



STEAMSHIP MUTUAL

To the Members

October 2010

Dear Sirs,

FINANCIAL UPDATE

At their Board Meeting on 25th and 26th October in Bermuda, the Directors reviewed the position of the open policy years and considered the mutual premium ratings required for the 2011/2012 year.

2008/2009 Policy Year

In the eight months since February the underwriting balance on this year has remained stable. No further call is anticipated and the year will be considered for closure in May 2011.

2009/2010 Policy Year

Following a period of unusually favourable development the underwriting balance on this year has improved by US\$ 27.7 million since February. The year is still only 76% developed and this recent development is more likely to be evidence of the inherent volatility of P&I claims reserving than indicating any underlying trend in the level and severity of claim incidents.

2010/2011 Policy Year

On the basis of gross owned claims reported in the first eight months, the number and average size of claims in the layer up to US\$250,000 are, at this relatively early stage, very similar to the lower levels seen in the 2009/2010 year. Claims at the higher levels, estimated in excess of US\$ 1 million after allowing for projected reinsurance recoveries, are also comparable to those in 2009/2010. There is clearly considerable potential for change in the remaining four months of the financial year.

The Club has not notified any claims to the International Group Pool and a total of eight claims have been notified to the Pool by other Clubs so far. The overall value of these claims is 20% lower than at the same point in 2009.

The Directors were pleased to note that growth in the Club's owned entry has exceeded target with 4.3 million GT being added in the first eight months of the year. The fourth 25% instalment of Class 1 2010/2011 mutual premium will be debited on 20th November in the normal way.

Investments

Many investment assets recorded good returns in the third quarter and interest rates in western economies have fallen to new lows as markets increased expectations of further and more sustained central bank support. The combined portfolio of the Club and Trust has continued to benefit from its lower risk stance recording an overall return of 4.8% for the year to date.

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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

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2011/2012 Mutual Premium Ratings

The increased capitalization of the Club, its lower risk investment strategy and continued prudent underwriting and reserving policies have placed the Club in a strong financial position. Having considered carefully current claims trends, changes in the composition of owned tonnage brought about by churn activity and the capital requirements likely to be introduced by Solvency II the Directors have decided not to impose a standard increase on Class 1 P&I or Class 2 FD&D premium at the next renewal. Records will of course be assessed in the usual way, with particular attention to crew claim deductibles, and any adjustments in reinsurance costs, whether up or down, will be passed on.

The Directors have also decided that the release calls on the 2008/2009 and 2009/2010 years be reduced to 5% and 15% respectively and that the release calls for the current year and 2011/2012 be set at 20%.

Pre-Renewal Report

In December the Managers will be publishing the 2010 Pre-Renewal Report which will provide Members with more details of progress in the current financial year and an update on recent developments.

Yours faithfully,

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