



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

November 2004

Dear Sirs,

2005/6 Policy Year

For the forthcoming year, the individual Club retention, before Pooling with other Members of the International Group, will increase from US\$5 million to US\$6 million each claim. This is the first such increase since 1995. In anticipation of this possibility, the Board, at its recent Meeting in Athens, considered what alterations would be appropriate in the allocation of claims costs within the enlarged retention layer.

Members will be aware that very large claims within the Club retention are not taken into account to their full extent in assessing individual Member records at renewal. Instead, a layer of claims, known as the "Abatement Layer", is treated as a mutual exposure and an allowance is added to all ratings to cover the cost of this layer, along with the costs of Pooling and other reinsurances. For the past several years, the Abatement Layer has been set at US\$1.4 million up to US\$5 million. After considering the historical pattern of claims within the new, higher Club retention, the Board has decided to raise the starting point of the Abatement Layer from US\$1.4 million to US\$1.6 million, so that from 2005/06 the Abatement Layer will run from US\$1.6 million to US\$6 million. Since individual Member records will now have to absorb up to US\$1.6 million per claim, the Board has also decided to increase the length of record over which all claims may be spread from 5 to 6 years. The use of a 6 completed year record for renewal assessments will also bring the Club's practice more in line with the average length of record taken into account by other International Group Clubs. The record reports, which will shortly be distributed to Members in preparation for renewal negotiations, will accordingly start with policy year 1998/99.

Yours faithfully,

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