

The Shipowners' Mutual Strike Insurance Association Europe

Incorporated in Luxembourg N° RCS B 50025

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CIRCULAR TO MEMBERS

14 November 2017

Dear Sirs

RENEWAL 2018/19 AND OPEN POLICY YEARS

The Strike Club's mutual delay insurance protects members from marine trade delays outside their control. At a time when the global shipping industry is facing severe financial pressure, we aim to make this cover as wide and as cost-effective as possible for members.

The Club's board met in Luxembourg on 3 November 2017 to review the open policy years, agree the basis for renewals and to focus on further improving the club's delay insurance.

We are pleased to report that the general increase in premiums is lower than recent years. We have also introduced some significant enhancements to members' cover and driven improvements in the Club's operations and cost-efficiency.

Delivering wider delay cover: the Club is owned by its members and a fundamental mutual principle is to provide them with the widest available coverage at an attractive and sustainable price. We are pleased to announce that we are introducing several product enhancements from 1 February 2018 to ensure that our delay cover meets members' evolving needs:

- **Introducing cyber-delay cover:** extended cover is available to include delays arising from cyber-attack, both onshore and on-board, subject to members complying with BIMCO's *Guidelines on Cyber Security On-board Ships*
- **Wider shipboard cover:** we offer insurance for a greater range of insured perils for shipboard risks, to include delays from damage to the ship caused by stevedores, heavy weather, violent theft, fire or explosion onshore and other environmental events
- **More flexible cover:** the policy wording has been amended to provide more flexibility and pragmatism when entered ships require repairs for a combination of covered and non-covered risks. Where damage repairs arising from a covered risk are undertaken at the same time as other work, the time in excess of the deductible that is common to both categories will be split equally, saving members money. The period in which repairs must be commenced has also been extended to 12 months.
- **New bunker delay cover:** the policy is now able to cover delays arising from removal and replacement of off-specification bunkers to avoid or minimise damage to onboard machinery

Attracting and retaining members: we are pleased to report that the club attracted 16 new owners,

Ref: 2/2017

charterers and ship managers in 2017. The Club also achieved excellent retention of existing members, demonstrating the value they place on their delay cover and the high standards of service provided by the managers.

Increasing efficiency: We took important steps to reduce costs and improve operating efficiency in 2017. These include closing the club's Monaco office to focus all underwriting and claims operations in London. We have consolidated all the club's active business to the Luxembourg insurer, reducing duplication and simplifying the club's regulatory structure. Good progress has also been made with the Club's reinsurance program, achieving significant savings in combination with improved and simplified coverage.

Delivering exceptional claims handling: providing supportive and professional claims service is a key feature of the Club, ensuring that members are reimbursed promptly and fully for valid claims. Claims in the 2016/17 year have remained stable overall. Total claims for shoreside and shipboard risks in the 2017/18 year are approximately US\$ 1 million higher than 2016/17 at the same stage of development, although still within expected parameters. The full year loss ratio is projected at 72%.

Focused on premium stability: with three quarters elapsed, an overall deficit of \$2.9m is forecast at 31 January 2017. When considering the financial needs of the Club, the directors recognise the value placed on premium stability by members. With operating cost savings that will deliver substantial benefit next year, the board resolved to cover the anticipated deficit from the Club's reserves, maintaining closing calls on the two open policy years at the levels advised previously.

Closing calls: open policy years

For classes I, II & III the directors advise members to budget as follows:

- **Policy year 2017/18:** closing call, 20% of advance call, unchanged from the initial estimate.
- **Policy year 2016/17:** closing call, 20% of advance call, unchanged from the previous estimate.

Release calls: open policy years

For classes I, II and III, the directors have set release calls as follows:

- **Policy year 2017/18:** 40% of advance call (unchanged at 20% above budgeted closing call)
- **Policy year 2016/17:** 40% of advance call (unchanged at 20% above latest advised closing call)

Policy year 2018/19:

The directors agreed a general increase of 7.5% to premiums for classes I, II and III. This takes into account our experience in recent policy years and our efforts to increase efficiency. It marks a reduction in the level of premium inflation experienced by members and demonstrates the directors' commitment to delivering cost effective cover.

The board is mindful that members whose premiums are insufficient, considering specific characteristics or claims experience, should not be subsidised by other members. The managers will seek premium increases and changes in terms to accurately reflect these members' claims record and exposure to the Club.

For clarity and simplicity, the Club will adopt the call terminology used by many other contributory mutuals, such as P&I clubs, from the 2018/19 policy year. Premiums will be quoted and debited on an Estimated Total Premium (ETP) basis at inception. The current closing call will be re-designated

as a budgeted final instalment, payable by September following the end of the policy year. The changes will not affect the Club's ability to levy additional premiums (supplementary calls) on specific open policy years if the financial situation requires.

The directors advise members to budget for ETP that will be equivalent to the advance call and a closing call at 20% of that advance call.

Release calls for the 2018/19 policy year have been initially set at 17% of ETP, the same level as the prior years.

The directors and managers are focused on ensuring that the Club continues to offer the most comprehensive and best value marine delay insurance in the market backed by strong, stable finances and first class service delivered by a leading management team.

Yours faithfully

S.C Management (Luxembourg) SA

Managers