



**THE STEAMSHIP MUTUAL
UNDERWRITING ASSOCIATION (BERMUDA) LIMITED**

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To the Members

June 2003

Dear Sirs,

**RENEWAL 2003
THE FINANCIAL POSITION OF THE CLUB**

Renewal 2003

The 2003 renewal was a difficult one for International Group Clubs against a background of continuing poor investment returns and/or underwriting results and the need to increase rates to strengthen their financial positions. The Steamship Directors set a standard increase of 25%. Any increase in rates is naturally unwelcome but the Directors believe it was an essential part of the plan to rebuild the finances of the Club. The premium increase achieved for renewed Class 1 owned entries in cash terms is estimated to be 25.2%.

There was a net reduction of approximately 5.3 million tons at renewal which, taken together with a net loss of 1.7 million tons during the policy year, resulted in an overall reduction of 7 million tons in owned tonnage as at 20th February 2003 to 42.5 million tons. With the addition of chartered tonnage the total entered tonnage as at 20th February 2003 is approximately 59.75 million tons. Seven fleets were not offered renewal terms due to poor records and unacceptable risk.

Financial Developments

The Report and Accounts for the Steamship Mutual Trust and the Club were approved by their respective Directors at recent Board meetings and will be published on 20th June 2003. In advance of the publication the Directors have asked the Managers to bring the Members up to date with the financial position of the Club.

The combined surplus reserves of the Club and the Trust as at 20th February 2002 totalled US\$145.7 million, as restated in this year's accounts [see also sub-paragraph i on page 2].

This figure included the additional calls and premium levied by the Directors in December 2001. When determining the amount of these charges the Directors had already anticipated that there would be a significant reduction in the combined surplus reserves shown in the accounts to 20th February 2003. They forecast some increase in claims with no underwriting profit for the 2002/3 year and foresaw no significant investment income, so that the Club's operating costs would have to be financed from surplus reserves. These assumptions have been proved to be justified and in fact are below expectations.

The reduction in the combined Club and Trust surplus reserves as at 20th February 2003, from US\$145.7 million to US\$88.8 million, is disappointingly greater than expected. In addition to the anticipated need to finance operating costs from the surplus the following factors contributed to this result;

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