





Standard Club


Club Financial Summary


October 2019

Highlights


Owned tonnage
-3.7% 

Premium income (Group)
+15.6% 

Incurred claims
+18% 

Free Reserves
-5.8% 

Investment return
+2.2% 

Combined ratio (Group)
116%* 

*Combined ratio excluding Syndicate is 100%

Highlights

- Owned tonnage decreased by **3.7%**
- Largely as a result of the increased participation in the Standard Syndicate, premiums increased by **15.6%** (the underlying result, excluding the Syndicate was a much more modest **0.5%** increase in premiums)
- Gross and net paid claims increased by **44.3%** and **14.5%** respectively
- Total net incurred claims increased by **18%**
- Underwriting loss of **USD 49.5 million** (though the Standard Syndicate contributed **USD 49 million** of this deficit)
- 2.2%** investment return
- Overall loss for the year of **USD 45.3 million**
- Assets increased by **1.35%**, Free Reserves reduced by **5.8%**

Lloyd's Syndicate and Club Diversification

The Standard Syndicate ceased underwriting on 01 January 2019. In the Syndicate's final year of operations the Standard Club provided 86% of the capital (increased from 47% previous year).

The Standard Syndicate's results are included in the consolidated results summarised above. A simplified breakdown of the Syndicate's results is below:

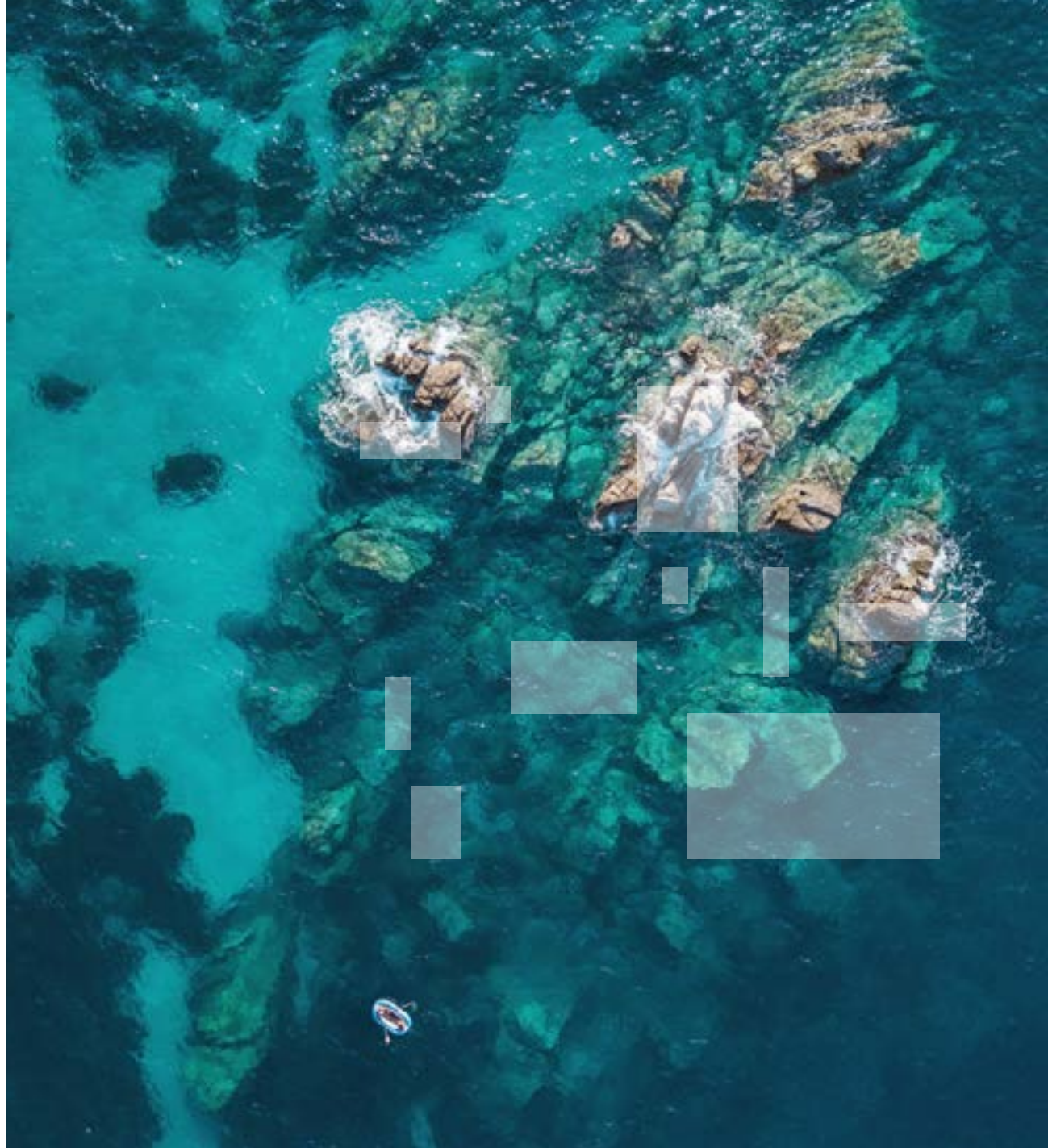
	2016/17	2017/18	2018/19
Premiums	30,400	47,100	97,800
Reinsurance	-5,400	-10,100	-17,500
Operating Expenses	-16,400	-20,900	-51,000
Operating Income	8,600	16,100	29,300
Net Incurred Claims	22,900	36,900	78,300
Technical Deficit	-14,300	-20,800	-49,000
Investment Income	3,000	1,200	1,800
Deficit for Year	-11,300	-19,600	-47,200

Combined ratio

The underlying results of the Standard Club are complicated by recent returns of premium and the underwriting losses from the Syndicate. Comparisons of the results including and excluding the Syndicate and premium rebate are as follows:

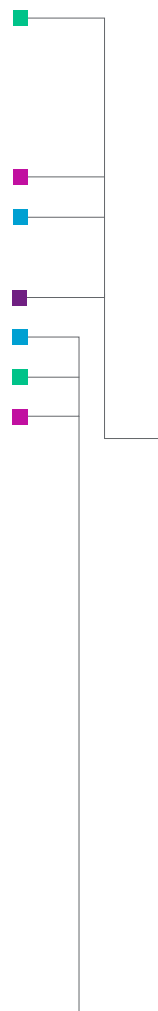
	2016/17	2017/18	2018/19
Combined Ratio Comparisons			
Combined ratio full consolidation	93%	110%	116%
Combined ratio excluding Syndicate	90%	105%	100%
Underwriting Results (USD)			
Underwriting result full consolidation	17.3m	-24.5m	-49.5m
Underwriting result excluding Syndicate	31.6m	-3.7m	-0.5m

*2017/18 result includes return of premium to Members



Consolidated financials

P&I only (USD 000s)	2016/17	2017/18	2018/19
Calls and Premiums	338,800	334,300	386,400
Reinsurance Premiums	-77,000	-80,800	-80,700
Operating Expenses (policy year)	-43,500	-45,700	-81,100
Operating Income	218,300	207,800	224,600
Gross Paid Claims	300,400	258,000	372,200
Net Paid Claims	229,100	211,700	242,300
Net Change in Provision for Claims	-28,300	20,600	31,800
Net Incurred Claims	200,800	232,300	274,100
Technical Surplus (Deficit)	17,500	-24,500	-49,500
Investment Income	22,800	55,500	4,200
Overall Surplus for Year (Deficit)	40,300	31,000	-45,300



Consolidated financials

Group result (USD 000s) 2016/17 2017/18 2018/19

■ Net Assets (market)	984,700	1,039,500	1,053,500
■ (Net) Outstanding Claims	554,200	578,000	618,800
■ Free Reserves	430,500	461,500	434,700

2017 2018 2019

S&P Rating

A A A

AER (Average Expense Ratio)

Five years ending 20, February: 12.4 12.5 12.8

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Entered tonnage

	2017	2018	2019
Entered Tonnage (GT, millions)			
Owned / Mutual	126	135	130
Chartered / Fixed	24	24	25
Total	150	159	155



Glossary

Combined Ratio

Combined ratios provide a direct comparison of club underwriting performance. The combined ratio is essentially the net loss ratio for the club and is defined as follows:

$$\text{Net combined ratio} = \frac{\text{(Net incurred claims + operating expenses)}}{\text{(Premium - reinsurance costs)}}$$

- A combined ratio of 100% represents an underwriting break-even position
- Anything in excess of 100% would be an underwriting loss
- A combined ratio less than 100% would represent an underwriting surplus.

Average Expense Ratio (AER)

Average Expense Ratios (AERs) were introduced in 1999 following pressure from the European Commission in an attempt to enable direct comparisons of operating costs between clubs within the International Group. The formula that all clubs are required to adhere to when calculating their AER figure is as follows:

$$\text{The AER formula is the five-year average of:} \frac{\text{(Operating costs x 100)}}{\text{(Premium income + Investment income)}}$$

In principle the AER is a reasonable idea, but in reality it is only ever a very approximate guide to the relative operating costs of individual clubs. For example different membership profiles, disproportionately high levels of premium or investment, whether the club owns or rents their office space, how much the club spends on loss prevention, global office network, member portals etc all have an impact on the AER.

Basis of financial analysis

The main aim in the Willis Towers Watson analysis of club report and accounts has been consistency. Although there are still variations between the way clubs report, we try as far as possible to compare 'like with like' and to apply the same approach year after year.

A glossary of terms is provided below.

Glossary of terms

Calls and Premiums	All calls (gross basis, including brokerage)
Reinsurance Premiums	All reinsurance premiums
Operating Expenses	All general management, administrative and audit expenses (not including claims management costs)
Operating Income	Calls, less reinsurance costs, less expenses
Gross Paid Claims	Paid gross claims, including Pool contributions (including claims management costs)
Net Paid Claims	Gross paid claims less reinsurance and Pool recoveries
Net Change in Provision for Claims	Change in net estimated outstanding claims
Net Incurred Claims	Net paid claims plus change in provision for claims
Technical Surplus (Deficit)	Operating Income less Net Incurred Claims
Investment Income	All investment income, including exchange gains/losses, tax etc.
Overall Surplus for Year (Deficit)	Incurred technical surplus (deficit), plus investment income
Net Assets	Total assets, less creditors, less miscellaneous provisions for taxation etc
Net Outstanding Claims	Total net estimated outstanding claims
Free Reserves (Including Forecast Deferred Calls)	Net assets, less outstanding claims

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