



STEAMSHIP MUTUAL

To the Members

October 2013

Dear Sirs,

FINANCIAL UPDATE

At a Board Meeting in Athens, Greece on 22nd October 2013 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 20th February to 20th October 2013

Claims

2013/14 Policy Year

On the basis of owned claims reported to date, the overall value of claims for the current year is expected to be high, continuing the trend of recent years. Whilst the total value of claims in the layer up to US\$250,000 is marginally below last year, with 15% fewer claims being offset by a 10% increase in the average cost of claims, the value of claims estimated in excess of US\$250,000, net of applicable reinsurance, is 20% higher than last year reflecting a significant increase in the number of higher value claims.

With 6 claims notified to date, the incurred experience on the International Group Pool suggests that full year Pool claims costs will also reflect a higher trend in recent years.

2012/13 and Prior Years

The claims development review for the second quarter continued to demonstrate the normal pattern of releases from prior year claim reserves. The full year forecast is for prior year movements as a whole to be in line with, or exceed expectations set by the Board.

Investments

In the third quarter markets adjusted to the prospect of withdrawal of monetary support in the US. Global government bond yields continued to rise and investment values recovered from the sell-off in the previous quarter. The Trust transferred its holdings in US Treasuries and mortgage backed bonds to funds of short term Treasury bills, thereby significantly reducing interest rate risk in the portfolio. Combined with the Trust the Association has achieved a break-even return for the year to date.

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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 authorised by the United Kingdom Prudential Regulation Authority and regulated by the United Kingdom Financial Conduct Authority and Prudential Regulation Authority
(PRA and FCA registration number 202762)

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2014/15 Premium Ratings

The Directors considered the outlook for the Association's underwriting performance, and the adverse impact upon that performance of claims over the last 3 policy years. Whilst acknowledging that the economic downturn continues to affect some Members, they concluded that premium levels should nevertheless be increased by 10% across all entries and for all categories of business, with minimum deductibles for all P and I entries of US\$7,500 for crew claims, and US\$15,000 for all claims other than crew and cargo, the latter remaining at US\$5,000.

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

The Directors decided that the release calls on the 2011/12 and 2012/13 years will be maintained at 5% and 10% respectively and that the release calls for the current year and 2014/15 will be set at 25%.

Pre-Renewal Report

In December the Managers will be publishing the 2013 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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