



STEAMSHIP MUTUAL

To the Members

May 2011

Dear Sirs,

FINANCIAL UPDATE AND 2011 RENEWAL

The Reports and Accounts of the Club, The Steamship Mutual Underwriting Association Limited and The Steamship Mutual Trust were approved by their respective Directors at Board Meetings held in Vienna, Austria, on 9th and 10th May, and will be published together in June. In advance of their publication, the Directors have asked the Managers to bring the Members up to date with the Clubs' financial position.

Financial Results

The 2010/11 financial year has seen good progress being made towards meeting the Club's financial objectives. An operating surplus of US\$ 51.7 million has increased free reserves by 20% to US\$ 303.3 million.

Underwriting performance continued to strengthen and a surplus of US\$ 21.1 million has reduced the three year average combined ratio to 91.3%. The Club continues to meet its financial objectives of achieving an average three year combined ratio of 100% or less on a financial year basis, and maintaining capital at its target level above the regulatory requirement.

The combined investment portfolio recorded a gain of US\$ 32.9 million, a 3.8% return, and the total of cash and investments increased to US\$ 824.2 million. The investment portfolio remained defensively positioned during the year and consequently portfolio risk was well below budget.

In December 2010 Standard and Poor's upgraded the Club's financial strength rating to A- with a stable outlook reflecting its increased capitalisation, expectations for continued underwriting discipline and implementation of the new investment strategy.

The Clubs' overall claims experience for 2010 was very similar to the previous two years, but its composition was rather different. Attritional claims, those below US\$ 250,000 which form the overwhelming majority of all claims, rose compared to the previous year both in number and value. However, this increase was more than offset by a decrease in the value of large claims, mainly due to the absence of any significant fixed and floating object claims and the fact that in 2010 the Club experienced only one Pool claim, just in excess of the retention level. Net estimated claims for the 2010/11 policy year, including provision for IBNR and after reinsurance recoveries, are US\$ 206.3 million, 1.8% above the comparable figure for the 2009/10 policy year at the same point.

A detailed analysis of claims in the 2010/11 policy year and a commentary on investment strategy will be included in the Management Highlights to be published in June.

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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

WASHINGTON MALL I, PO BOX HM 447, HAMILTON HM BX, BERMUDA

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2008/09 Policy Year

The Directors reviewed the position in relation to the open years and resolved that the 2008/09 Class 1 P&I and Class 2 FD&D years should be closed without further calls.

2011 Renewal

2011 proved to be another positive renewal. Tonnage was maintained despite the departure of remaining Iranian business and overall tonnage, owned and chartered, increased from 83 million GT to 92 million GT during the year to 20th February 2011.

Yours faithfully,

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