



May 2017

To the Members

Dear Sirs,

FINANCIAL UPDATE AND 2017 RENEWAL

The Reports 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 Hamburg, Germany, on 8 and 9 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

The Club performed very strongly in 2016/17 and free reserves increased by US\$70.0 million to US\$510.3 million. The underwriting surplus of US\$41.2 million, a combined ratio of 83.5%, reflected an exceptionally low level of retained and Pool claims in the 2016/17 policy year. This result is net of having returned US\$25.8 million of premium to the Members in November 2016.

For the 2016/17 policy year, when compared to the preceding year, the Club experienced a similar number of claims in the layers below US\$250,000 but the average cost of such claims was nearly 20% lower. Conversely the number of larger claims was even lower than was experienced last year but their average cost was similar to the average of recent policy years. Overall net estimated claims, including IBNR provision and after reinsurance recoveries, were US\$188.6 million, 14.7% below the figure for the 2015/16 policy year at the same point.

Prior policy years continued to develop favourably and broadly in line with the Board's expectations.

The combined investment portfolio recorded an overall gain of US\$31.0 million before fees, a return of 2.8%, excluding US\$0.7 million of adverse currency movements which are included in the underwriting result. A 2.0% return on bonds, which form the majority of the portfolio, was supplemented by a 19.3% return on equities and an 8.5% return on hedge funds of funds. Total cash and investments increased by 1.6% to US\$1.06 billion.

2017 Renewal

The Board decided that, for a third successive year, no general increase be applied at renewal. Including the projected value of higher deductibles and other changes in terms premium for owned entries fell by 1.7% on a like for like basis.

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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)

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

Tonnage

The level of entered tonnage grew by 8.5%, 11.9 million GT at renewal, much of which came from chartered vessels, and the overall total entered tonnage rose to 151.3 million GT.

2014/15 Policy Year

The Directors reviewed the position in relation to the open years and resolved that the 2014/15 Class 1 P&I and Class 2 FD&D years be closed without further calls.

Release calls

The Directors decided to move the present release call levels forward by a year so that Class 1 P&I and Class 2 FD&D will be subject to release calls as follows:

2015/16: 0%

2016/17: 2.5%

2017/18: 12.5%

Capital Strength

In October of this year, as part of its annual overall review of projected capital requirements and capital resources the Board will consider another return of premium to Members and the level of release calls.

Yours faithfully,

**STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED**

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