



THE STEAMSHIP MUTUAL  
UNDERWRITING ASSOCIATION (BERMUDA) LIMITED

MANAGERS: STEAMSHIP MUTUAL MANAGEMENT (BERMUDA) LIMITED  
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To the Members

October 2004

Dear Sirs,

**REVIEW OF OPEN POLICY YEARS – 2005/06 RENEWAL**

At their Board Meeting on 25<sup>th</sup>/26<sup>th</sup> October, the Directors reviewed the position of the open policy years and considered the mutual premium ratings required for the 2005/06 policy year.

**2002/03 Policy Year**

The claims in respect of this policy year are showing signs of a gradual improvement. The year will be considered for closure in May 2005. No further call is anticipated.

**2003/04 Policy Year**

This policy year is continuing to develop in a highly satisfactory manner with an increased level of pure underwriting surplus being projected.

**2004/05 Policy Year**

At this early stage it is difficult to predict with any certainty the outcome of this policy year. However, on the basis of claims notified in the first seven months, there are indications that the claims pattern is benefitting from the further reduction of risk at the 2004 renewal with both the number and value of claims per GT running below the level of the previous year at the same stage.

**Release Calls**

**Class 1 – Protection & Indemnity**

The Directors resolved that the Release Call margin for all open years should remain at 25%;

**Class 2 – Freight, Demurrage & Defence**

The Directors resolved that the Release Call margin for all open years should remain at 25%.

**2005/06 Mutual Premium Ratings**

The Directors' concerns over the performance of the investment markets have proved to be well founded, with both the bond and equity markets producing little if any return in the first seven months of the year. This has served to emphasise that it is unsafe to rely upon investment income as a component of the underwriting budget. Consequently the Directors have instructed the Managers to reduce their long term investment return assumptions to 3% per annum and to assume a zero investment return for the 2005/06 policy year.

Similarly, the Directors do not feel that it would be prudent to assume that the steps taken to reduce underwriting risk and improve the quality of the Club's Membership will continue to shelter the Club from the rise in attritional claims being reported by the industry generally and resulting from the high levels of shipping activity and the weakness of the US Dollar. Bearing this and the random and volatile nature of the occurrence of large claims in mind, it cannot be assumed that the Club will remain immune from the wider uptrend in claims being experienced by the industry as a whole.

Further, the Directors continue to be conscious of the continuing emphasis being placed by the insurance industry regulators on raising capital adequacy requirements over the next two years. This obliges the Directors to ensure that the Club reaches and maintains adequate financial resources to meet those requirements.

These considerations have lead the Directors to conclude that it is necessary to raise general premium levels further if a satisfactory underwriting result is to be assured.