To the Members   January 2012

Dear Sirs,

COSTA CONCORDIA

You will have seen the press accounts of the terrible incident involving the Costa Concordia.

The ship is owned by Costa Cruises and part entered in the Steamship Mutual, on a 50/50 quota share with the Standard P and I Club, by Carnival Corporation PLC.

Whilst no Club can publicly disclose premium levels paid by individual members, we can confirm that over many years of Club membership, Carnival has paid and continues to pay significant contributions towards the Club's retained claims costs, which in this instance will be $4 million – i.e. one half of the $8 million retained layer born by the Clubs before pooling and reinsurance.

The Club will also pay its share of the Group pooling costs, including Hydra's (the Group Captive's) participation in the upper layer of the Pool and co-insurance in the first layer of reinsurance above the Pool - to which all the IG Clubs will contribute, as they do in every case when liability exceeds $8 million. For each Club, including Steamship Mutual, the amount of pooling contribution largely depends upon its size.

Pooling contributions are made by all IG Clubs to all claims when they exceed the Pool entry point of $8 million. The cost of such contributions is provided for in Steamship's budget projections at the start of every policy year.

It is of course in casualties of this magnitude that the benefits of the Group's pooling and reinsurance arrangements are most clearly demonstrated, since they absorb the majority of cost and expense that such cases are likely to generate.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED

L.174