

Standard bulletin

October 2017

**The Standard
for service and security**



**Standard
Club**

The Standard Club's directors met in Rome in May and the boards of its two main subsidiaries – Standard Europe and Standard Asia – met in London and Singapore respectively in July. This bulletin summarises the discussions and outcomes of the various meetings. It also reviews how the club has been delivering on its strategic objectives during the first half of the 2017/18 policy year and how it plans to continue doing so.



Jeremy Grose
Chief Executive

T +44 20 3320 8835

E jeremy.grose@ctplc.com

Meetings

This year, The Standard Club's board of directors met on 12 May 2017 at the Confederation of Italian Shipowners in Rome. The nomination and governance, strategy, and audit and risk committees held meetings the day before, and the London Class committee met just after the main board meeting.

Two months later, the Standard Europe board held a meeting at Standard House in London on 20 July and the Standard Asia board met in Singapore on 26 July – coinciding with its 20th anniversary.

Change in chairman

The chairman of The Standard Club's board, Rod Jones, advised the directors in May 2017 of his intention to step down following his retirement from the CSL Group Inc in March this year. Joint deputy chairman, Cesare d'Amico of d'Amico Societa di Navigazione SpA, was unanimously elected, and will become Acting Chairman, subject to regulatory approval, from the next board meeting in Hong Kong on 20 October.

Nicolas Hadjioannou from Alassia Newships Management Inc will become the new joint deputy chairman, working alongside Erik Johnsen of Seaocean Carriers Pte Ltd.

On behalf of everyone at The Standard Club and Charles Taylor, I would like to thank Rod for his dedication and service to the club over the past 15 years, of which the last four years have been as chairman.



Cesare d'Amico (centre) is taking over from Rod Jones (left). They are joined by former chairman, Riccardo Menendez (right).

Tonnage

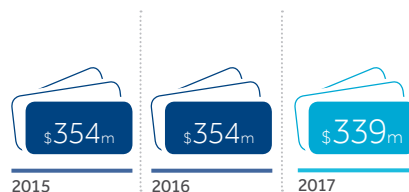


Tonnage and finance

The board approved the club's audited result for 2016/17 at its meeting in Rome, and this was summarised in the club's circular of 22 May and published in the annual report. By way of a reminder, the club achieved a combined ratio of 95% for a second year in a row – including allowing for a 5% return of mutual premium – while net investment returns were 3%. Free reserves rose by \$40m to \$430m.

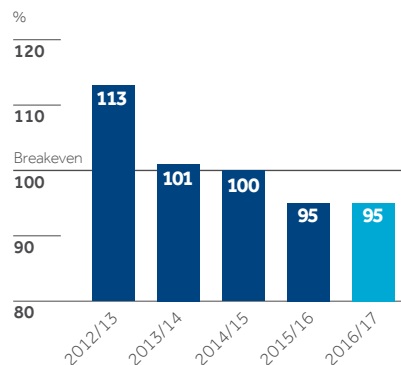
The board was also updated in May on tonnage development, which grew by 9% in 2016/17 to reach 150mgt. In line with the club's strategic objective to achieve selective growth, additional tonnage has been added in the six months since renewal, with new members joining the club as well as organic growth from existing members.

Calls and premiums

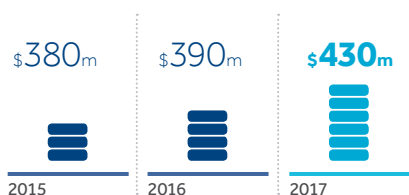


Investments have continued to produce positive returns in the first half of the 2017/18 policy year despite ongoing volatility in the global investment markets. As at 20 August, internal estimates indicate that the investment portfolio return (excluding Standard House and CT plc shares) is about 3.9%. Combined with relatively stable claims, the club remains on target to achieve a breakeven underwriting result this policy year and a modest increase in its free reserves.

Financial year combined ratio

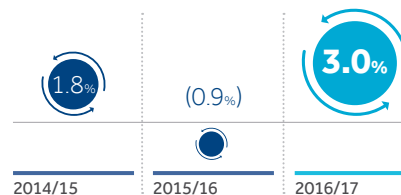


Free reserves



Maintaining a healthy free level of reserves is a key measure of the club's financial strength and part of its strategic objective to provide first-class financial security to members. In this regard, Standard & Poor's reaffirmed the club's 'A' rating on 22 June.

Investment return



The Standard Club aims to provide first-class financial security. On 22 June, S&P reaffirmed the club's 'A' rating.



The Standard Club's directors gathering in Rome for their board meeting in May.

Standard Europe and brexit

Part of the discussion at the club's board meetings focused on Britain's planned departure from the European Union in March 2019. With a 'hard brexit' looking increasingly likely, UK-based Standard Europe is expected to lose its right to insure members remaining in the EU, which – based on current entries – would account for around 35% of the club's owned tonnage.

The current plan for the club's post-brexit structure is therefore to create a new subsidiary, Standard EU, with a new office opening within the remaining EU.

Discussion with regulators within the EU is ongoing and a decision on where to base the new EU office will be made at the next board meeting in Hong Kong on 20 October. Nick Taylor, Underwriting Director, New Initiatives, who returned to London in August after more than six years in Singapore, will be playing a key role in implementing the club's brexit plan.

Standard Asia celebrates

Standard Asia's board celebrated the 20th anniversary of its foundation in Singapore with a reception after its meeting on 26 July. Led by the recently appointed chairman of Standard Asia, Bhumindr Harinsuit of The Harinsuit Transport Co Ltd, the club and its directors hosted a reception for more than 250 members and guests from across the Asia-Pacific shipping community at the National Gallery of Singapore.

Over the past two decades, Standard Asia has grown to around 15% of the club's total business, with the largest entries coming from Singapore, South Korea and Hong Kong. Charles

Taylor Mutual Management Asia Pte Ltd now employs 33 people across its Singapore and Hong Kong offices.

London Class

The London Class committee, chaired by Gunther Jaegers of Reederei Jaegers GmbH, met on 12 May. London Class, which forms part of Standard Europe, provides tailored mutual and fixed premium policies to owners of small craft.

The class grew significantly at renewal and now represents 3% of The Standard Club's business by tonnage, but 50% by vessel numbers.

Standard Syndicate expands

The Standard Club sees the development of The Standard Syndicate at Lloyd's, which was launched in 2015, as an important part of its strategy to become a broadly diversified marine and energy insurer.

The syndicate is in the early days of its development and is making very good progress. However, it was launched into a sustained soft insurance market which has put a downward pressure on premiums. While this has been beneficial to the many club members with syndicate policies, it has resulted in initial losses. These are to be expected and The Standard Club's board is committed to the long term development of the syndicate and will invest to enable it to develop and grow.

This year, in line with the syndicate's strategy, it has started underwriting cyber and additional selective non-marine property classes in addition to its established hull, cargo, property, energy, and directors' and officers' liability. The syndicate has also recruited additional senior

underwriters who are successfully bringing new business into the Lloyd's market. Overall, we believe the syndicate is making very good progress in building a successful new marine and energy-related underwriting presence at Lloyd's.



The Standard Club aims to offer a broad range of P&I insurance and other marine and energy covers that represent excellent and sustainable value. Its investment in The Standard Syndicate is one of the initiatives we have undertaken to meet this objective.

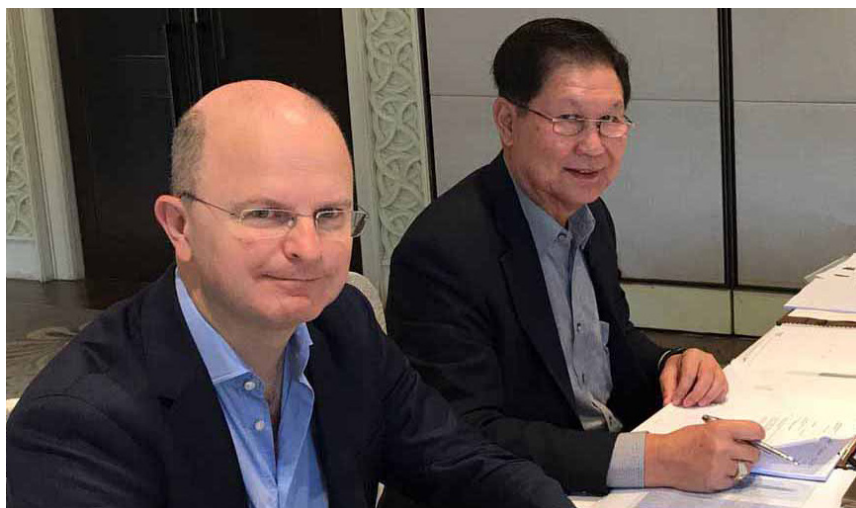
Offshore committee launched

In July, the club launched a new offshore advisory committee. Chaired by Claire Bromley of Subsea 7, the committee consists of senior figures in the offshore energy industry – including representatives from Allseas, Bumi Armada, Floatel, Nortrans, Saipem and SBM – all of which are club members.

The committee will work collaboratively to review operational issues, new regulations and contracting trends in the offshore energy sector in order to increase the club's understanding of members' problems, and help ensure the club's response is the most appropriate and supportive for offshore energy members.



The Standard Club aims to provide excellent service through solving members' problems. The new offshore advisory committee will help to improve service to members in the offshore energy sector.



David Roberts, Managing Director, Charles Taylor, Mutual Management (Asia) Pte Ltd and Bhumindr Harinsuit, The Harinsuit Transport Co Ltd and Chairman of Standard Asia

Member and broker feedback

The managers are currently reviewing the results of the annual member and broker survey, and will be discussing the results with The Standard Club board in October. The views of members and brokers are vital to assess whether the club is continuing to deliver the intended high level of service and to identify where there is any room for improvement. The results and responses will be announced later in the year.

Promoting diversity and inclusion

Another means of delivering service excellence is to ensure diversity in the club's management, enabling it to draw on a rich and diverse pool of talented people. The managers have recently established a diversity and inclusion forum, with the objective of ensuring that the club benefits from a broader pool of talent to support its ongoing development.

A diversity and inclusion strategy is being launched in the latter half of 2017 and members will be updated in due course on specific initiatives arising therefrom. Members of staff recently participated in the Lloyd's Dive In Festival which is in its third year and generating a large amount of interest worldwide within the insurance industry.

Protecting personal data

The board of Standard Europe discussed the EU's new General Data Protection Regulation, which comes into force in May 2018 and will change the way companies use data by providing more protection for data subjects. The managers are taking steps over the next few months to ensure that both the club and its managers are compliant by this deadline – more information will be provided to the membership in due course.

Cyber

In July, The Standard Club supported award-winning global maritime cyber security awareness campaign, Be Cyber Aware at Sea, and Fidra Films to launch a new venture which aims to highlight the vital and increasing importance of cyber security across the maritime industry.

The series of films uses real-life case studies to highlight how easy it is for cyber criminals to target individual employees, who are often the weakest link in the security chain. A shocking 99% of cyber attacks target people rather than IT infrastructure, and lots of people still fail to spot the signs of simple phishing emails, or accidentally give away secure information to hackers via email or social media. The videos therefore focus on tips to avoid being a target for cyber criminals.

This release is particularly timely given the recent reports of a widespread cyber attack affecting companies around the world.

The videos are freely available on YouTube and members are encouraged to distribute them to their fleets and to reinforce the messages.

The [main video](#) is accompanied by six short videos exploring each of the six risks in more detail. These are:

- [Personal devices](#)
- [Social media](#)
- [Sextortion](#)
- [Passwords](#)
- [Safe browsing](#)
- [Phishing](#)



Preparing for renewal

The 20 February 2018 renewal will be discussed at the board meeting in Hong Kong on 20 October 2017. The board remains committed to achieving another breakeven underwriting result in 2018/19 given continuing uncertainty in investment markets and the importance of maintaining a strong free reserve. Detailed plans for the renewal will be announced towards the end of the year.

Conclusion

I trust this bulletin demonstrates how The Standard Club is continuing to deliver on its strategic objectives during 2017/18, namely:

- to offer a broad range of P&I insurance and other marine and energy covers that represent excellent and sustainable value
- to be recognised as providing excellent service through solving members' problems
- to provide first-class financial security
- to achieve selective growth, consistent with the other objectives.

The Standard Club is continually looking for ways in which to ensure that these objectives are met and we very much value our members' input in this regard.

However, there are times when a line has to be drawn between individual and collective benefit – an example being discretionary cover for MARPOL fines in the USA. A recent claim for a MARPOL fine against a Standard Asia member was partially approved by the board in May, but the directors wish to remind members that support for such claims is only available in exceptional circumstances. Sam Kendall-Marsden, the club's newly appointed Legal Director, concludes this bulletin by setting out the club's policy on discretionary cover for MARPOL fines.

Finally, my thanks go again to all members for their continued commitment to The Standard Club. Above all else, it is this support that enables the directors and, in turn, the managers to continue to deliver high-quality insurance cover backed by exceptional standards of service.



MARPOL fines for oil pollution and operational best practice

Members are reminded that club cover for fines under the International Convention for the Prevention of Pollution from Ships (MARPOL) is discretionary. They should not expect the club's board to approve reimbursement, save for under truly exceptional circumstances. The board may also impose a penalty to reflect a member's culpability.



Sam Kendall-Marsden
Legal Director

T +44 20 3320 8876

E sam.kendall-marsden@ctplc.com

In recent years, the club has seen an increase in both the number of fines for MARPOL violations in respect of oil pollution and also the level of fines. This is particularly so in the USA, where MARPOL fines have run into millions of dollars.

Basis of liability

The illegal practices that result in MARPOL investigations and prosecutions usually involve:

- bypassing the oily water separator when dealing with bilge water or the discharge of sludge overboard rather than by incineration or disposal ashore
- unauthorised alterations to the piping arrangements in the engine room
- the use of flexible hoses or so-called 'magic pipes'
- the provision of false statements and records, conspiracy and obstruction of justice (witness tampering and destruction of evidence).

A shipowner can be found guilty of MARPOL violations even if it was unaware of the crew's actions, if those actions benefitted the company (generally interpreted to mean saving money) and were related to the crew's responsibilities. It is then for the shipowner to demonstrate that it had in place adequate environmental policies and procedures to prevent this.

Club cover

To have any prospect of recovery from the club, a member needs to satisfy the board that it had taken all such steps as appear to the board to have been reasonable to avoid the event giving rise to the fine. This is a very difficult test to meet and involves detailed scrutiny of the circumstances of the offence, as well as an assessment of the environmental policies and procedures in place.

There will be no recovery in the event of any personal act or default on the part of a member (or its managers) or where there has been wilful misconduct. Because cover for MARPOL fines is discretionary, the club will only provide security as a last resort and a member will need to provide adequate counter-security, usually by way of a bank guarantee.

In terms of claims handling, a member would be expected to act as a 'prudent uninsured' in responding to proceedings. Any claim for reimbursement could then be submitted for the board's consideration at the conclusion of the matter.

MARPOL is the main international convention covering the prevention of pollution of the marine environment by ships. The club has covered the MARPOL requirements in previous publications, which are available on its [website](#).

Operational best practice

The [December 2007 Standard Bulletin](#) and [October 2014 Standard Safety](#) provided a summary of MARPOL operational best practice. The main issues to be addressed are:

- a clear environmental statement that places proper oil waste management practices above cost savings and operational expediency
- a no-blame culture, with open reporting of all illegal practices
- shore-side management supervision, with a senior person in the company responsible for environmental compliance reporting to the chief executive and/or the board
- recognition of the critical role of ship superintendents in monitoring compliance with environmental procedures and, in particular, detailed analysis of discharge records through oil record books and the ship's documentation
- effective on-board management of oil waste systems by the chief engineer and master
- installation of the most up-to-date equipment with an effective maintenance programme, prompt procurement of spares, adequate holding tank capacity and shoreside discharge facilities, if required
- periodic testing of equipment and tamper-proof measures to make bypassing difficult and detectable
- accurate and honest documentation of oil waste management practices, with prompt reporting of any problems to shoreside management for possible escalation to flag or port authorities
- formal training on MARPOL requirements, both on board and ashore – this should be provided on a regular basis and be supported by safety publications
- audits and inspections for MARPOL compliance conducted by superintendents and external inspectors, with proper testing of equipment and interviews with engineering crew – results should be clearly documented for review by senior management, with recommendations for improvements.

Conclusion

Ensuring MARPOL compliance is of critical importance for members, given the potential for very harsh civil and criminal penalties which will likely not be covered by insurance. Clear, robust written policies and procedures supported by training, supervision and effective senior management oversight are essential.

However, it is the establishment and maintenance of a company-wide culture of compliance among ship and shoreside staff, actively promoted by the chief executive and other members of senior management, that is the key to mitigating risk in this area.

The Standard Club issues a variety of publications and web alerts on topical issues and club updates. Keep up to date by visiting the news section on our website www.standard-club.com

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Telephone: +44 20 3320 8888
Emergency mobile: +44 7932 113573
E-mail: pandi.london@ctplc.com
Website: www.standard-club.com

Please send any comments to the editor, Jason Wee,
and the deputy editor, Ben Chandler.

E: jason.wee@ctplc.com T: +65 6806 2875
E: ben.chandler@ctplc.com T: +65 6506 2858

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