



May 2016

To the Members

Dear Sirs,

Financial Update and 2016 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 Geneva, Switzerland, on 9/10 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 continues to perform well and free reserves increased in 2015/16 by US\$64.1 million to US\$440.3 million. Underwriting performance was excellent again and the financial year combined ratio was 76.2%.

In common with other marine insurers, the development of prior year claims has been favourable over the last 12 months. This reflects effective claims handling and, of course, the Board's prudent reserving policy (which aims to ensure that claims reserves are sufficient, more often than not, to meet eventual settlements). In most years, therefore, claims releases can be expected.

For the 2015/16 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 rose by 5%. The number of larger claims was 14% lower than experienced last year but their average cost was significantly higher and similar to the 2013/14 policy year. Overall net estimated claims, including IBNR provision and after reinsurance recoveries, were US\$221.0 million, 11.4% above the figure for the 2014/15 policy year at the same point.

As expected, the modest allocation to equities protected the Club from volatile market conditions in 2015/16. The combined investment portfolio recorded an overall loss of US\$1.8 million before fees, a negative return of 0.2%, excluding the effect of adverse currency movements over the year (included in the underwriting result). A positive return on bonds, which form the majority of the portfolio, was offset by losses on equities and hedge funds of funds caused by steep falls in the markets towards the end of the financial year. Total cash and investments increased by 0.2% to US\$1.04 billion.

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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 Renewal

The Board decided that, for a second successive year, no general increase be applied at renewal. Including the projected value of higher deductibles and other changes in terms the achieved increase was 0.3%.

Tonnage

The level of owned entered tonnage grew by 3.6 million GT during the year and at renewal and the overall total entered tonnage rose to 129 million GT.

2013/14 Policy Year

The Directors reviewed the position in relation to the open years and resolved that the 2013/14 Class 1 P&I and Class 2 FD&D years be closed without further calls.

Release calls

In view of the increase in combined free reserves the Directors decided to reduce the release calls on the 2014/15 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:

2014/15: 0%

2015/16: 2.5%

2016/17: 12.5%

Capital strength

The Directors considered the very strong capital position of the Club and how this might be of benefit to the Members. The Directors are intent upon keeping premium levels as low as possible, whilst maintaining the underwriting discipline that has served the Club well over recent challenging years for many Members. They have agreed to consider in October 2016 what further steps should be taken which will include a possible return of premium to Members before the closure of the 2014/15 policy year.

Yours faithfully,

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