

TO ALL OWNERS AND MEMBERS

26 May 2020

Dear Sirs

Financial position and open policy years

The board of The Standard Club Asia Ltd approved its financial statements at a meeting on 15 May 2020.

The board of The Standard Club Ltd will review the consolidated financial statements at its meeting in July, with the provisional results set out below.

Consolidated financial statements for the year ended 20 February 2020

The club recorded breakeven or profitable underwriting results on its core P&I and defence business for the six financial years to 20 February 2019. A reduction in the value of attritional claims arising from the club's high quality membership coupled with a relatively benign environment for large claims allowed the club to reduce premium rates between 2015/16 and 2019/20 and to make returns of premium in 2016/17 and 2017/18.

However, while the 2019/20 policy year saw a further reduction in attritional claims, the club experienced an unusually high number of large claims, including five that reached the International Group's pool. This increase in large claims coupled with the high cost of other clubs' pool claims and the impact of reduced premium rates has resulted in a 126% combined ratio on the 2019/20 policy year. The board therefore began corrective action at the February 2020 renewal by setting a 7.5% general increase.

The Strike and Delay class, which was incorporated into the club on 1 February 2019, has had a successful first year with a combined ratio of 95% and a surplus of \$2m.

The club recorded a 9.7% investment return during the year despite moving to a more defensive position by the year end, offsetting much of the underwriting deficit and reducing the club's net operating loss to \$20m. This defensive investment position has served the club well during the market turbulence arising from the global pandemic with the investment loss since the year end currently below 1%.

During 2019, the club concluded the sale of The Standard Club Corporate Name Ltd and its stake in the Charles Taylor Managing Agency to the Bermudian based reinsurance group Premia, bringing to an end the club's participation in the Lloyd's market. The cost of disposal was \$21m, and ensures the club has no further exposure to losses from its former syndicate at Lloyd's.



The club's free reserves now stand at \$393m, comfortably in excess of its regulatory, rating agency and own capital assessment requirements.

Closure of policy years and release calls

The 2017/18 policy year was closed for all classes, with release calls for the P&I and Defence classes set at 0%, 0%, and 6% of estimated total premium for the three open policy years of 2018/19, 2019/20 and 2020/21. The War Risks class had release calls set at 0% for all years. These release calls remain amongst the lowest in the International Group and reflect the high degree of confidence the Standard group and subsidiary boards have in the financial strength of the club and future call stability.

Yours faithfully

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