



STEAMSHIP MUTUAL

To the Members

May 2005

Dear Sirs,

REORGANISATION OF THE LONDON OFFICE

The Club has always aimed to provide the highest level of service to its Members. In order to do this the Directors and the Managers recognise that it is necessary constantly to seek to improve these service levels. In support of this aim, the Managers have recently put in place a process of continuous improvement.

Last autumn the Managers and their London Representative, with the assistance of outside consultants, completed a review of the organisation and procedures within the London office of Steamship Insurance Management Services Ltd (SIMSL). The purpose of the review was to identify ways in which the service to the Members could be improved, levels of efficiency raised and cost-effectiveness enhanced. Following the review, significant changes are in the process of being implemented in the London office which are expected to be completed by early summer 2005. The Managers strongly believe that these will result in major improvements in the provision of services to its Members.

The change that will be most immediately apparent to the Members is that staff in the London office are being re-organised into three groupings or 'Syndicates' which will assume the prime responsibility for providing the day-to-day service to Members. Each Syndicate will be responsible for the Members within a defined geographical area and will possess the full range of experience and skills needed to provide a complete service to the Members. This will include underwriting services and the full range of P&I and FD&D claims handling services. The Managers believe that the main benefits of the syndication system are that:-

- (i) each Member will have available to him a team of people known to him which will possess all the knowledge and skills necessary to provide him with the highest levels of service;
- (ii) working in these close knit groups will improve internal communications and teamwork to ensure maximum efficiency and keep costs to a minimum;
- (iii) as a consequence of improvements in efficiency already identified, staffing will be reduced, through a combination of natural wastage, and voluntary and compulsory redundancies. The majority of these reductions will occur amongst the clerical and support staff although some losses will be experienced at all levels. It is expected that overall staffing in the London office will fall by 36, from 179 to 143, once the changes have been fully implemented.

The highest priority is being given to ensuring that the Members do not experience any loss in service either during or as a consequence of the changes. The Managers are making every effort to ensure that existing relationships between Members and the staff will continue wherever possible. Inevitably some Members will experience some degree of change in the personnel handling their business. The move to Syndication will take place at the end of May and every Member, whether or not affected by a change of personnel, will be contacted by a senior member of their new Syndicate, who will explain the changes and seek to ensure that the new arrangements are satisfactory.

B.430

STEAMSHIP INSURANCE MANAGEMENT SERVICES LIMITED

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Much progress has been made in ensuring that the Club has a sound underwriting base and a strong financial position. The Managers firmly believe that these organisational changes will contribute to both the efficiency and financial strength of the Club whilst ensuring that the service provided in the future is of an ever higher standard.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION (BERMUDA) LIMITED