



STEAMSHIP MUTUAL

To the Members

February 2009

Dear Sirs,

POLICY YEAR 2009/10

International Group Pooling

For the 2009/10 policy year, the retention of individual Clubs before pooling will remain at US\$7 million each claim. The Pool will continue to cover up to US\$50 million each claim. In recent years the Pool has been divided into two layers, with the upper layer, for US\$20 million excess of US\$30 million, being allocated between Clubs based on the tonnage formula of the Excess Loss contract. For 2009/10, the whole Pool will be allocated on the formula presently applying to claims up to US\$30 million, that is, a combination of premium, tonnage and claims with an adjustment for loss ratio. This is designed to increase assurance that all Clubs' records on the Pool will tend towards break even over time. Further work will take place in future to advance this aim.

Excess Loss Renewal

The recent record of the International Group has shown some deterioration, although the longer term record remains good. With the last five completed years showing an expected overall loss to underwriters of the first layer of the contract (up to US\$550 million each claim), a significant increase has had to be conceded on that layer. However, reductions were obtained in some higher layers, and the increase in Group tonnage also helped to mitigate the cost per ton of the overall contract. The unchanged premium payable to the Group's captive, Hydra, which is included within Group reinsurance costs, will also contribute to a softening of the increase in percentage terms.

Record trends have indicated a continued reduction in the proportion of claims brought by passenger vessels and tankers by comparison with dry cargo vessels. The percentage increase in each category of vessel reflects these trends, and the actual rates for 2009/10 are set out below:

dirty tankers	US\$0.8079 per g.t.	(+10.67%)
clean tankers	US\$0.3667 per g.t.	(+4.83%)
dry cargo vessels	US\$0.3695 per g.t.	(+15.60%)
passenger vessels	US\$1.6026 per g.t.	(+6.95%)

In accordance with the decision of the Directors at their meeting in October, the increases in these rates will be charged in addition to the standard increase and any necessary adjustments for record.

B.483

US Oil Pollution Surcharge

The system of surcharges for voyages by tankers carrying persistent oil cargos to the United States will continue. However, the rates of surcharge for such voyages will reduce by approximately 10%.

War Risks

War risks remain excluded from regular cover provided under the Rules, but the Club will continue to provide a special extension of cover for war risks in excess of the war risk P&I cover provided in most hull and machinery war risk policies. The limit of this cover will remain at US\$500 million each vessel any one event. In addition, the Club will continue to provide pooled cover for a restricted range of risks covered by the "bio-chem exclusion" in war risk policies up to a limit of US\$30 million any one event each vessel.

US Terrorism Risk Insurance Act 2002

The Club will continue to make available cover for terrorism as part of the war risk extension set out above. The estimated cost of this element of coverage remains at US\$0.0025 per g.t.

Charterers' Terms

A revised set of conditions for charterers has been created, to harmonise the conditions applicable to charterers with those for owners, but with suitable adaptation appropriate to the needs of charterers. The substance of the cover provided remains as before. The new terms will apply to all charterers as they renew. They will be advised to charterer Members and published shortly on the Club's website.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION (BERMUDA) LIMITED

THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION (BERMUDA) LIMITED
Registered Office: Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Authorised and Regulated by the Bermuda Monetary Authority and the United Kingdom Financial Services Authority
(FSA registration number 202762)

MANAGERS: STEAMSHIP MUTUAL MANAGEMENT (BERMUDA) LIMITED
WASHINGTON MALL I, PO BOX HM 447, HAMILTON HM BX, BERMUDA
Tel: (441) 295 4502 Fax: (441) 292 8787 Website: www.sims.com