



October 2015

## To the Members

### Financial Update and 2016 Renewal

At a Board Meeting in Boston, USA on 27 October 2015 the following developments were reported:

#### Tonnage

The Directors were pleased to note the continued growth in the Association's owned entry, 2.9 million tons in the period 20 February to 20 October 2015, increasing the combined owned and chartered entry to 127 million tons.

#### Claims

##### 2015/16 Policy Year

On the basis of owned claims reported to date, the overall cost of claims for the current year is significantly higher than last year due to a small number of high value claims within the Club's retention. The total value of claims in the layer up to US\$250,000 is marginally lower than last year, with 4% fewer claims being partially offset by a 1% increase in the average cost of claims. While the number of claims estimated in excess of US\$250,000 is 15% lower than last year, many more of these claims fall in the abatement layer, US\$1.8 million to US\$9 million, than has been the case in recent years. The Club's retention reinsurance provides protection in such a year.

With nine claims notified by the Group Clubs to date the incurred experience on the International Group Pool is lower than last year at the same point.

#### 2014/15 and Prior Years

Development reviews for the first two quarters of the year have shown a favourable trend across most years and claim categories. This has given rise to releases of prior year claims reserves net of reinsurance recoveries that are higher than the level assumed in the Club's financial projections while the prudent margin within the IBNR provision has been maintained.

#### Investments

In the three months ending September an economic slowdown in China raised concerns over global growth and led to significant equity market volatility. The Club's low allocation to equities and alternative investments has reduced the impact of this volatility and for the first eight months of the year a modest positive investment return has been recorded.

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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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#### 2016/17 Premium Ratings

The Directors considered the outlook for the underwriting performance of the current year, which is at an early stage of development, together with evidence of increasing levels of churn and noted that the current and prospective level of capital resources measured against rating agency and regulatory requirements remains extremely strong. The Board has decided that, for a second successive year, no standard increase will be applied on any class of business for the 2016/17 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.

After reviewing the development of open policy years and the overall financial position of the Club the Directors decided to reduce the release calls on the 2013/14 and 2015/16 policy years by 2.5% so that Class 1 P&I and Class 2 FD&D will be subject to release calls as follows:

2013/14: 2.5%

2014/15: 5%

2015/16: 12.5%

The release call for the 2016/17 policy year will also be set at 12.5%.

#### Pre-Renewal Report

In December the Managers will publish the 2015 Pre-Renewal Report which will provide Members with more details of progress in the current financial year and an update on recent developments.

Yours faithfully,

**STEAMSHIP MUTUAL UNDERWRITING  
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