



Signal Mutual Indemnity Association Ltd
Self Insurance Group Strength



Introductory Guide



To secure the benefits payable under the LHWCA on a non-profit and cost-effective basis for selected employers over the long term.



The Association

Established in January 1986 to meet the demands of the stevedoring industry for reasonable and stable workers' compensation insurance rates, Signal Mutual Indemnity Association is now the largest provider of Longshore benefits.



Authorized by the Department of Labor as a group self-insurer, Signal is a Bermuda domiciled, non-profit mutual organization. Signal is dedicated to the service and support of its employer Members, who own the mutual and hold the right to vote on changes to the Association's Bye-Laws.

The Membership of the Association is drawn from a broad range of employers throughout the country in the stevedoring, ship repair, offshore, and other industries. Reported Longshore payroll of over \$2.2 billion represents approximately 210 companies. The business of the Association, including Membership selection, underwriting, delivery of safety resources, claims management, regulatory

compliance and financial management is performed by the Association's Managers, Charles Taylor Consulting (Hamilton) Ltd, Bermuda. The day to day responsibility for these operations has been delegated to Charles Taylor's offices in Dallas, Texas; Wilton, Connecticut; and Long Beach, California.

The policy guidelines for the Association are drawn up and monitored by the Board of Directors, composed of senior industry representatives from the Membership, which reflects a diversity of management and industry backgrounds. The Association's affairs are governed in accordance with its Bye-laws and Rules, which set out the extent of coverage available to Members.



Every employer with employees subject to the Longshore Act is required to secure its obligations under the Act for workers' compensation benefits.

Coverage for federal workers' compensation as required by the Longshore Act and its extensions is provided by the Association to its Members on an unlimited statutory basis. The mutual also provides contingent maritime employers' liability coverage to a separate limit of \$10 million for any one occurrence. This is to cover the remote instance when a Longshore employee might claim to be a seaman. If a Member has a true Jones Act exposure, there is a requirement for separate P&I coverage. Signal does not provide coverage for other areas of workers' compensation or liability exposures.

State Workers' Compensation Cover

Signal itself cannot provide State Act workers' compensation cover but has arranged for a suitable program to be available to its Members through a commercial insurance carrier. A large proportion of the Membership takes advantage of this coverage because of the benefits of close co-ordination with the Longshore coverage, particularly in concurrent jurisdiction states.

Membership

Membership Application

Application for Membership of the Association requires the services of an insurance agent or broker who will provide the Managers with information from the applicant.

The minimum information required to provide a quotation is:

- Five years longshore payrolls, on an unlimited basis.
- Five years claims records, as indicated by the relevant insurer's loss run at a recent valuation date.
- Three years financial statements audited or reviewed by an independent certified public accountant to GAAP Standards.
- Details of the applicant's safety program.

It is a requirement of entry that each applicant's financial statements reach the following standards:

- Current assets exceed current liabilities.
- Aggregate net worth two times the anticipated annual Advance Call.

Rating and Cost

The Association's general overheads are proportionately shared among the Membership. However, for underwriting purposes, each individual Member is rated on its own individual loss experience. As a result, each Member can rest assured that its commitment and effort to reduce claims cost will be directly reflected in the price paid for coverage. The Managers calculate a rate, which is expressed as a percentage of payroll based on the Members' claims and payroll experience. Members then declare their actual payroll to the Managers, which is applied to the rate to produce the Advance Call that Members pay to the Association to cover Signal's costs. Members can make payments monthly, quarterly or annually.

The Advance Call payment system is designed to provide Members with the cash flow benefit of a discounted rate until such time as the final cost for the particular Membership Year has been fully developed. Any balance due to meet the Association's final commitments is collected by a final Supplementary Call assessment.

As a condition of its authorization from the Department of Labor, the Association is liable, as are all carriers and self-insured employers, to make an annual contribution to the DOL Special Fund Assessment.

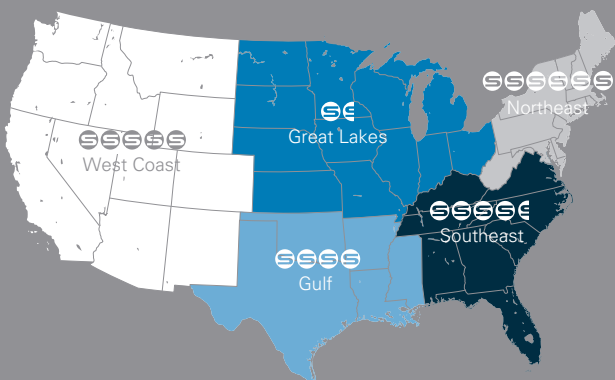
The Board of Directors has agreed that all Members should contribute to the Association's estimated annual Assessment. This contribution is an annually reviewed percentage of Advance Call set for the Association as a whole.

Payment of Advance Call, and the DOL Special Fund Assessment contribution, must be paid by electronic wire transfer to the Association's bank account.

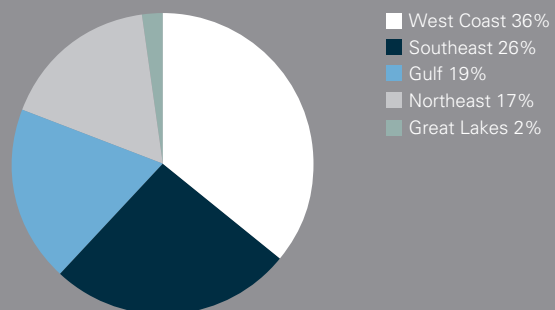
Security

Every Member of the Association is required to secure their financial obligations and liabilities to the Association. Such security may be provided in the form of a letter of credit or bond from an approved source and in an approved form or by participation in the Signal Security Accumulation Trust in Bermuda. The Dallas office can provide more details of the types of security and the level of security required.

Membership by Area



Payroll Split by Region (%)



Management Services

Claims Management

The claims of the Association, including all benefit payments, are managed through the Wilton and Long Beach offices of Signal Administration, Inc. The Association is not tied to any one nationwide adjusting firm, and individual Members are provided with the services of a recognized adjusting firm which best suits their local needs. Members have real time, direct access to the status of individual claims on-line through the Signal web-site.

Reserving is carried out on a 'worst probable' basis which is designed to estimate final claims cost at a timely stage allowing early recognition of the overall performance of any given year.

Safety Resources

Signal's role is to assist the senior management of Members to reduce both the frequency and severity of claims. The Managers through its own staff provide the Members with an extensive range of professional safety resources including Education and Training, Consultation and Targeted Assistance, Communication

for all levels of Member's Management and Employees, and Underwriting-Marketing Assistance. The SMIA Safety Committee reviews, analyzes and identifies solutions aimed at improving Member safety performance. The Signal Mutual website provides access to various safety materials and training programs. All Members are expected to meet minimum safety principles in order to ensure continuity of approach among their diverse operations.

Reinsurance Program

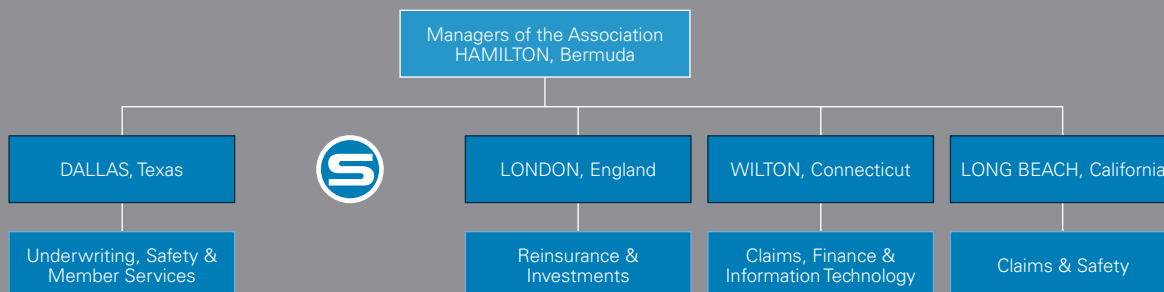
The Association is protected against any large and unexpected individual losses by reinsurance programs arranged by the Managers.

Financial Management

Signal is regulated by the Department of Labor whose authorization requires that the Association's funds are held in trust in the United States. The investment parameters of the claims fund are determined by the Department of Labor and are applied by the Managers accordingly.

Structure and Organization

Administrative Structure



The Mutual Edge

Cost

The idea of a mutual is to provide insurance cover at cost. Insurance at cost establishes a goal for each member to contribute to the mutual only the cost of its own claims plus overhead. Cost is minimized by a strong emphasis on in-house expert claims handling, led by a substantial number of qualified staff, and by focusing on safety, loss prevention and risk management, as well as by ensuring each Member is correctly rated based on its own record. Any surplus accumulated is not paid away to shareholders but retained within the mutual, where it can be used to smooth the impact of higher claims or, if not needed, put to reserves or contingency funds.

Cover

The object of a mutual is not the generation of profit for shareholders but the maximization of cover for Members. A mutual is able to tailor its insurance to the requirements of its members, generally providing as much cover as it prudently can and often allowing a wide discretion in the settlement of claims. Commercial insurers, on the other hand, tend not to be so accommodating. As a collective body with the ability to buy in bulk and retain risk, a mutual has the ability to access the world's reinsurance markets.

The coverage provided by Signal, that is employer liabilities under the LHWCA, requires certificates of entry to be provided to members rather than policies of insurance. Cover is statutory and unlimited.

Control

The members of a mutual control their own affairs through a board of directors, to whom the managers of the mutual report. In setting the policy within which the managers operate, the directors concentrate on the interests of the mutual's policy holders, or members, rather than shareholders.

Compatibility

A mutual sets criteria for membership to exclude, for example, those who would otherwise bring an unacceptable degree of risk, whether by reason of their business itself or their own operating practices. Commercial insurers, who are focusing on short term profit, may be less selective, often to the detriment of those who consider themselves to be better risks.

Continuity

A mutual provides a long-term source of cover. It is largely unaffected by the imbalances in supply and demand which occur in the commercial insurance market and which lead to its cyclical nature. A mutual will remain a natural provider of insurance to its members.

Cash flow

A mutual places strong emphasis on facilitating members' cash flow through the phased payment of premiums or calls (some of which may be deferred until the level of claims demands them) and the prompt payment of claims.

Representative Signal Members

Stevedores and Terminal Operators

	Year of Entry
American Maritime Services of New York, Inc.	1996
American Stevedoring, Inc.	1996
APM Terminals	1988
California United Terminals	2002
Crowley Maritime Corporation	1989
Federal Marine Terminals	1986
Global Terminal and Container Services	1988
Horizon Lines, Inc.	2003
James J. Flanagan Shipping Corp.	1986
Logistec Connecticut, Inc.	1996
Long Beach Container Terminal, Inc.	1988
Marine Repair Services, Inc.	1996
Matson Terminals, Inc.	1987
New York Container Terminal, Inc.	1996
Port of Miami Terminal Operating Co., LLC	1994
Portwide Cargo Securing Co.	2002
SGS Petroleum Service Corporation	1986
SaltChuk Resources, Inc.	2006
Virginia International Terminals, Inc.	1999

Offshore

	Year of Entry
BIS Salamis, Inc.	2004
GreyStar Corp.	1995
Hercules Offshore, Inc.	2004
Kenai Drilling, Ltd.	2006
Offshore Specialty Fabricators, Inc.	1992
Performance Energy Services, LLC	2007
Venoco, Inc.	2003

Shipyards

	Year of Entry
Aker Philadelphia Shipyard Inc.	2001
BAE Systems San Diego Ship Repair	2000
Bollinger Shipyards, Inc.	2010
Boston Ship Repair, LLC	2007
Colonna's Shipyard, Inc.	2002
Delta Marine Industries, Inc.	1999
Earl Industries, LLC	1991
Fraser Shipyards, Inc.	2001
Guam Industrial Services, Inc.	1997
Hendry Corporation	2000
International Ship Repair & Marine Service, Inc.	1992
Marine Hydraulics International, Inc.	1993
Metro Machine Corporation	2003
National Maintenance & Repair, Inc.	1991
North American Ship Building, LLC	1992
Rybovich Boat Co.	2001
Southwest Shipyard, L.P.	1988
Tecnico Corporation	1993
Todd Pacific Shipyards Corp.	2009

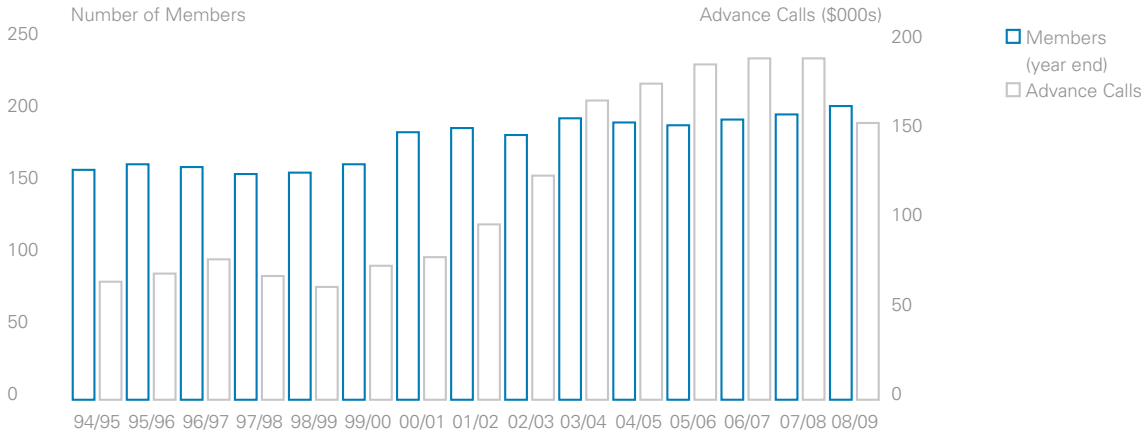
General Marine

	Year of Entry
Atlantis Submarines Hawaii, LLC	2000
Crofton Diving Corp.	1996
George G. Sharp, Inc.	2004
Great Lakes Dredge & Dock Company	1988
Ingram Industries Inc.	2002
Kirby Corporation	1988
Lloyd's Register North America Inc.	1994
MacGregor (USA) Inc.	1986
Orion Marine Group, Inc.	1994
Pacific Crane Maintenance Company, Inc.	2001
Pacific Maritime Association	2006
Wartsila Lips, Inc.	2002
W F Magann Corporation	1994

Membership Year Review Charts

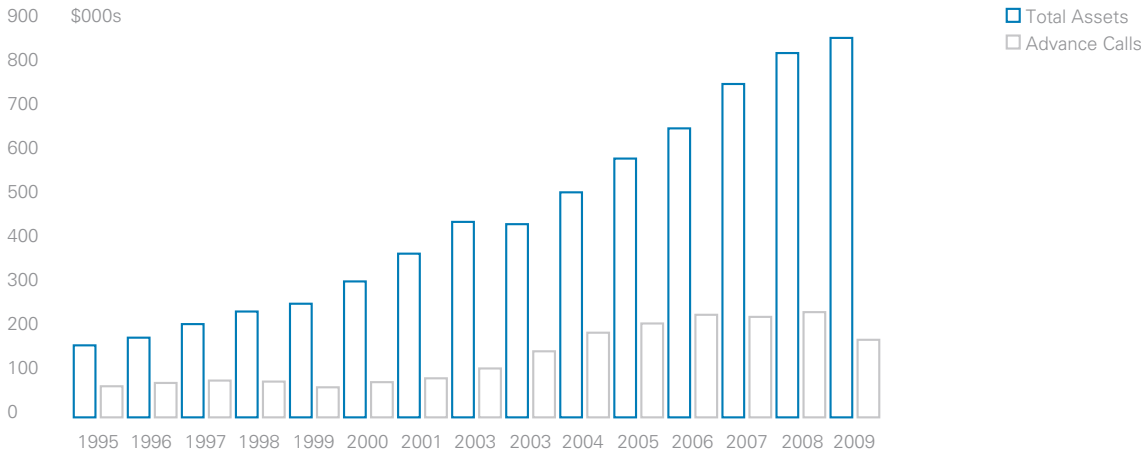
Membership Years (for the year October 1 to September 30)

	2004/05	2005/06	2006/07	2007/08	2008/09
Members (year end)	199	197	201	204	210
Advance Calls (\$000s)	181,491	192,665	196,628	193,469	156,906

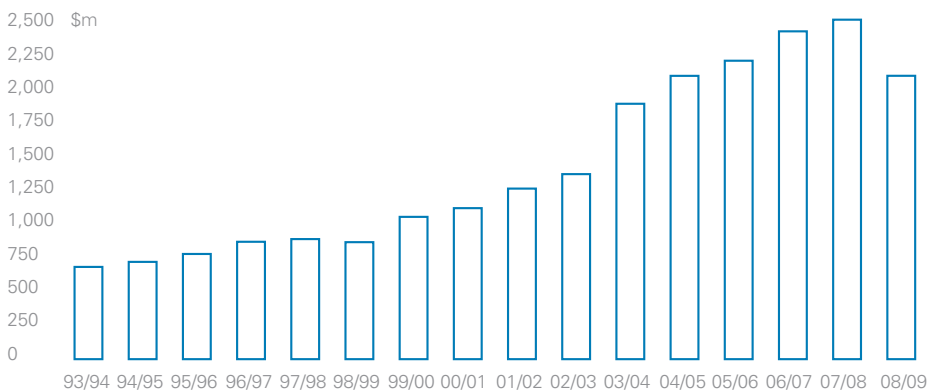


Financial Years (as at September 30, in the following years)

	2005	2006	2007	2008	2009
Total Assets (\$000s)	588,112	658,824	760,282	830,928	866,869
Calls (\$000s)	211,470	231,314	226,291	242,943	179,369



Payroll



Managers' Details

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Managers' Details Continued

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Information Technology

Signal Claims eManager

Signal's state-of-the-art eManager application puts your claims information at your finger tips whenever you need it.

Using the latest e-business technology Signal Administration has developed a web-based interface to our claims management system allowing authorized users direct access to 'real-time' claims information. Signal Claims eManager will allow you to list claims using various selection criteria, view up to the minute reserves and review individual payments. You can even request a copy of your loss run to be emailed to you either in a printable format or as a text file to be imported into another application.

Electronic Claims Reporting

Immediate reporting of claims leads to faster investigation and lower claim cost. eManager lets Members report new incidents to Signal using a simple, three-step claim entry screen, and ensures that complete information is reported. Form LS-202 Employer's First Report of Injury is then ready for hardcopy printing if desired.

Web Site Reference Information

Signal's web site will help to keep you in touch with everything that is happening in the Signal Mutual community. The public areas of the site outline the benefits of Signal Mutual, and give you the opportunity to review our latest financial statements – either online or in a downloadable format. The secure Members Only sections of the site provide a wealth of claims, legal, and safety information.

The Claims section provides a review of significant recent claims, together with a legal update, specific procedures for reporting claims, and information on how to contact your claims manager. In the Safety section you will learn more about the safety and loss prevention services that Signal provides. You can request a variety of safety related materials, review an extensive list of color Job Safety Analyses, download a template to create your own Job Safety Analysis, and look over Signal's customized training programs developed specifically for waterfront employers. Both Signal Claims eManager and our reference site are available 24 hours a day at www.signalmutual.com.



Claimant		Dates	
SSN:	002-02-1959	Reported:	
Birth Date:	11/4/1933	Opened:	9/26/10
Number of Claims:	2	FFW:	1308180
Occupation:	WORKER	Closed:	9/27/10
F-Code:	SHIP REPAIR ON LAND	Reopened:	10/20/10
Accident		Paid	
Description:	TORNED ON FLATBED	Temporary:	\$601.88
Nature of Injury:	CONCUSSION/HEADACHE ETC	Permanent:	\$25,500.00
Body Part:	HEAD	Medical:	\$60,800.22
Body Site:		Equipment:	\$47,274.14
		Liability:	\$0.00
		Gross:	\$134,656.44
Location		Incurred	
Part:	BROOKLYN	Temporary:	\$601.88
State:	NEW YORK	Permanent:	\$25,500.00
Location:	TOWNEVILLE	Medical:	\$60,800.22
Vehicle:		Equipment:	\$47,191.80
OSHA:	62-12802	Liability:	\$0.00
		Gross:	\$133,212.30

Claims Search

Select All/Reset All:

Enter:

Filter Year:

Case Number:

State:

Part:

F-Code:

Case Status:

Entered - From: To:

Accident Date - From: To:

Last Name: * is a wildcard (*) returns all names beginning with "B"

Total Security Issues:

Sort By:

Generate a Claims Report and Report

All All Data:

Show the following policies in the preferences

Report

PDF (optional report for printing or viewing)
 CSV file (not used for printing or viewing)

Report

Detailed List of Claims

List Claims in Policy Year: -

List Claims by Status: -

List Claims by Date: -

Summary (P-Code Summary)

Total Claims in Policy Year: -

Open Dates

Summary

Details

The Loss Run will be sent to your email address on request.

Supplementary Call History

At each Board of Directors and Membership meeting, the Board reviews the position of each open Membership Year. The Board have established a general Supplementary Call target of approximately 10% as being acceptable for each Membership Year. Shown below is the initial Supplementary Call estimate, and then the actual Supplementary Call determined at the closure of the Membership Year.

For the three Years 1998/99 to 2000/01, the Association purchased one reinsurance program which provided very extensive coverage, to the extent there is no paid or budgeted Supplementary Call on these Years. Reinsurance markets had hardened considerably by the time the program came to an end, with the result that the Board decided to accept a higher Supplementary Call for 2001/02, rather than to absorb in one year the rise in rates required to pay for the higher reinsurance costs.

A 15 year history for Supplementary Call payments and the status of these Years are shown below. For the open Years, the Supplementary Calls reflect both paid and outstanding amounts.

Membership Year	Supplementary Call			Year Status	Estimated Closure Date
	Membership Year		DOL		
	Initial Estimate	Closing Value			
1994/95	7.04%	7.00%	0.00%	Closed	
1995/96	6.42%	3.36%	0.75%	Closed	
1996/97	6.48%	4.00%	2.50%	Closed	
1997/98	14.57%	7.00%	2.50%	Closed	
1998/99	0%	0%	0.00%	Closed	
1999/00	0%	0%	0.00%	Closed	
2000/01	0%	0%	0.00%	Closed	
2001/02	25.00%	30.00%	0.00%	Closed	
2002/03	11.84%	11.62%	0.42%	Closed	
2003/04	12.10%	12.43%	0.00%	Closed	
2004/05	12.70%	10.15%	0.00%	Closed	
2005/06	10.90%	7.30%	0.00%	Closed	
2006/07	11.13%		0.00%	Open	9/30/10
2007/08	10.56%		0.00%	Open	9/30/11
2008/09	11.61%		0.00%	Open	9/30/12

Open Membership Year Release Call Requirements

The Association's Release Call Mechanism is reviewed each year by the Board at the summer meeting. The latest Release Call requirements are set out in Circular 09/04. A claims IBNR factor of 5% is applied until the Board makes a final determination on the Supplementary Call and the Year is closed. Departing Members will pay the 5% IBNR charge only if they wish to finalize their Release Call liabilities before the relevant Membership Years have been closed.

Reinsurance Structure 2009/10 Membership Year

Before each Membership Year, potential reinsurers and the structure of the reinsurance program for the coming Year are discussed in detail with the Executive Committee of the Board. The appropriate level for the Association's retention is reviewed relative to the cost of available program options. Under the current structure Signal retains all losses below \$1m. Signal Mutual Indemnity Association is included by the U.S. Department of Treasury for coverage provided by the Terrorism Risk Insurance Act (TRIA) and subsequent amending legislation.

The coverage for losses above \$1m is set out below.

Excess of Loss Cover (non terrorism)

Coverage for a claim with a value above \$1m is split between various reinsurers up to \$150m.

Excess of Loss Cover (terrorism ex NBC)

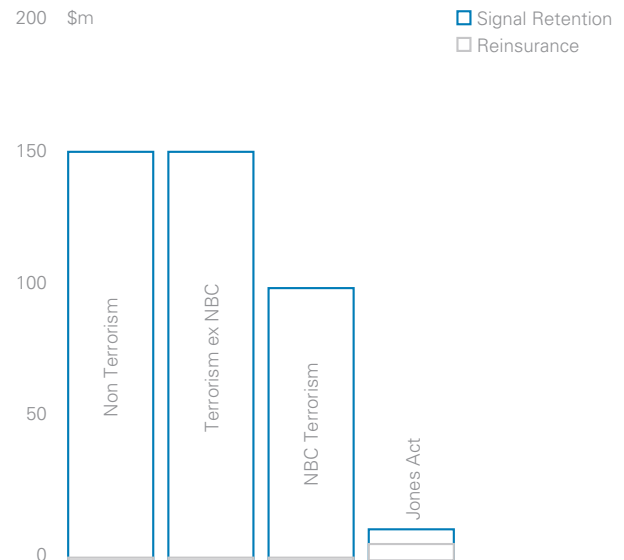
Provides coverage for the Longshore costs of a conventional terrorist incident which results in a claim of up to \$150m. Signal would retain the first \$1m of the claim.

Excess of Loss Cover (NBC terrorism)

Provides coverage for the Longshore costs of a nuclear, biological or chemical terrorist attack which results in a claim of up to \$100m. This dovetails with the Association's coverage through the federal "backstop" terrorism reinsurance program now known as the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA). Signal would retain the first \$1m of the claim.

Jones Act Liability Cover

Signal provides its Members with \$10m of contingent Jones Act cover. The Association retains the first \$5m of any claim and then a reinsurance policy placed in the Lloyds market covers any claim between \$5m and \$10m.



The Managers

Signal is managed by a Bermuda domiciled company, Charles Taylor Consulting (Hamilton) which is a subsidiary of Charles Taylor Consulting plc, a company listed on the London Stock Exchange.

The firm of Charles Taylor & Co. started as coal merchants in the early nineteenth century; records of the early days have been lost, but by 1884 Charles Taylor was managing the forerunner of the Standard P&I Club.

Today, CTC is a diversified organization employing approximately 800 people in over 20 countries, through a network of more than 60 offices. The company is a leading global provider of management and consultancy services to insureds and insurers across a wide range of industries.

Charles Taylor Consulting's range of activities is divided into four divisions:

Management Division

Provides complete management services to mutual and captive insurers, including investment management, risk management, and underwriting services.

Adjusting Division

Claims management and advisory adjusting services to insurance markets worldwide, in four specialist areas: energy, aviation, non-marine, and marine. This division is the leading provider of average adjusting to shipowners.

Insurance Support Services Division

Provides accounting, regulatory reporting, consulting, and claims management services to managing agents, brokers, insurers, and reinsurers. Clients are principally in the Lloyd's and London insurance markets.

Insurance Companies Run-Off Division

Charles Taylor Consulting owns closed insurance companies in the life and non-life sectors.



