



THE STEAMSHIP MUTUAL
UNDERWRITING ASSOCIATION (BERMUDA) LIMITED

MANAGERS: STEAMSHIP MUTUAL MANAGEMENT (BERMUDA) LIMITED
WASHINGTON MALL 1 PO BOX HM 447 HAMILTON HM BX BERMUDA
TEL: (441) 295 4502 FAX: (441) 292 8787

To the Members

May 2004

Dear Sirs,

FINANCIAL UPDATE AND 2004 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 Amsterdam on 10th and 11th 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 combined free reserves of the two Clubs and the Trust, as at 20th February 2004, totalled US\$139.2 million, an increase of US\$49.9 million over the financial year and significantly ahead of forecasts. The dominant factor contributing to this combined financial year surplus was undoubtedly the return on investments, although a number of other factors were involved.

(i) **Investments**

The combined total return on investments amounted to US\$75.9 million, or 18.29%, with the overall total of cash and investments rising to US\$537.2 million. These results reflect the strong recovery seen in the equity markets, combined with currency gains resulting from the weakening US Dollar and a positive performance in the bond markets. The total return was significantly ahead of projections and the relevant benchmarks, with the portfolios continuing to achieve very positive returns in the 4th quarter of the financial year.

(ii) **2003/04 Policy Year**

The notified claims for 2003/04 were at the lowest absolute level for over 5 years and projected claims per ton are significantly below both 2001/02 and 2002/03. On this basis combined with the substantial increases in premium achieved at the last renewal, the policy year is projected to produce a modest pure underwriting surplus, without the need for any recoveries from the Long Term Reinsurance Contract and before taking account of administration costs or investment income.

(iii) **2002/03 and earlier Policy Years**

Overall the financial year saw a modest reduction in the claims exposure for the earlier policy years.