



STEAMSHIP MUTUAL

To the Members

November 2007

Dear Sirs,

REVIEW OF OPEN POLICY YEARS – 2008/09 RENEWAL

At their Board Meeting on 29th/30th October, the Directors reviewed the position of the open policy years and considered the mutual premium ratings required for the 2008/09 policy year.

2005/06 Policy Year

The pure underwriting surplus on this policy year continues to improve and currently stands at US\$ 24 million. The year will be considered for closure in May 2008. No additional call is anticipated.

2006/07 Policy Year

The pure underwriting deficit on this year has reduced by some US\$ 5.5 million since February and currently stands at US\$ 21 million.

2007/08 Policy Year

At this early stage it is difficult to predict with any certainty the outcome of the current policy year. However, on the basis of claims notified in the first seven months, the indications are that claims, in the layer up to US\$ 250,000, are continuing to develop in line with projections. Claims estimated in excess of US\$ 250,000, as was indicated to Members after the July Meeting, are running, both by number and value, at levels significantly below those experienced in 2006/07 at the same stage, and there are no claims currently estimated to exceed the Pool entry point. However it is notable that claims notified to the Pool by other Clubs generally exceed those notified last year at the same point, both in number and value, setting yet another record.

The Directors were pleased to note the continued growth in the Club's owned entry which has increased, net of disposals, by 2.65 million GT in the first eight months of the year.

The fourth 25% instalment of Class 1 P&I Mutual Premium will be debited on 20th November in the normal way.

2008/09 Mutual Premium Ratings

Despite the moderate levels of large claims notified to the Club so far in the current year, the continued high frequency of large claims being experienced by the industry as a whole makes it imprudent to assume that the Club will remain immune next year or, necessarily for the balance of 2007. With the North Atlantic winter not yet underway, there remains a significant risk that the Club's claims experience could deteriorate in the second half of the year. Shipping continues to be buoyant in most sectors and claim related costs continue to escalate as does the shortage of experienced crew. At the same time there is no rest from the inexorable increase in regulatory and legislative pressures on the industry. This can only mean that the Club will continue to face high levels of industry risk and rising Pool costs, which must be taken into account when setting premium rates for the renewal. Against this background, the Club must ensure that any such adverse claims developments are effectively countered by maintaining the strong and conservative approach to underwriting taken over recent years.

Managers' London Representative

STEAMSHIP INSURANCE MANAGEMENT SERVICES LIMITED

Authorised and Regulated by the United Kingdom Financial Services Authority

AQUATICAL HOUSE 39 BELL LANE LONDON E1 7LU

tel: 020 7247 5490 website: www.simsl.com

Although investment returns are currently running at satisfactory levels, extreme volatility has been experienced both in the equity and credit markets over the summer, which was only quelled by strong responses from the US and European central banks. It is clear that the fall-out from the liquidity crisis is far from over and it is impossible to predict the longer term effects on the world economy. This makes it imprudent to assume that investment returns will be sustained at current levels for the balance of the year, or to place any reliance on investment income making a substantial contribution to the Club's finances in 2008/09.

In the light of all these considerations, the Directors remain firmly of the view that it is essential that premiums for 2008/09 be set at levels consistent with the risks faced by the Club. Accordingly the Directors have decided that:

Class 1 – Protection & Indemnity

Premium levels for the 2008/09 policy year should be subject to a standard increase of 15.0% before the assessment of record and any adjustments in reinsurance costs, whether up or down, will be passed on.

Class 2 – Freight, Demurrage & Defence

Premium levels for the 2008/09 policy year should be subject to a standard increase of 15.0% before assessment of record.

Mid Year Review

In December the Managers will be publishing a Mid-Year Review which will provide Members with more details of progress in the current financial year and an update on recent developments.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED