



October 2016

To the Members

Dear Sirs,

FINANCIAL UPDATE AND 2017 RENEWAL

At a Board Meeting in Seattle, USA on 25 October 2016 the following developments were reported:

Tonnage

The Directors were pleased to note the continued growth in the Association's owned entry, of 3.0 million tons in the period 20 February to 20 October 2016, increasing the combined owned and chartered entry to 130 million tons.

Underwriting results

2016/17 Policy Year

The total value of estimated claims within the Club's retention, both in severity and in number, is significantly lower than at the same point in recent years. And with six claims notified by the Group Clubs to date, the incurred experience on the International Group Pool is also lower than last year.

2015/16 and Prior Years

Development reviews for the first two quarters of the year have shown a favourable trend across some claim categories, whilst others have deteriorated, and the total projected release from prior years is somewhat less than in recent years.

Investments

In the eight months ending October the Club has recorded a return of 2.4% excluding currency movements, which are allocated to the underwriting result. Within the Club's surplus portfolio returns from equities and hedge funds of funds have been particularly strong in this period.

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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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Capital Management

In the last two years the Club has enjoyed excellent results and the current policy year is also performing extremely well. The Members will be aware that in August 2016 Standard & Poor's (S&P) upgraded the financial strength rating of the Club from A- to A, recognising the Club's record of strong financial performance and capital resources. Accordingly the Board has considered how best to use the Club's increased financial strength for the benefit of its Members, and decided as follows:

1. to return 10% of premium paid on Class 1 P&I mutual entries in the 2014/15 policy year, credits to be issued on 20 November 2016; and
2. to retain more risk in the 2017/18 policy year and thus to reduce the cost of reinsurance charged to the Members.

2017/18 Premium Ratings

The Directors considered claims trends, including the positive underwriting performance of the current year, together with the average level of premium churn over recent years and the restructured reinsurance of retained claims next year. It was decided that, for a third successive year, no standard increase will be applied on any class of business for the 2017/18 policy year.

As usual the Managers have been instructed to correct individual Member premium ratings where necessary and to pass on to Members any adjustments in the costs of the International Group reinsurance programme, whether up or down.

Release Calls

After reviewing the development of open policy years and the overall financial position of the Club, the Directors decided to review release calls on the open years after renewal, and Class 1 P&I and Class 2 FD&D release calls remain as follows:

2014/15: 0%

2015/16: 2.5%

2016/17: 12.5%

Yours faithfully,

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