



THE LONDON
STEAM-SHIP OWNERS'
MUTUAL INSURANCE ASSOCIATION LIMITED

22 April 2004

TO ALL MEMBERS

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Dear Sirs

FINANCIAL UPDATE

The Committee met on Wednesday 21 April 2004 and considered, amongst other matters, the Association's draft Financial Statements for the year ending 20 February 2004, which will be recommended for approval and adoption by the membership at the Annual General Meeting in October 2004.

The Statements once again show an improvement in the Association's finances, this time much more substantial than in the previous year. Free reserves at 20 February 2004 stand at US\$101.9m, an increase of 23% over the figure of US\$82.8m on 20 February 2003.

The Committee was pleased to note that the encouraging performance extended to progress with its desired controlled tonnage growth, most of it organic, involving substantial additional modern tonnage from existing Members. The Association benefited from 2.4m g.t. of new owned entries at the renewal. Additionally there were some 60 undelivered newbuildings entered for FDD cover, with a total estimated tonnage of 2.8m g.t.

The improved financial performance was derived from all of the main components of the result. Premium income increased, as a result of the general increase set by the Committee to apply from February 2003. Investment income has recovered very substantially and despite measures having been taken during the year to diversify the portfolio and thereby contain volatility, the Association's quota share reinsurer produced an overall return on invested assets for the year of 12.33%.

Perhaps most encouraging of all was the claims performance for the policy year 2003/4. Despite claims on the International Group's Pooling system running at an unprecedentedly high level (tending to confirm remarks made by some other Clubs that there is an increasing claims trend), the Association's claims for the year, including the cost of the Pool, are running at a substantially lower level than 2002/3, which was itself a low cost year. In fact claims for 2003/4 are now running at a lower level than at any time during the last 20 years, a fact that the Committee believes is a reflection of the Association's focus on tonnage with a more favourable risk profile. Other open and closed years are all developing satisfactorily. The current status of Supplementary/Deferred Calls and Release Calls for open policy years in both the P&I and FDD Classes is shown overleaf:

Class 5 Protecting & Indemnity Supplementary/Deferred and Release Calls

2001/2002

The Supplementary Call was levied in July 2002 at 40%, as originally estimated. The Release Call rate remains at 20% and the year will be considered for closure in October 2004.

2002/2003

The Supplementary Call was levied in July 2003 at 40% as originally estimated. The Release Call rate will remain at 20% and the year will be considered for closure in October 2005.

2003/2004

The originally estimated Supplementary Call of 40% is due to be levied in July 2004 when the Release Call rate of 60% (i.e. The estimated Supplementary Call rate plus an uplift of 20% of the Advance Call) is expected to be reduced to 20%. The year will be considered for closure in October 2006.

2004/2005

The estimated Deferred Call remains at 40% with the Release Call rate at 60% (i.e. The estimated Deferred Call rate plus an uplift of 20% of the Advance Call), as advised in the Association's Circular (5:327) of 5 November 2003.

Class 8 Freight, Demurrage & Defence Supplementary/Deferred and Release Calls

2001/2002

The Supplementary Call was levied in July 2002 at 30%, as originally estimated. The Release Call rate will remain at 20% and the year will be considered for closure in October 2004.

2002/2003

The Supplementary Call was levied in July 2003 at the originally estimated rate of 30%. The Release Call rate will remain at 20% and the year will be considered for closure in October 2005.

2003/2004

The originally estimated Supplementary Call of 30% is due to be levied in July 2004 when the Release Call rate of 50% (i.e. The estimated Supplementary Call rate plus an uplift of 20% of the Advance Call) is expected to be reduced to 20%.

2004/2005

The estimated Deferred Call remains at 30% with the Release Call rate at 50% (i.e. The estimated Deferred Call rate plus an uplift of 20% of the Advance Call) as advised in the Association's Circular (8:072) of 5 November 2003.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)