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MARKET LEADING PERFORMANCE. FINANCIAL STRENGTH AND SECURITY.

DESPITE THE GREAT CHALLENGES THAT HAVE EMERGED SINCE, IN THE FORM OF THE PANDEMIC, THE CLUB YEAR 2019/20 WAS VERY POSITIVE, AND FREE RESERVES ROSE TO US$ 515 MILLION. THE CLUB DISTRIBUTED CAPITAL TO MEMBERS FOR THE FOURTH CONSECUTIVE YEAR, AND WE LOOK FORWARD TO MEETING THEIR NEEDS IN THESE DIFFICULT AND UNPRECEDENTED TIMES.

Stephen Martin
Executive Chairman
CHAIRMAN OF THE BOARD’S INTRODUCTION

I am pleased to report that, despite twenty-two pool claims (three against Club members), the Club’s claims experience in the last policy year was relatively benign, whilst prior year claims development over the year was less than projected.

The result was a significant improvement (compared to the preceding year) in the 2019/20 financial year combined ratio to 99.8%. A very strong investment return meant that the Club ended the year with free reserves of US$515 million (after payment of a US$16 million capital distribution to renewing members).

By any standards this was a positive result, but of course since 20 February the COVID-19 pandemic has taken its toll on almost all commercial enterprise, and the Club’s reserves may be adversely impacted in 2020/21. The Club accumulates reserves in order to absorb and help shield its members from all kinds of financial shocks, including those that are unexpected.
In 2019/20 the financial year combined ratio was 99.8% compared to 116.1% in the preceding (2018/19) financial year. The Club’s goal is to achieve a financial year combined ratio of 100% or less.

Premium for the last financial year increased by a modest US$2 million, reflecting lower levels of churn, growth in entered fleets and individual rating corrections; the 2019/20 policy year was the 5th successive renewal without any general increase. (In 2020/21, the general increase was 7.5%).

Investment income in the 2019/20 policy year significantly exceeded expectations at US$66.9 million, the highest level of return for the last decade.

The Directors also decided to distribute US$16 million of capital to renewing Members, leaving free reserves of US$515 million, comfortably in excess of required levels for regulatory and rating agency purposes. The Club’s strong financial position also enabled the Directors to defer payment of the first quarter premium.

Members records are generally assessed over a six-year period. Notwithstanding higher claims in recent years, the Club’s average combined ratio over the most recent six-year period remains at an acceptable level of 92.1%.

The year ahead

The Global Sulphur Cap came into force on 1 January 2020. The number of issues reported to the Club has however been comparatively modest, with no fines having been reported. The outbreak of COVID-19 has no doubt had an impact in various ways, diverting attention from and perhaps diminishing the investigation and enforcement of the new regulations. The Club nevertheless continues to monitor the situation very closely and provide assistance to Members wherever possible.

The threat to shipping from cyber risks continues to escalate. As technology has developed there has been a corresponding increase in dependence upon computer software to operate and control shipboard systems, including critical features such as navigation, propulsion, and positioning. The industry’s reliance on computer systems and increased levels of interconnectivity throughout the chain makes it particularly vulnerable to cyber incidents. The Club’s Class 1 P&I cover responds to liabilities resulting from cyber attacks when those liabilities would otherwise be poolable under usual terms of entry, and the Club will continue to support Members in their efforts to counter cyber threats through loss prevention initiatives.

Sanctions continue to impact shipping activities. The United States has been particularly active in implementing sanctions which have “secondary” effect, i.e. activities conducted by non-US persons not otherwise subject to US jurisdiction. Such measures have been used for many years to regulate trade activities involving Iran, Syria and North Korea. More recently, they have had a significant effect upon trade to and from Venezuela. There is an ever-increasing expectation on the part of the US authorities that the shipping industry itself will take further steps to deter sanctions breaches. P&I insurers are now expected to know more about activities conducted by entered vessels, including monitoring and other means to identify current and potential historic breaches. The Club adopts a proactive approach and has taken steps to meet these expectations.

During the year, Steamship Mutual Underwriting Association (Europe) Limited was established in Cyprus. This company, created as a response to Brexit, has received a warm welcome in Cyprus and provides cover to members in the European Economic Area as well as in Monaco and Switzerland. It commenced operations on 20 February 2020 and is providing Members with the Club’s usual high standards of service.

In a normal year, we might expect to be reporting positive expectations for the forthcoming policy year. COVID-19 is of course a serious threat and it is impossible to predict with any confidence what the eventual impact will be upon the Club’s premiums and claims. As would be expected the Managers are reviewing the position on a frequent and regular basis, taking account of numerous factors, including investments, operations, reinsurance and regulatory requirements.

During the course of the year we welcomed Mr Roine Ahlquist, Mr Christakis Klerides and Mr Robert Shaw to the Bermuda Board. Mr Ahlquist and Mr Klerides also joined the Europe Board. We hope they will enjoy their time with us.

Armand Pohan
Chairman of the Board

Armand Pohan
Chairman of the Board
2019/20 KEY STATISTICS

- **Financial Year Combined Ratio**: 99.8%
- **6 Year Average Financial Year Combined Ratio**: 92%
- **Return of Capital to Renewing Members**: $16m
- **Free Reserves US$ at 20 February 2020**: $515m
- **S&P Rating**: A (stable)
- **Investment Return**: $66.9m
- **Combined Owned and Chartered Gross Tonnage**: 157m
- **Total Investments & Cash in Excess Of**: $1bn

**Investment Income**

In the 2019/20 policy year, significantly exceeded expectations at US$ 66.9 million, the highest level of return for the last decade.

Arjun Thawani
Chief Financial Officer
2019/20 KEY STATISTICS

GROSS TONNAGE BY REGION

- 2% LATIN AMERICA
- 5% AFRICA, MIDDLE EAST & INDIAN SUB-CONTINENT
- 16% NORTH AMERICA
- 38% EUROPE
- 39% FAR EAST

GROSS TONNAGE BY VESSEL TYPE

- 3% OTHER
- 20% CONTAINER
- 24% TANKER
- 35% BULK CARRIER
- 6% GENERAL CARGO
- 12% CRUISE AND FERRY

AGE OF VESSELS

- 21% 0-4 YEARS
- 34% 5-9 YEARS
- 22% 10-14 YEARS
- 12% 15-19 YEARS
- 11% 20+ YEARS

AGE OF VESSELS

- 21% 0-4 YEARS
- 34% 5-9 YEARS
- 22% 10-14 YEARS
- 12% 15-19 YEARS
- 11% 20+ YEARS
2019/20 FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 20 FEBRUARY 2020

COMBINED RATIO
PERCENT %
On net premium, excludes return of premiums

<table>
<thead>
<tr>
<th>Year</th>
<th>Combined Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>83%</td>
</tr>
<tr>
<td>2016</td>
<td>76%</td>
</tr>
<tr>
<td>2017</td>
<td>76%</td>
</tr>
<tr>
<td>2018</td>
<td>102%</td>
</tr>
<tr>
<td>2019</td>
<td>116%</td>
</tr>
<tr>
<td>2020</td>
<td>99.8%</td>
</tr>
</tbody>
</table>

SIX YEAR AVERAGE COMBINED RATIO: 92%

DISTRIBUTIONS MADE TO MEMBERS FOR 4 YEARS

- 2017: $2.6m
- 2018: $2.6m
- 2019: $2.2m
- 2020: $1.6m

INVESTMENT RETURN US$M
(Excluding property and currency gains/losses)

- 2015: $21m
- 2016: -$1m
- 2017: $33m
- 2018: $31m
- 2019: $19m
- 2020: $67m

CAPITAL DISTRIBUTIONS / RETURN OF PREMIUM US$ MILLIONS

- 2017: $2.6m
- 2018: $2.6m
- 2019: $2.2m
- 2020: $1.6m

INVESTMENT RETURN US$M
(Excluding property and currency gains/losses)

- 2015: $21m
- 2016: -$1m
- 2017: $33m
- 2018: $31m
- 2019: $19m
- 2020: $67m
2019/20 FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 20 FEBRUARY 2020

FREE RESERVES AT 20 FEBRUARY 2020
US$ MILLIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td>Value</td>
<td>$376m</td>
<td>$440m</td>
<td>$510m</td>
<td>$516m</td>
<td>$467m</td>
<td>$515m</td>
</tr>
</tbody>
</table>

SOLVENCY II CAPITAL RATIO
PERCENT %
BSCR Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>269%</td>
<td>243%</td>
<td>219%</td>
<td>219%</td>
</tr>
</tbody>
</table>

ONE OF THE STRONGEST CAPITAL RATIOS IN THE INTERNATIONAL GROUP OF P&I CLUBS

ASSET ALLOCATION

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td>Value</td>
<td>70%</td>
<td>8%</td>
<td>8%</td>
<td>2%</td>
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</tbody>
</table>

GOVERNMENT / CORPORATE BONDS
CASH AND DEPOSITS
EQUITIES
ALTERNATE INVESTMENTS
PROPERTY
UNDERWRITING AND REINSURANCE

IN A HARDENING P&I MARKET A NUMBER OF THE INTERNATIONAL GROUP CLUBS ANNOUNCED GENERAL INCREASES FOR THE 2020/21 RENEWAL. IN THE CASE OF STEAMSHIP MUTUAL A 7.5% GENERAL INCREASE REFLECTED THE NECESSITY TO BRING THE CLUB’S COMBINED RATIO BACK INTO BALANCE, GIVEN RECENT YEARS OF RISING CLAIMS COSTS AND REDUCING PREMIUM LEVELS.

The Club’s strong financial position meant that the Board was able, nevertheless, to distribute capital for a 4th successive year, and this means that the Club has now returned US$90 million over the past 4 years.

**The 2019 Policy year**

During the last policy year owned tonnage increased by approximately 3.5 million GT, and year-on-year owned premium by more than US$8.5 million net. The tonnage increase of 4.1% is comfortably ahead of the projected growth in the world fleet. The Club’s net growth was attributable both to new members joining the Club and to existing entries from all sectors of the shipping industry.

Charterers are an important part of the Club, and entered Chartered tonnage increased by 5 million GT over the year.

**Renewal 20 February 2020**

At renewal, the Directors having ordered a general increase, the Club achieved approximately 5% on renewing owned business allowing for the value of changes in terms (mainly increased risk retention through deductibles).

The Directors and Managers were pleased that the Club added many new high-quality fleets, and consolidated existing entries. Furthermore over 4 million GT has already been committed to the Club for the 2020 policy year.

In total, premium for newly entered owners increased by approximately US$12.5 million, some US$3.5 million more than non-renewing vessels (as in every year some owned entries do not renew, when agreement upon premium cannot be reached).

Entered chartered tonnage reduced at renewal with the loss of one substantial fleet, resulting in a total renewing entered GT of 157 million.

The Club’s growth and renewal results have contributed to its already strong foundations, which will help address the challenges posed throughout the industry by the COVID-19 pandemic.

Gary Field
Head of Underwriting
### International Group Pool Incurred Claims Based Upon Historical Thresholds

**US$ Millions**

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>12 Months</td>
<td>179.1</td>
<td>231.0</td>
<td>368.6</td>
<td>279.8</td>
<td>179.6</td>
<td>198.4</td>
<td>84.0</td>
<td>227.2</td>
<td>306.1</td>
<td>259.2</td>
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<tr>
<td>24 Months</td>
<td>241.1</td>
<td>277.9</td>
<td>453.9</td>
<td>327.0</td>
<td>193.6</td>
<td>276.6</td>
<td>125.9</td>
<td>269.6</td>
<td></td>
<td>455.8</td>
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<tr>
<td>36 Months</td>
<td>266.9</td>
<td>280.8</td>
<td>467.0</td>
<td>364.0</td>
<td>204.5</td>
<td>284.0</td>
<td>145.0</td>
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<td>289.7</td>
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<tr>
<td>48 Months</td>
<td>252.5</td>
<td>289.6</td>
<td>465.1</td>
<td>364.9</td>
<td>215.8</td>
<td>282.7</td>
<td></td>
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<td>136.5</td>
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<tr>
<td>60 Months</td>
<td>250.6</td>
<td>289.3</td>
<td>446.3</td>
<td>411.6</td>
<td>221.3</td>
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<td>291.4</td>
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<td>72 Months</td>
<td>259.0</td>
<td>288.7</td>
<td>418.6</td>
<td>408.6</td>
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<td>212.9</td>
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<tr>
<td>84 Months</td>
<td>259.9</td>
<td>284.4</td>
<td>403.6</td>
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<td>423.1</td>
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<tr>
<td>96 Months</td>
<td>254.0</td>
<td>281.2</td>
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<td>392.7</td>
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<tr>
<td>108 Months</td>
<td>266.3</td>
<td>280.2</td>
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<td>266.2</td>
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### Owned and Chartered Tonnage

**GT Millions**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
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<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tr>
<td></td>
<td>74.3</td>
<td>77.8</td>
<td>84.3</td>
<td>84.6</td>
<td>85.6</td>
<td>88.4</td>
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<td>46</td>
<td>51.2</td>
<td>66.7</td>
<td>73.5</td>
<td>74.5</td>
<td>68.1</td>
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<tr>
<td>2015</td>
<td>120.3</td>
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</tr>
<tr>
<td>2016</td>
<td>129</td>
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<td>2017</td>
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<td>2018</td>
<td>158.1</td>
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<td>160.1</td>
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<td></td>
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<tr>
<td>2020</td>
<td>156.5</td>
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Pooling and Reinsurance

Pooling

Twenty-two claims, with estimates exceeding or equal to the US$10 million Club retention, have been notified by all Clubs to the Pool. All, except one, are currently estimated below the Pool’s limit of US$100 million. The Club itself has now notified three claims to the Pool for 2019. There was no change to the Club retention of US$10 million for the 2019 policy year, but an Annual Aggregate Deductible of US$100m was created excess of the Pool’s limit of US$100m, in order to maximise the efficiency of the programme and the rates passed on to Members.

General Excess Loss contract

One claim has been notified by another Club in respect of the 2019 policy year, which exceeds Pool’s US$100m and exhausts the Annual Aggregate Deductible.

In spite of a hardening reinsurance market, the International Group renewed the main contract on a two year basis, which provides stability in pricing for a large part of the overall programme. The premium requirements of Hydra increased reflecting the growing number of Pool claims over recent years. This pricing will be reviewed again prior to the next renewal.

Club reinsurances

Due to the continuing capital strength of the Club, the Board decided to maintain its policy of retaining risk and thereby creating savings for Members. The Club continues not to purchase reinsurance for its retained owners P&I claims below US$10 million. Covers remain in place to support non-pooled risks, Hull War, Kidnap and Ransom and the Club’s book of chartered entries.

IN SPITE OF A HARDENING REINSURANCE MARKET, THE INTERNATIONAL GROUP RENEWED THE MAIN CONTRACT ON A TWO YEAR BASIS.

Rupert Harris
Head of Reinsurance, Chief Executive SSM Europe
P&I CLAIMS

THE COST OF CLAIMS WITHIN THE US$ 10 MILLION RETENTION FELL DESPITE THE CLUB EXPERIENCING THREE POOL CLAIMS PRIOR TO THE YEAR END.

The fourth quarter development in particular was more favourable than projected. Attritional owned claims (less than US$250,000) again demonstrated the level of consistency experienced over prior years. Their number and aggregate value declined in comparison with the last 2 prior years.

The number of large claims reduced slightly. Passenger claims increased, almost entirely due to the Pool claim experienced in this category. The other Pool claim incurred was in respect of FFO damage but the aggregate total of FFO claims fell significantly from the prior year.

The number of charterer’s claims reduced significantly whilst their aggregate value reduced by more than half over the prior year, tending to confirm that the 2018 policy year’s increase in this category was anomalous.

The experience in respect of FDD claims mirrored the prior year. In total the aggregate value of claims in the 2019 policy year reduced by over 6 percent whilst the number of claims declined by approximately 15 percent in comparison with the prior year.

At the year end, 22 claims occurring in the 2019 policy year had been notified to the International Group, 18 of which exceed the US$10 million retention, the same as 2018. Whilst the number of onboard fires decreased, a considerable number of claims were consequent on allisions with berths and terminals, and damage to gantry claims.

Prior year releases at 12 months of US$32 million were almost twice expectations. This was largely due to favourable incurred development of US people claims in the 2017 and 2018 policy years.

Whilst last year’s claims experience was relatively benign and the prudence of the Club’s reserving demonstrated by the outcome, the usual caveat applies with regard to the relative immaturity of the 2019 policy year.

IMPROVED CLAIMS PERFORMANCE INCLUDED FEWER AND LOWER VALUE LARGE CLAIMS, THREE OF WHICH WERE NOTIFIED TO THE POOL.

Charles Brown
Head of Claims
Large Claims Review

For the 2019 year the Club incurred 54 claims in excess of US$250,000 and, whilst this was 13 claims fewer than in 2018, the total estimated exposure, net of individual claim deductibles, closely mirrored the figures reported for the previous year, approximately US$106m. In 2018 there was also a significant rise in the number and severity of large claims in respect of chartered entries totalling US$42.5 million. For 2019 the picture better reflects the experience of earlier years, with only four large claims totalling US$3 million.

Whilst the overall number of large claims declined by around 15% for 2019, at the end of the 2019 Club year there were three claims involving the International Group Pooling Reinsurance compared to 2018 where the Club had no Pool claims. However, those three claims had a significant impact, accounting for almost 60% of the 2019 large claims total. Moreover, similar to last year, these large claims involved fixed and floating object [FFO] and passenger liability claims and whilst only 13 large claims came from these categories combined [24% by number], they collectively constituted 70% of the value of the overall large claims exposure for the year. It should also be noted that one further large Pool claim for 2019 has been reported since compiling these figures which would effectively raise this combined share to 72% of the total.

Cargo

There were just six large cargo claims involving owned entries, with an overall value of US$4.6 million. Four of these involved bulk carriers, one claim was linked to seawater ingress through hatch covers, whilst the remaining three cases concerned losses as a consequence of mechanical failures, with one leading to the vessel grounding.

Chartered

As reported above, there were only four large chartered claims in 2019 totalling approximately US$3 million. Three claims involved container vessels, and the other a bulk carrier. There was a mix of causes with one stow collapse, one hold flooding and two cases of cargo heating. Although investigating the true cause can be challenging, all have elements where poor maintenance or management by the owner may be involved and the level of reserves in two of these cases reflect the prospect of an indemnity from the the owners thus reducing the Club/ member exposure.
Fixed and Floating Objects

There were seven large FFO claims, with two claims in excess of US$1 million. Those two claims accounted for 30% of the overall large claim exposure and 36% of claims over US$1 million. Within the FFO category, the two largest claims made up 95% of the large claim exposure of US$33.1 million. Indeed, one incident accounted for a very large proportion of that total. Whilst that incident also gave rise to collision and third-party injury claims, the FFO exposure accounted for 85% of the total, and so all figures attributable to the incident are recorded under this category of claim.

Large FFO claims incurred in 2019 were lower in frequency, with 12 claims having been experienced in the previous year and eight in 2017, but severity increased significantly from approximately US$21 million in the previous year. This illustrates the impact a single large loss can have on the overall experience within a claim category.

Of the two largest claims, one involved a vessel manoeuvring and another alongside. Both incidents involved tankers. One arose due to insufficient attention to/appreciation of environmental conditions, with sudden strong winds resulting in uncontrolled movement and consequent damage. However, the most severe claim arose, once again, as a result of operational errors whilst manoeuvring. Insufficient use of tugs and poor communication were contributing factors.

Passenger

There were six large passenger claims with a total value of US$40.6 million, representing 38% of the overall large claims exposure. Whilst passenger claim numbers were down on 2018, a drop of 33%, the figures are adversely influenced by two claims reported to the Pool from this category. Four large claims involve passenger injuries with a total value of US$15.9 million, notably two sustained whilst boarding tenders. The impact of cruise cancellations saw two large claims contributing 61% of the overall passenger claim exposure. These both arose from mechanical breakdowns and although claim frequency was lower than in 2018, where there were five cruise curtailment claims contributing to 89% of the total, this still represents a significant financial exposure.

Crew

There were 19 large crew claims with a total value of US$13.2 million, representing 12.5% of the total large claim exposure by value, whilst in number they represented 35% of total number of large claims incurred. Four of those claims were at or in excess of US$1 million. The four largest claims accounted for 5.6% of the overall large claims exposure and contributed almost 7% to the total by value of the claims in the category of US$1 million or more. At US$6 million these accounted for 45% of the large crew claim exposure of US$13.2 million.

Large crew claims were higher in frequency and severity than the previous year, however claims at or in excess of US$1 million were similar in number and US$1 million lower in value.

Three of the largest claims arose on fish factory and fishing vessels and the single largest claim of US$2 million involved a cruise ship. The latter involved costs incurred during a dry docking which necessitated crew evacuation. The other three claims concerned crew injuries and involved a failure to follow safe working practices.

Collision

There were three large collision claims in 2019 with a total value of US$1.8 million. Only one claim exceeded US$1 million, brought about by an electrical malfunction onboard the vessel causing the vessel to drift into contact with another ship. The remaining two cases were crossing and overtaking situations where there was a failure of the bridge team to properly observe COLREG requirements.

Fines

There were three cases of fines falling into the large claim category in 2019 with a total value of US$3.2 million, accounting for 3% of the total value of large claims. Of those, one claim was in excess of US$1 million, at US$2.3 million. This represented a significant increase in severity and frequency in this category, which had not experienced a claim within the large claim category since the 2016 policy year, which saw one claim of US$625,000.

The two smaller claims were customs fines which arose in the same jurisdiction as a result of failure to properly declare various stores/goods on board where the requirements in this regard were particularly onerous. In both cases the initial sums demanded were substantially larger than those ultimately paid and action has been taken to make Members aware of this issue. The largest fine related to the discovery of illegal drugs concealed within containerised cargo and highlights the need for enhanced vigilance, particularly when trading in areas which may be considered high risk for such activities.

Wreck removal

The last four years have seen no large wreck removal claims excess US$250,000 but in 2019 there was one grounding incident caused after the bridge team misjudged the strength of the prevailing current when approaching port. The subsequent wreck removal cost was just in excess of US$4 million.
However, it should be noted that one FFO claim and one passenger cruise curtailment claim when combined made up 50% of the total estimated large claim exposure for the year. Thus, by excluding FFO and cruise curtailment passenger claims, it can be seen that most of the high value claims in the US$250,000 to US$10 million layer are largely derived from illness/injury claims, either involving crewmembers or passengers, and when combined these two claim categories make up 59% of the claims exposure within this layer.

In terms of passenger injury claims, there were noteworthy incidents involving falls into or from vessel tenders whilst embarking/disembarking, highlighting the need to have adequate procedures in place to ensure the safe operation of these tenders along with the importance of proper crew training and supervision. A further incident concerned a large number of passenger injuries caused after impact with unsecured heavy objects/furniture that shifted when the vessel hit a sudden squall, highlighting an enhanced risk for this type of vessel and the need for preventative procedures to be in place to safeguard those onboard when confronting adverse weather conditions. Finally, the case of a passenger who sustained injury after tripping over a raised door sill illustrates the predictable consequence of accommodating guests unfamiliar with commonplace ship structures hence requiring greater control or restrictions on use plus clearer markings and/or warning signs to alert the unwary.

The majority of crew claims also involved injuries and, as seen in previous years, a number again arose whilst mooring or handling mooring lines. An additional three cases resulted from falls into open tanks or cargo holds and finally there were also three significant incidents where a degree of procedural complacency in the operation and maintenance of specialised machinery resulted in life-changing injuries for the crew concerned. Whilst these are all risks that should be well-known to seafarers, they also highlight the significance of appropriate crew training and strict adherence to shipboard operational procedures - the first two occurrences have been covered in recent Risk Alerts. Illness claims only made up around 25% of the total number of large crew cases, their causes were sadly familiar with crew suffering either strokes or cerebral haemorrhage. The outcome may have been different had the seafarers concerned undergone more extensive Pre-Employment Medical Examinations (“PEME”). Such examinations should also be seen as beneficial to both the seafarer and their employer as they provide a useful early warning of the possible development of a medical condition that might threaten fitness, allowing where appropriate the use of medication and/or adoption of beneficial lifestyle changes to hopefully forestall career-ending disorders.
Three large pollution claims arose in 2019 all linked to either valves being left open, valves being opened inadvertently, or wastewater being pumped overboard with little thought given to the presence of potential oily contaminant, all clearly avoidable had the crew been diligent in observing the relevant operational procedures. There were a similar number of collision claims in 2019 and whilst one arose following a mechanical breakdown, the remainder involved a disappointing failure of those on watch to properly observe and implement the COLREGS covering crossing or overtaking situations, with the latter case compounded by the vessel proceeding with excessive speed whilst in a narrow channel.

Cargo claims followed a familiar pattern linked to failings in vessel maintenance or their proper management, with one involving seawater ingress through a hatch cover, one linked to interrupted hold ventilation due to power outages plus two matters where cargo securing was inadequate and cargo shift was the inevitable consequence when underway in heavy seas. There were also two tanker contamination claims arising from a failure to properly clean or prepare the ship’s lines and tanks between grades. Finally, there were also a number a significant GA claims where voyages have been abandoned or delayed as a consequence of mechanical breakdowns. In fact, mechanical failures have been a causative factor in over 30% of all large claims which, if we omit the 50% of the overall large claim linked to illness/injuries, raises vessel maintenance concerns particularly given the major financial impact such failures have across all the remaining claim categories.

**Club and Industry Safety Information**

During the course of the year a video training programme to raise awareness amongst seafarers and ship operators of the requirements of the General Data Protection Regulation (GDPR) was produced in association with Marine Media Enterprises. This programme was subsequently included within the training material catalogue of Seagull Maritime. To reflect the increasing attention that has been paid in recent years to the mental well-being of seafarers, the Managers also supported the production of a video training programme about mental resilience. These videos have been made available through The Nautical Institute’s publication “The Navigator” which has the objective of inspiring heightened professionalism in navigating officers. Current and past editions of “The Navigator” can be found on the Club’s website at the following link:

[www.steamshipmutual.com/publications/Articles/The-Navigator.htm](http://www.steamshipmutual.com/publications/Articles/The-Navigator.htm)

Regarding FFO claims, the majority involved contact with docks/piers during berthing/unberthing manoeuvres despite the vessels being assisted by tugs and pilots. These again highlight the need to ensure the bridge team is fully briefed on the Pilot-agreed passage plan, with the vessel’s progress then closely monitored, so that any divergence can allow prompt evasive action to be taken. Two of these cases also stand out given the adverse influence of high winds, highlighting the need to closely monitor weather conditions and/or forecasts – more guidance on this subject can be found in a recent Risk Alert.

Details of the reports can be found at the link below and Members are also encouraged to distribute this information to their vessels:

[www.steamshipmutual.com/publications/Antiques/seaways.htm](http://www.steamshipmutual.com/publications/Antiques/seaways.htm)

Members of the loss prevention team also participated in a number of Members’ training seminars for their officers. The Managers welcome participation in such events since they provide the opportunity to convey loss prevention messages directly to those at sea who are best placed to implement the measures that are required if unnecessary injury, damage and loss is to be avoided. The regional reach of the Club’s loss prevention services was expanded during the year following the recruitment of a further experienced master mariner based in the Managers’ Singapore office. Loss prevention bulletins and risk alerts on a wide range of topics were published on the Club’s website during the year. More recently, following the COVID-19 pandemic, two further films have been produced in association with Marine Media Enterprises, ISWAN and Columbia Shipmanagement on the subject of the Coronavirus for the benefit of seafarers. The first addresses the virus generally and provides guidance to assist seafarers in staying safe onboard. The second focuses upon the impact of the virus upon mental well-being and is aimed at assisting seafarers to develop mental resilience. These videos have been made freely available to the shipping industry in general and can be viewed and/or downloaded from the Club’s website. A third film about how crew can protect themselves in port is in preparation.
CURRENT GROUP ISSUES

THE GROUP Focuses on Sanctions and Environmental Concerns.

Pooling Agreement
The International Group’s Pooling Agreement is being amended to include mechanisms for dealing with the payment of pooling contributions in respect of claims involving sanctions risks. Under the existing provisions it may not be open to a Club to decline to pay its pooling contribution where to do so would put that Club at risk of breaching secondary sanctions. The Pooling Agreement will include protection against this risk, as well as a mechanism for calculation of interest for the period in respect of which payment is suspended.

There will also be an amendment to clarify the scope of cover for co-assured contractors.

The Supplementary Agreement is being amended to increase the War Risks excess point from US$100 million to US$500 million. This is a result of changes sought by the International Group’s War reinsurers to reflect the increasing number of large vessels with values excess of US$100 million.

Large Casualties
The International Group concluded a periodic review to identify and assess the factors which caused or contributed to the significant cost escalation of recent major casualties. The review identified a number of factors which contribute to this trend. Intervention by governments and other authorities was identified as having the greatest cost impact. There is an increasing interest on the part of government authorities in bunker removal operations in particular, stemming from less tolerance in relation to pollutants and environmental damage, coupled with improved technology which facilitates more difficult bunker removal operations. Such operations will likely generate ever-increasing costs.

Sanctions
The trend towards governments using sanctions as a foreign policy tool shows no sign of abating. Sanctions enforcement authorities, particularly those in the United States of America, continue to focus their attention on the role which service providers such as insurers play in ensuring sanctions compliance in shipping. This has resulted in Group clubs facing an increasingly greater diligence burden both pre- and post-binding of cover.
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