

CIRCULAR

The Standard for
service and security



TO ALL MEMBERS

1 June 2018

Dear Sirs

FINANCIAL POSITION AND OPEN POLICY YEARS

The board of the club met on Friday 11 May 2018 in Bermuda and reviewed the club and group's financial position. This circular provides an update to members and their brokers.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 20 FEBRUARY 2018

The Report and Consolidated Financial Statements for the year to 20 February 2018 were approved by the board and will shortly be circulated to the membership by email and published on the club's website. The club will be reporting a combined ratio of 104% (including its share of the Standard Syndicate but before the return of call on the 2017 policy year). This brings the five-year average combined ratio to 98% which is well within the board tolerance of 105%.

The board was pleased to note a positive investment performance for the financial year ending 20 February 2018. In challenging markets, the investment portfolio returned a 6.4% surplus for the year.

The healthy investment returns helped deliver an overall surplus of \$31 million and an increase in free reserves from \$430 million to \$461 million. This 7% increase in free reserves tracks closely the growth in tonnage. Tonnage increased by 7% to 159 million gt from 149 million gt over the year mostly due to organic growth with members adding tonnage but also to new members joining both during the 2017/18 policy year and at renewal.

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The Standard Club Europe Ltd
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**Charles
Taylor**

The board reviewed carefully the results of the club's share of The Standard Syndicate. The first three years of the syndicate have been more challenging than predicted, and they have faced some very difficult trading conditions, including three hurricanes in 2017. However, the board were pleased to note that actions taken during the last year to improve the Syndicate's performance, including recruitment to strengthen both underwriting and operational capabilities, and further diversification of the portfolio, are starting to deliver measurable results, with the syndicate's business plan for 2018 targeting profitable underwriting. The syndicate is already ahead of its targets in terms of premium written since 1 January and claims activity remains relatively benign.

Overall, the stable underwriting performance and good quality, selective growth is in line with the club's strategy of delivering a broad range of covers that represent excellent and sustainable value for its valued membership backed by first-class financial security and service.

P&I CLASS

2015/16 policy year

This year was closed, and there will be no further calls on members.

2016/17 policy year

A modest underwriting surplus is forecast. No further calls are expected to be necessary.

2017/18 policy year

A modest underwriting surplus is forecast. Apart from the final instalment of the estimated total premium, which is due on 1 November 2018, no further calls are expected to be necessary.

2018/19 policy year

The estimated total premium has been debited with the final instalment due on 1 November 2019.

Release calls

The board continues to have a high degree of confidence in the financial strength of the club and future call stability. As a result release calls are amongst the lowest in the International Group, with the release call percentages being set at 0%, 0% and 6% of estimated total premium for the three open policy years of 2016/17, 2017/18 and 2018/19.

DEFENCE CLASS

2015/16 policy year

The year was closed, and there will be no further calls on members.

2016/17 and 2017/18 policy years

Claims in these policy years have developed better than forecast with both years recording an underwriting surplus. No further premiums are expected to be necessary.

2018/19 policy year

The estimated total premium has been debited. No further premiums are expected to be necessary.

Release calls

The release call percentages for the three open policy years are the same as for the P&I Class.

STANDARD LONDON CLASS**2015/16 policy year**

The year was closed, and there will be no further calls on members.

2016/17 and 2017/18 policy years

These years are performing satisfactorily. No further premiums are expected to be necessary.

2018/19 policy year

The estimated total premium has been debited. No further premiums are expected to be necessary.

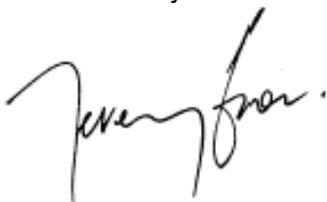
Release calls

The release call percentages are 0% for all open policy years. These low levels of release calls reflect the board's confidence in the financial position of the class and future call stability.

WAR RISKS CLASS

The 2015/16 policy year was closed with no further premiums expected to be necessary for any open policy year. The release calls have been maintained at 0% for all open policy years.

Yours faithfully



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