

Copenhagen Board Meeting

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The standard for
service and security

The Standard



Jeremy Grose
Chief Executive
+44 20 3320 8835
jeremy.grose@ctplc.com

Financial performance 2014-15

The board reviewed and approved the audited financial results of the 2014-15 financial year. The club delivered a 'break-even' underwriting performance, with a combined ratio of 100% – in line with the board's target and comparable with last year's ratio of 101%.

Tonnage after the February 2015 renewal stood at 135m gt, an increase of 3% over the year from 131m gt. This increase was achieved in spite of a small reduction in tonnage at renewal. Each year, the club takes steps to ensure the overall quality of the portfolio. As a result, some members were not renewed, due either to unacceptable operating standards or to an unwillingness to align premiums paid with risk brought to the club. Several new members joined the club at renewal, and many members have committed further tonnage during 2015/16.

The club's investment assets returned around 1.8% during the financial year, which was slightly below the return of the 'benchmark' portfolio used to assess performance. The result was negatively impacted by currency movements, which depressed the value of the club's non-US dollar investments. The investment return excluding the impact of FX movements was approximately 5.7%. The allocation of assets is conservative, with 41% of the portfolio allocated to sovereign bonds and a further 29% to corporate bonds. The club's investment portfolio is consistent with AAA capital strength as measured by Standard and Poor's.

The club board, and the boards of its principal subsidiaries, met in Copenhagen on 12 May 2015. On the previous day, meetings of the board's three committees – Nomination and Governance, Strategy, and Audit and Risk – took place. We report on these below.

The club's free reserves increased to \$380m at year end, from \$369m, as a result of the club's investment returns. Growth in free reserves of 3% is in line with the growth in tonnage during the year. The board reviewed the level of free reserves against its assessment criteria and concluded that the free reserves are currently at an appropriate level.

The club's levels of release calls were reviewed by the board. As a result of the club's strong financial position, it was decided to reduce the release calls for the P&I and defence classes to 2%, 3% and 7% for the 2013/14, 2014/15 and 2015/16 years respectively. The club's previous levels of release calls were already one of the lowest in the International Group, and the new reduced levels reflect the board's confidence in the club's position and outlook.

Overall, the board believes that the financial position of the club is consistent with its aim of providing leading financial strength to its members and that the club is well positioned for the future. The board is mindful that the club's stable underwriting performance of the last two years reflects members' support for the club at renewal and that shipping markets remain under pressure such that any increase in rates is unwelcome. At the same time, the board hopes that the club's cover and service can help all members come through the current challenging times for the shipping industry.

The club's strategy and business plan

The board confirmed the club's strategy – to provide broad, good-value, sustainable, flexible P&I insurance and related covers, with excellent financial security, market-leading service and a selective approach to growth. The board agreed a continued emphasis on the operating quality of current and potential members, and that this was of particular importance in light of the persistent challenging market conditions for shipowners. The board reviewed progress in delivering this strategy and the risks to achieving it, and concluded that the club is well positioned. The club's managers are working on a number of important initiatives to deliver the strategy and to achieve continued underwriting stability while minimising the rate rises required of club members. These include initiatives to increase the discipline and rigour of the club's underwriting decisions, to reduce third-party spend on claims and to enhance the club's loss prevention capabilities. The board reviewed progress against each of these initiatives and endorsed the club's approach to each.

The board also discussed trends in the P&I insurance market, and confirmed the club's position and approach with respect to the International Group (IG). The board views the protection for shipowners – both financial and reputational – afforded by the IG Pooling arrangements as central to the club's strategy. The club is committed to supporting the IG's initiatives to improve the security and service it provides to shipowners and to the industry. The club plays and will continue to play an active role in the various IG subcommittees and working groups, underpinned by a belief that no aspect of the IG's operations should be immune to challenge – with the aim of refining and strengthening the system, rather than revolutionising it.

The Standard Syndicate at Lloyd's (Syndicate 1884)

The board decided in early 2014 to establish a Lloyd's syndicate in order to develop the club's range of covers and to diversify and strengthen the club, and the board and its committees have reviewed progress against this important initiative at each board meeting and through regular discussions and communications between meetings. The syndicate and managing agency received the necessary approvals and raised the required capital from external investors in March 2015 and, as a result, started underwriting from 1 April 2015. The focus is now on delivering the year one business plan for the syndicate, and the syndicate underwriters and club teams are working very closely together to offer the appropriate range of covers to each club member. The board believes that this model will enable members to benefit from the club's high standards of service, reasonable pricing and leading financial stability across a broader range of marine and energy covers.

The board views the syndicate as an important part of the strategic and financial success of the club, and encourages club members and their brokers to consider the syndicate seriously as they determine how best to meet their non-P&I insurance needs.



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Emergency mobile: +44 7932 113573
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Charles Taylor