

The Shipowners' Mutual Strike Insurance Association Europe
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CIRCULAR TO MEMBERS

12 October 2018

Dear Sirs

FINANCIAL UPDATE

The board of the Strike Club met in Paris on 5 July. As usual, the directors considered the Club's business and financial performance. The audited financial results for the 2017/18 policy year were reviewed and the board discussed the future development of the business.

Despite a comprehensive programme of cost reduction measures and more rigorous risk selection and assessment, the Club recorded an overall loss of \$3.4m for the year ended 31 January 2018. Whilst not unmanageable in isolation, the board was understandably concerned about another loss-making year on the back of previous annual deficits. The Club's reserves remain adequate at approximately \$23.5m but the year on year erosion of capital is a significant concern.

Unfortunately, the current (2018/19) year has already experienced exceptional claims, driven particularly by major strike events in Brazil and a significant port closure event in China. Given the expected estimated total premium (ETP), a further deficit is forecast.

STRATEGIC PLANNING

The board confirmed the need for a strategic resolution plan. A working group was formed consisting of the Chairman, Vice-Chairmen and three other directors nominated by the board. In addition, a specialist consultant was engaged and, over the last three months, the group and its professional advisors have been analysing the available options and determining the best path for the business.

The working group concluded that the interests of members are best served by the Club becoming part of a larger insurer in conjunction with a package of operational measures to improve underwriting performance. Part of that package of measures is a decision to no longer offer Loss of Hire cover. Existing contracts will be honoured but no new terms or renewals at expiry will be offered.

A proposal from The Standard Club was received and following a thorough review process and intense negotiations to achieve appropriate terms, the board of The Strike Club met on 10 October to consider it. The board resolved to recommend the proposal to members and the two clubs have entered a legal agreement, conditional on the approval of the membership and regulatory permissions.

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**Charles
Taylor**

PROPOSAL

The proposal from The Standard Club is attached. In summary:

- The Strike Club will join The Standard Club group
- The initial stage will be to implement a change in control of the existing Strike Club entities to the Standard Club. The Standard Club will acquire control of the three companies that make up The Strike Club; The Shipowners Mutual Strike Insurance Association Europe ('SIE'), The Shipowners Mutual Strike Insurance Association Bermuda ('SIB') and The Shipowners Mutual Strike Association Bermuda ('SAB')
- Current members of The Standard Club will vote to create a new Class, to be known as the Strike class. In due course (probably from February 2020), cover will be provided directly by the new class. The directors of The Strike Club will become committee members of the new class
- Members of the current Strike Club entities who renew their insurance at 1 February 2019 will become members of the new Strike class of The Standard Club
- Renewal of existing mutual delay cover at 1 February 2019 will be into Strike Insurance Europe and new mutual delay business will be underwritten by SIE until the end of the 2019/20 policy year. That entity will be controlled by and be a subsidiary of The Standard Club
- The mutual delay cover will continue to be offered with the same features and first-class service, under the supervision of the class committee.

These arrangements will enable The Strike Club to retain its identity and key mutual characteristics, offering members significant benefits under the 'umbrella' of a larger organization with greater financial resilience and a stronger credit rating. It will also simplify the Strike business's regulatory and reporting obligations and in the future is expected to deliver reduced costs through economies of scale.

Members are invited to vote on the proposal at an Extraordinary General Meeting on 8 November 2018. The board has full confidence this proposal is the best solution for the Strike Club and its members. It will provide a positive and supportive environment for development of the Strike business with a strong and aligned partner, whilst maintaining the key mutual characteristics of the Strike Club and its core product.

Please support the proposal.

Yours faithfully

Alain Le Guillard

Chairman, on behalf of the board of directors