



TO ALL OWNERS AND MEMBERS

19 October 2018

Dear Sirs

THE STANDARD SYNDICATE (SYNDICATE 1884)

We announced yesterday that The Standard Club will be withdrawing from underwriting at Lloyd's from 2019 and that as a result, The Standard Syndicate (Syndicate 1884) will be placed into run off on 1 January 2019.

A link to the press release issued yesterday can be found [here](#). This Circular is intended to provide answers to questions that owners and members might have following this announcement.

Background

The club established a syndicate in 2015 to underwrite marine and energy risks. It represented one strand of the club's broadly-based strategy to provide its owners and members with a wider range of insurance covers to meet their needs and diversify the club's source of revenues.

Owners and members might recall that Lloyd's publicly warned the London market earlier this year that "consistently loss-making syndicates" – defined as those that have made a loss for the last three years – would be placed under scrutiny and that business plans for 2019, which do not show a clear path to long-term profitability would not be approved.

Syndicate 1884, as a start-up, fell into the category of loss-making syndicates, alongside twenty or so other syndicates that had been in Lloyd's for considerably longer.

In common with many new syndicates, it was not anticipated to make a profit in the early years of operation, recognising the need to invest in the business to enable it to grow in the medium to longer term.



The board's decision

Whilst the first three years of the syndicate project in a continuing soft market had been more challenging than would have been liked there have been promising developments – the 2018 year of account was expected to break even in line with the business plan approved by Lloyd's and the syndicate's business plan for 2019 anticipated a profit. However, the syndicate would at best be unable to grow the business beyond its 2018 scale, given Lloyd's performance management approach, and this restriction on the syndicate's scale would effectively remove its opportunity to generate meaningful profits in future years. At worst, the syndicate would not have had its plan approved for 2019.

The board concluded that current market conditions in Lloyd's make it a much less attractive place to do business than it was three years ago. Overcapacity and a weak pricing environment have made it an increasingly challenging environment in which to underwrite profitably. On this basis, the board decided that the club would withdraw from underwriting at Lloyd's from 2019. As a result, The Standard Syndicate will be placed into run off on 1 January 2019.

What is the financial impact of withdrawing from underwriting at Lloyd's?

The club's share of historic losses of \$35m are already reflected in the club's financial accounts. Whilst there will be run-off costs which will be shared by all capital providers, these costs will be spread over a number of years and will not materially impact the club's financial strength.

The club remains financially strong and a further Circular will follow next week setting out the club's financial position as reviewed by the board at its in meeting in Vancouver at the end of September.

How will this impact the club's strategy?

The Standard Club remains committed to growth and diversification as the best approach to protecting the financial strength, stability and market leading position of the club, and the interests of its owners and members. A larger club, with a better spread of risk, will be better able to deal with the inevitable market shifts as they occur.

The Standard Club has always innovated, and this has been key to strengthening the club's free reserves in recent years. We recognise that not all initiatives will meet initial ambitions, but our teams will continue to seek out opportunities that can generate value for the club's owners and members.

What will happen to club owners and members who have placed business in the syndicate?

Any insurable risk placed into Syndicate 1884 will continue to be serviced by the CTMA team under the run-off arrangements, which will ensure that all policyholders' interests remain protected.



How will this impact on the P&I renewal?

This decision will in no way affect the club's P&I renewal, where pricing will be determined purely by reference to performance of the underwriting of the club P&I business, and at an individual member level. The club's board will take a view on the renewal approach in the coming weeks with a further announcement to follow.

I would personally like to thank the owners and members for their ongoing support of the club. If you have any further questions do get in touch with me or speak to your usual club contact.

Yours faithfully

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

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