



STEAMSHIP MUTUAL

To the Members

November 2011

Dear Sirs,

FINANCIAL UPDATE

At a Board Meeting in Miami, USA on 24th and 25th October 2011 the following developments were reported:

Tonnage

The Directors were pleased to note the continued growth in the Association's owned entry; 4.8 million tons in the period 20th February to 20th October 2011.

Claims

2010/11 and Prior Years

Over the first three months of 2011, the Club experienced significant claims deterioration in earlier policy years up to and including 2009/10. This deterioration appears to have stabilised since May 2011, and prior year claims have developed slightly below forecast over the last 5 months. However, the Club is still expected to have experienced overall back year claims deterioration, rather than improvement, by the end of the current policy year.

The 2010/11 year continues to develop favourably against projections.

2011/12 Year

On the basis of gross owned claims reported to date, routine claims (notably crew) are higher in both number and value than those reported at the same point last year, and there have been more high value (excess of US\$1 million) claims for Cargo, Fixed and Floating Objects and on charterers' covers.

Investments

The third quarter was a turbulent period for investment markets as the European debt crisis deepened and confidence in the ability of governments to find solutions weakened. Riskier investments such as equities and commodities fell in value reflecting expectations of slower global growth for a sustained period. In spite of this turbulence the combined portfolio of the Club and Trust has maintained an overall return of 2.2% for the year to date.

B.558

THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION (BERMUDA) LIMITED

Registered Office: Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Authorised and Regulated by the Bermuda Monetary Authority and the United Kingdom Financial Services Authority
(FSA registration number 202762)

MANAGERS: STEAMSHIP MUTUAL MANAGEMENT (BERMUDA) LIMITED

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2012/13 Mutual Premium Ratings

The Directors considered the potential impact of these factors upon the outlook for claims in particular and the Club's financial targets generally, and decided that:

- (1) premium in every area of the Club's business will be subject to a 5% standard increase,
- (2) deductibles should be increased to a minimum of US\$5,000, and
- (3) deductibles below US\$25,000 should be increased by US\$1,000.

Records will be assessed in the usual way, with particular attention to adverse recent claims performance and increasing exposure. Any adjustments in the costs of the International Group reinsurance program, whether up or down, will be passed on to Members.

Release Calls

The Directors decided that the release calls on the 2009/10 and 2010/11 years will be reduced to 5% and 15% respectively and that the release calls for the current year and 2012/13 will be set at 20%.

Pre-Renewal Report

In December the Managers will be publishing the 2011 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,

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