



STEAMSHIP MUTUAL

To the Members

May 2010

Dear Sirs,

FINANCIAL UPDATE AND 2010 RENEWAL

The Reports and Accounts of the Club, The Steamship Mutual Underwriting Association Limited and The Steamship Mutual Trust were approved by their respective Directors, at Board Meetings held in Dubrovnik, Croatia, on 10th and 11th 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 Clubs' financial position.

Financial Results

The 2009/10 financial year has seen good progress being made towards meeting the Club's financial objectives. An operating surplus of US\$ 63.9 million has increased free reserves by 34% to US\$ 251.6 million.

Underwriting performance continued to strengthen and a surplus of US\$ 21.1 million has reduced the three year average combined ratio to 93.2%, excluding additional premium. One of the Club's primary objectives is to maintain premium at a level sufficient to cover claims and operating expenses over successive three year periods, and thus to achieve an average combined ratio of 100% or less on a financial year basis. In 2009 that objective was met, whilst still maintaining prudent levels of IBNR provision which protects the Club against prior year deterioration.

The combined investment portfolio recorded a gain of US\$ 45.1 million, a 7.5% return, which, combined with collection of the additional premium levied last year, increased the total of cash and investments to US\$ 721.0 million. The investment portfolio remained defensively positioned during the year as the Directors redesigned the investment strategy. Nevertheless, fixed income and hedge fund of fund investments benefited from the recovery as markets normalised.

In February 2010 Standard and Poor's placed a positive outlook on the Club's BBB+ rating reflecting its increased capitalisation, expectations for continued underwriting discipline and implementation of the new investment strategy.

The Club's claims experience for 2009 was similar to that seen in 2008, but its composition was rather different. Attritional claims below US\$ 250,000, which form the overwhelming majority of all claims, fell substantially compared to previous years both in number and value. However, this reduction was more than offset by an increase in the value of large claims, largely because of two Pool claims from the Club compared to none in 2008, both of which only just exceeded the US\$ 7 million retention. Net estimated claims for the 2009/10 policy year, including provision for IBNR and after reinsurance recoveries, are US\$ 202.6 million, 5.2% above the comparable figure for the 2008/09 policy year at the same point.

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THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION (BERMUDA) LIMITED

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A detailed analysis of claims in the 2009/10 policy year and a commentary on the new investment strategy will be included in the Management Highlights to be published in June.

2007/08 Policy Year

The Directors reviewed the position in relation to the open years and came to the following decisions:

- (i) 2007/08 – Class 1 P&I
The Directors resolved that the year should be closed following the debiting of the 7% additional premium payable on 20th May;
- (ii) 2007/08 – Class 2 FD&D
The Directors resolved that the year should be closed without additional premium.

2010 Renewal

2010 proved to be another positive renewal and the Club was successful in achieving an average increase of 3.1%, after allowing for adjustments in terms. Net tonnage movement during the renewal itself was not significant, but the consolidation of entries with the Club from several existing members was very encouraging. Overall tonnage, owned and chartered, increased from 75m GT to 83m GT during the year to 20th Feb 2010.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION (BERMUDA) LIMITED