylor plc; one Bermuda resident director; and one independent director) are representatives or agents of member companies and other than the insurance and membership interests of the directors' companies, the directors have no financial interests in the club. The club paid management fees to the managers for the year of $40.6m (2018: $47.1m).

The highest paid director received directors' fees of US$121,000 during the year (2018: US$106,000). Directors are paid a flat fee with additional attendance fees.

The club holds 8% of shares in Charles Taylor plc.

23. Rates of exchange

The following rates of exchange were applicable to $1 at 20 February 2019 (2018):

	2019	2018
Australian dollar	**1.40**	1.26
Bermudian dollar	**1.00**	1.00
Canadian dollar	**1.33**	1.25
European euro	**0.89**	0.80
Japanese yen	**110.56**	106.05
Singapore dollar	**1.36**	1.31
Swiss franc	**1.01**	0.93
British pound sterling	**0.78**	0.71

APPENDIX I (UNAUDITED)
FUNDS AVAILABLE FOR OUTSTANDING AND UNREPORTED CLAIMS

Class 1 – P&I summary

	Appendix reference	Funds available and estimated future supplementary calls US$m	Estimated net claims and forecast of unreported claims US$m
At 20 February 2019			
Total closed policy years	III	275.3	275.3
Open policy years			
2018/19	II	135.0	135.0
2017/18	II	83.1	83.1
Total of open policy years		**218.1**	**218.1**
Reserves			
Contingency reserve	III	386.6	–
Statutory reserve		0.2	–
Total reserves		**386.8**	**–**
Funds available for outstanding and unreported claims		**880.2**	**493.4**

These appendices should be read in conjunction with the notes on the preceding pages.

APPENDIX II (UNAUDITED)
FUNDS AVAILABLE FOR OUTSTANDING AND UNREPORTED CLAIMS

Class 1 – P&I open policy years

		2018 One year from inception US$m	2017 Two years from inception US$m	2016 Three years from inception US$m
At 20 February 2019				
Calls and premiums – current year		259.6	0.5	–
Calls and premiums – prior year		–	260.7	284.0
Less: claims, reinsurance premiums, administration expenses and tax		(173.9)	(190.4)	(218.0)
		85.7	70.8	66.0
Investment income to date		9.6	42.6	22.0
Funds available	A	**95.3**	**113.4**	**88.0**
Estimated known outstanding claims and forecast of unreported claims		260.4	89.7	56.0
Estimated reinsurance recoveries		(125.4)	(6.6)	(4.1)
	B	**135.0**	**83.1**	**51.9**
Anticipated (deficit)/surplus at closure	A-B	(39.7)	30.3	–
Surplus on closure of 2016/17 year		–	–	36.1
Transferred to contingency reserve at 20 February 2018		–	–	–
Transferred (to)/from contingency reserve at 20 February 2019		39.7	(30.3)	(36.1)
		–	–	–
Product of a 10% supplementary call		**19.3**	**20.2**	**21.6**

Notes
Estimated known outstanding claims and the forecast of unreported claims of open years (excluding the 2016/17 policy year) include the club's share of other clubs' Pool claims amounting to $65.6m.

Estimated reinsurance recoveries show the reinsurance recoveries to be made on reinsurance contracts net of provision for doubtful recoveries, and include anticipated Pool recoveries of $96.8m, recoveries from group excess of loss reinsurers of $nil, and recoveries from other reinsurers of $45.2m.

Investment income
All investment income received in the year has been allocated to the 2018/19 policy year.

Fixed premium and non-poolable business
Of the $260m of calls and premiums on the 2018 P&I policy year, $67m represents non-poolable business which is all fixed premium. The comparative figures for 2017 are $271m and $67m, and for 2016 $276m and $68m.

APPENDIX III (UNAUDITED)
FUNDS AVAILABLE FOR OUTSTANDING AND UNREPORTED CLAIMS

Class 1 – P&I closed policy years and contingency reserve

	Closed policy years		Contingency reserve	
	2019 US$m	2018 US$m	**2019 US$m**	2018 US$m
At 20 February 2018				
Balance available at 20 February 2018 (2017)	**302.7**	295.9	**381.5**	347.8
Transfers on closure of 2016/17 (2015/16) policy year	**51.9**	66.9	**36.1**	(27.8)
Premium adjustment	**–**	–	**(0.1)**	(0.1)
Claims paid net of reinsurance recoveries	**(100.5)**	(45.7)	**–**	–
	–	317.1	**417.5**	319.9
Transfer of anticipated (deficit)/surplus on open years	**–**	–	**(9.4)**	46.8
Other charges including value adjustments	**–**	–	**(0.3)**	0.4
Minority interest	**–**	–	**–**	–
Improvement of claims in closed policy years	**21.2**	(14.4)	**(21.2)**	14.4
Balance available at 20 February 2019 (2018)	**275.3**	302.7	**386.6**	381.5

Closed policy years

The balance available for outstanding claims of closed policy years (including the 2016/17 year which was closed at the club's meeting on 17 May 2019) includes a provision for incurred but not reported claims (IBNR) of $6.7m (2018: $50.5m) and is shown net of Pool recoveries of $46.3m (2018: $188.2m), recoveries from group excess of loss reinsurers of $21.1m (2018: $21.6m) and other non-group reinsurance recoveries which amount to $42.3m (2018: $111.4m). The balance available including IBNR includes $71.1m (2018: $66.4m) in respect of the club's share of other clubs' outstanding Pool claims.

NOTICE OF ANNUAL GENERAL MEETING
THE STANDARD CLUB LTD (THE COMPANY)
REGISTERED NO: 1837

Notice is hereby given that the 48th annual general meeting of the company will be held on Friday 18 October 2019 at 12 noon (the meeting) at Hôtel Hermitage Monte-Carlo, Square Beaumarchais, MC 98000 Monaco, Principauté de Monaco for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

Reports and financial statements

1. THAT the reports of the directors and auditors, and the audited financial statements of the company for the year ended 20 February 2019 be received and adopted.

Election of directors appointed since the last AGM

2. THAT Karl Howarth be elected as a director of the company.
3. THAT Marielena Procopiou be elected as a director of the company.
4. THAT Hugh Williams be elected as a director of the company.

Annual re-election of directors

5. THAT Neçdet Aksoy be re-elected as a director of the company.
6. THAT Arthur Bensler be re-elected as a director of the company.
7. THAT Cesare d'Amico be re-elected as a director of the company.
8. THAT Alistair Groom be re-elected as a director of the company.
9. THAT Bhumindr Harinsuit be re-elected as a director of the company.
10. THAT Erik Johnsen be re-elected as a director of the company.
11. THAT David Koo be re-elected as a director of the company.
12. THAT Ricardo Menendez Ross be re-elected as a director of the company.
13. THAT Constantine Peraticos be re-elected as a director of the company.
14. THAT Philip Clausius be re-elected as a director of the company.
15. THAT Carlo Cosimi be re-elected as a director of the company.
16. THAT Alan Cossar be re-elected as a director of the company.
17. THAT Jeremy Grose be re-elected as a director of the company.
18. THAT Harjeet Joshi be re-elected as a director of the company.
19. THAT Tomomaru Kuroyanagi be re-elected as a director of the company.
20. THAT Oivind Tangen be re-elected as a director of the company.
21. THAT Choo Wee Teo be re-elected as a director of the company.
22. THAT James Woodrow be re-elected as a director of the company.

Appointment of auditors

23. THAT the directors be authorised to appoint the auditors and fix their remuneration.

Date: 17 May 2019
By order of the board,
Charles Taylor & Co (Bermuda)
Secretary

Registered Office:
Swan Building, 2nd Floor
26 Victoria Street
Hamilton HM12
P.O. Box HM 2904
Hamilton HMLX
Bermuda

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

Re-election of directors holding office for over nine years

Neçdet Aksoy (appointed 30 January 2002)	Principal of Akmar Shipping Group and Turkish Cargo Lines
Arthur Bensler (appointed 8 October 2010)	Executive Vice President (Corporate Secretary and General Counsel) of Teekay Corporation
Cesare d'Amico (appointed 28 January 2004)	Principal of d'Amico Società di Navigazione SpA
Alistair Groom (appointed 1 October 2004)	Former CEO of the managers' London agents
Bhumindr Harinsuit (appointed 30 January 2007)	Managing Director of The Harinsuit Transport Co Ltd
Erik Johnsen (appointed 26 September 2003)	Director of Seaocean Carriers Ltd Pte
David Koo (appointed 15 May 2009)	Managing Director of Valles Steamship Co Ltd
Ricardo Menendez Ross (appointed 18 May 1990)	CEO of Interocean Transportation Inc.
Constantine Peraticos (appointed 16 May 2003)	Principal of Pleiades Shipping Agents SA

Notes

1 A member of the company entitled to attend, speak and vote at the above meeting is entitled to appoint a proxy to attend, speak and vote on their behalf. The proxy need not be a member of the company. A proxy will have the same number of votes on a show of hands as if the member who appointed the proxy was at the meeting.

2 The appointment of a proxy will not prevent a member from subsequently attending, speaking and voting at the meeting in person. Details of how to appoint the chairman of the meeting or another person as your proxy are set out in the notes to the Form of Proxy. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.

3 For the instrument appointing a proxy to be effective, you must complete the enclosed Form of Proxy and ensure that the Form of Proxy, together with any power of attorney or other authority under which it is executed (or a notary certified copy of the same), is deposited with the secretary of the company, Charles Taylor & Co (Bermuda), Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, P.O. Box HM 2904, Hamilton HMLX, Bermuda, or scanned and emailed to pandi.bermuda@ctplc.com not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

4 A corporate member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same vote.

FORM OF PROXY

THE STANDARD CLUB LTD (THE COMPANY)
REGISTERED NO: 1837

48th annual general meeting
18 October 2019 at 12 noon (the meeting)

I (Block Capitals) .... , a member of the above-named company, hereby appoint the chairman of the meeting, or .... , as my proxy to vote for me on my behalf at the annual general meeting of the company to be held at Hôtel Hermitage Monte-Carlo, Square Beaumarchais, MC 98000 Monaco, Principauté de Monaco on Friday 18 October 2019 at 12 noon, and at any adjournment thereof.

Signature ....

Dated 2019

Please indicate with an X in the spaces below how you wish your votes to be cast.

Ordinary resolutions	For	Against
1. THAT the reports of the directors and auditors and the audited financial statements of the company for the year ended 20 February 2019 be received and adopted.		
2. THAT Karl Howarth be elected as a director of the company.		
3. THAT Marielena Procopiou be elected as a director of the company.		
4. THAT Hugh Williams be elected as a director of the company.		
5. THAT Neçdet Aksoy be re-elected as a director of the company.		
6. THAT Arthur Bensler be re-elected as a director of the company.		
7. THAT Cesare d'Amico be re-elected as a director of the company.		
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20. THAT Oivind Tangen be re-elected as a director of the company.		
21. THAT Choo Wee Teo be re-elected as a director of the company.		
22. THAT James Woodrow be re-elected as a director of the company.		
23. THAT the directors be authorised to appoint the auditors and fix their remuneration.		

Notes

1 If you wish any person other than the chairman to act as your proxy, please insert the name of your proxy in the space provided. If no name is inserted, you will be deemed to have appointed the chairman of the meeting. A proxy need not be a member. A proxy will have the same number of votes on a show of hands as if the member who appointed the proxy was at the meeting.

2 Please indicate with an X in the appropriate spaces how you wish your vote to be cast in respect of each of the resolutions. On receipt of this form duly signed but without any specific direction on how you wish your votes to be cast, the proxy will vote in favour of the resolutions.

3 In the case of a corporation, this form must be signed under its common seal or be signed by an authorised officer or attorney duly authorised on that behalf, and the signatory should state in the line below his name, his office (for example company secretary, director).

4 To be valid at the annual general meeting referred to, this form must be completed, signed and dated. It should then be deposited with the secretary of the company, Charles Taylor & Co (Bermuda), Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, P.O. Box HM 2904, Hamilton HMLX, Bermuda, or scanned and emailed to pandi.bermuda@ctplc.com not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

5 Completion and return of this form will not prevent you from attending and voting in person if you wish. Copies of the form can be downloaded from www.standard-club.com.

MANAGERS AND OFFICES

Managers
Charles Taylor & Co (Bermuda)

Company Secretary
Charles Taylor & Co (Bermuda)

Registered office of the club
Swan Building
2nd Floor
26 Victoria Street
Hamilton HM12
Bermuda
Telephone: +1 441 292 7655
Email: pandi.bermuda@ctplc.com

www.standard-club.com
www.ctplc.com

Managers' agents

London
Charles Taylor & Co. Limited
The Minster Building
21 Mincing Lane
London
EC3R 7AG
Telephone: +44 20 3320 8888
Email: pandi.london@ctplc.com

Dublin
Charles Taylor & Co Limited (Ireland Branch)
Fitzwilliam Hall
Fitzwilliam Place
Dublin 2
Ireland
Telephone: +1353 1669 4884
Email: pandi.dublin@ctplc.com

Singapore
Charles Taylor Mutual Management (Asia)
Pte. Ltd
140 Cecil Street
#16-00A PIL Building
Singapore 069540
Telephone: +65 6506 2896
Email: pandi.singapore@ctplc.com

Piraeus
Charles Taylor & Co. Limited
85 Akti Miaouli
Piraeus 185 38
Telephone: +30 210 429 1840
Email: pandi.piraeus@ctplc.com

New York
Charles Taylor P&I Management
(Americas), Inc
180 Maiden Lane, Suite 6A
New York, New York 10038
Telephone: +1 212 809 8085
Email: pandi.newyork@ctplc.com

Hong Kong
Charles Taylor Mutual Management (Asia)
Pte. Limited (Hong Kong branch)
Room 710, 7/F
CC Wu Building
302-308 Hennessy Road
Wanchai, Hong Kong
Telephone: +852 2399 6120
Email: pandi.hongkong@ctplc.com

Tokyo
Charles Taylor (Japan) Ltd
6th Floor Takebashi Bldg
2-1-8, Kanda Nishiki-cho
Chiyoda-ku, Tokyo 101-0054
Telephone: +81 3 3518 9601
Email: pandi.tokyo@ctplc.com

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