



STEAMSHIP MUTUAL

To the Members

October 2012

Dear Sirs,

FINANCIAL UPDATE

At a Board Meeting in Seoul, South Korea on 22nd and 23rd October 2012 the following developments were reported:

Tonnage

The Directors were pleased to note the continued growth in the Association's owned entry; 3.5 million tons in the period 20th February to 20th October 2012.

Claims

2012/13 Policy Year

On the basis of gross owned claims reported to date, the number of claims in the layer up to US\$250,000 is 22% below the level seen in the 2011/12 year but the average size is 8% higher. The number of claims estimated in excess of US\$250,000 is 36% lower than last year but the average size is 31% higher. The experience on the International Group Pool for the first six months of the year was the worst on record and eight claims have been notified to date, one of which is from the Association.

2011/12 and Prior Years

The IBNR review for the second quarter saw a return to a more normal pattern of releases from prior year claim reserves, particularly for closed policy years. The full year forecast is for prior year movements as a whole to be in line with the budget set by the Board.

Investments

In August and September most investment markets recorded positive returns, encouraged by further support measures announced by European and US central banks. Economic growth remains on a downward trend, in both developed and developing countries, and markets have priced in a longer period of low growth and monetary support. Combined with the Trust the Association has achieved an overall return of 2.2% for the year to date.

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2013/14 Premium Ratings

The Directors considered the outlook for risk on the Association's financial targets whilst also taking into account the continuing difficulties for shipowners in depressed markets. They decided that premium for all areas of the Association's business will be subject to a 7.5% standard increase, whilst deductibles will be looked at on an individual member basis and not subject to a standard increase.

Records will be assessed in the usual way, with particular attention to adverse claims performance and increasing exposure. Any adjustments in the costs of the International Group reinsurance programme, whether up or down, will be passed on to Members.

The Directors decided that the release calls on the 2010/11 and 2011/12 years will be reduced to 5% and 15% respectively and that the release calls for the current year and 2013/14 will be set at 20%.

Pre-Renewal Report

In December the Managers will be publishing the 2012 Pre-Renewal Report which will provide Members with more details of progress in the current financial year and an update on recent developments.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED