



To the Members

May 2019

Financial Update and 2019 Renewal

Highlights

- The Club distributed US\$ 21.9 million to mutual renewing members on 20th March 2019.
- 2019/20 renewal was the 5th consecutive year of no general increase.
- Renewal rates for mutual owned tonnage increased by an average of 2.1% overall.
- Upon renewal total entered tonnage rose to an all-time high of 160 million GT.
- Increasing levels of claims from Members and from the International Group Pool are reflected in a combined ratio of 116%.
- Free Reserves reduced by US\$ 27 million before the capital distribution and stood at US\$ 467 million at year end.
- The Club's capital is comfortably in excess of the S&P AAA rating level.
- The Board will consider whether to make a further capital distribution at its October meeting.

The Reports and Accounts of Steamship Mutual Underwriting Association Limited, The Steamship Mutual Underwriting Association (Bermuda) Limited and The Steamship Mutual Trust were approved by their respective Directors at Board Meetings held in Amsterdam, Netherlands, on 13 and 14 May, and will be published together in June. In advance of their publication, the Directors have asked the Managers to bring Members up to date with the combined financial position.

Financial Results

The 2018/19 financial year combined ratio was 116.1% compared to 102.1% in the preceding (2017/18) financial year. A number of factors contributed to this result, including higher 2018/19 policy year claims than originally projected, and lower levels of reserve releases. Pool claims were also higher than in preceding years; in fact, 18 claims exceeding retention were notified to the Pool, none involving vessels entered in the Club.

At the same time, premium reduced by approximately US\$ 14 million reflecting, inter alia, improved Member records, cancellations because of sanctions, and losses (and gains) at renewal. Furthermore 2018/19 was the 4th successive year (2019/20 is the 5th) without any general increase, despite churn.

Gross investment income in the 2018/19 financial year was US\$ 18.8 million, below returns achieved in the two preceding years.

Over the year, free reserves reduced to US\$ 489 million, before the Club's capital distribution to Members of US\$ 21.9 million (it is to be anticipated that free reserves will increase in some years and decrease in others). This leaves year end free reserves at US\$ 467 million comfortably in excess of S&P's AAA rating level.

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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

(Registered in England and Wales – Registration Number OC376859. FCA registration number 597046)

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2019 Renewal

The Board decided that, for a 5th successive year, no general increase should be imposed at renewal. In the event, owners' premium for renewing vessels increased by 2.1% with increased risk retention improving the Club's claims outlook for the 2019/20 policy year.

Tonnage

The level of owned and chartered tonnage rose during the year with total entered tonnage for the Club now at 160 million GT.

2016/17 Policy Year

The Directors reviewed the position in relation to the open years and resolved that the 2016/17 Class 1 P&I and Class 2 FD&D years be closed without further calls.

Release Calls

The Directors decided to move the present release call levels forward by a year so that Class 1 P&I and Class 2 FD&D will be subject to release calls as follows:

2017/18: 0%

2018/19: 0%

2019/20: 10%

Capital Strength

The Club remains in a strong financial position and in October of this year, as part of its annual overall review of projected capital requirements and capital resources, the Board will consider whether there should be a general increase and / or a further distribution of funds to members.

Yours faithfully,

**STEAMSHIP MUTUAL
UNDERWRITING ASSOCIATION LIMITED**

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