



TO ALL OWNERS AND MEMBERS

22 October 2019

Dear Sirs

FINANCIAL POSITION, OPEN POLICY YEARS AND RENEWAL 2020

The board reviewed the club's financial position, the open policy years and the requirements for the 2020 renewal at the recent board meeting.

FINANCIAL POSITION

This year is anticipated to result in a similar underwriting deficit to last year and while the investment return is likely to contribute positively to the result, free reserves are forecast to reduce.

Overall the club's finances remain strong and reserves are sufficiently in excess of regulatory and rating agency requirements.

OPEN POLICY YEARS

P&I Class

After a number of relatively benign years, the 2018/19 policy year saw claims return to previous levels. A similar level of claims is forecast on the 2019/20 current policy year. Prior policy years have been stable with some modest improvements seen since 20 February.

No call in addition to Estimated Total Premium (ETP) is expected.

Release call percentages are to be maintained at the levels set by the board earlier this year: nil for policy years 2017/18 and 2018/19 and 6% for the current policy year.

Defence Class

This class continues to perform in line with expectations. No call in addition to ETP is expected.



Release call percentages are to be maintained in line with the P&I class: nil for policy years 2017/18 and 2018/19 and 6% for the current policy year.

The club's release calls continue to be among the lowest in the International Group.

RENEWAL 20 FEBRUARY 2020

P&I Class

The cost and frequency of high value P&I claims across the market continue at similar levels to last year. It appears 2018 was not an isolated year of heavier claims. Whilst the downward trajectory of rating abated at last renewal, it is clear the current level of P&I rating is not sufficient to cover the ongoing claims activity.

Cognisant of the general underrating of P&I across the market, and in consideration of the fact that large claims in excess of individual club retention are a significant contributory factor in the results, the board determined the concept of applying a general increase remains the fairest and most mutual way to make meaningful progress towards a breakeven underwriting result.

The board has set a general increase of 7.5% to be applied to owners' and members' premiums at 20 February. As usual, the managers will take into account individual owner's/member's performance and are instructed to ensure all owners' and members' rating adequacy and terms of entry reflect the risk transfer borne by the club.

Deductibles

As part of the effort to improve the underwriting result, the board has determined that deductibles should be increased by 10%, with all current deductibles below \$20,000 increasing by \$2,000.

Defence Class

Whilst the recent performance of the defence portfolio has been positive, the elevating risk associated with the forthcoming implementation of IMO 2020 regulations is expected to lead to an increase in disputes and costs for this class of business. The board have determined a general increase of 7.5% will apply to the defence class from 20 February.

There will be no change to the level of deductible.

Operational cost efficiency

The club's operating performance is driven both by premium income and by the cost of claims and operating expenses. The board is keen to reassure owners and members that they maintain a strong focus on cost control and has increased the emphasis in this area with the aim of optimising expenses, and thereby improving the club's combined ratio.



Member and broker portal

The club's new online portal My Standard Club gives owners/members and brokers one central place to access key information relevant to their relationship with the club, including secure 24/7 access to documentation and reports. If you would like to download your renewal documentation directly from the online portal, please register your interest at <https://my.standard-club.com/>.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jeremy Grose', located below the 'Yours faithfully' text.

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