

Standard Bulletin

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Setting the standard for
service and security

The Standard



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The club board, and the boards of its principal subsidiaries, met in San Francisco on 15 May. On the previous day, meetings of the board's three committees – Strategy, Nomination and Governance, and Audit and Risk – took place. We set out below the key highlights of the meetings.

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Discretionary claims

As is often the case, the board considered some claims that are covered only if the board exercises its discretion to reimburse them to the member. The individual claims arose from very different circumstances, but, in each case, the claims fell outside the core cover given by the club under the rules. In all of the cases, the board felt that the member had acted reasonably and that the liabilities were largely within the scope of club cover. It considered that two of the claims should be supported in full and approved reimbursement to the members concerned, while in one case, a reimbursement of 75% was made.

Investments

The board reviewed investment performance and strategy. While the 2013-14 year investment return was only 0.6%, below the benchmark of 4.6%, the first quarter of the current year has seen a strong recovery with an estimated return of approximately 2%.

Financial statements for the year ended 20 February 2014

The board reviewed and approved the club's year-end report and accounts and closed the 2011/12 policy year. The overall financial position of the club

remains very strong, with free reserves increasing by \$6m to a new record level of \$369m at 20 February 2014. The combined ratio for the past year was 101%, within the acceptable strategic range set by the board.

US COFRs

The board considered a paper which had been prepared for review by all International Group club boards setting out the arguments on both sides of the debate, and concluded that its view remained that clubs should guarantee US COFRs for shipowners. The board was pleased to note that the club's initiative in this area had led to the matter being reviewed by all other clubs, and that the existing providers had implemented measures to reduce the cost of COFR guarantees. It was, however, noted that the club's position was not supported by the majority of other clubs in the International Group. In the interest of maintaining unity among the clubs in the International Group, the club will not issue its own US COFR guarantees at this time. However, the board resolved that the club should continue to investigate ways to reduce costs for members in this area.

Strategy

While the club has grown significantly and steadily over the past 20 years, with free reserves now standing at a record level, the board is focused on ensuring the club's continuing future health in an increasingly competitive market. This involves enhancing the club's financial performance, ensuring that the club uses its capital as efficiently as possible and diversifying its risks.

In recent years the club has developed a number of additional covers, especially in the offshore energy sector, but also for shipowners in all sectors, utilising reinsurance from the Lloyd's and company markets. Over the last three years significant additional progress has been made in introducing club-insured or sponsored covers in partnership with Lloyd's and company market underwriters. These covers include Kidnap & Ransom, Directors & Officers, Intermediaries, Hull & Machinery and Traders. The club's additional and sponsored covers have made a strong contribution to the club's finances.

The board reviewed the strategic options to enable the club to further develop a diversified portfolio of products and the best structure for doing so. The managers were instructed to develop the club's plans and to ensure that, over the course of the year, members are made aware of the opportunities that exist for the club to cover more of their risks for them.

New directors

We are pleased to report that Andrew Broomhead of Pacific Basin Shipping Ltd., Nicolas Hadjioannou of Alassia Holdings Inc. and Marianne Sørensen of Maersk Drilling A/S were appointed to the board of The Standard Club Ltd.

Retirement of directors

John Reinhart and JN Das retired from the board. The chairman expressed appreciation for their service to and support of the club.

