



STEAMSHIP MUTUAL

To the Members

May 2012

Dear Sirs,

FINANCIAL UPDATE AND 2012 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 Barcelona, Spain, on 7th and 8th 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

Underwriting performance was affected by a relatively small deterioration in prior year claim estimates. This is contrary to the experience of recent years, and the Managers believe 2011 will continue to be very much the exception to the normal pattern of releases from prior year claim reserves. The consequence was a financial year combined ratio of 114.7%, though the three year average remains below the target of 100%.

The combined investment portfolio recorded a gain of US\$ 36.0 million, a 4.2% return, and the total of cash and investments increased by 9% to US\$ 898.3 million. The investment portfolio was positioned conservatively throughout the year.

The performance in the 2011/12 financial year was satisfactory in these circumstances. Free reserves stood at US\$ 295.8 million after an operating deficit of US\$ 7.5 million. Capital resources remain well above the regulatory requirement.

In 2011 the Clubs experienced a higher level of claims than in recent years. Attritional claims, those below US\$250,000 which form the overwhelming majority of claims, increased compared to the previous year both in number and value; particularly in the cargo, crew and fixed and floating objects categories. Moreover, the costs of large claims in the retained layer also increased, particularly those involving chartered vessels and damage to fixed and floating objects. Net estimated claims for the 2011 year, including the IBNR provision and after reinsurance recoveries, are US\$ 232.2 million, which is 12.6% above the comparable figure for the 2010 year at the same point.

A detailed analysis of claims in the 2011 year and a commentary on investment strategy will be included in the Management Highlights to be published in June.

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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)

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2009/10 Policy Year

The Directors reviewed the position in relation to the open years and resolved that the 2009/10 Class 1 P&I and Class 2 FD&D years should be closed without further calls.

2012 Renewal

The renewal saw a small reduction in tonnage, though this was more than compensated for by an increase in tonnage during the year resulting in an overall increase of 8%. Most of the entries which left the Club had adverse records, in respect of which it did not prove possible to agree appropriate premium adjustments. The entered owned tonnage is 62 million GT and the total entered tonnage, including chartered entries, is 93 million GT.

Yours faithfully,

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