



January 2018

To the Members

Dear Sirs,

FINANCIAL UPDATE AND 2018 RENEWAL

At a Board Meeting in Singapore on 23 January the following developments were reported.

Tonnage

The Directors were pleased to note the continued growth in the Association's owned entry, 4.5 million tons in the period 20 February 2017 to 20 January 2018, increasing the combined owned and chartered entry to 156 million tons.

Underwriting results

2017/18 Policy Year

On the basis of owned claims reported to date, the overall cost of claims for the current year is significantly higher than the very low level at the same point last year but is similar to the average experience of the previous three years. The number of claims estimated in excess of US\$250,000 remains lower than in recent years but the average cost of those claims this year continues to be higher.

Pool claims are considerably higher at this point of the year's development than in 2016/17. Seventeen have been reported of which five are provisional, and the overall cost of these claims is higher than the average of the last several years at the same point in time. Estimates at this level (in excess of the Club's retention) are more volatile than those which do not reach the Pool.

2016/17 and Prior Years

The overall development of claims in prior years has been less favourable than expected in the period to date.

L.307

STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority
(Registered in England and Wales – Registration number 105461. PRA and FCA registration number 202548)

MANAGERS: STEAMSHIP P&I MANAGEMENT LLP

SPIM is an appointed representative of Steamship Insurance Management Services Limited which is authorised and regulated by the Financial Conduct Authority
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Investments

In the eleven months ending January the Club has recorded a return of 3.2% excluding currency movements, which are allocated to the underwriting result. Within the Club's surplus portfolio returns from equities have been particularly strong in this period.

Reinsurance

As was reported in our circular L.303 for a third successive year there have been reductions for all owner Members in the cost of the International Group Excess of Loss reinsurance contract and the Hydra reinsurance programme for 2018/19.

Capital Management

In accordance with the decision of the Board in October 2017, 10% of premium paid on mutual entries in the 2015/16 policy year (US\$ 25.6 million) was returned to Members in November. Notwithstanding this, projected year-end Free Reserves are expected to remain broadly unchanged. In October 2018 the Directors will consider whether further returns of premium should be made.

Brexit

Following the United Kingdom's decision to leave the European Union a new Steamship Mutual insurance company will be established in the European Union in order to insure risks within the European Economic Area. The Board has decided that the new company will be established in the Netherlands.

Yours faithfully,

STEAMSHIP MUTUAL UNDERWRITING
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