



STEAMSHIP MUTUAL

To the Members

January 2013

Dear Sirs,

INTERNATIONAL GROUP REINSURANCES – POLICY YEAR 2013/14

The arrangements for the renewal of the International Group General Excess of Loss reinsurance contract and Hydra reinsurance programme for 2013/14 have now been finalised.

Club Retention

As reported in the Pre Renewal Report the retention of individual Clubs before Pooling will increase to US\$9 million each claim.

Excess Loss Renewal

The 2011/12 policy year produced the first and third largest ever claims on the Group reinsurance programme resulting in a very significant exposure to the Group's reinsurers. This exposure, coupled with general concerns regarding the increased cost of major casualties, and in particular wreck removal and SCOPIC exposure, has led the Group's reinsurers to seek significant rises in the renewal premium for the 2013/14 policy year. The result is as follows:

Vessel Category	US\$ per GT	Change
Dirty Tankers	\$0.7565	+ 16.12%
Clean Tankers	\$0.3245	+ 15.98%
Dry Cargo Vessels	\$0.4942	+ 38.78%
Passenger Vessels	\$3.1493	+ 125.08%

As a result of very significant major casualties, including Costa Concordia, upward adjustment has been made to the rates with a much increased allocation to passenger vessels. These increases represent the largest in recent years despite increased risk retention (see below) by the Group Clubs.

In 2013/14 the excess point on the reinsurance contract will be increased from US\$60 million to US\$70 million with the additional US\$10 million retained within the Group pool reinsured by the Group captive Hydra for US\$40m excess US\$30m. In addition, the Hydra coinsurance share in the first layer of the Group General Excess of loss (US\$500 million excess US\$70 million) will be increased from 25% to 30%.

For 2013/14, a three layer pool structure will be introduced with a lower pool layer from US\$9 million to US\$45 million, an upper pool layer from US\$45 million to US\$60 million (within which as currently there is a claiming club retention of 10%) and an upper upper pool layer from US\$60 million to US\$70 million (within which there is a claiming club retention of 5%).

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THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION (BERMUDA) LIMITED

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Authorised and Regulated by the Bermuda Monetary Authority and the United Kingdom Financial Services Authority (FSA registration number 202762)

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US Oil Pollution Surcharge

Reflecting the continued improvement in the record of the dirty tankers sector, there will be a further reduction in the US oil pollution voyage surcharge of 15%.

Yours faithfully,

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