THE STEAMSHIP MUTUAL
UNDERWRITING ASSOCIATION LIMITED

MANAGERS: STEAMSHIP INSURANCE MANAGEMENT SERVICES LIMITED
AQUATICAL HOUSE, 39 BELL LANE, LONDON, E1 7LU
TEL: 020 7247 5490 & 020 7895 8490 TLX: 9416451 & 920120 FAX: 020 7377 2912 & 020 7895 8484
E-MAIL: steamship@simsl.com WEBSITE: www.simsl.com
REGISTERED NO: 3855693 ENGLAND

To the Members February 2005

Dear Sirs,

FINANCIAL UPDATE

At their Board Meeting in Mumbai on 24th/25th January, the Directors reviewed the financial position of the Club and they have asked the Managers to bring the Members fully up-to-date prior to the forthcoming renewal.

The Managers are pleased to report that the combined financial position of the Clubs and the Trust has continued to improve. On the basis of the figures reported at the Meeting, the level of surplus reserves is currently projected to rise over the year as a whole by US$11.2 million to US$150.4 million. Among the factors underlying this improvement are the following:

- As at 21st January the combined total return on the Trust and Clubs' investments had risen to just over US$ 15 million year to date;
- Notified claims for the 2004/2005 policy year continue to run at levels below those experienced in 2003/04 both in absolute terms and on a claims per ton basis;
- There has been a slight further improvement in the overall claims projections for the 2003/04 and prior policy years.

These positive claims developments continue to demonstrate the benefits of the reduction in underwriting risk achieved and the more rigorous claims estimating and reserving techniques put in place over the last two years.

Nevertheless it is necessary to bear in mind that:

- There is continuing upward pressure on large P&I claims. This can be demonstrated by the fact that total pool claims for the 2002/03 year are now the highest for a decade, overtaking those for the 2003/04 year, and those reported to date for the 2004/05 year are currently higher than those for the 2003/04 year at the same stage;
- The prospect of further rises in US interest rates, combined with indications that the global economy will slow in 2005, mean that investment returns remain uncertain and reinforces the need to eliminate any reliance on investment income; and
- It is necessary to continue preparations for the higher levels of surplus capital being required by industry regulators.

With those factors in mind, the Directors and Managers remain convinced that, despite the improving prospects for the current year, it is necessary to raise general premium levels in order to ensure that a satisfactory underwriting result is achieved in the 2005/06 policy year.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED

L.27