



# STANDARD BULLETIN

SETTING THE STANDARD FOR SERVICE AND SECURITY

**June 2011**

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## BOARD MEETING

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2011**

"At a time of dislocation in many aspects of world commerce, and in a period with significant challenges, the Standard Club has experienced another year of stability and solid achievement. Tonnage, premium income and free reserves have all continued to grow. The club is in robust health, with all key indicators pointing in the right direction," said Ricardo Menendez, the club chairman, in his chairman's statement this year. "Our aim remains that of providing good value P&I insurance at sustainable and stable cost while developing our business to reflect members' insurance needs."

The club's annual report and financial statements were approved at the board meeting on 13 May, and the financial highlights are set out below. The club has grown again in the last 12 months, and entered tonnage now stands at 123 million gt. Premium income for P&I and Defence is projected to be \$283 million in the current year. The overall surplus on the year to 20 February 2011 was \$74 million, contributed

## FINANCIAL HIGHLIGHTS 2011

COMBINED P&amp;I AND DEFENCE CLASSES

	2011 US\$m	2010 US\$m
<b>RESULTS FOR THE FINANCIAL YEAR ENDED 20 FEBRUARY 2011</b>		
Calls and premiums net of reinsurance	<b>202</b>	202
Total claims net of reinsurance and operating expenses	<b>(184)</b>	(201)
Balance of technical account for general business	<b>18</b>	1
Net investment income	<b>56</b>	66
Excess of income over expenditure for the year	<b>74</b>	67
<b>OUTSTANDING CLAIMS LIABILITIES</b>		
Estimated known outstanding claims net of all recoveries	<b>314</b>	292
Incurred but not reported claims (IBNR)	<b>139</b>	136
Total estimated claims liabilities	<b>453</b>	428
<b>FUNDS AVAILABLE FOR CLAIMS</b>		
Open policy years	<b>227</b>	211
Closed policy years	<b>226</b>	217
Free reserves	<b>317</b>	243
Total balance sheet funds	<b>770</b>	671

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to by both an underwriting surplus, with a combined ratio of 91% and another good investment return at 9.9% for the year. The overall result is an increase in the free reserves from \$243 million to \$317 million.

### NEW DIRECTOR

The board was pleased to welcome Tony Mace of SBM Offshore NV to the board.

### STRATEGY AND DEVELOPMENT

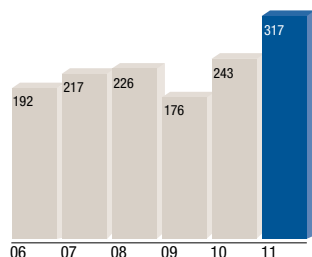
The board has reaffirmed the club's commitment to providing the highest-quality service coupled with excellent financial security to its members for their P&I insurance needs. As Ricardo Menendez said in his chairman's statement: "We have continued to invest in resources, with quality at the top of our priorities – in respect both of the service that members receive from the club and of the standard of ship operations insured by the club."

### SOLVENCY 2 AND REORGANISATION

Solvency 2 readiness is the most significant issue for the club to deal with at the current time, not just because of increased capital needs, but also because of the greatly increased governance and reporting requirements, and a more complex approach to the assessment of capital adequacy. The club has devoted significant resources to this project and expects that to continue for the foreseeable future.

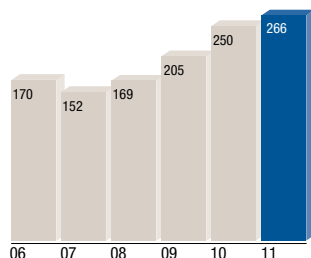
### FREE RESERVES

\$ MILLION



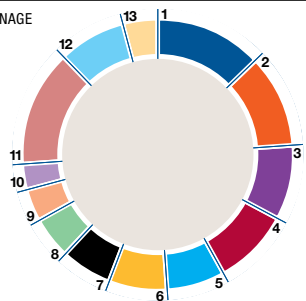
### PREMIUM INCOME

\$ MILLION



### MEMBERS

OWNED TONNAGE



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

At the same time, the ramifications of Solvency 2 have caused the board to review the structure of the Standard family of clubs. The current structure reflects the club's historical development, but now is the right time to see if there is a more cost- and capital-effective way of organising the club. Advice is being taken on possible changes and we will keep members informed of progress with this, potentially major, reorganisation project.

### PIRACY

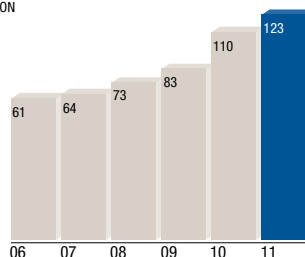
The board is concerned at the apparent inability of the industry and of states to tackle piracy with any success, despite much well-intentioned talk. It realises that there is no easy or quick solution, given the lack of political will to address the issue at its root cause, but it does believe that the clubs, as shipowners' organisations, must be able to play a bigger part and that a thorough review of the arrangements surrounding insurance for piracy risks could contribute towards producing a better way of resolving the piracy problem.

### EUROPEAN COMMISSION

The Commission continues to review the International Group's arrangements and the Group clubs have been continuing to co-operate with the Commission case team by providing a huge amount of data to assist in the review. The Group is now currently waiting to hear further from the case team once it has had a chance to review this data as well as the other information and views from industry sources that it has obtained.

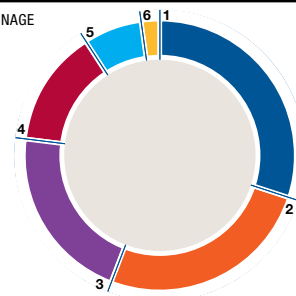
### TONNAGE

GT MILLION



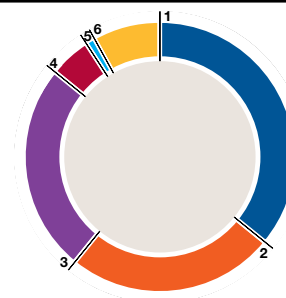
### SHIP TYPE

OWNED TONNAGE



1	Tanker	30%
2	Container & general cargo	26%
3	Dry bulk	21%
4	Offshore	14%
5	Passenger & ferry	7%
6	Other	2%

### ASSET ALLOCATION



1	Sovereign bonds	36%
2	Corporate bonds	25%
3	Equities	25%
4	Alternatives	5%
5	Gold	1%
6	Cash	8%