



STANDARD BULLETIN

SETTING THE STANDARD FOR SERVICE AND SECURITY

4 June 2010

125 years
1885~2010

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FINANCIAL RESULTS

BOARD MEETING

Report and accounts for the year ended 20 February 2010

"We have much to be proud of this year, but, at the same time, we face tough challenges now and ahead. This year marks our 125th anniversary, and it is pleasing that it coincides with our having a record level of tonnage insured and a record level of free reserves to support the business" said Ricardo Menendez, the club chairman, in his chairman's statement this year. "However, we have to operate within an increasingly rigorous regulatory environment and work towards a new, tougher solvency regime."

The club's annual report and accounts were approved at the board meeting on 14 May, and the financial highlights are set out below. The club has grown significantly over the past 12 months and the total entered tonnage now stands at 110m gross tons. Following this year's successful renewal, premium income for P&I and Defence is projected at \$266m in the current year. The overall surplus on the year to 20 February 2010 was \$67m, largely the result of an investment return of 18%, but underwriting was marginally in surplus also. [continued on page 2](#)

RESULTS FOR THE YEAR ENDED 20 FEBRUARY 2010

	2010 US\$m	2009 US\$m
Calls and premiums net of reinsurance	202	174
Total claims net of reinsurance and operating expenses	(201)	(132)
<i>Balance of technical account for general business</i>	1	42
Net investment return	66	(92)
<i>Excess/(shortfall) of income over expenditure for the year</i>	67	(50)

Outstanding claims liabilities

Estimated known outstanding claims net of all recoveries	292	282
Incurred but not reported claims (IBNR)	136	110
<i>Total estimated claims liabilities</i>	428	392

Funds Available For Claims

Open policy years	211	192
Closed policy years	217	200
Free reserves	243	176
<i>Total balance sheet funds</i>	671	568

The club experienced more large claims in the last 12 months, bringing to an end the club's lucky run on the Pool and using up the large Pool surplus that the club had built up. Underlying claims, however, remained stable.

New director

At its recent meeting, the board was pleased to welcome Andreas Martinos of Minerva Marine Inc to the board, strengthening the club's representation from Greece.

Outlook and strategy

The financial results reported now and the results of the recent renewal are an affirmation of the club's aims as stated in its business plan, which the board reviews on a periodic basis.

These aims include:

- to consider as a priority the maintenance of strong financial characteristics, both independently and by comparison to the club's industry competitors
- to be selective as to the members which the club insures and to consider, as a priority, the quality and not the quantity of its members; however, the club is open to growth in a controlled way from good quality ship owners
- to give members the maximum level of service, and to assist them to resolve their insurance and liability issues by being as approachable, flexible and pro-active as possible, consistent with the club's financial security and with fairness between members
- to insure only those shipowners who operate their ships safely and to a good standard, and the club will vet, through management and ship audits, the quality of operation of new and existing members.
- to promote safety and loss prevention, which includes seeking to assist members with good quality loss prevention advice
- in addition to insuring conventional and ocean-going shipping, the club will continue to be a leader in the specialist trades, insuring a wide range of risks of a P&I nature, including those in the offshore sector

The club is well-placed to face the challenges of the future. These include tougher solvency requirements under the Solvency II regime, due to come into force in two years time. This change to all insurance businesses operating in the European Union is not just concerned with how much money the club needs to hold against its business risks, but impacts on every aspect of the way in which the club operates, including in particular the way that risk is approached and the club's governance arrangements. While in themselves the requirements are not extraordinary, the amount of work involved in compliance and proof of compliance is huge and will be a major challenge over the next two years.

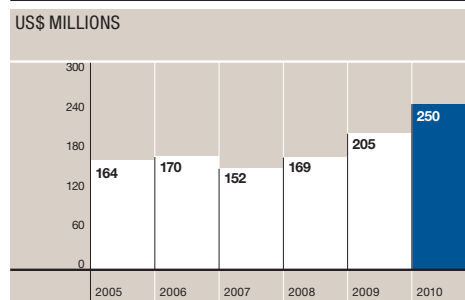
Other challenges include the continuing scourge of piracy and potentially onerous new legislative requirements. The current economic outlook is also challenging, and it is very unlikely that the excellent investment results of last year can be repeated, but there is reduced risk in the club's investment portfolio compared to previous years.

The shipping downturn did not seem to affect significantly the claims picture, but the liability environment remains uncertain. The club's members operating in the tanker and container sectors have yet to see any significant upturn in their markets, but the slow recovery from recession seems to be leading to a welcome reduction in Defence class claims from the very high level of activity seen in the past couple of years.

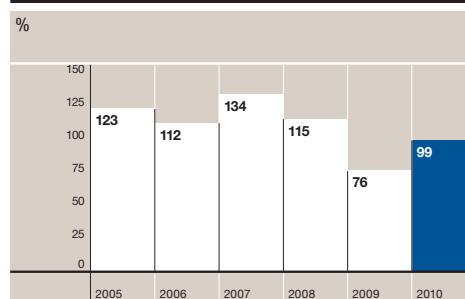
Overall, the club's position is robust. The club's business is well-diversified both geographically and across types of shipping operations, and its membership is of high quality. It will continue to offer its members a strong combination of financial security and high quality of service.

THE CLUB AT A GLANCE

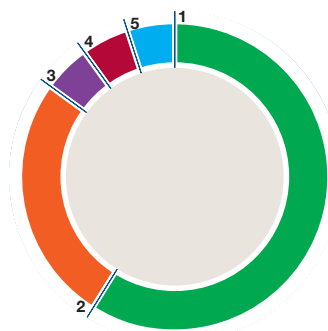
PREMIUM INCOME



COMBINED RATIO



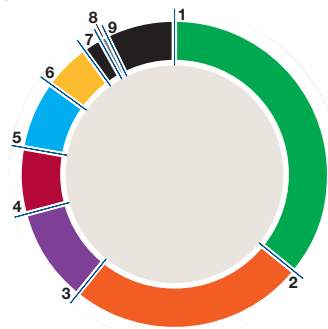
ASSET ALLOCATION



1 Bonds	59%
2 Equities	26%
3 Alternative assets	5%
4 Gold	5%
5 Cash	5%

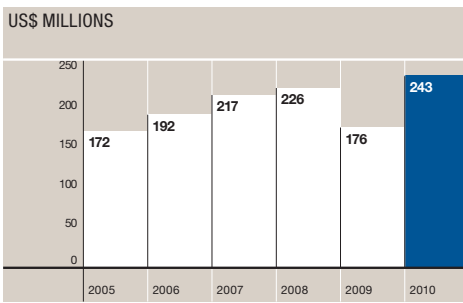
CLAIM BY TYPE

2009/10 POLICY YEAR

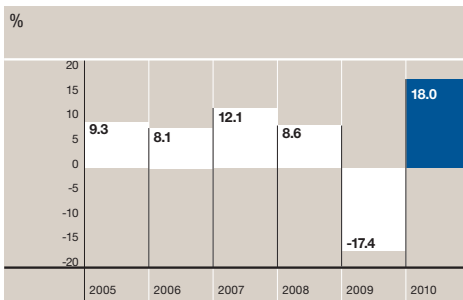


1 Cargo	36%
2 Personal injury	25%
3 Collision	10%
4 Pollution	7%
5 Fines	7%
6 Fixed and floating objects	5%
7 Damage to hull	2%
8 Wreck	1%
9 Other	7%

FREE RESERVES

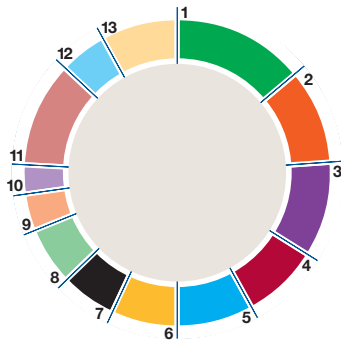


INVESTMENT RETURN



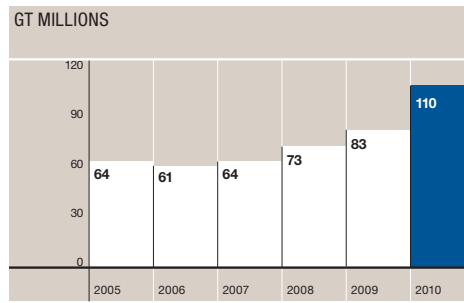
MEMBERS

OWNED TONNAGE

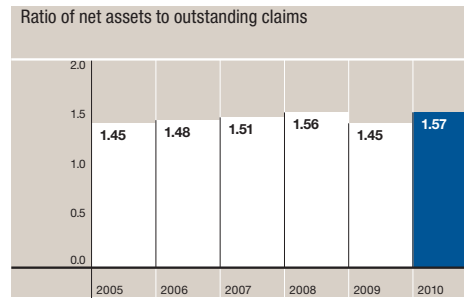


1 USA	14%
2 Greece	10%
3 Italy	10%
4 Canada	8%
5 Germany	8%
6 United Kingdom	7%
7 Japan	6%
8 Singapore	6%
9 Switzerland	4%
10 Republic of Korea	3%
11 Rest of Europe	11%
12 Rest of Asia	5%
13 Rest of World	8%

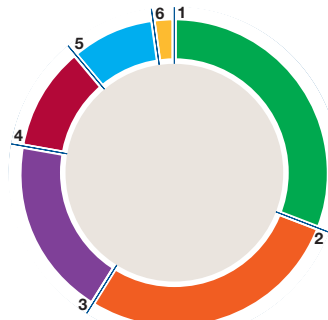
TONNAGE



CLAIMS COVER



SHIP TYPE



1 Tanker	31%
2 Container & general cargo	28%
3 Dry bulk	19%
4 Offshore	11%
5 Passenger & ferry	9%
6 Other	2%