



Steamship
Mutual

Management Highlights 2021

Mutual Vision



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Chairman of the Board's Introduction

The 2020/21 financial year combined ratio was 125.4% compared to 99.8% in the preceding year, reflecting in part very high claims within the International Group Pool. Nevertheless, the closing free reserves were similar in both years: US\$515m for 2019/20 and US\$511m for 2020/21. At renewal approximately 5.7m GT of new tonnage entered the Club from existing and new Members.

As was the case in 2019/20, investment income in the 2020/21 policy year was once again significantly higher than projected, at US\$54m (the preceding year was US\$67m). The Club's capital strength remains high, comfortably in excess of the S&P AAA rating level.

The objective so far as the combined ratio is concerned is to achieve underwriting balance in each financial year. The 6 year average including the 2020/21 financial year is 99.2%.

Even if balance is unlikely to be achieved every year, it remains a reasonable objective and the measure of underwriting achievement. In the last financial year, the Club experienced the effect of the worldwide pandemic, and made appropriate provision for it. 2020/21 was extraordinary in this respect, as well as in many others, and the combined ratio outcome for that year was impacted by two factors. First, the necessity to take a conservative approach towards projected pandemic claims. Second, the claims in the IG pooling layers which were at record levels. These factors resulted in a higher combined ratio than would otherwise have been the case, and the Directors required a 5% general increase for the 2021/22 year.

US\$511_m

Free Reserves US\$

125.4%

Combined Ratio

5.7_m

New Tonnage

Chairman of the Board's Introduction (continued)

In previous years, the Club was able to distribute surplus capital to Members, reflecting its strong financial position and substantial reserves. Nevertheless, the Directors considered that a cautious approach was warranted for the 2021/22 year, in order to accommodate potential volatility. They therefore decided against making a capital distribution, and as in preceding years they will review the position again in the autumn.

We are hoping that in October 2021, it will be possible to meet in person, together as a Board, without resort to video connections. There is no doubt that the personal discussion and contact that takes place at Board Meetings is a constructive and positive influence. The Managers have been considering, after nearly a year and a half of staff working from home, how to implement the transition back to office-based operations. It seems likely that this transition will involve a hybrid arrangement and more limited home-based working as the impact of the pandemic recedes.

The pandemic has had many consequences during the last financial year including problems such as crew change, and the de facto detention of crew members when transfer facilities to ports and elsewhere have been limited or refused. Of course, the companies most

affected were passenger vessel operators, and their exposure was reduced over the latter part of the year, by their suspension of all or nearly all operations. We did not see the level of claims that might have been anticipated at the outset of the pandemic, although the virus and unusually high pool claims did adversely affect what would otherwise have been an acceptable claims year.

The Managers embarked upon several initiatives following the onset of the pandemic to address the concerns of seafarers serving onboard Members' vessels, especially those whose periods of service were unavoidably extended because of difficulties in making crew changes. A series of videos was produced to inform crew and raise awareness of various aspects of the pandemic. In addition, arrangements were made to support the mental wellbeing of seafarers. This facility – MHSS – Mental Health Support Solutions provides access to a helpline, and multilingual advice and guidance from qualified psychologists with experience of the maritime sector.

Operationally, the Managers' IT systems and business continuity planning enabled a rapid and seamless switch from the office-based operations to staff working from home. That arrangement has been maintained during the pandemic, without adversely affecting service.



Chairman of the Board's Introduction (continued)

Last year the Club launched a new cover which will assist Members who are subject to a cyber-attack on their vessels, which causes a loss of income as a result. There is no cyber exclusion under P&I entry as such, but a Member may still be left without cover for the cost of restoring systems and data and for losses when a vessel is placed off-hire or unable to trade as a result of a cyber-attack. The cover also provides access for Members to experts in all aspects of cyber claims.

Sanctions are used by many governments and international organisations to achieve foreign or other policy objectives, by restricting what trade/related activities can be conducted, with or by whom. Buyers and sellers of goods targeted by sanctions are using increasingly innovative ways to circumvent restrictions. All this presents challenges to shipowners and operators, and the Club continues to monitor developments.

During the year we were pleased to welcome Mr. Mario Rodriguez and Mr. Ken Park of RCCL and SM Lines respectively to the Bermuda Board, and Mr. Francis Vrettos of the Managers to the Europe Board.



“The 6 year average
Combined Ratio is
99.2%”

Armand Pohan
Chairman of the Board

Statement by the CEO

This is the 24th edition of the Club's Management Highlights, which I hope you will find informative and interesting. Despite the unique challenges of the Pandemic, and the very high levels of Pool claims affecting the IG clubs as a whole, Steamship Mutual is in a very strong position, with substantial free reserves and a growing membership. This publication summarises its main activities and results.

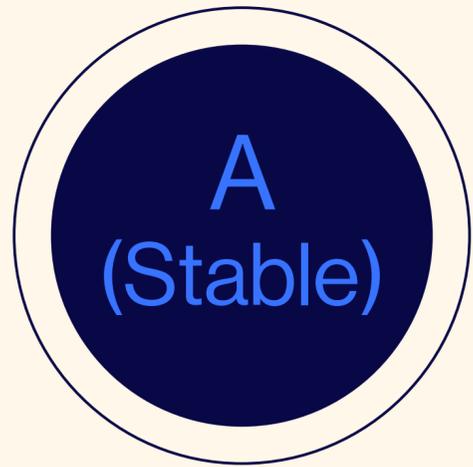
The Club is well positioned to provide the financial security and service which our Members expect and which attract new Members interested in joining the Club. We will be happy to address any questions that arise from these Highlights, or generally.



Stephen Martin
CEO

2020/21 Key Statistics

For the year ended 20 February 2021



S&P rating



6 year average
combined ratio



Free reserves



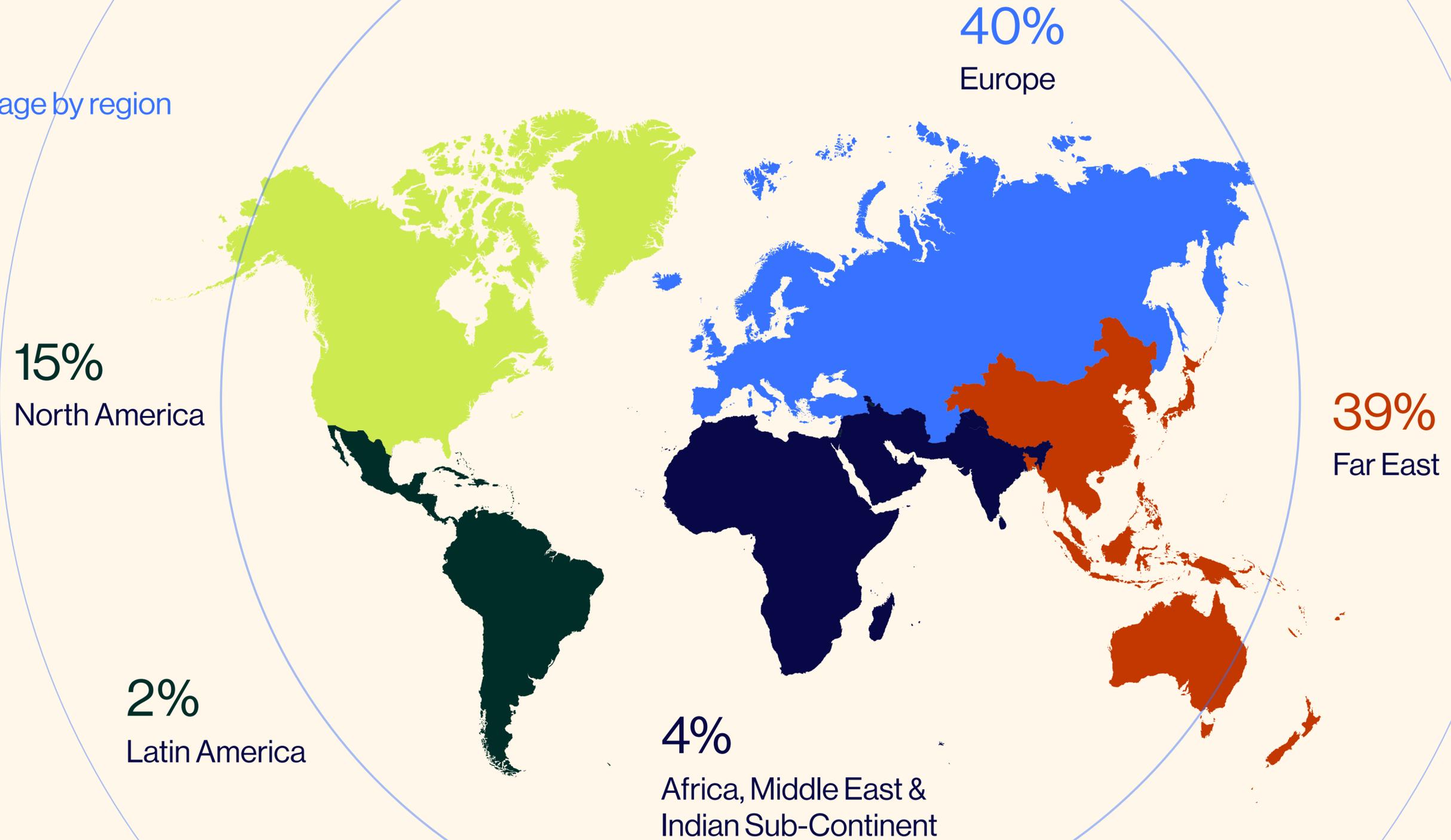
Investment return



Combined ratio

2020/21 Key Statistics (continued)

Gross tonnage by region



2020/21 Key Statistics (continued)

Gross tonnage by vessel type

35%
Bulk Carrier



24%
Tanker



22%
Container



11%
Cruise & Ferry



5%
General Cargo

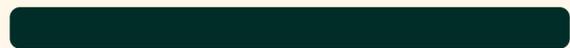


3%
Other



Age of Vessels

20%
0-4 years



30%
5-9 years



27%
10-14 years



13%
15-19 years



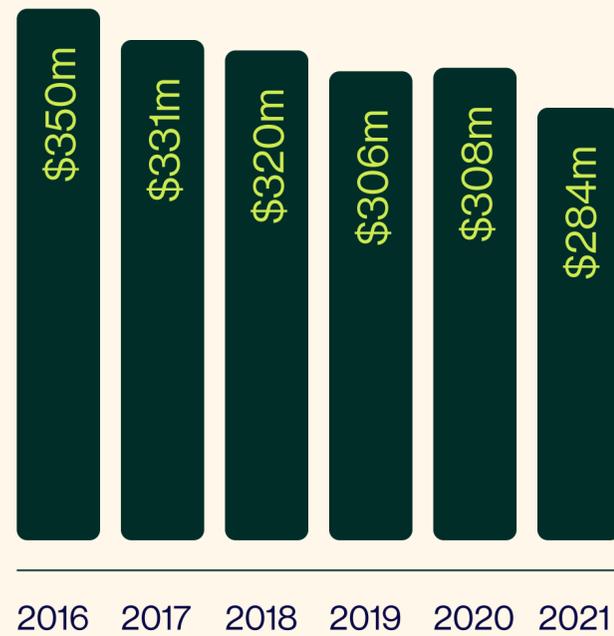
10%
20+ years



2020/21 Financial Highlights

For the year ended 20 February 2021

Gross premium written
US\$ millions



Combined ratio
%

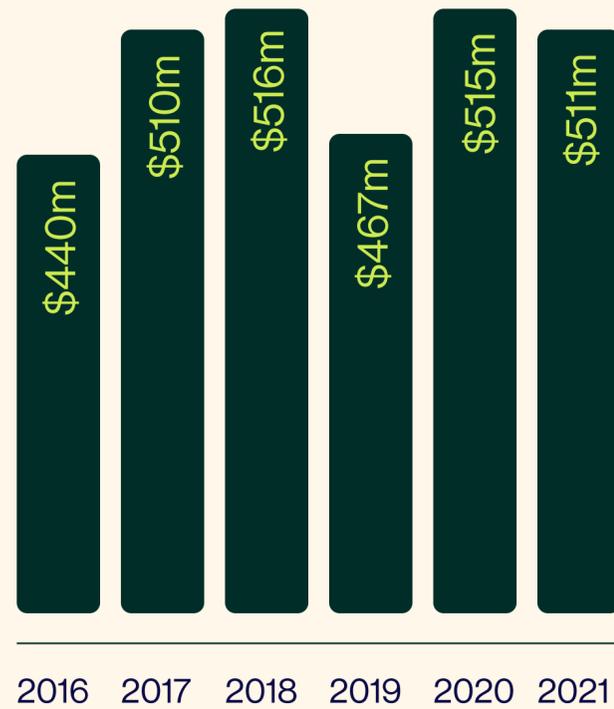


Investment return
US\$ millions
Excluding property and currency gains/losses



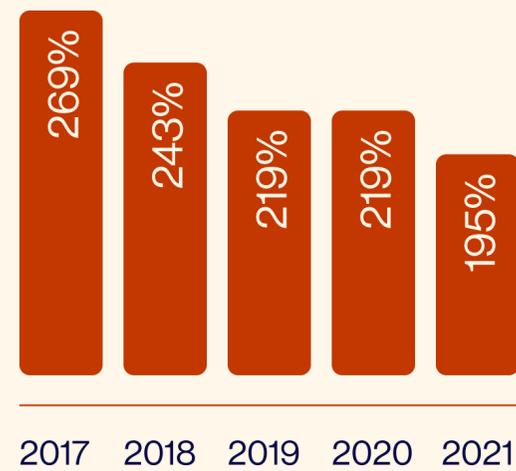
2020/21 Financial Highlights (continued)

Free reserves
US\$ millions

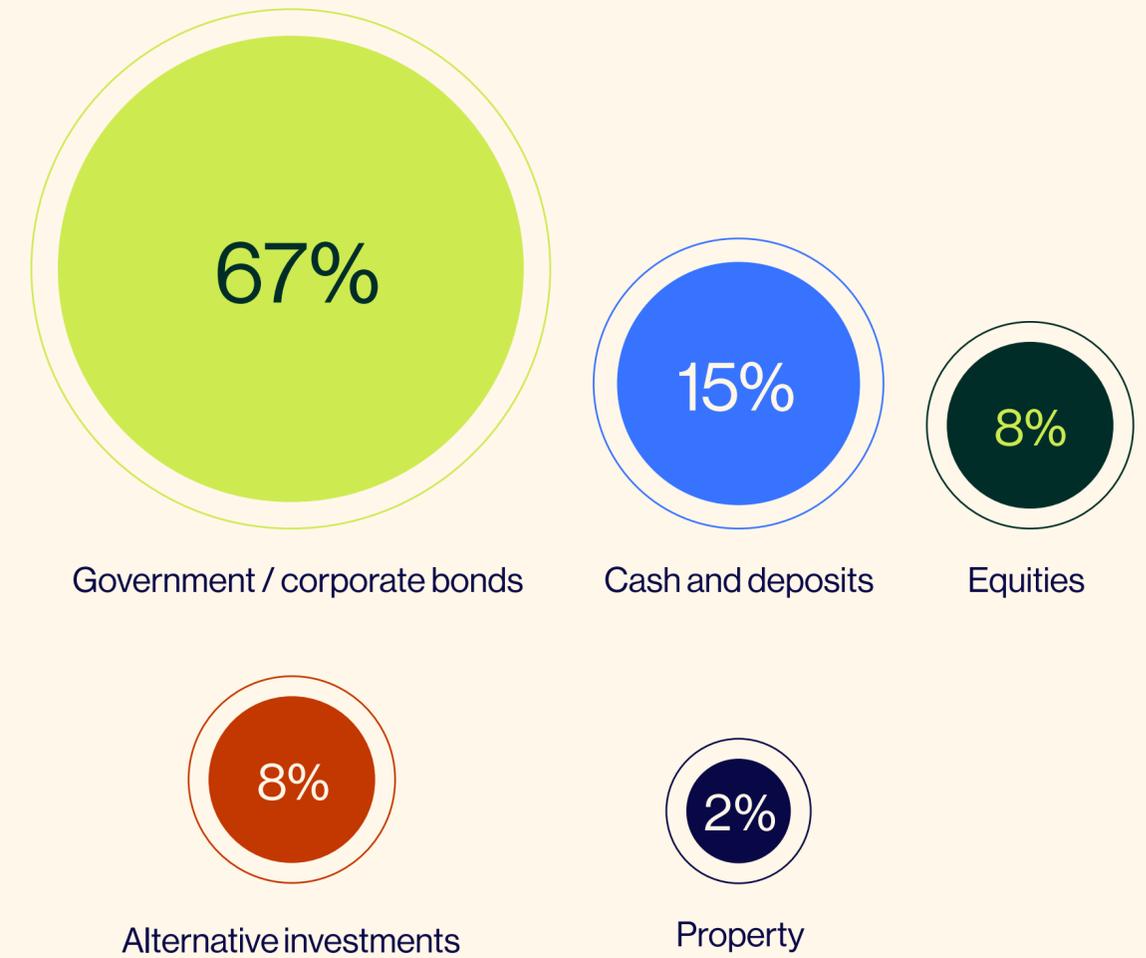


Solvency II capital ratio
%

One of the strongest capital ratios in the International Group of P&I Clubs



Asset allocation



Underwriting & Reinsurance

Underwriting & Reinsurance

The Managers are pleased to report a successful renewal season, encompassing rate rises accepted by existing Members and new owners joining the Club.

The 2020 Policy year

The Managers focused on supporting our Members, through remote means such as video, in managing the impact of Covid-19, as well as the considerable volatility in the International Group Pool. These factors formed the backdrop to a protracted renewal season. During the year, net owned tonnage increased by 2.5m GT resulting in 8% year on year growth in the owned entry when the renewal is included. This is comfortably ahead of the rate of growth in the world fleet. As the 2021 policy year began Steamship's owned and chartered entry amounted to some 177m GT.

Renewal 20 February 2021

Having announced a 5% general increase, the Managers are pleased to report that the Club achieved approximately 4.5% on its renewing business. As ever, this outcome included not just premium increases but also the value of changes in terms through increased risk retention (deductibles) and in some cases changes in other cover conditions. As in earlier years, the renewal sought to achieve a fair balance of risk between Club and Member, and the Managers believe that this objective was accomplished.

As at the last renewal, the Club was invited to consider many new potential Members and entries. The Managers are pleased to report that from those meeting the usual pre-requisites of quality and long term performance, a number of new owners and charterers joined at 20 February.

In total, approximately 6.5m GT of new owned mutual business entered the Club at renewal. In keeping with the diversity of the membership, new fleets joined the Club from various sectors of shipping, with all key geographical areas seeing growth. Indeed a feature of the renewal was the support shown locally to all Steamship offices, including Japan, Singapore and Greece.

The 2021 year renewal was a reflection of the Club's continuing efforts to attract top quality business through financial stability and service. The Directors and Managers would like to thank the Members for their support through these difficult times.



“The 2021 year renewal was a reflection of the Club's continuing efforts to attract top quality business”

Gary Field
Head of Underwriting

Underwriting & Reinsurance (continued)

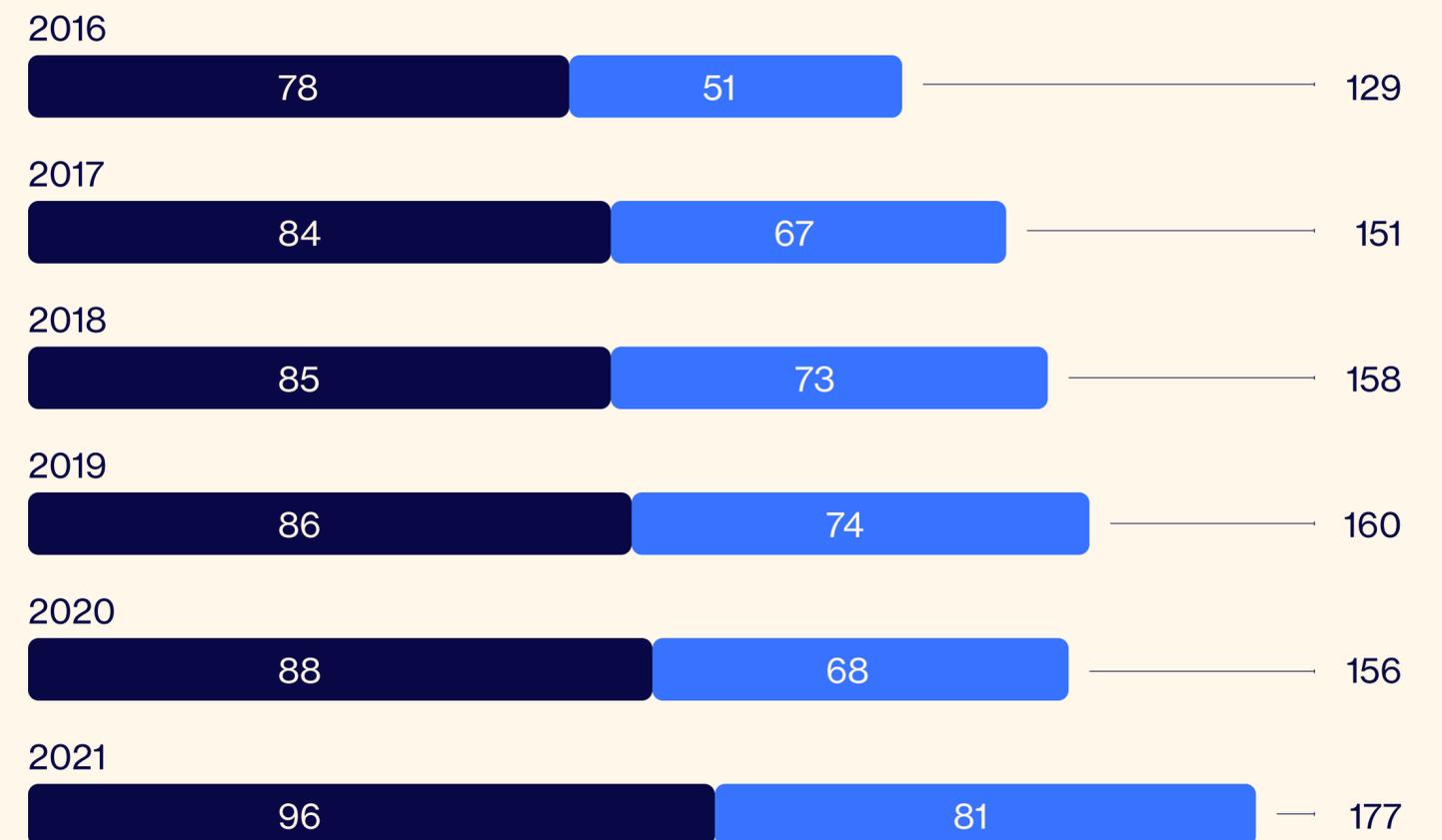
IG Pool Claims

US\$ millions

Months	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
12 Months	368.6	279.8	179.6	198.4	84.0	227.2	306.1	259.2	462.9
24 Months	453.9	327.0	193.6	276.6	125.9	269.6	455.8	441.7	
36 Months	467.0	364.0	204.5	284.0	145.0	289.7	490.0		
48 Months	465.1	364.9	215.8	282.7	136.5	310.5			
60 Months	446.3	411.6	221.3	291.4	140.2				
72 Months	418.6	408.6	212.9	295.5					
84 Months	403.6	423.1	206.5						
96 Months	392.7	430.6							
108 Months	383.4								

Owned and Chartered Tonnage

(Owned Tonnage at 20 February 2021)
GTm



Underwriting & Reinsurance (continued)

The International Group's collective reinsurance programme was renewed with the same structure as the previous policy year. A new Excess Loss category for Full Container Carriers was introduced at the 2021 renewal to reflect the increasing levels of claims seen in this category of vessel.

The Club's own reinsurances were renewed successfully. However along with many markets, Covid-19 and cyber exclusions were introduced by reinsurers. Unfortunately this meant the Club had to similarly restrict the cover it could offer its Members in respect of charterers and non-poolable risks. The Club did offer Members limited cover for Covid-19 and cyber risks within its retention levels.



Rupert Harris
Head of Reinsurance



P&I Claims

P&I Claims

There has been a trend of increasing Pool claims over recent years that may imply a new paradigm.

Whilst the year was dominated by the Covid-19 pandemic and its effects, the ultimate consequences from a claims perspective were less than might have been anticipated at the outset. The initial impact was on the Association's cruise entry with outbreaks on several vessels. The effective cessation of the majority of cruise and passenger operations for the remainder of the year reduced exposure to passenger and cruise vessel crew claims. Nevertheless the disruptive effects of the pandemic caused extensive dislocation to the shipping industry as a whole, particularly with respect to crew changes and repatriation.

The Managers endeavoured to provide the Association's Members with practical assistance in order to mitigate the effect of Covid-19 such as a dedicated area on the Association's website with the latest information and advice as it became available and actively participating in the International Group's Covid-19 and quarantine working groups.

At the end of the 2020/21 year total estimated claims from the Association's Members, net of reinsurance, were less than at the same stage in the prior year. Attritional claims (less than US\$250,000) were almost identical in number and aggregate amount to the 2019/20 year.

Estimated Covid-19 claims, net of reinsurance, for the 2020/21 year were US\$26.7m. Covid-19 claims appear to be relatively short-tailed so significant deterioration is not anticipated. Crew claims increased reflecting the impact of Covid-19 whilst passenger claims decreased significantly consequent on the cessation of cruising for the majority of the year.

The Association experienced three Pool claims in excess of its retention during the policy year. Two of these were Covid-19 related cruise claims where the Association's insurance was on a quota share basis, thus limiting its exposure. The third was a pollution claim consequent on the loss of containers overboard.

18 claims were notified to the Pool in the 2020/21 policy year exceeding the US\$10m retention plus two precautionary notifications. Unfortunately, a number of these were significant in size, resulting in an adverse Pool performance. There has been a trend of increasing Pool claims over recent years that may imply a new paradigm.

Prior year releases were less than budgeted due in part to a combination of an unexpected adverse judgement which is being appealed, and significant deterioration of a prior year Pool claim.



“Despite the challenges arising from Covid-19, we have been able to maintain our high standards of claims handling services”

Charles Brown
Head of Claims

P&I Claims (continued)

Large Claims Review

There were 48 claims in excess of US\$250,000 in 2020, six fewer than in 2019 and with a total estimated exposure of just over US\$80m, a reduction of US\$24.5m (or down 23%) when compared with the previous year. After the high exposure in 2018, chartered claims closely matched the results of 2019 with just three large claims totalling US\$2.2m.

As already mentioned, there were three claims involving the International Group Pooling Reinsurance. Whilst reserves on each do not significantly exceed the Club retention before Pooling, they still make up around 38% of the total large claims exposure. The high volume of large crew claims again dominate, with 23 cases and a 23% share of the large claims total. However, in financial terms a small number of passenger/passenger vessel claims overshadowed this, making up 42% of the overall large claim exposure.

Cargo

As in 2019, there were six large claims in this category with an overall value of US\$7m. Significantly, half of these involved fluid ingress into a cargo hold due to either a

valve failure or as a result of manhole covers not being properly resecured following removal. Of the remaining three claims, one was a case of heavy swell causing the loss/shift of deck cargo and two involved carriage of reefer containers, one a case of damage following a cooling system malfunction, and the other where the units were wrongly declared as dry containers resulting in the cargo defrosting.

Chartered

Of the three large claims arising in 2020, one comprised over 60% of the US\$2.2m total and involved the grounding of a bulk carrier shortly after leaving port and a potential unsafe port exposure for the charterer. The other two cases concerned the loss of charterers' containers stowed on deck and cargo leakage within a hold.

Fixed and Floating Objects

2020 was a relatively benign year for FFO claims in comparison with 2019. There were seven large claims reserved at over US\$30m in 2019 compared with four FFO incidents in 2020 with a total value of US\$1.6m. The causes of these claims were evenly split with two arising

from contact with shore installations whilst berthing, and the remaining two involved vessels shifting whilst alongside due to either adverse weather conditions, or surge damage caused after another vessel passed nearby.

Passenger

There were four large passenger related claims with a total value of US\$28m. This was two fewer than last year and represented a value drop of 31% when compared against the passenger claim total in 2019. With major disruption in the cruise sector it is perhaps of no surprise that three of these large claims involved Covid-19 outbreaks and make up 78% of this total. The remaining large claim concerns the alleged misdiagnosis of a passenger who fell ill mid-voyage.

P&I Claims (continued)

Crew

There were 23 large crew claims with a total value of US\$18.6m, representing 23% of the total large claim exposure by value and 48% in number. This compares with 12.5% in value and 35% in number in 2019. Six claims were estimated in excess of US\$1m. Those six claims accounted for 61% of the total value of large crew claims but only 26% in number. Large crew claims and those over US\$1m were higher in frequency and severity than the previous year.

Three of those claims in the category of excess US\$1m concerned crew injuries, including falls and one machinery accident. All involved failures to properly adhere to safe working practices. Totalling approximately US\$5.6m they accounted for 30% of the total of large crew claims by value. The remaining three claims in this category, totalling US\$5.75m, concerned illness. Two arose from underlying health conditions, at least one of which could have been prevented or mitigated if a comprehensive PEME had been conducted, and finally one claim concerned medical costs and compensation related to an outbreak of Covid-19 on board a cruise ship.

Pollution

There were four large pollution claims in 2020 making up nearly 19% of the total large claim exposure. Two cases representing 16% of overall large claims, involved the underwater recovery of containers following the loss of cargo stowed on deck in heavy weather. Of the other two cases, one involved heavy berth contact causing a fuel oil leak from the resulting hull damage, and the other was a spill arising from the rupture of a cargo tank during loading operations.

Collision

Compared with last year's experience of three claims with a total reserve of US\$1.8m, in 2020 there was only one large collision claim valued at US\$0.5m that involved glancing contact made with an approaching vessel during a river transit.

Wreck Removal

There was only the one large claim in this category for 2020 reserved at just in excess of US\$1m which arose from another collapse of container stowage, this time on a barge which resulted in an obligation to retrieve the lost containers as they constituted an obstruction.

There were four large pollution claims in 2020 making up nearly 19% of the total large claim exposure.

Safety & Loss Prevention

Safety & Loss Prevention

It is clear from the review of the large claims incurred in the 2020/21 policy year that the Covid-19 pandemic had a significant impact, predominantly in the cruise sector and in the early stages of the outbreak.

Operational restrictions on cruise and passenger vessels that were introduced early in the year served to control that risk very effectively, but the Covid-19 risk remained as a very real threat to personnel on other vessels whose continued operation was essential in order to maintain world trade.

To raise the awareness of seafarers to a range of issues arising from the pandemic, the Managers cooperated with Marine Media Enterprises in the production of four videos on the coronavirus. These were titled:

Coronavirus – Stay Safe on Board

Coronavirus – Mental Resilience on Board

Coronavirus – Protection on Board

Coronavirus – Crew Change

These films were distributed free of charge, not only to the Club's membership but also to the shipping industry in general, and this initiative resulted in the videos being nominated for the 2020 Safety4Sea Training Award. This material can be accessed from the Loss Prevention section of the Club's website [here](#).

Further productions on other aspects of the pandemic are under development and will be released during this year.

The practical difficulties associated with crew change have eased little since the outbreak of the pandemic. The unwelcome result of this is that many crews are serving onboard their vessels for longer than their contracts originally contemplated. This has the potential to increase risk through the adverse impact that contract prolongation may have in the areas of fatigue, mental resilience and physical well-being. In order to minimise these risks it is imperative that seafarers are universally recognised as key workers and thereby qualify for priority vaccination, and that there is global cooperation to facilitate their international travel for the purpose of effecting timely crew changes.

The need to ensure the mental wellbeing of seafarers is an issue that was brought into particularly sharp focus by the pandemic. In response to that, the Managers established an arrangement with Mental Health Support Solutions GmbH (MHSS) which provides seafarers onboard vessels that are entered with the Club with free of charge access to the MHSS 24/7 helpline. This helpline service gives confidential and professional support from MHSS's team of qualified psychologists with experience in

the maritime sector, who can communicate with seafarers in a wide range of languages. Further details of this service can be found in the Loss Prevention section of the Club's website [here](#).

From the review of large claims incurred in the 2020/21 policy year it is notable that there were two incidents which involved the loss overboard of containers from deck stows, although only one of these involved a fully cellular container vessel. The shipping industry in general experienced several large-scale losses from container vessel deck stows in 2020, and those incidents have prompted initiatives to address their causes. These events can result in substantial liabilities, particularly when they occur in coastal waters and there is a requirement to locate and remove the containers that were lost. Depending upon the nature of the cargo in such containers, the liability exposure can be exacerbated if that should result in the risk of environmental damage. The Managers have issued loss prevention guidance in the form of a risk alert to raise awareness of this issue. View PDF [here](#).

Safety & Loss Prevention (continued)

Another area of recurrent liability exposure evident from the review is that associated with ballast water or fuel ingress to cargo spaces in situations where tank access openings have not been fully and properly secured following the removal of manhole covers to enable maintenance or other work to be undertaken. This again is another topic that has been the subject of previous loss prevention guidance. View PDF [here](#).

There were five large crew injury claims in the 2020/21 policy year that involved serious injuries to hands or limbs whilst handling or working near ropes or lines on deck. The potential risks from such operations are self-evident and the importance of risk assessment, adherence to safety procedures, vigilance and the use of the appropriate PPE cannot over-emphasised if injuries from these causes are to be avoided.

The Managers have continued to maintain close contact with The Nautical Institute and continue to publish the reports on safety incidents compiled pursuant to the Mariners Alerting and Reporting Scheme (MARS). The MARS reports can be found on the Club's website [here](#).

Members are recommended to disseminate this information to their fleets to raise safety awareness and also to encourage their masters and officers to become members of the Nautical Institute to assist with further professional development.



“The need to ensure the mental wellbeing of seafarers is an issue that was brought into particularly sharp focus by the pandemic”

Chris Adams
Head of Loss Prevention

Current Group Issues

Current Group Issues

Pooling Agreement

There has been an amendment to the International Group's Pooling Agreement in respect of cover for smuggling fines, which will be provided on a discretionary basis rather than as of right. This amendment reflects the changing approach to fines by governments who it is felt view the imposition of increasingly high levels of fines as a deterrent and the availability of insurance as a hindrance to those objectives. The availability of insurance through the exercise of discretion ensures that a route to coverage remains available.

Sanctions

The changing sanctions landscape continues to present a significant threat to the shipping industry. There appears to be a developing trend for goods that are subject to prohibitions to be shipped using false information as to type and origin. This presents challenges to shipowners when considering employment opportunities for their vessels. Equally the due diligence expectations laid down by enforcement bodies are extremely high, and do not always reflect what is reasonably possible. The International Group actively engages with a number

of sanctions enforcement bodies to put forward the concerns of shipowners and IG Clubs, and to encourage greater consultation prior to the issuance of new sanctions or designations.

Sustainability

Sustainability has become a focus for governments, commercial organisations and society in general for very good reasons. It is also given increasing attention by financial regulators when looking at, for example climate change, and the projected impact on insurers such as required regulatory capital. In 2015 the United Nations set 17 sustainable development goals covering a wide range of targets. In 2019 the established shipping banks committed to sustainability in the finance sector, resulting in their agreement to the "Poseidon Principles" which set out four key sustainability principles. In practice, shipping is currently the most environmentally-friendly means of transporting goods around the globe, facilitating over 90% of world trade for less than 3% of global carbon emissions. Nevertheless these initiatives will inevitably translate into increased levels of commitment to sustainability objectives for shipping companies.

The IG engages in a number of activities that similarly fall within the area of sustainability, including managing the consequences of maritime losses in an environmentally-friendly manner and identifying new ways in which losses can be prevented or minimised. In 2020 the Boards of all IG Clubs committed to continue their work in this area to demonstrate that sustainability is a fundamental part of their ethos, and consider what further steps the IG Clubs can collectively take to enhance sustainability goals in the context of P&I insurance.

The logo for IG P&I, with 'IG' in a large, bold, dark blue font and 'P&I' in a smaller, grey font to its right.

Current Group Issues (continued)

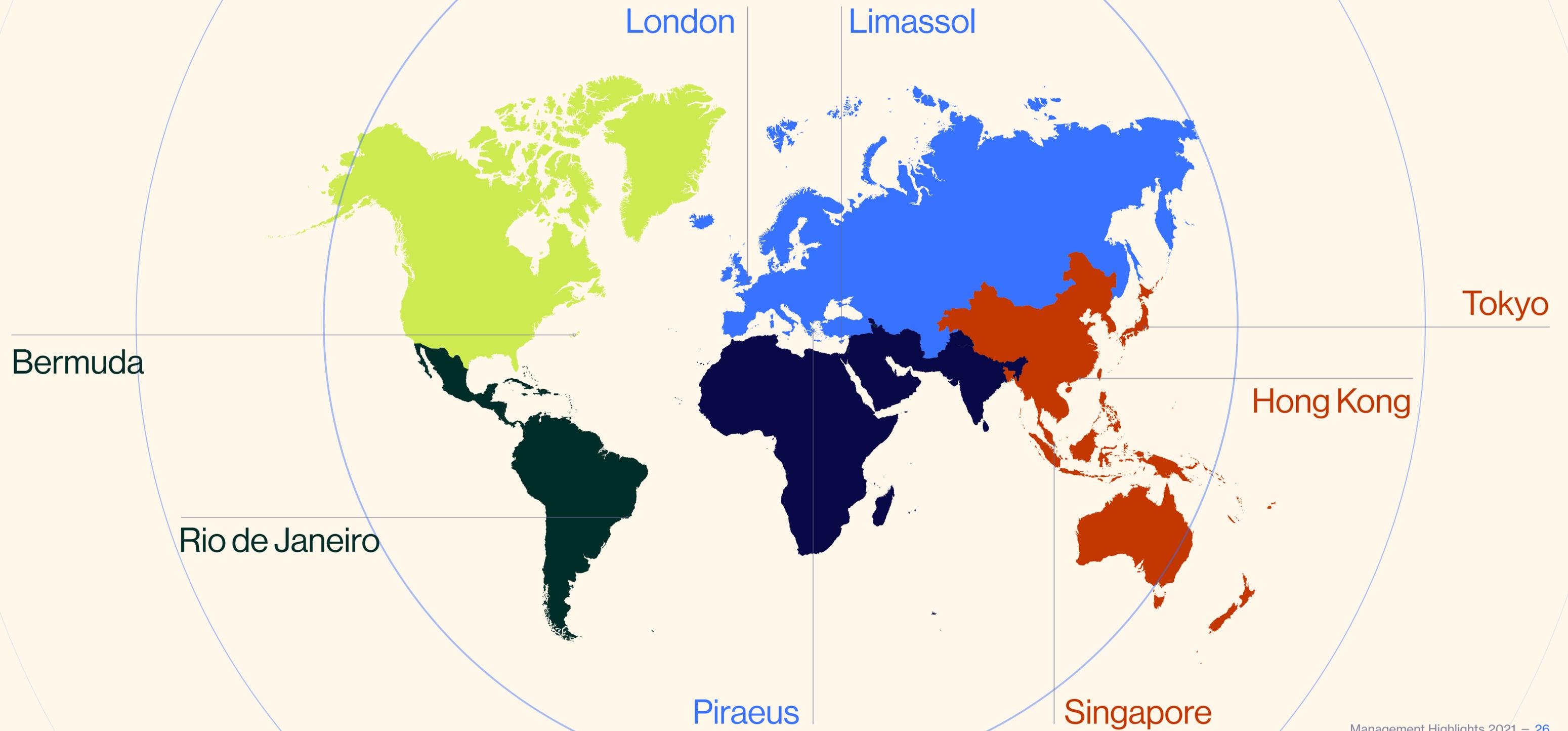
Pilotage claims

During the course of the 2020/21 policy year the International Group concluded its review of P&I liabilities arising when a vessel is under pilotage, covering the period 1999 to 2019. The investigation identified a total of 1,046 recorded incidents giving rise to P&I liabilities in excess of US\$100,000 where it was considered that error on the part of a pilot had caused or contributed to the casualty. Over that period, overall liabilities totalled more than US\$1.82 billion. When viewed with reference to the number of shipping movements under pilotage in and out of ports worldwide in any one year, the frequency of such incidents is extremely low. However, the number and overall cost of these incidents are significant. Notwithstanding advancements in training and technology, it remains likely that there will continue to be incidents of loss and damage that arise with vessels under pilotage. The IG has committed to engaging with pilotage and port authorities to carry out thorough investigations and root cause analysis into such incidents to identify appropriate risk mitigation measures to prevent recurrence.

Contact between large container vessels and gantry cranes is identified as a particular concern. The recommended follow up action from the report will initially focus upon such incidents as there have been several very costly casualties of this nature, not only within the period covered by the report, but also in the 2019/20 and 2020/21 policy years.



Our Offices





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Mutual Vision