



STEAMSHIP MUTUAL

To the Members

May 2013

Dear Sirs,

FINANCIAL UPDATE AND 2013 RENEWAL

The Reports and Accounts of the Club, The Steamship Mutual Underwriting Association (Bermuda) Limited and The Steamship Mutual Trust were approved by their respective Directors at Board Meetings held in Rome, Italy, on 13th and 14th May, and will be published together in June. In advance of their publication, the Directors have asked the Managers to bring the Members up to date with the Clubs' financial position.

Financial Results

For all International Group Clubs, underwriting performance for the year ended 20 February 2013 was adversely affected by the worst Pool experience on record. Claims within retention were also at higher levels than predicted, reflecting the continuation of upward pressure upon claims, despite the economic downturn. Nevertheless there was an improvement in prior year results, which is consistent with the Club's normal experience. These factors resulted in a financial year combined ratio of 112.5% and an increase in the three year average ratio to 106.4%.

The combined investment portfolio recorded a gain of US\$ 27.0 million, a 3.0% return, and the total of cash and investments increased by 5.2% to US\$ 944.7 million. The investment portfolio was again positioned conservatively throughout the year and some modest changes were implemented to improve diversification.

These investment gains largely offset an adverse underwriting result, and free reserves stand at US\$ 286.2 million for 2013, above the current and prospective regulatory requirements.

For the 2012/13 policy year, when compared to the preceding year, the Clubs experienced fewer claims in the layers below US\$250,000, and up to the Club retention. However the average cost of claims was higher, in particular for claims above US\$1.8 million, and the Clubs had two claims on the Pool as opposed to one. Net estimated claims for the 2012/13 policy year, including IBNR provision and after reinsurance recoveries, are US\$ 247.8 million, 6.7% above the comparable figure for the 2011/12 policy year at the same point.

2013 Renewal

Premium ratings were subject to a 7.5% increase at renewal. Including all individual adjustments for record, and the value of significantly higher deductible levels in some cases, the overall achieved increase was actually in excess of the general increase. This will enhance the Club's ability to accommodate the possibility of another adverse year for claims.

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THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED
Authorised and Regulated by the United Kingdom Financial Services Authority
(Registered No. 105461 : FSA registration number 202548)

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Tonnage

The level of owned entered tonnage grew by 3.2 million GT during the year and the overall total entered tonnage rose to 102.3 million GT.

2010/11 Policy Year

The Directors reviewed the position in relation to the open years and resolved that the 2010/11 Class 1 P&I and Class 2 FD&D years should be closed without further calls.

Website

A refresh of the Club website has been completed to improve content management and usability. You may visit the new website at www.steamshipmutual.com.

Yours faithfully,

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