



October 2014

To the Members

Dear Sirs,

FINANCIAL UPDATE AND 2015 RENEWAL

At a Board Meeting in Hamilton, Bermuda on 28th October 2014 the following developments were reported:

Tonnage

The Directors were pleased to note the continued growth in the Association's owned entry, 2.0 million tons in the period 20th February to 20th October 2014, increasing the combined owned and chartered entry to 116 million tons.

Claims

2014/15 Policy Year

On the basis of owned claims reported to date, the overall cost of claims for the current year is lower than last year but similar to the 2012/13 year. The total value of claims in the layer up to US\$250,000 is marginally below last year, with 15% fewer claims being offset by a 12% increase in the average cost of claims. The value of claims estimated in excess of US\$250,000, net of applicable reinsurance, is 18% lower than last year reflecting a lower than usual number of claims over US\$1 million.

With 9 claims notified to date, the incurred experience on the International Group Pool suggests that full year Pool claims costs will be slightly lower than last year.

2013/14 and Prior Years

Development reviews for the first two quarters of the year have shown a favourable trend across most years and claim categories. This has given rise to higher than expected releases of prior year claims reserves net of reinsurance recoveries while the prudent margin with the IBNR provision remains in place.

Investments

After a generally encouraging six months for most markets and some reasonable returns for investors September and October have seen increased volatility and risk aversion. The Trust is undertaking a regular review of investment strategy with an objective of enhancing its risk-adjusted investment return. More details will be included in the Pre-Renewal Report. Combined with the Trust the Association has achieved a modest return for the year to date.

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STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

(Registered in England and Wales – Registration number 105461. PRA and FCA registration number 202548)

MANAGERS: STEAMSHIP P&I MANAGEMENT LLP

SPIM is an appointed representative of Steamship Insurance Management Services Limited which is authorised and regulated by the Financial Conduct Authority

(Registered in England and Wales – Registration Number OC376859. FCA registration number 597046)

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2015/16 Premium Ratings

The Directors considered the outlook for the Association's underwriting performance, including the effect of churn, and the prospective level of capital resources against the Board's financial targets. The Directors took into account that the Club's financial position is projected to continue improving and acknowledged that many Members still expect downward pressure on earnings over the next twelve months. Bearing these factors in mind, the Directors decided not to order a general increase on any class of business for the 2015/16 policy year but instructed the Managers to correct individual Member premium ratings where necessary. Any adjustments in the costs of the International Group reinsurance programme, whether up or down, will as usual be passed on to Members.

After reviewing the development of open policy years and the overall financial position of the Association the Directors decided that the release calls on the 2012/13 and 2013/14 years be maintained at 5% and 10% respectively and that the release calls for the current year and 2015/16 be set at 25%.

Pre-Renewal Report

In December the Managers will be publishing the 2014 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,

**STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED**

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