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4th November 2011

CIRCULAR TO ALL MEMBERS

Annual general meetings

At the annual general meetings on 3 November 2011, the members approved rule changes for 2012/13 to widen the scope of the mutual cover to offer optional cover for additional war perils. The Club continues to see strong demand from both owners and charterers for its fixed premium war risks insurance which offers cover to a limit of \$200m, partly because the Club is able to offer a 'one stop shop' war risks insurance to cover traditional hull & machinery risks with tailored extensions as required; for example, loss of hire due to piracy even in the absence of a hull & machinery incident, or charterers' loss of bunkers resulting from a hijacking, etc.

Financial position

At the board meetings on 3 November 2011, the directors reviewed the Club's overall financial position. The Club's fixed premium war risks and loss of earnings activities continue to make a positive contribution and the position on the open mutual policy years is as follows:

Classes I & II (Shore-related risks):

Policy year 2010/11

This policy year will be considered for closure in March 2012. As previously explained, claims developed at higher levels than initial projections in what proved to be an exceptional year for strikes, major earthquakes and various other front-page news events. However claims are now stabilising and the directors have been able to reduce the release call from 75% to 60%.

Policy year 2011/12

This policy year is developing in line with expectations and the directors have set a release call of 30%.

Policy year 2012/13

In the light of the claims experience in recent policy years, the directors agreed a general increase of 10% for the new policy year, in addition to a full review of each member's exposure, cover, deductibles and record. The directors have set a release call of 30%.

Class III (Ship-related risks):

Policy year 2010/11

This policy year will be considered for closure in March 2012. Although, in the first few months of the year, claims developed at higher levels than initial projections, they subsequently stabilised and the directors have maintained the release rate at 30%.

Policy year 2011/12

This policy year is developing in line with expectations and the directors have set a release call of 30%.

Policy year 2012/13

In the light of the claims experience in recent policy years, the directors agreed a general increase of 5% for the new policy year, in addition to a full review of each member's exposure, cover, deductibles and record. The directors have set a release call of 30%.

Solvency II

The board also reviewed the studies that have been undertaken by the managers over the last year to determine the optimum structure for the Club to comply with the requirements of Solvency II, now scheduled to come into force in 2013/14, and instructed the managers to commence the process of restructuring the Club. Members will be aware that a number of marine mutuals are conducting similar exercises. Members will be kept informed of progress as more details emerge.

S.C. MANAGEMENT (BERMUDA) LTD
Managers