The Shipowners’ Mutual Strike Insurance Association Europe
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CIRCULAR TO MEMBERS

21 November 2018

Dear Sirs

STRATEGIC UPDATE

In accordance with the notices published on 16 October 2018, Extraordinary General Meetings of the Clubs took place on 8 November in Luxembourg. Members approved the proposal to join The Standard Club and affirmed the resolutions to implement this. At general meetings of The Standard Club yesterday, the creation of the new Strike class was approved.

For the 2019/20 policy year, The Shipowners Mutual Strike Insurance Association Europe (SIE) will remain the insurer. Members of The Strike Club at 31 January 2019 who renew their mutual delay cover for the 2019/20 policy year will automatically become Members of the Strike class of The Standard Club from 1 February and control of The Strike Club will pass to The Standard Club on the same date. The new Strike class of The Standard Club is expected to write this business directly from February 2020.

As explained in the 16 October Circular, the Club is no longer offering Loss of Hire cover - existing contracts will be honoured but no new terms or renewals at expiry will be offered. The Club will continue to offer war cover written by SIE for policies commencing prior to 31 January 2019. The War class of The Standard Club is expected to write this business directly for policies commencing on or after 1 February 2019.

These arrangements will enable The Strike Club to retain its identity and key mutual characteristics, supporting Members with excellent service and offering them significant benefits under the ‘umbrella’ of a larger organization with greater financial resilience and a stronger credit rating. The Strike Club currently has a BBB interactive rating from Standard & Poor’s with stable outlook. The rating agency has moved the Club to ‘creditwatch positive’ as a result of the planned merger into the A-rated Standard Club group. This new arrangement will simplify the Strike business’s regulatory and reporting obligations and will deliver reduced costs through economies of scale, whilst continuing to deliver the Club’s mutual, professional service to Members.

The Shipowners’ Mutual Strike Insurance Association Europe
www.thestrikeclub.com
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RENEWAL 2018/19 AND OPEN POLICY YEARS

Following the general meeting, the Club board met in Luxembourg to review the open policy years and agree the basis for renewals for 2019/20.

There has been no deterioration on the 2017/18 year. Positively, a combination of new Members and an improvement in some daily entered sums mean that mutual premium for the 2018/19 year will exceed $18m. However, the first nine months of the year have been characterised by exceptional claims. These include major shoreside delay events in Brazil and China, with expected net costs to the Club exceeding $3m, and shipboard delay claims that are both more numerous and of higher overall cost than expected. The full year loss ratio is projected at 93%.

In addition, investment performance has been disappointing. Losses were incurred in the first quarter of the year and although the Club has outperformed its benchmarks in the following six months an investment loss of approximately $1.1m is expected for the full year.

Overall, a deficit is forecast. The agreement with The Standard Club recognises the projected deficit for the current year and acknowledges this will be met from The Strike Club's reserves, with estimated premium for the 2017/18 and 2018/19 years maintained at the levels advised previously. Nonetheless, the agreement provides for a clear resolution plan to improve financial performance by underwriting to balance and by reducing the current vulnerability to exceptional exposures.

Closing calls: open policy years

For all Classes the Directors advise Members to budget as follows:

- **Policy year 2018/19:** forward dated instalments up to estimated total premium, so unchanged from the original ETP
- **Policy year 2017/18:** closing call at 20% of advance call, unchanged from the original ETP

Release calls: open policy years

For all Classes the Directors have set release calls as follows:

- **Policy year 2018/19:** 25% of original ETP
- **Policy year 2017/18**: 50% of advance call (30% of advance call above the advised 20% closing call, which equals 25% of original ETP)

Policy year 2019/20

The adverse claims experience in 2018 is indicative of increasing delay risk to Members and therefore the Club, both ashore and on ships.

The Club is seeing an increased likelihood of claim events onshore (Class I and II risks) such as infrastructure damage and disruption at ports arising from extreme weather events, increasing nationalism and regional conflict, import/export controls and similar confrontation in international trade and the proliferation of cyber-crime.

For shipboard risks, many shipowners continue to wrestle with the dual pressure of soft market conditions and increasing regulatory scrutiny. Budgets for crewing, training and maintenance remain constrained, leading to a higher risk of navigational and machinery-related incidents. This means that Club cover is even more important, useful and relevant but this increased exposure needs to be rated appropriately.

To address these increased risks, the Directors agreed a general increase of 12.5% on premiums for the shoreside risk group (Classes I and II) and 7.5% for shipboard risks (Class III). Release calls for the 2019/20 policy year have been set at 25% of ETP.

The Board is mindful that Members whose premiums are insufficient due to specific characteristics or claims experience should not be subsidised by other Members. In addition to the need for general uplift of premiums, the Managers will seek increases and changes in terms to accurately reflect these Members' claims record and exposure to the Club.

As part of the integration with The Standard Club, the mutual delay policy period will be adjusted to run from and to noon GMT on 20 February. Therefore for 2019/20, the policy period will be 384.5 days, from midnight GMT on 1 February 2019 to midday 20 February 2020. Renewals will be quoted and debited pro-rata for the additional days and certificates will describe the extended period of cover.

Where there is premium or other debt owed to the Club, the Board is clear that overdue balances must be settled as a priority and renewal orders will not be confirmed until overdue sums are paid.

Once renewal terms are agreed the Club will confirm and bind cover with effect from 1 February 2019, with documentation to follow.

The Board and Managers thank Club Members and their brokers for the continuing support through this transition and together look forward to a successful future in the A-rated Standard Group.

Yours faithfully

S.C Management (Luxembourg) SA
Managers