Standard Club

By your side

The Standard Club UK Ltd

Annual Report and Financial Statements 2020

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THE DIRECTORS

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

Chairman
A Groom [1,2]
Non-executive director

A Cossar [1]
Non-executive director

C d'Amico [1,2]
d'Amico Societa di Navigazione SpA
Non-executive director

J Grose
Manager

N Hadjioannou [2]
Cymona Shipping Management Sam
Non-executive director

K Howarth [1]
P&O Ferries Holdings Ltd
Non-executive director

B Hurst-Bannister [1]
Insurance Expert Director
Non-executive director

E Johnsen [1,2]
Seaocean Carriers Ltd Pte
Non-executive director

D Marock
Manager
(resigned 21 April 2020)

R Menendez Ross [1,2]
Interocean Transportation Inc
Non-executive director

1. Member of Audit and Risk Committee.
2. Member of Nomination and Governance Committee.

Registered no: 17864

STRATEGIC REPORT

The directors have pleasure in presenting the audited financial statements of the club for the year ended 20 February 2020.

Principal activities

The Standard Club UK Ltd ("the club") is a marine mutual insurance company, providing marine protection and indemnity (P&I) insurance and related covers to its shipowner members. The club is a subsidiary of The Standard Club Limited ("the Standard Club") and part of the Standard Club group ("the Standard Group").

From midday 20 February 2019, all European Union ("EU") business previously underwritten by Standard UK, is now underwritten by the Standard Club's EU subsidiary, The Standard Club Ireland DAC ("Standard Ireland"). The reduction in premium and tonnage reported this year compared to last year reflects the impact of this move.

Summary financial results

As set out in the Statement of Income and Contingency Reserves, there is a deficit for the financial year of $2.6m (2019: $2.7m).

Revenue from calls, premiums and releases amounted to $92.3m (2019: $244.7m). This significant decrease is as a result of all new EU business being underwritten in Standard Ireland. Paid claims, net of reinsurance recoveries was $16.8m (2019: $10.8m) and include prior year existing liabilities, both EU and non-EU, which continue to be managed by the club. Pool and reinsurance recoveries amounted to $264.4m (2019: $298.2m).

Investments reported a higher return of $6.0m (2019: $1.9m) compared to last year.

Statement of financial position

Total estimated claims liabilities, including the provision for claims incurred but not reported ('IBNR'), net of reinsurance recoveries, amounted to $38.9m (2019: $44.1m) at the year end. The amount available to meet these liabilities was $122.2m at 20 February 2020 (2019: $155.0m). Other financial investments increased to $57.2m (2019: $44.0m).

Free reserves

These represent the surpluses built up out of open and closed policy years and represent the core capital of the club. The club's free reserves decreased to $83.3m at the year-end (2019: $110.9m), reflecting the deficit on the Statement of Income and Contingency Reserves for the year of $2.6m (2019: $2.7m) and dividend paid to the parent company of $25m.

This year, the board reviewed the strategic purposes and appropriate level for the free reserves. The level of free reserves or capital to be held should be sufficient to meet the following criteria:

- To ensure that the club has sufficient capital to reflect its business risks and to comply with regulatory requirements.
- To 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, and so that they are levied only in extreme stressed scenarios.
- To ensure that the club is perceived as being in the top division of The International Group of P&I Clubs from a financial perspective, in order to give the club flexibility and the power to maintain pricing and quality discipline.
- To maintain an S&P or similar rating of A or above.

The board recognises the need to ensure that the free reserves reflect the club's size. The reserves are within the target strategic range set by the board. This is set by reference to various solvency tests, and the board will ensure that the free reserves continue to be aligned with the volume of, and risks in, the club's business.

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 club has a healthy solvency position with free reserves on a Solvency II basis covering 171% of the Solvency Capital Requirement (“SCR”) and 574% of the Minimum Capital Requirement (“MCR”). Further information on the capital requirements under Solvency II is provided in the club’s Solvency & Financial Condition Report (“SFCR”) available on its website.

Key performance indicators

The board considers certain key performance indicators (“KPIs”) by reference to which the development, performance and position of the club’s business can be measured effectively. The following KPIs are closely monitored by the board:

	2020	2019
Premium $m	**92**	245
Free reserves $m	**83**	111
Claims cover[1]	**3.14**	3.51
Combined ratio %[2]	**107**	100
Tonnage mgt	**62**	131

1. Ratio of net assets (excluding net outstanding claims) to net outstanding claims.
2. The ratio of total expenditure to total income, as set out in the technical account/general business section of the Statement of Income and Contingency Reserves. A ratio below 100% indicates an underwriting surplus.

The reduction in premiums, tonnage and free reserves are discussed in page 3.

The board is of the view that net assets sufficiently cover net outstanding claims liabilities by more than 300% as indicated by the claims cover.

The club aims to achieve a combined ratio of 100%. Despite the fall in premium as a result of the transfer of EU business to Standard Ireland, the club’s combined ratio was not severely affected and only rose to107%. The club is protected from underwriting volatility due to the 90% quota share internal reinsurance program with Standard Reinsurance (Bermuda) Limited (“Standard Re”). Standard Re shares the same parent company, the Standard Club, with the club.

Future outlook

The club’s financial position means that it is satisfactorily positioned to continue to offer the full range of P&I, war risks, defence and related covers to its members, albeit that it is still facing challenging underwriting conditions.

The directors have been monitoring the development of the impacts of COVID-19, both directly on the club’s business and indirectly through government policy and advice. The premium and net claims impacts are protected by the club’s reinsurance contracts, including the quota share with Standard Re, so the main impact is on the club’s investment portfolio. The club’s investment portfolio at 20 February 2020 consisted of government issued debt whose market value has increased since the year end as interest rates have fallen.

The club has carried out a detailed risk assessment which anticipates that premium and net claims will both reduce as a result of COVID-19, as trade flows diminish, and that these changes will tend to offset each other. The biggest risk is to the club’s investment portfolio, but this is defensively positioned with only 20% in equities, so the market value fall since the year end has been modest.

From an operational perspective, the club’s managers, Charles Taylor & Co. (Bermuda) Limited (“the managers”), have invested significantly to support the resilience of the workforce, ensuring they can all work remotely and are able to be flexible about how, when and where they work. Since the outbreak of COVID-19, the club’s managers have activated full business continuity contingency plans and shown the club can continue to operate in the event of a serious prolonged incident, such as the present pandemic.

The directors consider COVID-19 as a non-adjusting event after the end of the reporting period. See Note 21 for further details.

UK exit from the European Union

The UK formally left the EU on 31 January 2020 and has now entered into a transition period that is scheduled to end on 31 December 2020. Whilst negotiations are on-going, it is possible that UK companies could lose 'passporting rights' which means that UK insurance companies, including the club, will lose the automatic right to offer insurance to EU insureds. Standard Ireland was established to ensure that previous EU members of the club would be able to continue to be insured. Standard Ireland started to write EU risks previously insured by Standard UK from the 20 February 2019 renewal. The club continues to insure its non-EU business and its board is considering the options for managing the run-off of the liabilities of the historical EU business and has communicated its plans to EU regulators to ensure its ongoing compliance with the regulations pertaining to the run-off of EU liabilities.

Strategy and business plan

During the year, the board continued to review the club's future strategy. The board believes that the club should continue to seek growth in its core business areas playing its role as the non-EU business arm of the Standard Group. In line with Standard Group strategies, the club will examine opportunities to extend the range of products offered, provided that this does not undermine the solid financial attributes of the club, and that any development is consistent with the club's existing emphasis on the quality of its members' operations and with the high standard of service provided to them.

PRINCIPAL RISKS AND UNCERTAINTIES

How we manage risk

The board is responsible for identifying and managing the club's risk. The board's risk management responsibilities are led by the Audit and Risk Committee, which reviews at each of its meetings the risks facing the club, their potential impact, and the management and mitigation of those risks. 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.

All risks are evaluated to assess their probability and their potential value and impact. The club's management, acting through its Audit and Risk Committee, sets 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, and monitors emerging risks.

A risk register is maintained which records the risks, their values, impact, mitigation and controls. The club's internal model reflects the risk identified and is used to assess their potential impact and the capital required to cover them.

The compliance and internal audit functions, which report to the Audit and Risk Committee, play an important role in ensuring that the club's risk management systems are functioning correctly.

Underwriting risk

Premium risk

The risk that premiums charged will not be sufficient to meet all associated claims and expenses, e.g. inappropriate underwriting or inadequate pricing.

Premium risk is managed by:

- clear underwriting controls;
- monitoring for undue concentrations of risk and acceptability of results consistent with risk appetite; and
- a dedicated safety and loss prevention function, aimed at ensuring that the club underwrites only those shipowners who operate to an acceptable standard, as well as encouraging good risk management by members.

Premium risk is mitigated by appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, the club's own non-Pool and retention reinsurance and the quota-share agreement with Standard Re.

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.

Reserve risk

The risk that claims reserves will be inadequate to cover either 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, as well as regular, systematic claims audits and monitoring the performance of individual claims handlers, to ensure consistency of approach; and
- modelling of technical provisions by the club's actuarial function.

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 International Group 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 and suspension or cancellation of cover; and
- 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:

- 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; and
- to maximise the overall returns as measured over rolling three-year periods, within the risk tolerance agreed by the board.

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 for lower volatility. Currency of investment is matched to the profile of liabilities to which the club is exposed. Interest rate risk exposure is measured and controlled through regular consideration of the appropriate duration of the fixed interest part of the portfolio. The club is exposed to equity price fluctuation risk, but the investment rules limit equity exposure. 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 their assessment of the investment markets as well as by risk appetite and regulatory considerations. 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.

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 kept under review. Significant claim settlements through the International Group Pool and reinsurance arrangements are subject to special settlement provisions that provide the club with access to funding for 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, appropriate controls are also in place to monitor the club's outsourcing of its operations.

Detailed risk disclosures for credit, market and liquidity risk are set out in detail in Note 12 to the financial statements.

DIRECTORS' DUTIES (S172 CA 2006)

Section 172(1) of the Companies Act 2006 provides that a Director of a Company must act in a way that is considered to be in good faith, would most likely promote the success of the club and benefit the members as a whole, and in doing so have regard to various other stakeholder interests, including the managers, regulators, brokers and reinsurers.

As a mutual insurer, the club exists for the benefit of its members. The key factors under section 172(1) are further considered below:

1. The likely consequences of any long term decision.

Following the UK's exit from the EU, Standard Ireland was established by the Standard Club (the club's parent) to ensure that previous EU members of the club will be able to continue to be insured by the Standard Group. This subsidiary started to write EU risks previously insured by the club from the February 2019 renewal. The club continues to insure its existing non-EU business and the board is considering the options for managing the run-off of the liabilities of the historic EU business. The level of service and cover offered to members (both EU and non-EU) will not be affected by any future change, nor will the financial security of the wider Standard Group be negatively impacted.

2. The interests of the club's employees

The full executive function of the club is outsourced to the club's managers, Charles Taylor and Co (Bermuda) Limited. As such the club has no employees.

3. The need to foster the club's business relationships with suppliers, customers and others.

- Members – Members maintain a very close relationship with the club and are directly involved in the strategy and direction of the club. Members make up half of the club's board of directors and at Standard Group they make up 83%. The club ensures members are informed with news and current performance of the club through updates, comments and advice that are shared through the club's social media channels. Throughout the year the club holds forums and seminars for members in various cities around the world. The club also provides members access to various information via the My Standard Club portal. Through the portal members are able to instantly view and download policy information and documentation, and run a range of real-time reports.
- Outsourcing arrangement with Charles Taylor – The performance of the managers is formally reviewed by the Nomination and Governance Committee ("NGC") at least annually against service level agreements detailed within the management agreement which governs the outsourced relationship. The board also exercises oversight of the performance of the managers through the regular reporting provided by the various function heads at each meeting of the board and its committees, through

reports provided by the key functions (finance, underwriting, claims, actuarial, risk, compliance and internal audit) and through regular discussion between key board members and executives.

- Brokers/reinsurers – The club coordinates regular engagement with key brokers and reinsurers which is facilitated through the broker relations team and reinsurance operations team respectively. There are several annual industrywide events that bring senior management together with the leaders of the broking firms. The board receives updates on key broker relationships. Like members, brokers also have access to the My Standard Club portal for various information on policies.
- Regulators – The club has transparent communication with its key regulators which is facilitated through the managers' compliance team. The club's business teams and directors have ongoing engagement with the club's regulators on an ad hoc basis, including when requested to discuss specific matters. Any significant regulatory engagements are reported to the board.

4. The impact of the club's operations on the community and the environment.

- The club continuously evaluates business risks and opportunities associated with climate change, closely manages the environmental impact and actively promotes positive environmental practices. 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 managers have taken steps to reduce their carbon footprint and strive to minimise their energy consumption through their energy management policy and by promoting and building awareness of environmental responsibility amongst its employees.
- The club is a member of the International Group of P&I Clubs ("the IG") and is represented in various subcommittees and working groups within the IG. The club collaborate with the other IG clubs across a range of industry issues through these bodies for the benefit of members generally.

5. The desirability of the club maintaining a reputation for high standards of business conduct.

- 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 ensure that corporate values are communicated to all staff regularly to ensure that their work on behalf of the club is carried out with integrity and fairness. These corporate values were last updated in January 2019 and are reviewed annually and updated when considered appropriate and necessary. All staff of the managers are required to comply with rules of good conduct.

6. The need to act fairly between members of the club.

- 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. Details of the complaints process are published on the club's website.

The Directors therefore considers that the requirements of Section 172(1) are appropriately addressed within the Association's policies and procedures.

By order of the board,
Charles Taylor & Co Limited
Company Secretary
10 July 2020

Registered no: 17864

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The club comprises members from the international shipping community and seeks to follow good governance principles that would be generally recognised throughout world markets. The club is regulated in the UK, as an insurance operation, although subject to group supervision requirements of the Bermuda Monetary Authority.

Directors

The directors who held office during the year and up to the date of this report are shown on page 2 of this report. The directors who retire by rotation in accordance with the Articles of Association or the corporate governance requirement to seek annual re-election after serving a period of nine years or more on the board, and who being eligible, have offered themselves for re-election, are Alistair Groom, Jeremy Grose, Nicolas Hadjioannou, Barnabas Hurst-Bannister and Ricardo Menendez Ross.

Board responsibilities

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

- governing and directing the club's affairs;
- ensuring that the club's objectives are being fulfilled;
- setting overall strategy and key policies;
- setting and reviewing the club's risk appetite;
- overseeing risk management and compliance issues;
- ensuring that there is a suitable and clear allocation of responsibility between itself and the managers;
- satisfying itself that the managers have an appropriate structure for the management of the club;
- directing and supervising the managers and considering their reports on all significant aspects of the club's affairs; and
- ensuring that there are suitable systems of control.

At each board meeting, in accordance with the board reporting policy, the directors are provided with up-to-date reports on the key financial indicators for the club, and on risk, controls, underwriting, claims, investment and general policy issues. 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 board has delegated the implementation of the board's strategy and policies, and management of the day-to-day operations to the managers. A formal management agreement between the club and the managers 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.

With effect from 10 December 2018, the club has been subject to the Senior Managers and Certification Regime (SMCR) extended to insurers by the PRA and FCA, to ensure greater individual accountability on specific individuals within an insurance business and to achieve greater clarity on governance structures. The board has satisfied itself that the relevant reviews and implementation of required documentation, policies and procedures have been undertaken, and that on-going compliance with the regimes is maintained.

Board membership

The great majority of directors are non-executive and are not involved in day-to-day executive management of the club and are, by virtue of the Articles of Association, owners or senior executives of member companies. The chairman is responsible for the direction and effectiveness of the board and the oversight of the club's affairs and strategy. The chairman is elected for a term of three years but may be re-elected for four further terms. The board has the benefit of an insurance market professional and expert insurance and investment guidance from its managers and personnel within the managers' group, as well as access to independent insurance, regulatory, financial and investment expertise as required. One third of the directors must retire from office by rotation at each annual general meeting (AGM) and all directors appointed since the date of the last AGM must put themselves forward for election. Additionally, directors who have held office for nine years and over must seek annual re-election. Directors must retire from the board at the next AGM if they are no longer eligible to be elected to the board according to the Articles of Association.

Nomination and Governance Committee

The Nomination and Governance Committee's main responsibilities are set out in written terms of reference, which are available on the club's website, and include:

- identifying suitable candidates to join the board and its committees;
- ensuring that members of the board collectively have the appropriate mix of qualifications, experience and knowledge, and ensuring that individuals performing key roles are fit and proper;
- succession planning for board roles;
- leading reviews of the board's effectiveness; and
- reviewing and making recommendations on the club's governance structure, policies and practices.

During the year, the committee reviewed the make-up and balance of the skills on the board, 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 reviewed the induction and training programmes for board and committee members. The committee considered the remuneration policy of the managers to ensure that it aligned with the interests of the club and risk appetite. The committee considered succession planning for key executive management roles.

In 2018, the committee engaged Latham & Watkins to carry out a review of the club's governance arrangements which concluded that overall it was fit for purpose. A small number of recommendations, to enhance some aspects of the governance of the club were proposed to and approved by the board, and these have been actioned by the manager.

In compliance with the Solvency II regime and the SMCR the committee considered a number of matters required by SMCR, including the club's management responsibilities map, fit and proper requirements, whistleblowing arrangements and the allocation of prescribed responsibilities to non-executive directors and senior managers

In accordance with the requirements of the SMCR, the committee considers the Standard Club UK management responsibilities map at each meeting.

Board evaluation

The performance of the board, its committees, and the chairman are reviewed annually by the board and committees themselves. An evaluation of the board's effectiveness was conducted in November 2019, the results of which were assessed by the Nomination and Governance Committee at its meeting in January 2020. Each member of the board was requested to complete a detailed questionnaire focusing on the board structure and composition of the board, the effectiveness of board meetings, the adequacy of induction and on-going board training, the effectiveness of the board in fulfilling its key responsibilities, the quality of the support provided by the managers, the corporate governance structure of the club, and the effectiveness of the chairman. This evaluation indicated that the board was operating effectively, although recommendations for enhancements to current procedures were considered and agreed by the board. A similar evaluation was also undertaken in respect of the Audit and Risk Committee and the Nomination and Governance Committee; these evaluations also indicated that both committees were operating effectively.

Meetings of the board

Since the date of the last report, the board met on four occasions: on 18 July 2019 in London, 18 September 2019 in Monaco, 21 January 2020 in Bermuda and on 15 May 2020 in London.

Member and broker engagement

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. A formal member and broker survey was undertaken during the year.

Additionally, informal regular monitoring of member satisfaction, is carried out to gauge the members' views of the club and identify any areas for improvement. The results of this monitoring process are reviewed by the Nomination and Governance Committee. The managers also 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, its financial regulatory returns, relations with and reports from the external and internal auditors, and oversight of the club's risk management and internal controls. The main responsibilities are set out in written terms of reference which are available on the club's website. During the year, the committee gave consideration to the nature and scope of the year-end audit and reviewed the annual report. It considered compliance with accounting standards, the independence (taking into consideration the Ethical Standard 2016) and effectiveness of the external auditors, and the scope and extent of non-audit services provided by them. The committee retendered the external audit work in 2018 and appointed BDO LLP as the statutory auditor. See "Statutory auditors" section below.

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 and procedures for detecting fraud and bribery, were reviewed by the committee and the board.

The committee receives a report on whistleblowing incidents and complaints, if any, at each meeting. No whistleblowing incidents or complaints were notified to the committee during the year.

The committee monitored the capital requirements of the club, including the impact that Brexit has had on those requirements, reviewed the progress of the report on the club's group Own Risk and Solvency Assessment, and reviewed the development of the club's internal model, including its inputs, assumptions, methodology, uses, sensitivities and outputs.

The committee considered the club's on-going compliance with regulatory requirements, including the Senior Insurance Managers' Regime and Solvency II.

Statutory auditors

The club's statutory auditor, BDO LLP, was reappointed for the current year in accordance with section 393(2) of the Companies Act 2006.

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.

Risk management

The board, and its Audit and Risk Committee, set and review on a regular basis the club's risk appetite, the material 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 a strategic 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 material 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 effectiveness through internal audit assurance. The risk management system and processes are linked to the club's internal model, whose outputs 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 club's financial risk management is described further in the Principle Risk and Uncertainties section of the Strategic Report.

Compliance and regulation

The club's compliance and regulatory obligations are overseen by the Audit and Risk Committee. The board agrees the compliance monitoring plan, and the managers' compliance function submits reports to all meetings of the Audit and Risk Committee, including details of work carried out pursuant to the compliance monitoring plan and any issues arising therefrom, highlighting areas of particular compliance and regulatory concern. These include financial crime; sanctions; conflicts; and fair treatment of members. The managers also report any incidents where controls have either failed or nearly failed or where risks have materialised or have come close to doing so.

Internal Audit

An Internal Audit function operates within the club. The function is managed and led by a senior manager who reports directly to the Audit and Risk Committee as well as to the Charles Taylor plc Audit Committee. The managers' internal audit department is independent of the personnel involved with the day-to-day management of the club. The board has direct access to the head of internal audit, who also attends the Audit and Risk Committee and board meetings in person. Internal Audit reports provided to those meetings summarise the findings of the audits together with a schedule of the outstanding audit issues and progress against the agreed audit timetable. The audit timetable and audit universe are designed to be risk-focused and to cover the full range of the club's operations. They reflect, amongst other things, the operational, financial and administrative aspects of the club's businesses, taking as their points of reference the internal procedures, the controls recorded in the risk register and any reported incidents. Some audits may be carried out by external consultants or by staff from outside the Internal Audit function.

Remuneration

The club does not have a formal remuneration committee although the Nomination and Governance Committee overseas remuneration matters. Directors receive fees agreed by the club membership in general meeting, (other than the fees of non-member directors which are agreed by the board), and which are appropriate to their non-executive status. The fees paid to the directors are in line with those paid in other P&I clubs. Directors who are employed by the managers do not receive director's fees. However, the performance-related elements of their remuneration are reviewed by Charles Taylor Group's Remuneration Committee to ensure that they are stretching and designed to promote the long-term success of the business. The Nomination and Governance Committee considered the remuneration policy of the managers and the objectives of the senior executive team to ensure that they are aligned with the interests of the club and risk appetite.

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. Full disclosure of the management fee paid 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.

Dividends

The directors have paid a dividend of $25m (2019: $10m) during the financial year.

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.

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. 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, and between the club's members, and between members and other clients of the managers' group, are identified and managed.

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 ensure that corporate values are communicated to all staff regularly to ensure that their work on behalf of the club is carried out with integrity and fairness. These corporate values were last updated in January 2019 and are reviewed annually and updated when considered appropriate and necessary. The board has adopted a treating customers fairly policy. 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. Details of the complaints process are published on the club's website. All staff are required to comply with rules of good conduct.

Prevention of financial crime and whistleblowing

The managers have procedures to prevent the club being involved in money laundering or in inappropriate payments. They also have in place whistleblowing procedures to ensure that members of their staff can raise matters of concern confidentially so that they may be appropriately investigated. This has now been extended to the club's members, correspondents and advisors and details can be found on the club's website www.standard-club.com.The board has a whistleblowing policy, which is kept under review by the Audit and Risk Committee.

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 does its best to ensure that members are kept up-to-date with relevant sanctions information to assist them in ensuring they too are compliant and do not inadvertently breach sanctions.

Health and safety

The club strongly supports and encourages safe working practices on board the ships that are entered with the club. The managers have a strong health and safety culture and have adopted appropriate policies to ensure that the management of the club is carried out in a way that protects the health, wellbeing and safety of all those who work for the club managers.

Business continuity

The club's managers have full business continuity contingency plans, including disaster recovery, which they periodically test, to ensure that the club can continue to operate in the event of a serious incident, for example, a terrorist event or pandemic. Business records and documentation are stored electronically, are regularly backed-up and are accessible remotely from anywhere in the world. Due to the COVID-19 pandemic which started at the beginning of 2020, every aspect of the manager's contingency plans have been implemented. Personnel in all of the manager's global offices have successfully transitioned to working from home and the club has been able to continue to provide the same level of service to its members.

Environmental policy

The day-to-day business of the club is carried out by its managers, who has a long-term vision for sustainable development and continuous improvement of its environmental performance by maintaining best practice throughout its operations.

The managers are committed to minimising the impact on the environment of their business operations and to achieving best practice in areas in which they do have an environmental impact and has retained Ecofiniti Limited as professional advisors on environmental matters. Ecofiniti Limited provides advice with regards to improving the accuracy of environmental reporting, analysing the results of carbon footprint and best practice input on future impact reduction plans. The managers meet with Ecofiniti Limited once a month.

The managers have taken steps to reduce their carbon footprint and strive to minimise their energy consumption through their energy management policy and by promoting and building awareness of environmental responsibility amongst its employees. It communicates and engages with staff at all levels to identify, assess and reduce operational impact on the environment. In order to reduce travel-related emissions, increased use of conferencing technologies is encouraged, and environmental impacts are considered when arranging necessary travel. The Minster Building, which accommodates the managers' London operations is a paperless office and incorporates a number of design and other initiatives, including electronic document management systems, to reduce that office's environmental impact and carbon footprint. Where practicable, the managers source their supplies from local businesses so as to minimise distribution and transport-related emissions. Suppliers are required, as far as reasonable, to have an appropriate environmental policy.

The manager is compliant with Phase 2 of the Energy Savings Opportunity Scheme and reports in accordance with the new reporting programme SECR (Streamlined Energy & Carbon Reporting) which was introduced by the UK Government on 1 April 2019.

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 environmental policy into practical guidelines that 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 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 who consistently fail to comply with acceptable standards of responsible operation

Equality of opportunity and gender diversity policy

The managers have formal policies which aim to attract and retain a diverse and flexible workforce. As far as board appointments are concerned, the board believes that appointment 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 and has therefore taken, and will take the steps set out in the Standard Club Modern Slavery Act Statement (http://www.standard-club.com/about/modern-slavery-statement.aspx).

Future developments

The discussion on the future developments of the club is included in the Strategic Report, where the future outlook for the club's business and the group restructuring as a result of the UK exit from the EU are disclosed.

Events after the reporting date

As disclosed in the Strategic Report and further detail in Note 21, the club continues to monitor and respond to the global COVID-19 pandemic.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance contracts" issued by the Financial Reporting Council). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in 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 Limited
Company Secretary
10 July 2020

Registered no: 17864

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STANDARD CLUB UK LIMITED

Our Opinion

We have audited the financial statements of The Standard Club UK Limited ("the club") for the year ended 20 February 2020 which comprise the Statement of Income and Contingency Reserves, Statement of Financial Position 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 club's affairs as at 20 February 2020 and the shortfall 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 2006.

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 are independent of the club 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 club'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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter	Key observations
Valuation and cut off of technical provisions and reinsurer's share of technical provisions (Note 13) The valuation of technical provisions is a key area of estimation within the financial statements. There is a risk that inappropriate assumptions and judgements are made when determining the valuation of technical provisions. There is a further risk that significant claims estimate revisions and payments around year end may not be captured in the correct period. Gross Technical Provisions at 20 February 2020 $634m (2019: $686m). Net Technical provisions were $38.9m (2019: $44.1m). Case reserves are inherently uncertain and rely on: • The expertise of the claims handlers and their experience of assessing claims in different jurisdictions and of different types; and • The correct and timely entry of claims information onto the claims system before the year end. Modelling of the provision for claims incurred but not reported ('IBNR') is reliant on: • Up to date, relevant, claims data being correctly entered into actuarial model; • Selection of appropriate actuarial methodologies; and • The application of appropriate actuarial techniques, judgement and assumptions (including the selection of appropriate models for	We have performed the following: **Valuation of Case Estimates:** • Agreed all case estimates above our performance materiality level to supporting documentation, such as legal correspondence, to assess whether case estimates are valued appropriately; and • Carried out testing on the operating effectiveness of the controls over claim estimates, ensuring that estimates are reviewed every six months and have been appropriately revised on review, where applicable. **Cut-off of Case Reserves:** • Agreed claim adjustments above performance materiality and payments around the year end to supporting documentation and bank statements, to assess whether these adjustments and payments were accounted for in the correct period. **Valuation of IBNR:** • Reconciled the key actuarial inputs used in actuarial models to audited accounting records; • Engaged our internal actuarial experts to perform a review of the appropriateness of the methodologies employed by the club when setting technical provisions; • BDO actuarial experts performed their own projections of the claims liabilities to assess whether management's projections were within a suitable range of best estimates; • For occupational disease claims BDO's actuarial experts assessed the model employed by the Club and re-projected using industry standard occupational disease models in order to gain assurance of the clubs projections; • BDO's internal actuarial experts reviewed the methodology applied in the identification and calculation of case redundancies and ensured this was in line with industry practice; and • BDO's actuarial experts obtained, reviewed and challenged the report by the club's actuary. BDO's actuarial experts held meetings with the club's actuaries to	Based on our audit procedures we gained did not find any material misstatement in the technical provisions and reinsurance share of technical provisions.

Key audit matter	How our audit addressed the key audit matter	Key observations
occupational disease exposures). In light of the COVID 19 pandemic, there is an additional risk that claims exposures have not been notified by the year-end. The club has a range of reinsurance placements, incorporating group quota share, pool excess of loss, non-pool cover and facultative covers. The reinsurers share of Technical Provisions is dependent on the correct valuation of gross reserves and the appropriate application of the portfolio of reinsurance agreements in place. The club has a quota share arrangement in place with The Standard Reinsurance Limited, which is designed to reduce claims exposure.	discuss process, assumptions and findings from their review. • We have also reviewed post year end deterioration in claims experience as a result of COVID 19. **Valuation of Reinsurers' Share of Technical Provisions:** • We have tested the operating effectiveness of the automated controls within the club's claims software and our IT experts have performed a review of the embedded code that is used to automatically calculate the reinsurance recoveries and the subsequent assets that are recognised; • Performed a recalculation of recoveries due on claims estimates above performance materiality during our case estimate testing and ensured these were accurately presented; • Reviewed all claims above the pool recovery threshold to confirm whether appropriate recoveries had been recorded; and • Performed a recalculation of quota share recoveries due to the club from The Standard Reinsurance Limited	

Our application of materiality

In planning and performing our audit we were guided by our application of materiality. We set certain quantitative measures and thresholds for materiality, which together with other, qualitative, considerations, helped us to determine the scope of our audit and the nature, timing and extent of the procedures performed.

The club has in place a significant amount of quota share reinsurance. This arrangement has the effect of transferring insurance premium and claims technical provisions to reinsurers. Due to the extent of these arrangements it was felt appropriate to set a financial statements materiality to determine the extent of audit procedures to be applied over gross written premiums and gross claims before these reinsurance arrangements. A lower specific level of materiality has been set for transactions and balances not affected by quota share reinsurance.

Financial statements materiality for the club was set by reference to gross assets and was set at $9.35m (2019: $9.4m). We consider gross assets to be the principal determinant of the Club's ability to satisfy the interests of its members on a gross basis. Our materiality was set at 1% of this number.

The specific level of materiality has been based on net assets, this measure determines the availability of reserves to provide distributions or need to make supplementary calls to cover shortfalls in reserves. This is therefore the most important performance measure for the club's members. Our specific level materiality was $3.9m (2019: $3.9m), being set at 2% of total assets net of total liabilities.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at $7m (2019: $7m) being 75% (2019: 75%) of financial statement materiality set out above based on the low level of misstatements in the past and our overall assessment of the control environment.

Specific performance materiality has been set at $2.9m (2019: $2.9m) being 75% of specific materiality (2019: 75%).

We have agreed with the Audit Committee that we would report to them any misstatements in excess of $195k (2019: $195k) that we identify through the course of our audit, together with any qualitative matters that in our opinion warranted reporting.

An overview of the scope of the audit

Our audit approach was developed by obtaining an understanding of the club'ss activities and the overall control environment. Based on this understanding, we assessed those aspects of the club's transactions and balances which were most likely to give risk to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of technical provisions, which are subject to management judgement and estimation. All audit work was performed directly by the audit engagement team with the assistance of internal actuarial experts.

Effectiveness of the audit on the identification of possible fraud

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our responsibilities are to gain reasonable assurance that the financial statements are not materially misstated as a result of fraud or otherwise. As part of our audit we identified possible risks of material misstatements of the financial statements due to fraud. We considered the primary fraud risks to be around the misappropriation of assets and fraudulent reporting, as well as the valuation of technical provisions and reinsurers' share of technical provisions. Our approach to the valuation of technical provisions and reinsurers' share of technical provisions has been addressed above.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls and the risk of fraud in revenue recognition, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.

We identified areas of laws and regulations that could reasonably be expected to have a material impact on the financial statements from our sector experience and through discussion with the directors and other management, as required by the auditing standards. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our tests included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management;
- Review of minutes of board meetings throughout the period;

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the PRA and FCA; and
- Review of the clubs ORSA and Internal Audit reports.

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.

Opinions on other matters prescribed by the Companies Act 2006

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 club 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 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept , or returns adequate for our 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 Directors' Responsibilities Statement on page 17, 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 club'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 club 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 website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters on which we are required to address

Following the recommendation of the Audit Committee, we were appointed on 1 October 2018 to audit the financial statements for the year ending 20 February 2018 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 20 February 2019 to 20 February 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the club or other Group entities and we remain independent of the club and Group in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the club's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the club'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 club and the club's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Barnes
Senior Statutory Auditor

For and on behalf of **BDO LLP** Statutory Auditor
London, UK

Date:

FINANCIAL STATEMENTS

STATEMENT OF INCOME AND CONTINGENCY RESERVES

for the financial year ended 20 February 2020

		Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
		2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	**2019**
	Note	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Technical account - general business											
Earned premiums, net of reinsurance											
Gross premiums earned including calls	3	**92.3**	244.7	**88.6**	217.8	**2.8**	9.4	**0.2**	17.2	**0.7**	0.3
Outward reinsurance premiums	4	**(86.0)**	(205.7)	**(82.9)**	(186.0)	**(2.5)**	(7.5)	**(0.2)**	(12.0)	**(0.4)**	(0.2)
Earned calls, net of reinsurance		**6.3**	39.0	**5.7**	31.8	**0.3**	1.9	**-**	5.2	**0.3**	0.1
Claims incurred, net of reinsurance											
Claims paid	5	**281.2**	309.0	**263.8**	288.6	**7.8**	6.1	**9.6**	14.3	**-**	-
Reinsurers' share	6	**(264.4)**	(298.2)	**(249.7)**	(281.4)	**(7.0)**	(5.5)	**(7.7)**	(11.3)	**-**	-
Net claims paid		**16.8**	10.8	**14.1**	7.2	**0.8**	0.6	**1.9**	3.0	**-**	-
Change in provision for gross claims		**(51.0)**	(137.9)	**(43.9)**	(139.5)	**(1.8)**	(2.0)	**(5.3)**	3.7	**-**	(0.1)
Reinsurers' share		**45.9**	146.4	**39.5**	147.7	**1.6**	1.8	**4.8**	(3.2)	**-**	0.1
Change in net provision for claims		**(5.1)**	8.5	**(4.4)**	8.2	**(0.2)**	(0.2)	**(0.5)**	0.5	**-**	-
Claims incurred, net of reinsurance		**11.7**	19.3	**9.7**	15.4	**0.6**	0.4	**1.4**	3.5	**-**	-
Net operating expenses	7	**1.3**	20.3	**1.0**	16.8	**0.1**	1.1	**0.1**	2.3	**0.1**	0.1
Balance on the technical account for general business		**(6.7)**	(0.6)	**(5.0)**	(0.4)	**(0.4)**	0.4	**(1.5)**	(0.6)	**0.2**	-
Non-technical account											
Balance on the technical account for general business		**(6.7)**	(0.6)	**(5.0)**	(0.4)	**(0.4)**	0.4	**(1.5)**	(0.6)	**0.2**	-
Investment return net of expenses and charges	8	**6.0**	1.9	**2.1**	1.0	**0.7**	0.3	**1.9**	0.4	**1.3**	0.2
Exchange gains/(losses)		**(1.1)**	(3.9)	**(0.4)**	(1.2)	**-**	-	**(0.7)**	(2.7)	**-**	-
(Shortfall)/excess of income over expenditure before taxation		**(1.8)**	(2.6)	**(3.3)**	(0.6)	**0.3**	0.7	**(0.3)**	(2.9)	**1.5**	0.2
Tax on excess of income over expenditure	9	**(0.8)**	(0.1)	**(0.8)**	-	**-**	(0.1)	**-**	-	**-**	-
(Shortfall)/Excess of income over expenditure for the financial year transferred to/(from) contingency reserve		**(2.6)**	(2.7)	**(4.1)**	(0.6)	**0.3**	0.6	**(0.3)**	(2.9)	**1.5**	0.2
Contingency reserves at the beginning of the year		**110.9**	123.6	**65.1**	75.7	**8.3**	7.7	**26.0**	28.9	**11.5**	11.3
Result for the financial year		**(2.6)**	(2.7)	**(4.1)**	(0.6)	**0.3**	0.6	**(0.3)**	(2.9)	**1.5**	0.2
Dividends		**(25.0)**	(10.0)	**(25.0)**	(10.0)		-		-		-
Contingency reserves at the end of the year		**83.3**	110.9	**36.0**	65.1	**8.6**	8.3	**25.7**	26.0	**13.0**	11.5

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

There are no recognised gains and losses other than those included in the Statement of Income and Contingency Reserves.

The notes on pages 24 to 42 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 20 February 2020

		Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
		2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	**2019**
	Note	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Assets											
Investments											
Other financial investments	11	**57.2**	44.0	**35.6**	6.6	**-**	5.5	**21.6**	20.9	**-**	11.0
Reinsurers' share of technical provisions											
Claims outstanding	13	**595.1**	641.9	**576.6**	616.1	**3.9**	5.5	**14.6**	20.3	**-**	-
Unearned reinsurance premiums		**13.3**	12.6	**13.3**	12.6	**-**	-	**-**	-	**-**	-
		608.4	654.5	**589.9**	628.7	**3.9**	5.5	**14.6**	20.3	**-**	-
Debtors											
Debtors arising out of direct insurance operations	14	**47.8**	115.4	**46.4**	112.6	**0.9**	1.5	**0.2**	1.2	**0.3**	0.1
Amounts owed by group undertakings		**35.8**	23.3	**24.3**	11.3	**-**	0.1	**11.5**	11.6	**-**	0.3
Deferred tax asset	10	**-**	0.3	**-**	0.3	**-**	-	**-**	-	**-**	-
Other debtors		**1.7**	2.5	**1.5**	2.4	**-**	-	**0.2**	0.1	**-**	-
		85.3	141.5	**72.2**	126.6	**0.9**	1.6	**11.9**	12.9	**0.3**	0.4
Other assets											
Cash at bank and in hand		**30.4**	25.0	**28.1**	21.5	**0.4**	2.0	**1.6**	1.3	**0.3**	0.2
Prepayments and accrued income		**0.6**	4.7	**0.5**	4.3	**-**	0.4	**-**	-	**-**	-
Total assets		**781.9**	869.7	**726.4**	787.7	**5.2**	15.0	**49.7**	55.4	**0.6**	11.6
Liabilities											
Reserves											
Contingency reserve		**83.3**	110.9	**36.0**	65.1	**8.6**	8.3	**25.7**	26.0	**13.0**	11.5
Technical provisions											
Gross claims outstanding	13	**634.0**	686.0	**613.7**	657.6	**4.2**	6.0	**16.1**	22.4	**-**	-
Provision for unearned premiums		**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
		634.0	686.0	**613.7**	657.6	**4.2**	6.0	**16.1**	22.4	**-**	-
Creditors											
Creditors arising out of direct insurance operations	15	**38.8**	48.5	**38.3**	47.3	**0.3**	0.5	**0.2**	0.7	**-**	-
Other creditors including taxation	16	**1.9**	2.3	**1.0**	0.7	**0.8**	1.1	**0.1**	0.5	**-**	-
Amounts owed to group undertakings		**23.5**	21.0	**20.8**	16.1	**2.7**	4.9	**-**	-	**-**	-
Current account between classes		**-**	-	**16.5**	-	**(11.4)**	(5.8)	**7.6**	5.7	**(12.7)**	0.1
		64.2	71.8	**76.6**	64.1	**(7.6)**	0.7	**7.9**	6.9	**(12.7)**	0.1
Accruals and deferred income		**0.4**	1.0	**0.1**	0.9	**-**	-	**-**	0.1	**0.3**	-
Total liabilities		**781.9**	869.7	**726.4**	787.7	**5.2**	15.0	**49.7**	55.4	**0.6**	11.6

The notes on pages 24 to 42 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 10 July 2020 and were signed on its behalf by:

Alistair Groom
Chairman

Registered company number 17864

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The Standard Club UK Ltd ("the club") is incorporated in England 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 The Minster Building, 21 Mincing Lane, London EC3R 7AG. The registered company number is 17864. The club's principal activities and operations are disclosed in the Strategic Report.

2. Accounting policies

(a)Basis of preparation

These financial statements have been prepared in compliance 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''), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006.

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

Segmental information is presented by disclosing the split of the club's classes of business on the face of the financial statements and the notes to the financial statements.

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 free reserves are the amounts available for distribution as dividends per the latest audited balance.

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. The impact of COVID-19 on going concern is disclosed in further detail in Note 21.

(b) Critical accounting 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 Statement of Financial Position 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 club'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 type 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 $634.0m 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 Statement of Financial Position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR claims at the Statement of Financial Position 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 output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

– 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 3, the gross premiums include the recognition of the estimate of premiums underwritten during the year that have not yet been notified as at the end of the year amount to $4.6m.

(c) Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions:

- the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements (FRS 102.1.12(b)).
- disclosing transactions or balances with entities which form part of the group (FRS 102.33.1A).

(d) Annual basis of accounting

The Statement of Income and Contingency Reserve 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 Statement of 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 Statement of Financial Position date, calculated on a time apportionment basis.

(g) Claims incurred

Claims incurred comprise all claims paid, advances made on account of claims and related expenses paid in the year, and changes in provisions for outstanding claims, including provisions for incurred but not reported (IBNR) claims and related expenses.

(h) Reinsurance recoveries

Reinsurance recoveries represent recoveries made and due in respect of claims paid by the club. They include amounts recoverable under the International Group's Pooling Agreement, market reinsurance contracts and intercompany reinsurance with Standard Re. The figures in the Statement of Income relate to recoveries on claims incurred during the year.

Outstanding claims in the Statement of Financial Position are shown gross of reinsurance 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 IBNR claims 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; and
- 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 inception date of the policy and the final settlement of a claim which has arisen due 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 Statement of Financial Position 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 premiums paid and accrued in respect of the reinsurance agreement with market underwriters and intercompany reinsurance with Standard Re.

Unearned reinsurance premiums represent the proportion of reinsurance premiums written in the year that relate to unexpired terms of reinsurance agreements in force at the Statement of Financial Position date, calculated on a time apportionment basis.

(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 Statement of Financial Position date and their purchase price or, if they have been previously valued, their valuation at the last Statement of Financial Position 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 club 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 profit or loss

The club classifies its investments as financial assets at fair value through profit or loss. As a result, gains and losses are taken to the Statement of 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.

– 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 Statement of 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.

(m) Foreign currencies

The club's financial statements are presented in US dollars which is the club's functional currency.

Monetary assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the Statement of Financial Position 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.

(n) General administration expenses

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

(o) 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 Statement of 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 Income for the period. 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 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.

3. Gross premiums earned including calls

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Estimated total premium, other premiums and releases 2019/20 (2018/19)	**96.0**	246.6	**92.1**	218.6	**2.8**	9.3	**0.4**	18.4	**0.7**	0.3
Adjustment for previous policy years	**(3.7)**	(1.9)	**(3.5)**	(1.8)	**-**	0.1	**(0.2)**	(0.2)	**-**	-
Inter class reinsurance	**-**	-	**-**	1.0	**-**	-	**-**	(1.0)	**-**	-
Change in the gross provision for unearned premiums	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total calls and premiums	**92.3**	244.7	**88.6**	217.8	**2.8**	9.4	**0.2**	17.2	**0.7**	0.3

4. Outward reinsurance premiums

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Quota-share reinsurance premium payable to Standard Reinsurance (Bermuda) Limited	**52.5**	152.5	**52.0**	135.0	**2.6**	7.5	**(2.1)**	10.0	**-**	-
Other reinsurance premiums	**32.8**	53.2	**30.2**	51.0	**(0.1)**	-	**2.3**	2.0	**0.4**	0.2
Change in the provision for unearned premiums, reinsurers' share	**0.7**	-	**0.7**	-	**-**	-	**-**	-	**-**	-
Reinsurance premiums paid	**86.0**	205.7	**82.9**	186.0	**2.5**	7.5	**0.2**	12.0	**0.4**	0.2

5. Claims paid

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Members' claims	**247.8**	284.5	**230.4**	264.1	**7.8**	6.1	**9.6**	14.3	**-**	-
Other P&I clubs' pool claims	**33.4**	24.5	**33.4**	24.5	**-**	-	**-**	-	**-**	-
Total claims paid	**281.2**	309.0	**263.8**	288.6	**7.8**	6.1	**9.6**	14.3	**-**	-

6. Reinsurers' share of claims paid

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Claims recoverable from reinsurers	**(20.9)**	(18.2)	**(20.8)**	(17.4)	**-**	-	**(0.1)**	(0.8)	-	-
Claims recoverable from group excess of loss reinsurance	**(3.0)**	(19.5)	**(3.0)**	(19.5)	**-**	-	**-**	-	-	-
Quota share	**(150.8)**	(183.5)	**(136.2)**	(167.5)	**(7.0)**	(5.5)	**(7.6)**	(10.5)	-	-
Claims recoverable from pool	**(89.7)**	(77.0)	**(89.7)**	(77.0)	**-**	-	**-**	-	-	-
Reinsurers' share of claims paid	**(264.4)**	(298.2)	**(249.7)**	(281.4)	**(7.0)**	(5.5)	**(7.7)**	(11.3)	-	-

7. Net operating expenses

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Acquisition costs										
Management fee	**4.5**	8.3	**3.6**	6.8	**0.6**	0.6	**0.3**	0.9	**-**	-
General expenses	**1.2**	1.5	**1.2**	1.4	**-**	-	**-**	0.1	**-**	-
Administrative expenses										
Management fee	**4.4**	8.1	**3.4**	6.5	**0.5**	0.5	**0.4**	1.0	**0.1**	0.1
General expenses	**1.3**	1.6	**1.2**	1.4	**-**	-	**0.1**	0.2	**-**	-
Safety and loss control	**0.4**	0.4	**0.4**	0.4	**-**	-	**-**	-	**-**	-
Directors fees	**0.1**	0.2	**0.1**	0.1	**-**	-	**-**	0.1	**-**	-
Auditors' remuneration for audit of the financial statements	**0.1**	0.1	**0.1**	0.1	**-**	-	**-**	-	**-**	-
Auditors' remuneration for other services	**0.1**	0.1	**0.1**	0.1	**-**	-	**-**	-	**-**	-
Net operating expenses (before ceding commission)	**12.1**	20.3	**10.1**	16.8	**1.1**	1.1	**0.8**	2.3	**0.1**	0.1
Ceding Commission	**(10.8)**	-	**(9.1)**	-	**(1.0)**	-	**(0.7)**	-	**-**	-
Net operating expenses (after ceding commission)	**1.3**	20.3	**1.0**	16.8	**0.1**	1.1	**0.1**	2.3	**0.1**	0.1

All the directors of the club are also directors of the ultimate parent undertaking from whom they receive remuneration for their services. The club has no employees.

Ceding commission relate to the amounts in net operating expenses ceded to Standard Re as part of the quota share reinsurance agreement with the club. In prior years, the amounts ceded were included within the quota share reinsurance premiums payable calculation rather than within net operating expenses, in accordance with the reinsurance agreements for those years.

Fees payable to the club’s auditors for audit of the financial statements was $134k (2019: $141k). Auditors’ remuneration for other services consist of audit-related assurance services of $50k (2019: $66k). Taxation compliance services are nil (2019: nil).

8. Investment return net of expenses and charges

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Investment income										
Shares and other variable-yield securities and unit trusts	**0.2**	0.2	**0.2**	0.2	**-**	-	**-**	-	**-**	-
Debt securities and other fixed-income securities	**0.8**	1.4	**0.3**	0.7	**0.1**	0.3	**0.2**	0.2	**0.2**	0.2
Interclass transfers	**-**	-	**(0.4)**	-	**0.1**	-	**-**	-	**0.3**	-
Deposit interest	**0.3**	0.5	**0.3**	0.4	**-**	-	**-**	0.1	**-**	-
Gains arising on realisation of investments	**1.7**	0.5	**0.1**	0.3	**0.5**	-	**0.1**	-	**1.0**	0.2
	3.0	2.6	**0.5**	1.6	**0.7**	0.3	**0.3**	0.3	**1.5**	0.4
Investment expenses and charges										
Investment management expenses	**(0.1)**	(0.3)	**(0.1)**	(0.3)	**-**	-	**-**	-	**-**	-
Losses on realisation of investments	**(1.0)**	(1.4)	**(0.8)**	(1.0)	**-**	(0.2)	**-**	(0.1)	**(0.2)**	(0.1)
	(1.1)	(1.7)	**(0.9)**	(1.3)	**-**	(0.2)	**-**	(0.1)	**(0.2)**	(0.1)
Movement in unrealised gains on investments	**3.5**	0.3	**2.0**	0.1	**-**	0.1	**1.6**	0.2	**(0.1)**	(0.1)
Movement in unrealised losses on investments	**0.6**	0.7	**0.5**	0.6	**-**	0.1	**-**	-	**0.1**	-
	4.1	1.0	**2.5**	0.7	**-**	0.2	**1.6**	0.2	**-**	(0.1)
Total investment return	**6.0**	1.9	**2.1**	1.0	**0.7**	0.3	**1.9**	0.4	**1.3**	0.2

9. Tax on excess of income over expenditure

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Analysis of charge in the period										
Total current tax	0.8	-	**0.8**	-	-	-	-	-	-	-
Deferred tax										
Origination and reversal of timing differences	**-**	**0.1**	**-**	-	**-**	0.1	-	-	-	-
Adjustments in respect of prior periods	**-**	-	**-**	-	**-**	-	-	-	-	-
Total deferred tax	**-**	**0.1**	**-**	-	**-**	0.1	-	-	-	-
Tax on excess of income over expenditure	**0.8**	**0.1**	**0.8**	-	**-**	0.1	-	-	-	-

Factors affecting tax on investment income for the year

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Excess/(shortfall) of income over expenditure before taxation	**(1.8)**	(2.6)	**(3.3)**	(0.6)	**0.3**	0.7	**(0.3)**	(2.9)	**1.5**	0.2
Tax at 19% (2019: 19%)	**(5.1)**	(0.6)	**(5.4)**	(0.1)	**0.1**	0.1	**(0.1)**	(0.6)	**0.3**	-
Income not assessable for tax purposes	**4.1**	0.5	**4.6**	0.1	**(0.1)**	(0.2)	**0.1**	0.6	**(0.3)**	-
Adjustments in respect of prior periods		-		-		-		-		-
Total tax credit for the year	**(0.8)**	(0.1)	**(0.8)**	-	**-**	(0.1)	**-**	-	**-**	-

Corporation tax is charged on a proportion of the club's investment income. The mutual activities of the club are not subject to corporation tax.

10. Deferred tax asset

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Opening deferred tax asset	**0.3**	0.4	**0.3**	0.3	**-**	0.1	**-**	-	**-**	-
Movement in period	**(0.3)**	(0.1)	**(0.3)**	-	**-**	(0.1)	**-**	-	**-**	-
Closing deferred tax asset	**-**	0.3	**-**	0.3	**-**	-	**-**	-	**-**	-
At 20 February 2019										
Timing differences on:										
- unused tax losses	**-**	0.3	**-**	0.3	**-**	-	**-**	-	**-**	-
Total deferred tax asset	**--**	0.3	**-**	0.3	**-**	-	**-**	-	**-**	-

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

11. Other financial investments

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War Risks	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Financial assets at fair value through profit or loss	**57.2**	44.0	**35.6**	6.6	**-**	5.5	**21.6**	20.9	**-**	11.0
Total financial assets at market value	**57.2**	44.0	**35.6**	6.6	**-**	5.5	**21.6**	20.9	**-**	11.0
Financial assets at fair value through profit or loss	**52.8**	43.4	**32.9**	6.4	**-**	5.4	**19.9**	20.6	**-**	11.0
Total financial assets at cost	**52.8**	43.4	**32.9**	6.4	**-**	5.4	**19.9**	20.6	**-**	11.0
Included in the carrying values above are amounts in respect of listed investments as follows:										
- Shares and other variable-yield securities and units in unit trusts	**11.1**	7.3	**6.3**	3.5	**-**	-	**4.8**	3.8	**-**	-
- Debt securities and other fixed income securities	**46.1**	36.4	**29.3**	3.1	**-**	5.5	**16.8**	16.8	**-**	11.0
Total listed investments	**57.2**	43.7	**35.6**	6.6	**-**	5.5	**21.6**	20.6	**-**	11.0
Included in the carrying values above are amounts in respect of unlisted investments as follows:										
- Shares and other variable-yield securities and units in unit trusts	**-**	-		-	**-**	-	**-**	-	**-**	-
- Debt securities and other fixed income securities	**-**	0.3	**-**	-	**-**	-	**-**	0.3	**-**	-
Total unlisted investments	**-**	0.3	**-**	-	**-**	-	**-**	0.3	**-**	-
Total financial assets at market value	**57.2**	44.0	**35.6**	6.6	**-**	5.5	**21.6**	20.9	**-**	11.0

12. 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.

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).

12.1 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 diseases). These risks are managed as follows:

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 ship owners 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.

In addition to external reinsurance cover, the club benefits from a 90% quota share reinsurance with Standard Re which substantially mitigates the economic impact of both premium and reserve risk.

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.

	Increase		Decrease	
	2020	2019	**2020**	2019
Impact on profit - gross of reinsurance	**US$m**	US$m	**US$m**	US$m
Increase/decrease in loss ratio by 5 percentage points	**(4.6)**	(12.2)	**4.6**	12.2
10% increase/decrease in the number of occupational disease claims	**(3.2)**	(2.9)	**3.2**	2.9
10% increase/decrease in claims handling expenses	**(1.7)**	(1.3)	**1.7**	1.3
10% increase/decrease in number of IBNR claims	**(1.7)**	(5.4)	**1.7**	5.4
Impact on profit - net of reinsurance				
Increase in loss ratio by 5 percentage points	**(0.3)**	(2.0)	**0.3**	2.0
10% increase/decrease in the number of occupational disease claims	**(0.3)**	(0.3)	**0.3**	0.3
10% increase/decrease in claims handling expenses	**(0.2)**	(0.1)	**0.2**	0.1
10% increase/decrease in number of IBNR claims	**(0.2)**	(0.5)	**0.2**	0.5

12.2 Financial risk

The club is exposed to a range of financial risks through its financial assets, 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.

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 78% (2019: 84%) of the club's investment portfolio was invested in fixed interest assets. The weighted duration of the investment portfolio was 8.1 years (2019: 2.1 years).

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

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 deficit for the club of $5.5m (2019: $0.8m).

- Equity price risk

The club is exposed to equity price risk as a result of its holdings in equity investments. 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 at the year-end by $1.1m (2019: $0.7m).

- Currency risk

The club is exposed to currency risk 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 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 reinsurer's share of outstanding claims, or the existence of forward contracts, may depend on a different underlying currency.

	US$ US$m	GBP US$m	EUR US$m	Other US$m	Total US$m
As at 20 February 2020					
Total assets	**702.6**	**21.5**	**53.0**	**4.1**	**781.9**
Total liabilities	**647.2**	**3.5**	**38.8**	**8.4**	**686.3**
Net asset position	**55.4**	**18.0**	**14.2**	**(4.3)**	**83.3**
As at 20 February 2019					
Total assets	782.8	6.1	69.1	11.7	869.7
Total liabilities	675.7	4.2	46.2	32.7	758.8
Net asset position	107.1	1.9	22.9	(21.0)	110.9

At 20 February 2020, had Sterling strengthened by 10% against the US dollar with all other variables held constant, the surplus for the year would have been $1.8m higher (2019: $0.2m higher). Had the Euro strengthened by 10% against the USD dollar the surplus for the year would have been $1.4m higher (2019: $2.3m higher).

Credit risk

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

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 – London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Derivative financial instruments	**0.2**	0.1	**0.2**	0.1	**-**	-	**-**	-	**-**	-
Debt securities	**46.1**	36.6	**29.3**	3.0	**-**	5.5	**16.8**	17.1	**-**	11.0
Loans and receivables	**67.1**	94.8	**54.0**	79.8	**0.9**	1.7	**11.9**	12.9	**0.3**	0.4
Assets arising from reinsurance contracts held	**18.2**	46.7	**18.2**	46.7	**-**	-	**-**	-	**-**	-
Cash at bank and in hand	**30.4**	25.0	**28.1**	21.5	**0.4**	2.0	**1.6**	1.3	**0.3**	0.2
Reinsurers' share of claims outstanding	**595.1**	641.9	**576.6**	616.1	**3.9**	5.5	**14.6**	20.3	**-**	-
Total assets bearing credit risk	**757.1**	845.1	**706.4**	767.2	**5.2**	14.7	**44.9**	51.6	**0.6**	11.6
AAA	**15.8**	13.9	**15.8**	0.1	**-**	5.5	**-**	-	**-**	8.3
AA	**38.4**	48.2	**36.1**	41.4	**0.4**	2.0	**1.6**	4.6	**0.3**	0.2
A	**626.5**	670.9	**580.3**	617.3	**3.8**	5.5	**42.4**	45.1	**-**	3.0
BBB	**30.3**	38.8	**29.7**	38.2	**-**	-	**0.6**	0.6	**-**	-
B	**0.6**	-	**0.6**	-	**-**		**-**		**-**	
Not rated	**45.4**	73.4	**43.8**	70.3	**1.0**	1.7	**0.3**	1.3	**0.3**	0.1
Total assets bearing credit risk	**757.1**	845.1	**706.4**	767.2	**5.2**	14.7	**44.9**	51.6	**0.6**	11.6

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

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the club is the obligation to pay claims to policy holders 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 4 combined) representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost:

	Short term assets US$m	Within 1 year US$m	Within 1-2 years US$m	Within 2-5 years US$m	Over 5 years US$m	Total US$m
As at 20 February 2020						
Shares and other variable yield securities and units in unit trusts	**10.3**	**-**	**-**	**-**	**0.6**	**10.9**
Debt securities and other fixed income securities	**46.1**	**-**	**-**	**-**	**-**	**46.1**
Forward currency contracts	**0.2**	**-**	**-**	**-**	**-**	**0.2**
Cash balances	**30.4**	**-**	**-**		**-**	**30.4**
Amounts owed by group undertakings	**35.8**	**-**	**-**		**-**	**35.8**
Debtors	**20.0**	**29.6**	**-**	**-**	**-**	**49.6**
Reinsurers' share of claims outstanding	**-**	**183.8**	**115.9**	**153.9**	**141.5**	**595.1**
	142.8	**213.4**	**115.9**	**153.9**	**142.1**	**768.1**
As at 20 February 2019						
Shares and other variable yield securities and units in unit trusts	6.8	-	-	-	0.5	7.3
Debt securities and other fixed income securities	33.5	3.1	-	-	-	36.6
Forward currency contracts	0.1	-	-	-	-	0.1
Cash balances	25.0	-	-	-	-	25.0
Amounts owed by group undertakings	23.3	-	-		-	23.3
Debtors	49.8	68.4	-	-	-	118.2
Reinsurers' share of claims outstanding	-	197.6	126.7	170.2	147.4	641.9
	138.5	269.1	126.7	170.2	147.9	852.4

The following is an analysis of the estimated timings of net cash flows by financial liability (classes 1 to 4 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:

	Within 1 year US$m	Within 1-2 years US$m	Within 2-5 years US$m	Over 5 years US$m	Total US$m
As at 20 February 2020					
Gross outstanding claims	195.7	123.5	164.0	150.8	**634.0**
Creditors	64.2	-	-	-	**64.2**
	259.9	**123.5**	**164.0**	**150.8**	**698.2**
As at 20 February 2019					
Gross outstanding claims	211.1	135.4	181.9	157.6	**686.0**
Creditors	71.8	-	-	-	**71.8**
	282.9	**135.4**	**181.9**	**157.6**	**757.8**

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 assets and liabilities measured at fair value at 20 February 2020 and at 20 February 2019.

Financial assets at fair value through Statement of Income and Contingency Reserves:

	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
As at 20 February 2020				
Shares and other variable yield securities and unit trusts	**10.9**	**-**	**-**	**10.9**
Debt securities and other fixed income securities	**44.1**	**2.0**	**-**	**46.1**
Forward currency contracts	**0.2**	**-**	**-**	**0.2**
	55.2	**2.0**	**-**	**57.2**
As at 20 February 2019				
Shares and other variable yield securities and units in unit trusts	7.3	-	-	7.3
Debt securities and other fixed income securities	35.8	0.8	-	36.6
Forward currency contracts	0.1	-	-	0.1
	43.2	0.8	-	44.0

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 and Poor's
- to manage exposures to movement in exchange rates
- to retain financial flexibility by maintaining strong liquidity

The club's regulators are the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The club is subject to capital requirements in the form of a Solvency Capital Requirement (SCR) and a Minimum Capital Requirement (MCR). The SCR is calibrated to ensure that all quantifiable risks to which the club is exposed are taken into account and corresponds to the Value-at-Risk of capital subject to a confidence level of 99.5% over a one-year period. The MCR sets a capital requirement significantly lower than the SCR and corresponds to an amount of capital below which policy holders are exposed to an unacceptable level of risk.

The Solvency II regime provides specific rules for the valuation of assets and liabilities, including technical provisions, which differ in some respects from UK GAAP. Furthermore, Solvency II rules for the determination, classification and eligibility of own funds limit the comparability of the club's accumulated reserves measured under UK GAAP with its own funds eligible to meet its SCR and MCR. The club's capital management objectives and processes are designed to align with Solvency II rules on the calibration of financial risks and measurement of own funds available to meet these financial risks. Information on objectives for managing capital in line with financial risks as measured on a Solvency II consistent basis is provided in Section 5 of the club's SFCR available on its website.

The club complied with its SCR and MCR throughout the period under review. As disclosed in the audited SFCR, the club's SCR is $47.8m (2019: $60.2m) and the MCR is $11.9m (2019: $15.1m).

Financial Risks of Climate Change

Climate change, and society's response to it, presents many financial risks. Whilst the financial risk from climate change may crystallise in full over a longer time horizon, they are also becoming apparent now. After the PRA issued a supervisory statement in April 2019, the Club has considered the financial risks and the associated materiality. The financial implications are being assessed through scenario analysis, which builds upon an industry wide exercise being conducted by the UK regulator.

The impact of climate change is expected to increase the number and severity of severe weather events. This may lead to an increase in weather related claims (e.g. 'damage to cargo') but the industry is expected to adapt accordingly. Ships do not intentionally sail when there is extreme weather and are typically able to avoid it. Quality owners/operators should be able to prevent an increase in such liability claims. However, climate change may also cause turmoil in investment markets. The current scenario analysis assumes simultaneous market shocks (similar to approach in the PRA guidance) – interest rate shift, credit spread widening and fall in equities.

The Chief Risk Officer has been allocated the responsibility of managing the financial risks of climate change and their statement of responsibilities have been updated accordingly. These risks identified will be continually monitored across multiple sub-groups including:

- Finance
- Risk & Compliance

COVID-19

As disclosed in further detail in Note 21, the club continues to monitor and respond to the global COVID-19 pandemic.

13. Claims outstanding

The board closed the 2017/18 policy year at its meeting on 15 May 2020. The table below provides the position after closure.

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Open years										
Claims	**341.9**	328.5	**333.0**	308.1	**3.2**	5.0	**5.7**	15.4	-	-
Interclass reinsurance	**-**	-	**0.3**	0.6	**-**	-	**(0.3)**	(0.6)	-	-
Reinsurance recoveries	**(328.2)**	(309.6)	**(320.4)**	(291.8)	**(2.9)**	(4.5)	**(4.9)**	(13.3)	-	-
Net claims provision for open years	**13.7**	18.9	**12.9**	16.9	**0.3**	0.5	**0.5**	1.5	-	-
Closed years										
Claims	**292.1**	357.5	**279.9**	348.9	**1.0**	1.0	**11.2**	7.6	-	-
Interclass reinsurance	**-**	-	**0.5**	-	**-**	-	**(0.5)**	-	-	-
Reinsurance recoveries	**(266.9)**	(332.3)	**(256.2)**	(324.3)	**(1.0)**	(1.0)	**(9.7)**	(7.0)	-	-
Net claims provision for closed years	**25.2**	25.2	**24.2**	24.6	**-**	-	**1.0**	0.6	-	-
Total										
Claims	**634.0**	686.0	**612.9**	657.0	**4.2**	6.0	**16.9**	23.0	-	-
Interclass reinsurance	**-**	-	**0.8**	0.6	**-**	-	**(0.8)**	(0.6)	-	-
Reinsurance recoveries	**(595.1)**	(641.9)	**(576.6)**	(616.1)	**(3.9)**	(5.5)	**(14.6)**	(20.3)	-	-
Net claims provision	**38.9**	44.1	**37.1**	41.5	**0.3**	0.5	**1.5**	2.1	-	-

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.

13.1 Movement in insurance and reinsurance contracts

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Claims outstanding										
As at 21 Feb	**686.0**	826.2	**657.0**	796.7	**6.0**	8.0	**23.0**	21.4	**-**	0.1
Claims paid in the year	**(281.2)**	(309.0)	**(263.8)**	(288.6)	**(7.8)**	(6.1)	**(9.6)**	(14.3)	**-**	-
Changes to reserves	**229.2**	168.8	**220.5**	148.9	**6.0**	4.1	**2.7**	15.9	**-**	(0.1)
As at 20 Feb	**634.0**	686.0	**613.7**	657.0	**4.2**	6.0	**16.1**	23.0	**-**	-
Reinsurers' share of claims outstanding										
As at 21 Feb	**(641.9)**	(779.2)	**(616.1)**	(752.5)	**(5.5)**	(7.3)	**(20.3)**	(19.3)	**-**	(0.1)
Reinsurance recoveries made in the year	**264.4**	298.2	**249.7**	281.4	**7.0**	5.5	**7.7**	11.3	**-**	-
Changes to reserves in the year	**(217.6)**	(160.9)	**(210.2)**	(145.0)	**(5.4)**	(3.7)	**(2.0)**	(12.3)	**-**	0.1
As at 20 Feb	**(595.1)**	(641.9)	**(576.6)**	(616.1)	**(3.9)**	(5.5)	**(14.6)**	(20.3)	**-**	-
Total net liabilities	**38.9**	44.1	**37.1**	40.9	**0.3**	0.5	**1.5**	2.7	**-**	-
Unearned reinsurance premium										
As at 21 Feb	**(12.6)**	(12.6)	**(12.6)**	(12.6)		-		-		-
Calls & premiums written in the year	**12.6**	(12.6)	**12.6**	(12.6)		-		-		-
Calls & premiums earned in the year	**(13.3)**	12.6	**(13.3)**	12.6		-		-		-
As at 20 Feb	**(13.3)**	(12.6)	**(13.3)**	(12.6)		-		-		-
Total reinsurance assets & unearned reinsurance premium	**(608.4)**	(654.5)	**(589.9)**	(628.7)	**(3.9)**	(5.5)	**(14.6)**	(20.3)		-
Total	**25.6**	31.5	**23.8**	28.3	**0.3**	0.5	**1.5**	2.7		-

13.2. Development claim tables

Claims outstanding (Gross)											
Policy year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Estimate of ultimate claims costs:											
- at end of policy year	270.0	418.9	308.1	312.1	309.8	304.2	205.4	197.9	359.3	149.9	2,835.6
- one year later	311.4	622.1	284.6	344.1	271.5	267.1	184.0	199.0	450.1		2,933.9
- two years later	303.9	789.7	273.6	383.9	248.0	270.5	171.9	188.3			2,629.8
- three years later	290.2	939.4	273.5	485.3	264.7	251.4	169.6				2,674.1
- four years later	278.8	928.2	276.8	463.1	255.7	250.5					2,453.1
- five years later	275.7	935.4	281.6	397.4	243.7						2,133.8
- six years later	272.1	929.3	197.8	398.9							1,798.1
- seven years later	272.3	911.4	196.5								1,380.2
- eight years later	265.9	924.7									1,190.6
- nine years later	264.9										264.9
Current estimate of cumulative claims	264.9	924.7	196.5	398.9	243.7	250.5	169.6	188.3	450.1	149.9	3,237.1
Cumulative payments to date	(249.0)	(902.0)	(184.3)	(381.6)	(210.1)	(251.0)	(134.1)	(133.2)	(207.3)	(54.8)	(2707.4)
Liability recognised in the balance sheet	15.9	22.7	12.2	17.3	33.6	(0.5)	35.5	55.1	242.8	95.1	529.7
Provision in respect of prior years											104.3
Total provision included in the Statement of Financial Position											634.0

Claims outstanding (net)											
Policy year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Estimate of ultimate claims costs:											
- at end of policy year	16.7	21.4	22.0	23.0	21.2	23.0	17.5	16.7	20.2	10.5	192.2
- one year later	18.7	22.5	19.6	23.6	19.1	22.0	17.6	17.7	21.4		182.2
- two years later	17.0	20.6	18.3	23.6	18.3	22.4	16.6	17.8			154.6
- three years later	16.4	20.5	18.0	24.6	18.6	21.4	16.5				136.0
- four years later	15.7	19.7	18.6	24.5	18.3	21.3					118.1
- five years later	15.4	19.8	18.5	23.3	18.2						95.2
- six years later	15.2	19.4	17.1	23.4							75.1
- seven years later	15.1	18.8	16.8								50.7
- eight years later	14.6	18.8									33.4
- nine years later	14.7										14.7
Current estimate of cumulative claims	14.7	18.8	16.8	23.4	18.2	21.3	16.5	17.8	21.4	10.5	179.4
Cumulative payments to date	(14.3)	(18.3)	(17.4)	(22.3)	(15.8)	(19.2)	(13.2)	(11.8)	(12.8)	(4.6)	(149.7)
Liability recognised in the balance sheet	0.4	0.5	(0.6)	1.1	2.4	2.1	3.3	6.0	8.6	5.9	29.7
Provision in respect of prior years											9.2
Total provision included in the Statement of Financial Position											38.9

13.3 Discounted Claims

The claims relating to asbestos related liabilities have been discounted as below.

	Discount rates		Mean term of liabilities	
	2020	2019	**2020**	2019
Asbestos related liabilities	**1.8%**	3.3%	**6.4 years**	7.4 years

The period that will elapse before claims are settled is determined using a statistical analysis of historical settlement patterns.

The claims provisions before discounting are as follows:

	Before discounting		**Effect of discounting**		**Discounted provision**	
	2020	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
Total claims provisions	**641.3**	699.8	**(7.3)**	(13.8)	**634.0**	686.0
Reinsurers share of claims provision	**(601.7)**	(654.3)	**6.6**	12.4	**(595.1)**	(641.9)
	39.6	45.5	**(0.7)**	(1.4)	**38.9**	44.1

The net impact in the club's accounts of the applied discount is $(0.7)m (2019: $(1.4)m). The weighted average investment return on the long-term assets supporting the liabilities being discounted was 1.8% (2019: 3.3%).

14. Debtors arising out of direct insurance operations

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Members	**29.5**	68.4	**28.1**	65.8	**0.9**	1.4	**0.2**	1.1	**0.3**	**0.1**
Intermediaries	**0.1**	0.3	**0.1**	0.1	**-**	0.1	**-**	0.1	**-**	**-**
Reinsurers	**18.2**	46.7	**18.2**	46.7	**-**	-	**-**	-	**-**	**-**
Debtors arising out of direct insurance operations	**47.8**	115.4	**46.4**	112.6	**0.9**	1.5	**0.2**	1.2	**0.3**	**0.1**

15. Creditors arising out of direct insurance operations

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Members	**3.2**	8.8	**2.9**	8.2	**0.2**	0.2	**0.1**	0.4	**-**	-
Intermediaries	**2.5**	7.5	**2.3**	6.9	**0.1**	0.3	**0.1**	0.3	**-**	-
Reinsurers	**33.1**	32.2	**33.1**	32.2	**-**	-	**-**	-	**-**	-
Creditors arising out of direct insurance operations	**38.8**	48.5	**38.3**	47.3	**0.3**	0.5	**0.2**	0.7	**-**	-

16. Other creditors including taxation

	Total		Class 1 - P&I		Class 2 - Defence		Class 3 - London		Class 4 - War	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
		Restated		Restated						
	US$m	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m	**US$m**	US$m
Corporation tax	**-**	-	**-**	-	**-**	-	**-**	-	-	-
Trade creditors	**0.1**	0.4	**-**	-	**-**	-	**0.1**	0.4	-	-
Other creditors	**1.8**	1.9	**1.0**	0.7	**0.8**	1.1	**-**	0.1	-	-
	1.9	2.3	**1.0**	0.7	**0.8**	1.1	**0.1**	0.5	-	-

17. Rates of exchange

	2020	2019
The following rates of exchange were applicable to US$1 at 20 February 2020 (2019)		
Australian dollars	**1.49**	1.40
Bermudian dollars	**1.00**	1.00
Canadian dollars	**1.32**	1.33
Euro	**0.92**	0.89
Japanese yen	**109.77**	110.56
Singapore dollars	**1.39**	1.36
Swiss francs	**0.98**	1.01
UK sterling	**0.77**	0.78

18. Dividends

The directors have paid a dividend of $25m during the year (2019: $10m). The directors are not proposing any further dividends for the year ended 20 February 2020.

19. Ultimate parent undertaking

The directors regard The Standard Club Ltd, a company registered in Bermuda, as the immediate and ultimate parent undertaking and ultimate controlling party. Copies of the consolidated financial statements of The Standard Club Ltd can be obtained from the registered office: Swan Building, 26 Victoria Street, Hamilton HM 12, Bermuda.

A parental guarantee exists to ensure that the club is able to meet its liabilities as they fall due.

20. Related parties

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.

The club′s managers, Charles Taylor plc was acquired by Lovell Minnick Partners LLC and became Charles Taylor Limited on 21 January 2020. The acquisition does not impact the current arrangement with the club and the managers will continue to provide its services according to the management services agreement currently in place. The Standard Group paid management fees to the managers for the year of $61.0m (2019: $56.2m) of which $22.3m was allocated to Standard UK (2019: $45.4m). The management fee covers the acquisition costs, administrative expenses and claims handling expenses of the club.

Four of the directors are representatives or agents of member companies. Three are expert non-executive directors. One is a director of Charles Taylor Limited and another is a senior executive Charles Taylor Limited. Other than the insurance and membership interest of the directors' companies, the directors have no financial interests in the club.

21. Events after the reporting date

COVID-19

The directors have been monitoring the development of the impact of COVID-19 both directly on the club’s business and indirectly through the development of government policy and advice. The main considerations are as follows.

Operational

The club’s managers have full business continuity contingency plans, including disaster recovery, 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 or pandemic. Business records and documentation are stored electronically, are regularly backed-up and are accessible remotely from anywhere in the world. Due to the COVID-19 pandemic which started at the beginning of 2020, every aspect of the manager’s contingency plans have been implemented. Personnel in all of the manager’s global offices have successfully transitioned to working from home and the club has been able to continue to provide the same level of service to its members.

Risks underwritten

The club insures only limited aspects of the effects of COVID-19. The marine protection and indemnity (P&I) policies which form the majority of the club’s book provide cover for crew illness and death, crew repatriation and substitution, passenger illness and death, broader liabilities to passengers arising out threats to life, health or safety on board, third-party illness and death and additional quarantine expenses. The club also provides legal expenses cover for members (Defence), and cover for COVID-19 related delays. The net aggregate of COVID-19 claims notified up to 30 April 2020 across all classes of business amounted to less than $1m.

Investment portfolio
The club has reduced the size of its investment portfolio since the year end and has removed some of its equity exposure in an effort to de-risk the portfolio. This has mitigated the impact of the volatile investment market on the club's investment return, with club recording a 0.5% deficit ($0.3m) in the period from 20 February 2020 to 30 April 2020.

Policyholders
In the likely event of a major downturn in economic conditions, there will be members and business partners of the club who will be affected. The impact on the club in the short term could likely be pressure on debt recovery, and in addition, in the medium term, in pressure on premium, but there are also likely to be reduced levels of claims due to diminished levels of activity. For most members, P&I insurance is effectively compulsory, but laid-up ships will pay reduced premiums. The managers maintain very close links directly with members and through brokers network, and will respond as necessary as the position develops. However, given the high level of liquid investments held and mechanisms in place to enable quick access to reinsurance recoveries, the risk on cash-flow and liquidity is very low, although monitoring of reinsurer credit ratings will be important.

Regulators and Forecasts
The directors continue to model stressed future scenarios to assess the club's compliance with regulatory capital requirements in the context of the risk appetite determined by the Board. The directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the club's activity and the level of capital maintained to support that activity.

Going Concern
As at the date of signing these financial statements, the directors' forecasts up to 20 February 2023 indicate that the club will be able to maintain liquidity and a surplus over its Solvency Capital requirement, and will therefore be able to continue to trade as a going concern. Even in severely stressed scenarios the conservative investment portfolio held by the club and the comprehensive reinsurance arrangements in place, will limit the extent of any downside risk. The directors are constantly monitoring the position in case any such stressed scenarios become more likely than is judged to be the case currently, however none would cause any going concern issues.

OTHER INFORMATION

ANNUAL GENERAL MEETING

In light of the current pandemic and precautionary measures to avoid the spread of the COVID-19 virus, the meeting will be convened in a virtual environment to conduct the business of the meeting.

Details of how to join the meeting will be sent out at a later date.

NOTICE OF ANNUAL GENERAL MEETING

THE STANDARD CLUB UK LTD (the 'Company') Registered no: 17864

Notice is hereby given that the 136th Annual General Meeting (the meeting) of the Company will be held on Tuesday 18 August 2020 at 12.30pm (UK time) at The Minster Building, 21 Mincing Lane, London, EC3R 7AGfor the purpose of considering and, if thought fit, passing the following resolutions.

SPECIAL RESOLUTION

Articles of Association

1. THAT with effect from the execution of a framework agreement (relating to the sale of certain companies) between members of the Chales Taylor group and the Company (and/or members of its group), the Articles of Association, made available to the members, and produced to the meeting, being initialled by the chairman of that meeting for the purpose of identification, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of existing Articles of Association.

ORDINARY RESOLUTIONS

Reports and financial statements

2. THAT the reports of the directors and auditors and the audited financial statements of the company for the year ended 20 February 2020 be received and adopted.

Annual re-election of directors

3. THAT Alistair Groom be re-elected as a director of the company.
4. THAT Jeremy Grose be re-elected as a director of the company.
5. THAT Nicolas Hadjioannou be re-elected as a director of the company.
6. THAT Barnabas Hurst-Bannister be re-elected as a director of the company.
7. THAT Ricardo Menendez Ross be re-elected as a director of the company

Appointment of auditors

8. THAT BDO LLP be re-appointed as auditors, and that the directors be authorised to fix their remuneration.

Date: 30 July 2020

By order of the Board
Charles Taylor & Co Limited
Secretary

Registered Office:
The Minster Building
21 Mincing Lane
London EC3R 7AG

Notes:

1. A member of the company entitled to attend, speak and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her 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 notarially certified copy of the same), is deposited with the Secretary of the company, Charles Taylor & Co Limited, The Minster Building, 21 Mincing Lane, London EC3R 7AG, or scanned and emailed to p&i.london@ctplc.com not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
4. A corporate shareholder 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 UK LTD ('the Company')

Registered no: 17864

136th ANNUAL GENERAL MEETING
18 August 2020 at 12.30pm ('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 The Minster Building, 21 Mincing Lane, London, EC3R 7AG, and at any adjournment thereof.

Signature………………………………………

Dated…………………………………….2020

☐ My proxy is not a member of the company and their email address is as follows:

…………………………………………………….
Please provide an email address is the proxy is not a member of the club

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

SPECIAL RESOLUTION	FOR	AGAINST
1. THAT THE Articles of Association be adopted as the Articles of Association of the Company.		
ORDINARY RESOLUTIONS	FOR	AGAINST
2. THAT the reports of the directors and auditors and the audited financial statements of the company for the year ended 20 February 2020 be received and adopted.		
3. THAT Alistair Groom be re-elected as a director of the company.		
4. THAT Jeremy Grose be re-elected as a director of the company.		
5. THAT Nicolas Hadjioannou be re-elected as a director of the company.		
6. THAT Barnabas Hurst-Bannister be re-elected as a director of the company.		
7. THAT Ricardo Menendez Ross be re-elected as a director of the company.		
8. THAT BDO LLP be re-appointed as auditors of the company, and the directors be authorised to fix their remuneration.		

Re-election of directors holding office for over nine years: Directors' biographies

Alistair Groom	Former CEO of the managers' London agents
Ricardo Menendez Ross	CEO Interocean Transportation Inc.

Notes

1. A member may appoint a proxy of his own choice. If such an appointment is made, delete the words 'the chairman of the meeting' and insert the name of the person appointed proxy in the space provided. A proxy need not be a member. If the proxy is not a member of the company please provide their contact details on the proxy form so that they can receive details of how to join the meeting.
2. If the appointor is a corporation, this form must be under the hand of some officer or attorney duly authorised in that behalf.
3. If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
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 Limited, The Minster Building, 21 Mincing Lane, London EC3R 7AG, or scanned and emailed to p&i.london@charlestaylor.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 OFFICERS

Managers
Charles Taylor & Co (Bermuda)

Company Secretary
Charles Taylor & Co Limited

Registered office of the club
The Minster Building
21 Mincing Lane
London EC3R 7AG

Telephone +44 20 3320 8888

Facsimile +44 20 3320 8800

Email pandi.london@ctplc.com

www.standard-club.com

www.charlestaylor.com