



8 July 2020

Dear Sirs

Steamship Mutual Reorganisation

We are writing to you to inform you of the proposed transfer of certain insurance and reinsurance business of Steamship Mutual Underwriting Association Limited (**'SMUAL'**) to Steamship Mutual Underwriting Association (Europe) Limited (**'SMUAE'**). SMUAL and SMUAE are together referred to herein as the **'Club'**. This notification refers to the proposed transfer as **'the Scheme'**.

This notification is being sent to in your capacity as a member of the International Group of P&I Associations (the **'International Group'**) and as a signatory to the International Group Pooling Agreement (the **'Pooling Agreement'**). As agreed with other parties to the Pooling Agreement, SMUAL and SMUAE are both Affiliated Associations treated as Linked Associations with The Steamship Mutual Underwriting Association (Bermuda) Limited which is the Principal Linked Association. SMUAL has been an Affiliated Association in various historic pooling agreements. This notification is being sent separately to the member clubs which comprise the International Group, and a similar notification will also be sent to the International Group Secretariat itself.

If you are aware of someone else that the Club should contact in relation to the Scheme then please send the contact details of such other persons whom you wish the Club to contact to my email address listed in the "Where are the Scheme Documents" section below.

What is happening and why?

In response to the UK's decision to leave the European Union, commonly known as 'Brexit', the Club is required to make certain changes to its business structure. These changes will provide continuity of cover to Club members based in any EEA state, Monaco or Switzerland (the **'European business'**), and will ensure that the Club can continue to service its members across Europe post-Brexit.

The Club is aware that other P&I clubs in the International Group are carrying out similar schemes to transfer their own insurance businesses. The directors and managers of the Club consider that it is in the best interest of the Club and its members for the Club to carry out the Scheme.

From 20 February 2020, all new European business has been written, and will continue to be written, by SMUAE. To complete the restructure of the Club's European business, the

STEAMSHIP INSURANCE MANAGEMENT SERVICES LIMITED

Authorised and regulated by the Financial Conduct Authority

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Tel: +44 20 7247 5490 Website: www.steamshipmutual.com

(Registered in England and Wales – Registration number 3855693. FCA registration number 314468)



Club intends to carry out an insurance business transfer of the existing European business of SMUAL to SMUAE under Part VII of the Financial Services and Markets Act 2000.

When will the Scheme take effect?

Pursuant to the terms of the Scheme, the insurance and reinsurance business of SMUAL relating to the European business, including SMUAL's rights under all pooling arrangements in respect of the transferring European business, will be transferred to SMUAE on 20 December 2020. The Scheme is subject to the approval of the High Court of Justice in England (the 'Court') at a hearing due to be held on 2 December 2020.

What is the impact on reinsurance and International Group members?

If the Scheme is approved, the insurance and reinsurance business of SMUAL in respect of the European business will transfer to SMUAE at noon GMT on 20 December 2020 (the 'Effective Time'). All rights and liabilities of SMUAL arising from the transferring business under any reinsurance contracts entered into by a reinsurer with SMUAL will become rights and liabilities of SMUAE and all rights and liabilities which reinsurers and other parties currently have against SMUAL in respect of the transferring business will become enforceable against SMUAE. From the Effective Time, all transferred policyholders will become members of SMUAE instead of SMUAL.

Both SMUAL and SMUAE will continue to be members of the International Group and parties to the Pooling Agreement, with Steamship Mutual Underwriting Association (Bermuda) Limited ('SMUAB') remaining the Principal Linked Association for the Club.

The Club has no reason to believe that approval of the Scheme would result in any adverse consequences with regard to any rights or liabilities in respect of reinsurances (including pooling arrangements) which are to transfer to SMUAE, or any rights relating to your membership of the International Group or arising by virtue of your being a party to the Pooling Agreement or to any previous pooling arrangements in which you may have participated.

How are policyholder, reinsurer and other parties' interests being protected?

The Independent Expert

Ms Ruth Nelmes of Ernst & Young LLP has been appointed by the Club to act as an independent expert (the 'Independent Expert') in relation to the Scheme and her appointment has been approved by the Prudential Regulation Authority ('PRA'). Ms Nelme's priority and overriding duty is to the Court. She has produced a Scheme Report which has been presented to the Court. The Scheme Report sets out her opinion that :-



- the security provided to policyholders will not be materially adversely affected after the Scheme
- no group of policyholders would be adversely affected to a material extent by the Scheme
- the level of customer service provided to policyholders would be unaffected by the Scheme
- there are also no other parties (e.g. reinsurers) who will be materially adversely affected by the Scheme and that
- therefore, there is no reason why the Scheme should not go ahead.

The Clubs' Regulators

The Club has consulted with the PRA and the Financial Conduct Authority ('FCA') in the UK as well as the Insurance Companies Control Service in Cyprus ('ICCS') regarding the proposed Scheme and, to date, the Club has not received an objection from the PRA, the FCA or the ICCS. The PRA, FCA and ICCS will continue to consider the proposed Scheme and will take into account any objections received from policyholders and other key stakeholders. Should the PRA, FCA or the ICCS develop any concerns regarding the impact of the Scheme on policyholders we will make these known to the Court at the hearing on 2 December 2020.

Who will bear the costs of the Scheme?

All costs and expenses of the Scheme shall be borne by SMUAL.

Where are the Scheme Documents?

A statement containing a summary of the Scheme and the Scheme Report along with the Scheme and the Scheme Report themselves can be viewed on the Club's website at <http://www.steamshipmutual.com/About-Us/restructure.htm>. If you have any difficulty accessing the documents on our website you may request us to send you copies by contacting me at graham.jones@simsl.com or by writing to me at Steamship Insurance Management Services Limited, Aquatical House, 39 Bell Lane, London E1 7LU.

Alternatively, you can request these documents free of charge by calling me on +44 (0)20 7650 6534 during normal office hours.

What should you do?

Please read the information I have included in this notification to make sure that you understand what the Club is proposing to do.



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Unless you have any concerns about this proposal, you do not need to do anything. However, any person who considers that he/she/it would be adversely affected by the carrying out of the Scheme is entitled to appear at the hearing and make representations in person and/or to instruct a barrister or solicitor advocate to appear at the hearing and make representations on his or her behalf and/or to make written representations without appearing at the hearing. The application will be heard on 2 December 2020 by a Judge of the Business and Property Courts of the High Court at The Rolls Buildings, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL.

If you do not have concerns about the Scheme

There is no need to reply to this notification if you have no objection to the proposed transfer.

If you have concerns about the Scheme

If you do intend to present any objections to the proposed transfer because you believe you would be adversely affected by the Scheme, or you otherwise object to the Scheme, please email or write to me using the details listed in the “Where are the Scheme Documents” section above, as soon as possible and no later than 20 November 2020 giving your reasons for any objection you may have.

Further information regarding the proposed Scheme and its implications can be found on the Club’s website at <http://www.steamshipmutual.com/About-Us/restructure.htm>.

If you would like to discuss these proposals further or have any questions, please do not hesitate to contact me on +44 (0)20 7650 6534 or at graham.jones@simsl.com.

Yours faithfully

Graham Jones

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