



May 2015

To the Members

Dear Sirs,

FINANCIAL UPDATE AND 2015 RENEWAL

The Report and Accounts of Steamship Mutual Underwriting Association Limited, The Steamship Mutual Underwriting Association (Bermuda) Limited and The Steamship Mutual Trust were approved by their respective Directors at Board Meetings held in Madrid, Spain, on 11 and 12 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 combined financial position.

Financial Results

Free reserves increased by US\$75 million to US\$376.2 million and the financial year combined ratio was 78.6%, one of the strongest results in the Club's history.

For the 2014/15 policy year, when compared to the preceding year, the Club again experienced fewer claims in the layers below US\$250,000 but the average cost of such claims rose by 7%. The number of larger claims was similar to that experienced in recent years but their average cost was significantly lower and the Club incurred only one claim on the Pool. Overall net estimated claims, including IBNR provision and after reinsurance recoveries, are US\$198.4 million, 13.4% below the figure for the 2013/14 policy year at the same point.

The development of claims on prior years was significantly less expensive than allowed for in the IBNR provision. In particular the cost of claims on the 2013/14 policy year increased by only one half of the amount that might on average be expected in the second year of development. These factors led to a larger than usual release which boosted the financial year underwriting surplus. Overall claim reserves continue to be held within the Board's target range of statistical confidence and measured as a proportion of net outstanding claims the IBNR provision has strengthened.

The combined investment portfolio recorded a gain of US\$13.7 million, a 1.3% return, and the total of cash and investments increased by 7.0% to US\$1,041.9 million. Returns on bonds, equities and hedge funds of funds were subdued by a minimal return on short term US Treasuries, which formed the majority of the portfolio until the end of the year, and by revaluation losses on non-US dollar assets which are held to match claim liabilities.

L.254

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)

AQUATICAL HOUSE 39 BELL LANE LONDON E1 7LU
Tel: +44 20 7247 5490 Website: www.steamshipmutual.com

2015 Renewal

In the light of expected good financial results the Board decided that no general increase be applied at renewal. Including the projected value of higher deductibles and other changes in terms the achieved increased was just under 1%.

Tonnage

The level of owned entered tonnage grew by 3.8 million GT during the year and the overall total entered tonnage rose to 120.3 million GT.

2012/13 Policy Year

The Directors reviewed the position in relation to the open years and resolved that the 2012/13 Class 1 P&I and Class 2 FD&D years be closed without further calls.

Release calls

In view of the increase in combined free reserves the Directors decided to reduce the release calls on the 2014/15 and 2015/16 policy years by 5% and 10% respectively so that Class 1 P&I and Class 2 FD&D will be subject to release calls as follows:

2013/14: 5%

2014/15: 5%

2015/16: 15%

Yours faithfully,

**STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED**

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)
AQUATICAL HOUSE 39 BELL LANE LONDON E1 7LU
Tel: +44 20 7247 5490 Website: www.steamshipmutual.com