
Financial Update and 2021 RenewalOctober 2020

Dear Member,

At the Board Meeting, held virtually on 20 October 2020, the following developments were reported:

Highlights

- The impact of the pandemic on the combined entities (“the Club”) is being carefully monitored to see how related claims and other Covid-19 factors are likely to affect the policy year results.
- Pool claims in 2020 across the International Group (IG) Clubs are at historically high levels.
- The Club’s own prior year claims are developing positively and in line with projections.
- The financial year combined ratio is expected to be higher than 100% and the Board decided that a 5% general increase should be applied on all classes of business.
- Investments have recovered from early year losses and currently are projected to remain in surplus at year end.
- The Club’s Standard & Poor’s (S&P) rating has been reaffirmed at A (stable). Projected capital remains comfortably in excess of the AAA level.
- Owned gross tonnage has increased by 1.6M tons to 90.7M tons in the year to September.

Impact of Covid-19

The Managers have been working closely with the Members in connection with Covid-19 issues - notably those which have affected crew. Covid-19 related liabilities are expected to increase claims this year but are not projected to have a significant impact in future years.

Underwriting Results**2020/21 Policy Year**

At six months the Club’s own incurred claims, including Covid-19 liabilities, are only marginally higher in the current policy year than at the same point last year. However, IG Pool claims are notably higher than in any previous year after six months, and the Club’s projected contributions are higher than predicted. Premium is expected to be lower than forecast, a consequence of reduced activity and layup in some sectors including passenger vessel operations.

2019/20 and Prior Years

The Club’s own prior year claims have developed in line with expectations, whilst claims in the Pool have deteriorated, most notably in the 2019/20 policy year.

Investments

In the seven months ending September the Club has recorded a return of 2.0%, excluding currency movements, amounting to US\$22.3 million.

2021/22 Premium Ratings

Whilst acknowledging the need to achieve underwriting balance the Board recognised that the 2020/21 policy year was impacted by the extraordinary events of the pandemic. The Board took account of the burden on the Club from Pool claims and reducing premium levels and, considering these and other factors, concluded that there should be a general increase of 5% in premium ratings for all classes of business.

The Board decided that from the 2021/22 policy year the Club's abatement layer will be revised from its current entry point of US\$1.8 million to US\$3.5 million, with no coinsurance.

In addition, the Board ordered an increase in the standard FD&D deductible to US\$7,500 with the cap on a Member's maximum contribution increasing to US\$50,000.

As usual the Managers have been instructed to correct individual Member premium ratings where necessary and to pass on to Members any adjustments in the costs of the International Group reinsurance programme, whether up or down.

Capital Management

The Board noted the Club's continuing financial strength and capital position. The Board also reaffirmed its policy of continuing support and assistance to Members when the Club is in a position to do so. Overall they concluded that it would not be appropriate to order a capital distribution at this time, given the volatility that may affect claims, investment and premium levels. The Board also considered regulatory guidance urging prudence with respect to capital management planning.

Standard & Poor's have again reaffirmed the Club's A (stable) rating. The Club's capital is projected to remain comfortably above the AAA requirement.

Release Calls

After reviewing the development of open policy years and the overall financial position of the Club the Directors decided to adjust the level of release calls, for mutual Class 1 P&I and Class 2 FD&D entries, as follows:

- 2018/19: 5%
- 2019/20: 10%
- 2020/21: 10%

The release call for the 2021/22 policy year will also be set at 10%.

Tonnage

The Directors were pleased to note the continued growth in the Club's owned entry of 1.6M tons in the period 20 February to 20 September 2020, increasing the combined owned and chartered entry to over 163M tons.

Yours faithfully,

**STEAMSHIP MUTUAL
UNDERWRITING ASSOCIATION LIMITED**

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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) Aquatical House, 39 Bell Lane, London, E1 7LU Tel + 44 20 7247 5490