



May 2014

To the Members

Dear Sirs,

FINANCIAL UPDATE AND 2014 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 Pissouri, Cyprus, on 12th and 13th 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

Free reserves increased by US\$15 million to US\$301.2 million. Despite the continuing high cost of claims, the financial year combined ratio stands at 96.7%.

For the 2013/14 policy year, when compared to the preceding year, the Club again experienced fewer claims in the layers below US\$250,000 and the average cost of such claims fell. However the number of larger claims was significantly higher and, as last year, the Clubs incurred two claims on the Pool. Overall net estimated claims for the 2013/14 policy year, including IBNR provision and after reinsurance recoveries, are US\$ 229.2 million, 7.5% below the comparable figure for the 2012/13 policy year at the same point.

The combined investment portfolio recorded a gain of US\$ 8.4 million, a 0.9% return, and the total of cash and investments increased by 3.1% to US\$ 973.8 million. An increase in yields during the year significantly reduced returns on bonds, which form the majority of the portfolio, so that despite higher returns on equities and hedge funds of funds the overall investment return was lower than last year.

2014 Renewal

Premium ratings were subject to a 10% increase at renewal. The overall objective, against the background of rising claims costs, was to secure premium increases, as well as improvements in deductibles, which would meet the claims levels projected for the current year. Including the projected value of higher deductibles the achieved increase was a little over 8.2%.

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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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Tonnage

The level of owned entered tonnage grew by 3.3 million GT during the year and the overall total entered tonnage rose to 113.7 million GT.

2011/12 Policy Year

The Directors reviewed the position in relation to the open years and resolved that the 2011/12 Class 1 P&I and Class 2 FD&D years should be closed without further calls and that release calls on the open years for Class 1 P&I and Class 2 FD&D should be set as follows:

2012/13: 5%

2013/14: 10%

2014/15: 25%

Yours faithfully,

**THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION (BERMUDA) LIMITED**

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