

# Standard Bulletin

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for service and security

The Standard



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## Bermuda board meeting

The club board, and the boards of its principal subsidiaries, met in Bermuda on 15 October 2014. The club's AGM was held on the same day. On the previous day, meetings of the board's three committees – Strategy, Nomination and Governance, and Audit and Risk – took place. We report on these and other topics below.

## Retirement of Sir John Swan, board director 1977-2014

Sir John Swan retired from the board of The Standard Club Ltd at the end of the board meeting. Sir John joined the board in 1977 as an independent director and has served on the board continuously since then – including during his premiership of Bermuda from 1982-1995. He has provided wise guidance to the board throughout this 37-year period, and I would like to express the immense gratitude of the club board, members and managers to Sir John for his contribution to the club.

The club board held a dinner in Sir John's honour on 14 October. In his speech, Sir John looked back over the many changes of the club's board and managers during his time as a director, and thanked board members past and present for their support.

An interview with Sir John follows this article.

## Other changes to board directors

We are pleased to report that Alberto Chiarini of Saipem SpA was appointed to the board of The Standard Club Ltd with immediate effect.

Yoshihiko Nakagami of Iino Kaiun resigned as a director of The Standard Club Ltd with effect from 28 May 2014.

## The club's strategy

The board reviewed the market outlook, and the club's competitive position and strategic direction. It confirmed the club's focus on providing broad, good-value, sustainable P&I and related covers, with excellent financial security and market-leading service.

A series of current and future initiatives were discussed and agreed. These aim to support stable underwriting performance through reduced claims and operating costs, and therefore to minimise the rate rises required from members. They reflect a continued focus on underwriting members and vessels with high-quality operations, supported by the continuous improvement of the club's risk assessment, risk selection and loss prevention tools and processes. The initiatives also focus on reducing internal costs and third-party costs, particularly relating to claims.

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In addition, there are initiatives aimed at driving sustainable growth for the club, across both P&I and non-P&I covers. These include the club's important project to establish the Standard Syndicate at Lloyd's.

#### **The Standard Syndicate at Lloyd's (Syndicate 1884)**

The club is committed to offering a wide range of attractive, customised covers to meet its members' needs. As part of this strategy, the board decided earlier this year to establish a new marine and energy syndicate at Lloyd's. The club wrote to members on 21 October with a detailed update on this.

At the Bermuda board meeting, the board reviewed the progress of this project. The Lloyd's Franchise Board gave approval in principle for this project, subject to regulatory permissions, in late September. The focus is now on engaging with the regulators and on putting the infrastructure, processes and team in place, with a target 'go live' date of 1 April 2015.

#### **Discretionary claims**

A flexible approach to paying claims is an important element of the club's proposition to its members. In support of this, the board considers claims that fall outside the core cover provided by the club, which can be covered if the board exercises its discretion to reimburse the member. Each claim is reviewed in detail to understand the specific circumstances, and to assess whether the costs should be within the scope of the club's cover. At the October board meeting, the board decided to support two of the claims in full and to support a proportion of another claim.

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#### **Financial performance**

The board reviewed the current financial position, the 2014/15 financial year performance and the financial plan for future years. The club's finances are strong and the current forecast is for the reserves at year end to be similar to their current level. A small underwriting deficit is expected to be balanced by the modest investment returns forecast for the year.

Conditions for investments remain challenging, with low returns across many asset classes and a lack of market confidence in the macro-economic outlook. As a result, the club's portfolio is positioned defensively. Despite this, the club outperformed the benchmark in the period from 20 February to 20 September, and its investment track record over the medium term remains in the top quartile of the IG clubs.

#### **Renewal**

The board considered the club's approach to the forthcoming renewal. The club's finances are strong; the club has a high-quality membership and the majority of members pay premiums that are commensurate with the level of claims and the risk that they bring to the club. However, the club estimates that there is annual inflation in the region of 6% for claims within the club's retention.

A circular outlining the approach to renewal has recently been sent to all members. This announced a general increase of 5% – which is below the level of expected claims inflation, as it takes into account the club's financial strength and the level of expected investment income. In the interest of fairness between members, the board has asked the managers to engage

with the minority of members whose claims and exposure are out of line with their premiums, to discuss the terms of their renewal. These members should expect to incur more significant premium increases; the club, however, is open to members bearing a greater share of the risk by way of increases in deductibles to mitigate the necessary premium increases.

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#### **Maritime Labour Convention 2006**

The board reviewed the amendments to the Maritime Labour Convention 2006 (MLC) adopted by the International Labour Organization (ILO), with a focus on the new financial security requirements of MLC which are likely to enter into force in early 2017. The board considered this carefully and supported the proposition that clubs should provide financial guarantees. It also supported making amendments to the IG pooling agreement to enable this to be achieved, should there be sufficient support for this approved within the IG.

#### **AGM**

All of the proposed resolutions were passed, including the acceptance of the accounts for the year ended 20 February 2014, the reappointment of PwC as the club's auditors and the re-election of those board members retiring in accordance with the Articles.