

## LETTER TO MEMBERS FROM SIGCo PRESIDENT NEIL CLEMENS



**SIGCo**  
GROUP

It is hard to believe that 18 years have passed since the inception of SIGCo. What started back in 1996, as a co-operative effort by certain P&I Clubs, reinsurers and shipowners to establish a dedicated COFR guarantor with an appropriate structure for the risk, has met all its founders' ambitions and more. SIGCo has developed from being merely one of a number of solutions to the COFR problem into the market leader, both in terms of COFR market share as well as quality and breadth of service provision. Our Board, with its direct shipowner participation, continues to supervise the company's business in the interests of SIGCo's members, guided by the founders' original objective of ensuring the long-term availability of COFR guaranties at the lowest sustainable cost. Over 11,500 vessels are now guaranteed by SIGCo. Our CG5585 processing service is being used by over 85% of our membership and has proven to save our members time, administration and money. Our International Carrier Bond programme, put in place following requests from our members, has offered them the fastest, least bureaucratic, lowest cost solution for meeting this regulatory requirement over its 10 year period. Today SIGCo has placed over 900 active Carrier Bonds for our members, and we continue to monitor developments in the Carrier Bond domain to ensure that our members have efficient, practicable solutions available for any other requirements that may arise. We are in active discussions with the Canada Border Services Agency (CBSA) to ensure that their regulations are sufficiently clear and consistent for SIGCo to be able to assist its members with the requirement – I hope to be in a position to make a decision on this before the end of the year.

All these facets of our business are now operated from 2 locations, with our Isle of Man office allowing us to serve our members during hours when the Bermuda office is closed and therefore further improving our servicing ability, as well as providing options to continue the business in emergency situations where either office is unable to open. The re-branding on our web site to "SIGCo Group" reflects this geographic development.

The key to SIGCo's success has been the financial structure that was put in place at the inception of the Company. As a well capitalized, limited liability company, SIGCo has the flexibility to retain risk to a level it feels prudent, thus lowering reinsurance costs, and to buy reinsurance on a basis that allows the company to generate profit for itself, not solely for its reinsurers. The success of this strategy is evident from the chart (Figure 1)

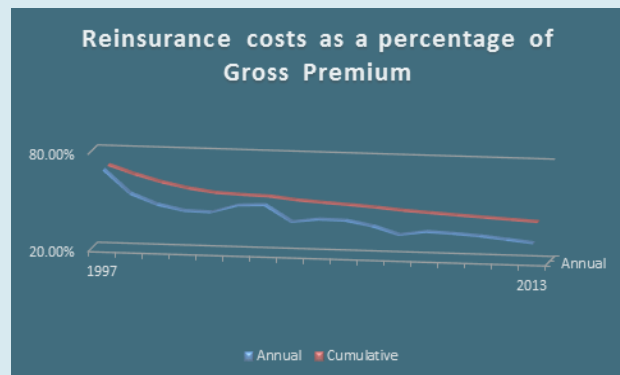


Figure 1



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Although never a mutual in the sense that members are required to share risk, SIGCo's structure was designed so that all of the equity in the company is held for the benefit of its members. Since final repayment of its initial start-up capital in 2006, there are no external shareholders and all of SIGCo's profit has been used for our members' benefit by a combination of retaining earnings to strengthen the company's capital base (thus further reducing dependence on reinsurance) and the development of our Continuity Credit programme, which is in effect a form of profit share. Initiated in 2007 as a Loyalty Bonus, this programme has directly benefited members by a discount on their premiums which has increased annually from an initial base of 5 per cent in 2007 to an average of 34 per cent in 2014 as seen in Figure 2.

As we move towards 2015, we are now finalizing plans for the level of Continuity Credit for the new underwriting year. I am pleased to announce that our financial position allows us to increase the average Continuity Credit to 40%, with variations above and below this average being determined by years of membership with SIGCo and premiums paid over time. In addition, we are also modifying the commencement of the Continuity Credit so that, whereas previously a 4 year qualification period was necessary to begin to receive a discount, members will now start to receive a credit from the second year of membership. This expansion of the Continuity Credit programme results from our single minded focus on cost control. The result of successful cost control, profitability, is the discipline that enables SIGCo to meet its founders' objectives of lowering costs and adding value to ship-owners.

In finishing, I look forward to SIGCo continuing to provide innovative solutions and taking opportunities to add value to meet its members' needs.

**Neil Clemens**  
President  
SIGCo

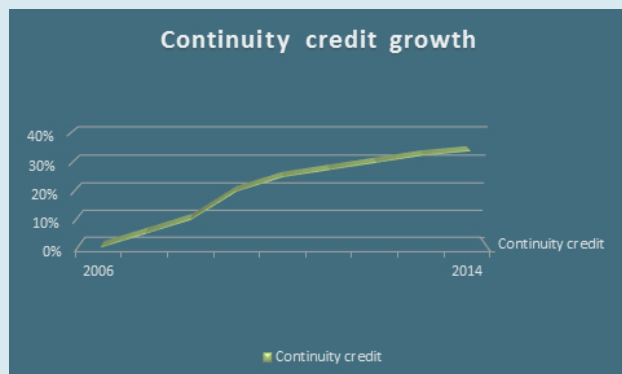


Figure 2