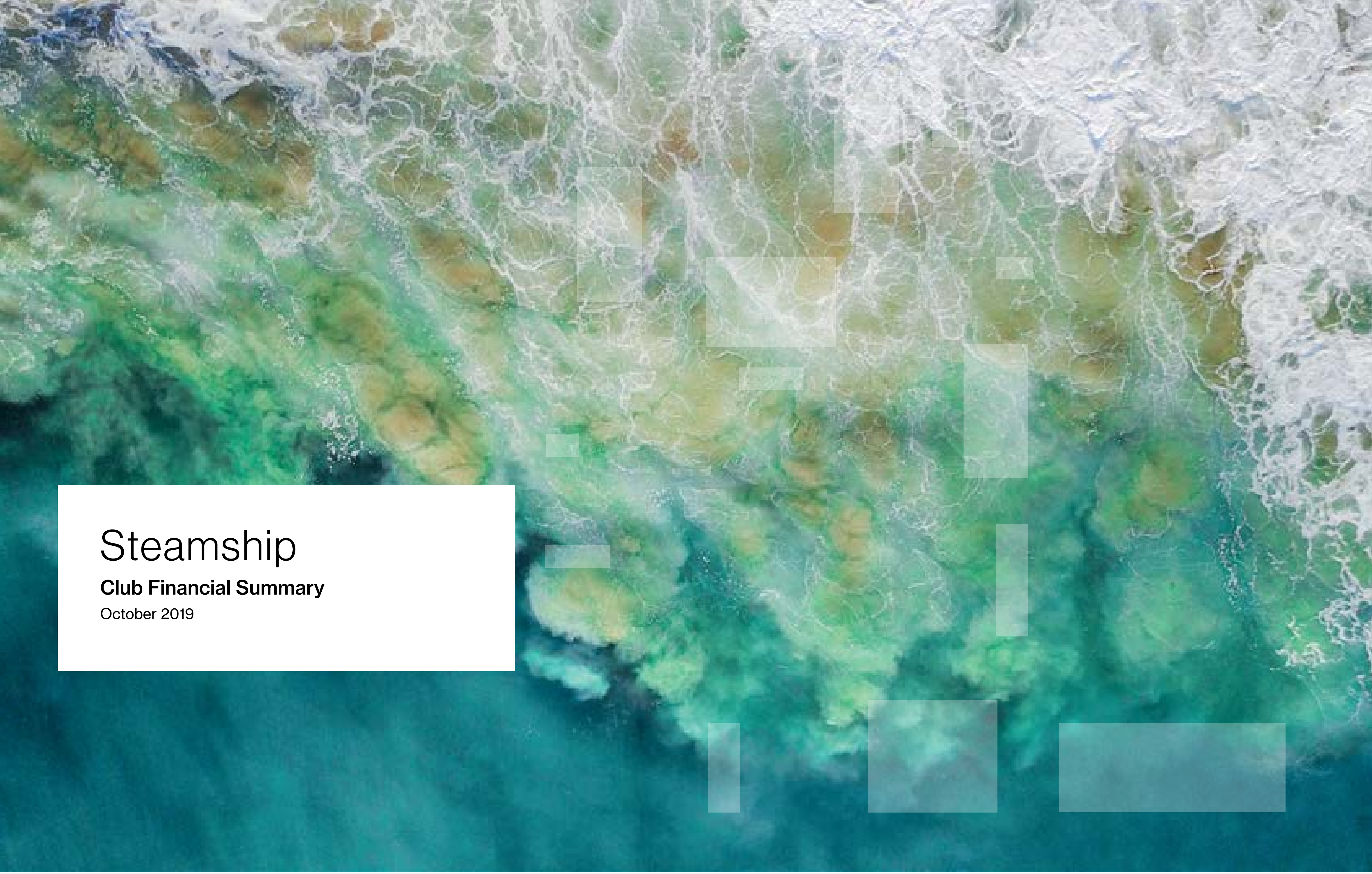


Steamship

Club Financial Summary

October 2019

Highlights

Owned tonnage
+0.6%

Premium
+3.8%*

Incurred claims
+2.1%

Free Reserves
-9.5%**

Investment return
1.7%

Combined ratio
116%

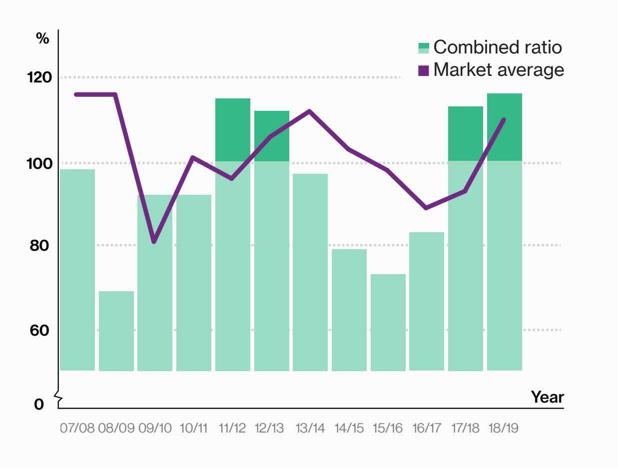
*Underlying trend 4.4% reduction
**Underlying reduction -4.2%

- Marginal increase in entered tonnage.
- **Premiums increased by 3.8%** (though the underlying picture, adjusting for the capital return included in the 2017/18 year premiums, would be a 4.4% reduction in premiums)
- Reinsurance costs reduced by 3%, operating expenses increased by 2.6%
- Gross and net paid claims increased by 2.3% and 6.7% respectively
- Net incurred claims increased by 2.1%
- Underwriting deficit of USD 31.8 million
- **Overall deficit of USD 27 million**, following USD 4.8 million investment income
- **Free reserves reduced by 9.5%** (NB the 2018/19 financial year included a provision of USD 21.9m for the return of capital in 2019/20. Without this capital rebate, the reduction in free reserves would have been 4.2%)

Combined ratio

Steamship reported a combined ratio of 116% in the 2018/19 financial year.

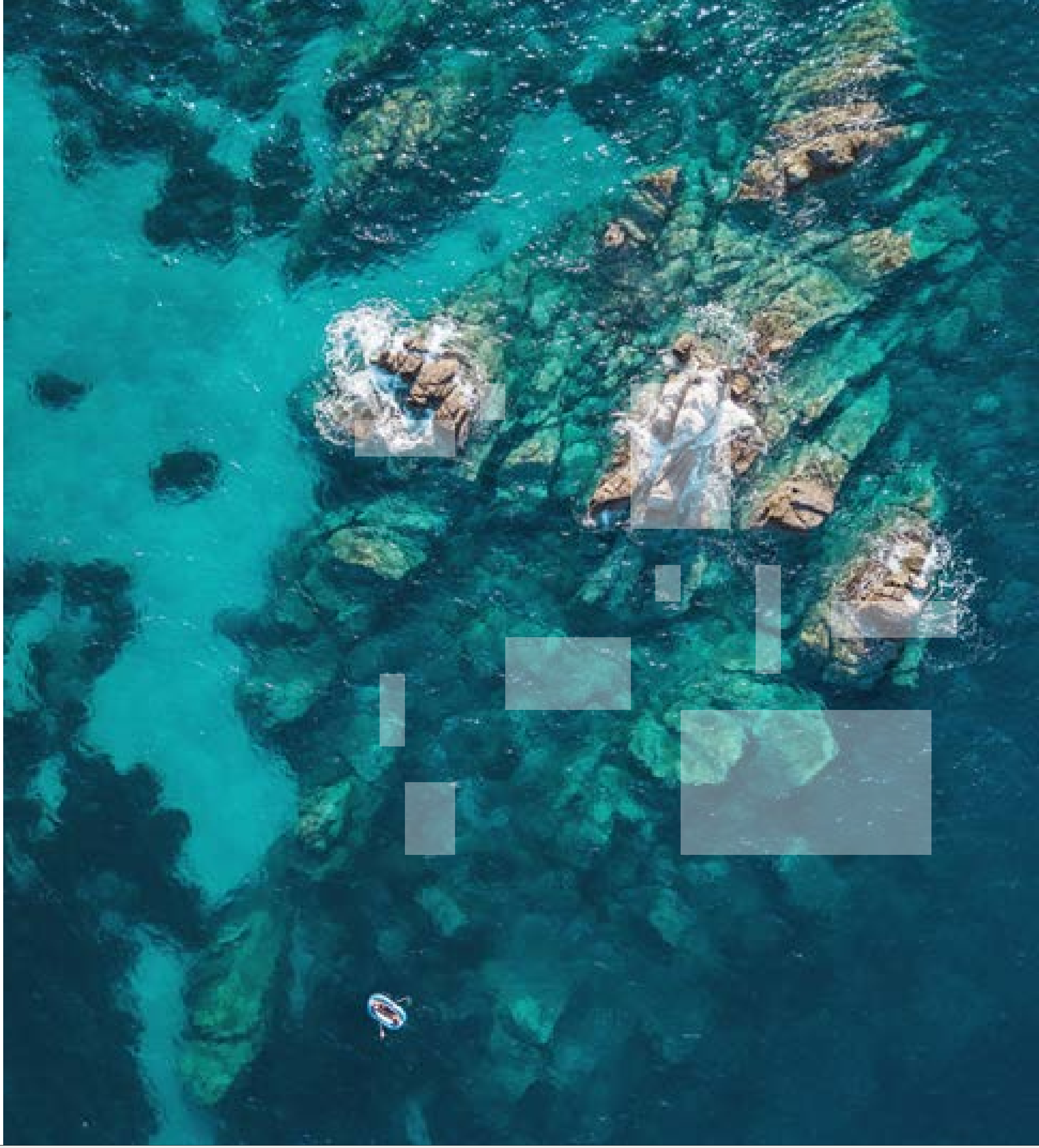
Combined ratio +



Capital Rebates

There is a USD 21.9 m provision in the 2018/19 balance sheet reflecting Steamship's planned capital return to members following the 20 February 2019 renewal.

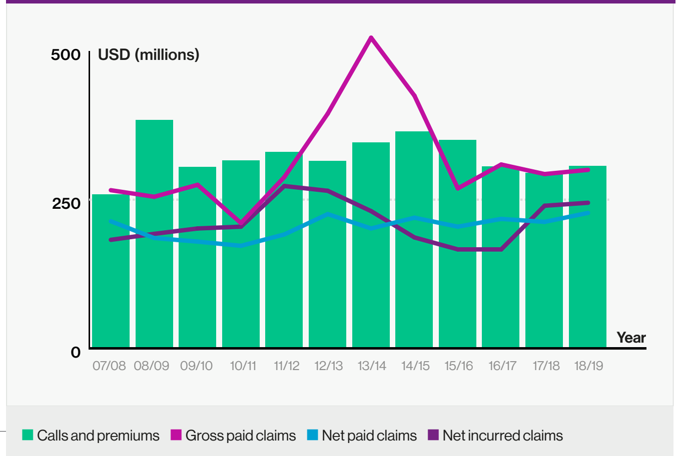
We anticipate that Steamship will be in a position to agree a further capital rebate in 2019/20 (in a similar way, likely to be paid in the 2020/21 financial year).



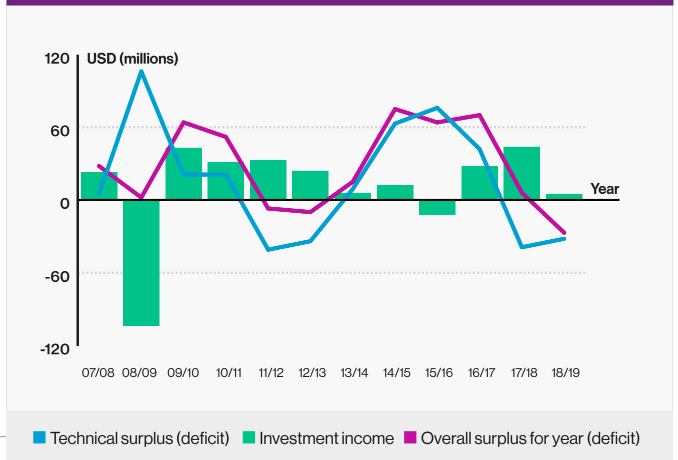
Consolidated financials

Year Summary (USD 000s)	2016/17	2017/18	2018/19
Calls and Premiums	**305,642**	**295,318**	**306,661**
Reinsurance Premiums	-56,033	-52,089	-50,522
Operating Expenses (policy year)	-39,219	-40,570	-41,623
Operating Income	**210,390**	**202,659**	**214,516**
Gross Paid Claims	310,335	294,209	300,887
Net Paid Claims	218,920	214,265	228,563
Net Change in Provision for Claims	-50,465	27,104	17,795
Net Incurred Claims	168,455	241,369	246,358
Technical Surplus (Deficit)	**41,935**	**-38,710**	**-31,842**
Investment Income	28,034	44,388	4,840
Overall Surplus for Year (Deficit)	**69,969**	**5,678**	**-27,002**

Underwriting Development



Overall result – Including Investment Income



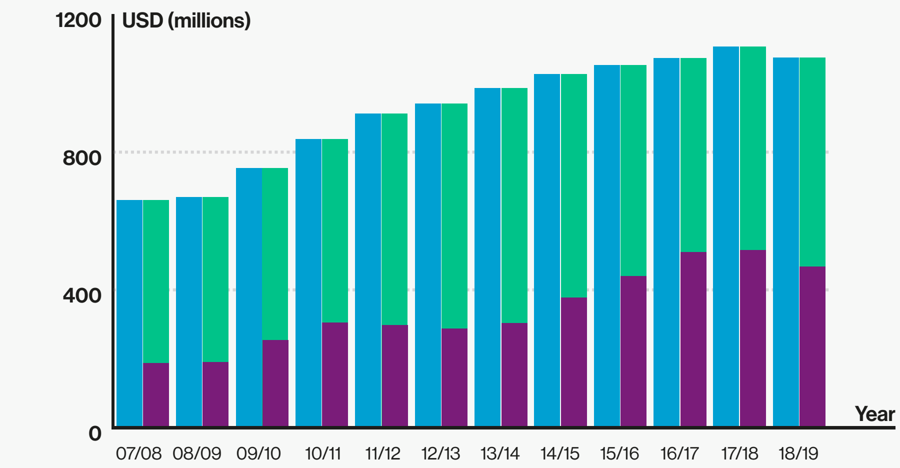
Club Financial Summary - Steamship

Consolidated financials

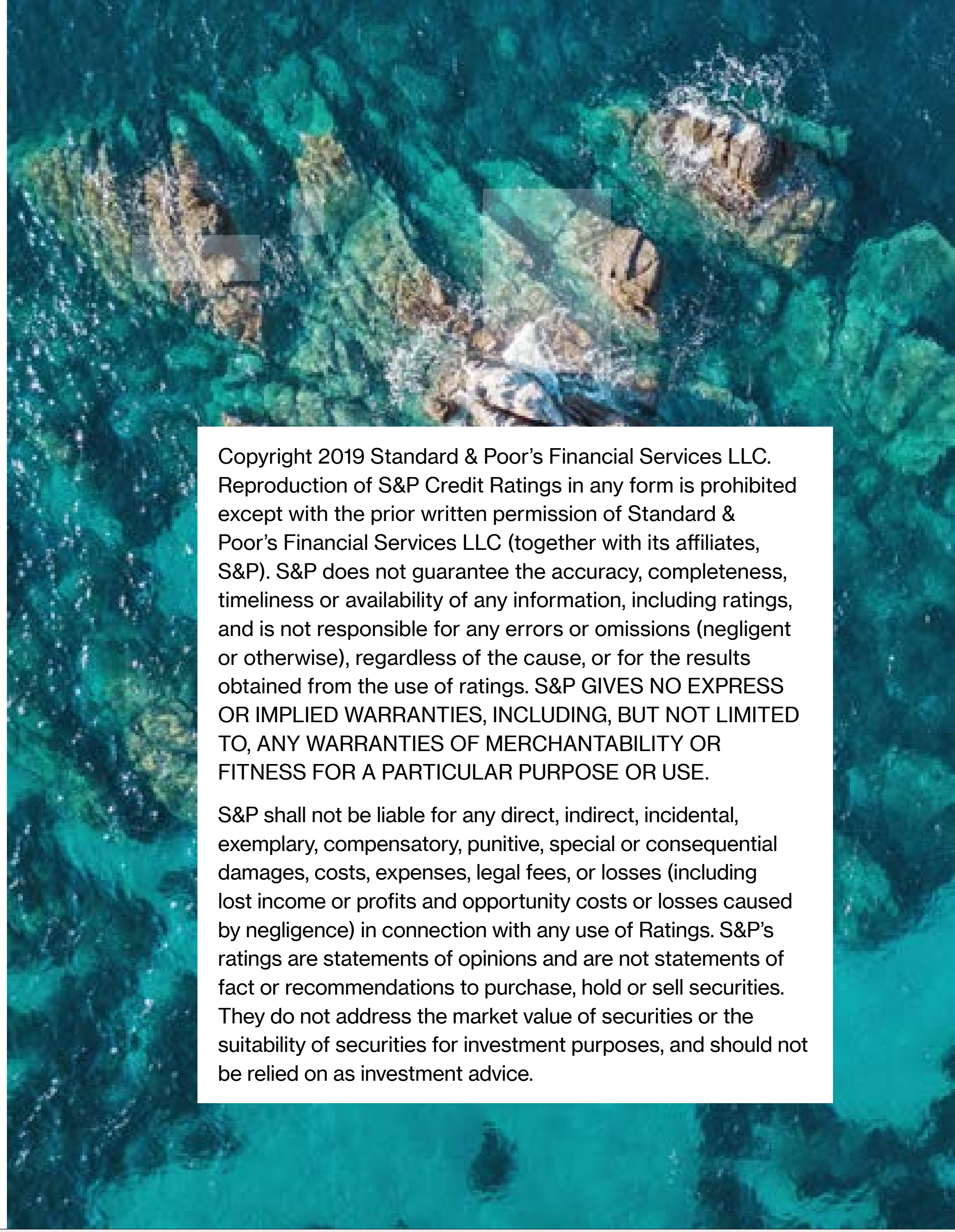
Group result (USD 000s)	2016/17	2017/18	2018/19
Net Assets (market)	**1,072,847**	**1,105,629**	**1,074,505**
(Net) Outstanding Claims	562,557	589,661	607,456
Free Reserves	**510,290**	**515,968**	**467,049**

	2017	2018	2019
S&P Rating			
	A	A	A
AER (Average Expense Ratio)			
Five years ending 20, February:	12.2	12.2	12.4

Assets and Free Reserves +



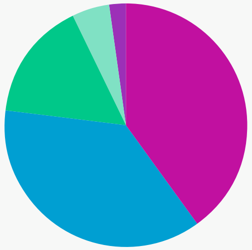
Net assets Net outstanding claims Free reserves



Entered tonnage

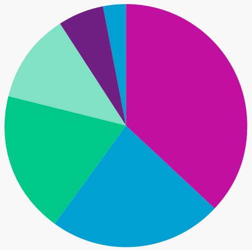
	2017	2018	2019
Entered Tonnage (GT, millions)			
Owned / Mutual	**84.6**	**85.1**	**85.6**
Chartered / Fixed	66.7	73.5	74.4
Total	**151.3**	**158.6**	**160.0**

Tonnage split by Registry +



- Far East 40%
- European 37%
- North America 16%
- Middle East/Indian Sub-Continent 5%
- Latin America 2%

Tonnage split by vessel type +



- Bulk Carrier 37%
- Tanker 23%
- Container 19%
- Passenger 12%
- General cargo 6%
- Others 3%

Glossary

Combined Ratio

Combined ratios provide a direct comparison of club underwriting performance. The combined ratio is essentially the net loss ratio for the club and is defined as follows:

$$\textbf{Net combined ratio} = \frac{\text{(Net incurred claims + operating expenses)}}{\text{(Premium – reinsurance costs)}}$$

- A combined ratio of 100% represents an underwriting break-even position
- Anything in excess of 100% would be an underwriting loss
- A combined ratio less than 100% would represent an underwriting surplus.

Average Expense Ratio (AER)

Average Expense Ratios (AERs) were introduced in 1999 following pressure from the European Commission in an attempt to enable direct comparisons of operating costs between clubs within the International Group. The formula that all clubs are required to adhere to when calculating their AER figure is as follows:

$$\textbf{The AER formula is the five-year average of: } \frac{\text{(Operating costs x 100)}}{\text{(Premium income + Investment income)}}$$

In principle the AER is a reasonable idea, but in reality it is only ever a very approximate guide to the relative operating costs of individual clubs. For example different membership profiles, disproportionately high levels of premium or investment, whether the club owns or rents their office space, how much the club spends on loss prevention, global office network, member portals etc all have an impact on the AER.

Basis of financial analysis

The main aim in the Willis Towers Watson analysis of club report and accounts has been consistency. Although there are still variations between the way clubs report, we try as far as possible to compare 'like with like' and to apply the same approach year after year.

A glossary of terms is provided below.

Glossary of terms

Calls and Premiums	All calls (gross basis, including brokerage)
Reinsurance Premiums	All reinsurance premiums
Operating Expenses	All general management, administrative and audit expenses (not including claims management costs)
Operating Income	Calls, less reinsurance costs, less expenses
Gross Paid Claims	Paid gross claims, including Pool contributions (including claims management costs)
Net Paid Claims	Gross paid claims less reinsurance and Pool recoveries
Net Change in Provision for Claims	Change in net estimated outstanding claims
Net Incurred Claims	Net paid claims plus change in provision for claims
Technical Surplus (Deficit)	Operating Income less Net Incurred Claims
Investment Income	All investment income, including exchange gains/losses, tax etc.
Overall Surplus for Year (Deficit)	Incurred technical surplus (deficit), plus investment income
Net Assets	Total assets, less creditors, less miscellaneous provisions for taxation etc
Net Outstanding Claims	Total net estimated outstanding claims
Free Reserves (Including Forecast Deferred Calls)	Net assets, less outstanding claims

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