Steamship
Mutual

Management Highlights 2023

Contents

Introduction

Armand Pohan
Chair of Steamship Mutual Underwriting Association Limited London

As I come to the end of my time as Chair of the Club, I am happy to report a satisfactory outcome to the financial year.

Entered tonnage and premium both exceeded budget expectations and pool claims in the 2022/23 policy year were significantly lower than recent years. The development of claims in years prior to 2022/23 was greater than projected but the financial year Combined Ratio of 95.4% is a most welcome outcome. The underwriting surplus was such that the largely "paper" losses on the bond portfolio, caused by increasing interest rates during the year, were partially offset so the impact on Free Reserves was limited to US$19.2 million.

As we pass the one-year anniversary of the Russian invasion of Ukraine, I am sure we all reflect on the terrible devastation and loss of life. It is worth noting that many Russian and Ukrainian seafarers man our ships and their professionalism in difficult circumstances is clear. However, the dominant issue for the Club has been the impact of sanctions and trade restrictions on non-Russian entities. Navigating the multi-jurisdictional sanctions regimes continues to present challenges to both the Club and Members. More recently the imposition of restrictions on the scope of reinsurance cover has presented further complexity to an already challenging situation.

The Club continues to grow and remains one of the financially strongest in the market. Service is, however, the enduring feature of the relationship that Members enjoy with Steamship Mutual. In the summer of 2022, a survey was undertaken to explore how Members and their brokers viewed our performance. I am pleased to report that the results were very complimentary. A link to a report from the Managers on the survey can be found here.

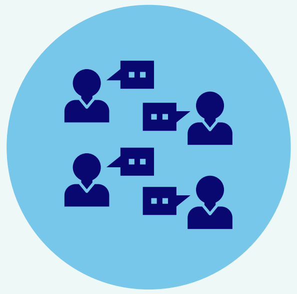
Just under 90% of the world fleet is insured in the International Group (IG) and this insurance protects not only the shipowners, as insureds, but also those that might be impacted by a maritime accident. The acceptance of guarantees and certificates evidencing P&I cover from IG Clubs reflects the confidence that the industry has in the IG P&I system. However, the apparent increase in the numbers of vessels trading without the benefit of IG Club cover is a concern, particularly in the tanker sector where the environmental consequences of a casualty can be significant.

Entry of a vessel in an IG Club is an indication of quality of the ship, and also provides insight into the quality and experience of the vessel's officers, crew and shore management. In the event of a loss an IG Club will provide advice, expertise, and other resources to manage the response to an incident swiftly, efficiently, fairly, and responsibly. It is perhaps inevitable that a loss involving a tanker without the benefit of the cover and expertise that the IG Clubs provide may have a less favourable outcome.

The Club's Sustainability Report, issued in December 2022, gave us the opportunity to identify the many areas where the Club can have positive ESG impacts and support the sustainability agendas of the Membership. The Club, through its claims handling teams, has a wealth of in-house experience in casualty response, coordinating the efforts of local correspondents, subject matter experts and lawyers. As a result, damage to the environment is minimised, local communities, are supported and fair compensation for victims is provided.

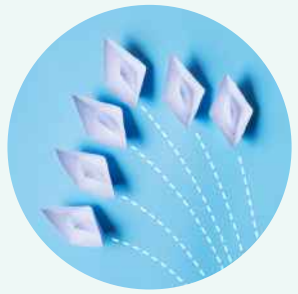
The priority for the Club in 2022 was to meet its Combined Ratio objective of underwriting balance. The financial year Combined Ratio was 95% with a six-year average of 108%. This result represents a significant improvement on the most recent years when the results were impacted by very high claims on the IG Pool. Thankfully IG Pool claims for the 2022/23 policy year have been much more moderate, evidence of the unpredictable nature of large P&I claims in terms of frequency and severity.

As shipowners, the Board is mindful of the burdens that are imposed on Members when General Increases are required. These decisions are taken only when necessary, and the latest results will hopefully signify a period of premium stability. However, the circumstances that led to the very high claims levels in 2020/21 and 2021/22 remain; and with inflation prevalent throughout the world economy there is no room for complacency.



Endorsed

Members and brokers said they would recommend Steamship Mutual for P&I Insurance



Supported

Members and brokers said they would continue to place their business with Steamship Mutual in the future

Trusted

Members and brokers said they can rely on Steamship Mutual to handle claims professionally and settle them promptly

During my time as Chair the Club has grown its reputation and is a market leader. It has been possible to return excess capital to the Members and every effort has been made to ensure premiums are kept as low as possible. Our focus on the support we provide to the Members means that this commitment to the mutual ethos of the Club will continue. The quality and loyalty of the Club's Members is such an important part of our success. Recently I have had the pleasure of talking to many Members at the Club's Board meeting functions in Cyprus, my hometown of New York, Singapore, and most recently in Greece.

Collectively we all had to find ways to cope with the stress of the pandemic and its aftermath. The Club's partnership with Mental Health Support Solutions (MHSS) has grown stronger this year and Members, and crew on board, can access their services free of charge thanks to this relationship. The industry needs to support our seafarers and this initiative is strongly supported by the Board.

The Club has extended its global presence and its network of offices now make a significant contribution to the quality of service and understanding of Members' requirements. This is particularly so in Cyprus, where the excellent relationship with the regional market and the support from the Cypriot government in establishing the Club's European based company has been notable.

Since my last report, the following Directors retired from the Bermuda Board: Roine Ahlqvist, Clive Bouch, Ken Park, and Sonia Zagury. On behalf of the Board, I would like to thank them for their valuable contribution. We were pleased to welcome Felipe Aigner (Vale), Paulo Almeida (Tufton), Junguang Xiao (OOCL), Jean-Noel Andre (Suisse Atlantique), and Anthony Chandris (Chandris) as Directors.

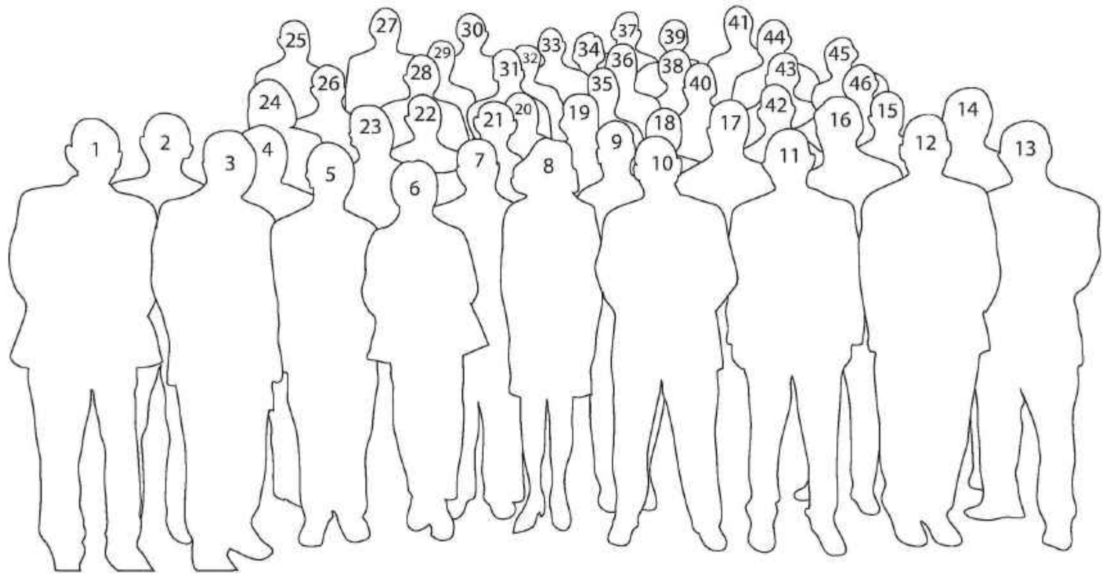
I am delighted to announce that Steamship Mutual will have new Chairs for three of its entities. Doris Ho, our first female Chair, will take over the Chair of Steamship Mutual Bermuda, with Buckley McAllister and Carlos Madinabeitia taking on the Chairs of Steamship Mutual London and Steamship Mutual Europe respectively. I wish them all the best in their new roles. The Board and I would like to thank the outgoing Chairs, Sven-Michael Edye and Carsten Sommerhage for their support and leadership during their tenure.

Doris Ho
Steamship Mutual Underwriting Association Limited Bermuda

Buckley McAllister
Steamship Mutual Underwriting Association Limited London

Carlos Madinabeitia
Steamship Mutual Underwriting Association Limited Europe

Steamship Mutual Boards and Managers



1. I Mavrides, 2. R Zagari, 3. A Pohan, 4. A Benham, 5, E Ide, 6. D Ho, 7. CK Ong, 8. I Grimaldi, 9. G Field, 10. M Rodriguez, 11. E Veniamis 12. R Thompson 13. M Frith, 14. A Albertini, 15. A Thawani, 16. S-M Edye, 17. C Ahrenkiel, 18. A Marchisotto, 19. F Vrettos, 20. A Chandris 21. A Zacchello, 22. C Song, 23. J Xiao, 24. N Podmore, 25. S Martin, 26. R Harris, 27, S Kruse 28. P Almeida, 29. J-N Andre, 30. R Shaw, 31. J Biggs, 32. G Jones, 33. S Mehta, 34. P Hulyer, 35. D Ragan, 36. T Alfrey 37. J Westmore, 38. T Klerides, 39. J Roome, 40. C Madinabeitia , 41. J Andrews, 42. F Aigner 43. B McAllister, 44. C Sommerhage, 45. J Conyers

Statement of the CEO

The Club is fortunate that the Club's Chairs commit so much of their time and experience to its management and governance. In 2023 we welcome new Chairs of the Bermuda, London, and European based entities - Doris Ho, Buckley McAllister and Carlos Madinabeitia. Each has a long association with the Club and will continue to make valuable contributions to its effectiveness and progress. The Managers look forward to working with them.

We also want to thank the outgoing Chairs, Armand Pohan, Sven Edye and Carsten Sommerhage, for their exceptional service to the Club. During their periods in office the Club has prospered, benefitting enormously from their expertise. We are grateful for their guidance and such generosity with their time.

Stephen Martin stepped down as CEO in February this year but remains part of the management team. Stephen has been hugely influential in shaping the Club over four decades. He has instilled values that have underpinned the development of the organisation and he will continue to provide his support and time.

The Club remains one of the strongest in the industry, with Free Reserves of US$454 million and total assets of US$1.5 billion. The management team's resources and focus are in place exclusively for the Membership, reflecting the Club's mutual purpose and outlook, which are embedded in our culture. That commitment is widely recognised and appreciated, not only by Members and those acting on their behalf, but also by government and other regulatory bodies, which oversee the insurance industry and continually review its conduct and purposes.

In order to build long term relationships, we go to considerable lengths to ensure that our underwriting approach is transparent and flexible. The quality of the Club's Membership is what will drive its future and we seek to attract the very best in the industry.

The Club has grown significantly in recent years to become the fourth largest Club by premium income and fifth largest by tonnage in the International Group; employing over 200 staff in eight global offices. In 2023 we have achieved our strategic aim of breakeven – or better – underwriting. Our strong growth has been and is focussed on high quality operators, whose Membership contributes to the Club's strategic goals.

In Asia the co-operation that exists between the Singapore, Hong Kong and Tokyo offices makes the very best use of the talent and resources available in this important region. Teamwork is also contributing to our success in Greece and Cyprus where the Club's offices enjoy a growing reputation for their service and commitment to the Members.

In London we benefit from a dedicated and talented staff that continue to drive the Club forward and who support the global office network. Our exciting plans for a new London office in 2024 are advancing well and will enable us to make the most of the skills and knowledge of all our staff in an inclusive, modern and engaging work environment.

"The Club remains one of the strongest in the industry, with Free Reserves of US$454 million and total assets of US$1.5 billion. The management team's resources and focus are in place exclusively for the Membership, reflecting the Club's mutual purpose and outlook, which are embedded in our culture."

Jonathan Andrews
Chief Executive Officer

2022/23
Key Statistics & Financial Highlights

2022/23 Key Statistics

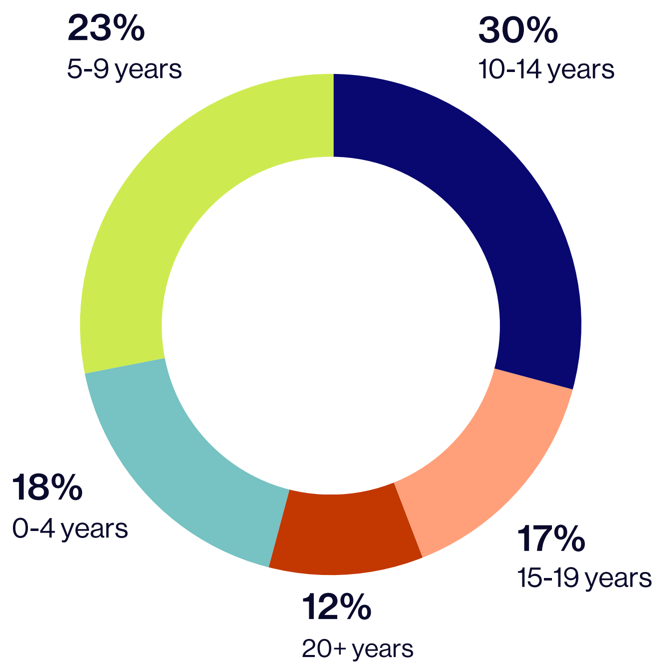
For the Year Ended 20 February 2023

US$ 454m	Free Reserves
95.4%	Combined Ratio
223.7%	Solvency II Capital Ratio
A	S&P rating
-2.4%	Investment Return
108.6%	6 Year Average Combined Ratio

Gross Tonnage by Vessel Type

34%	22%	27%	10%	4%	3%
Bulk Carrier	Tanker	Container	Cruise & Ferry	General Cargo	Other

Age of Vessel



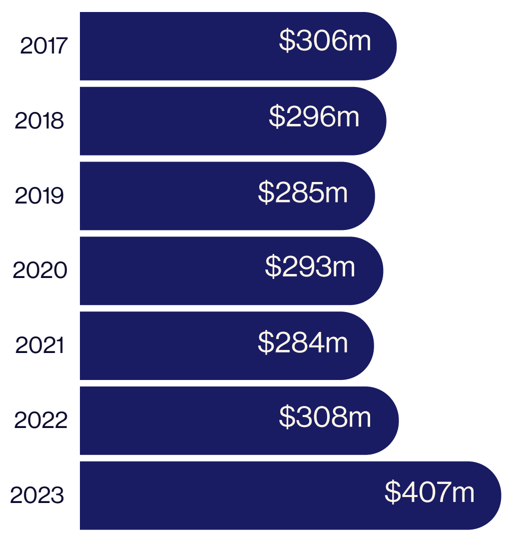
Gross Tonnage by Region

2022/23 Financial Highlights

For the Year Ended 20 February 2023

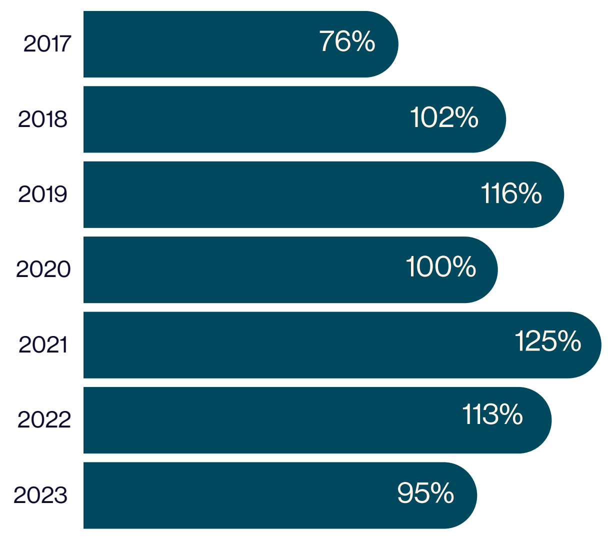
Gross Premium Written

US$ millions



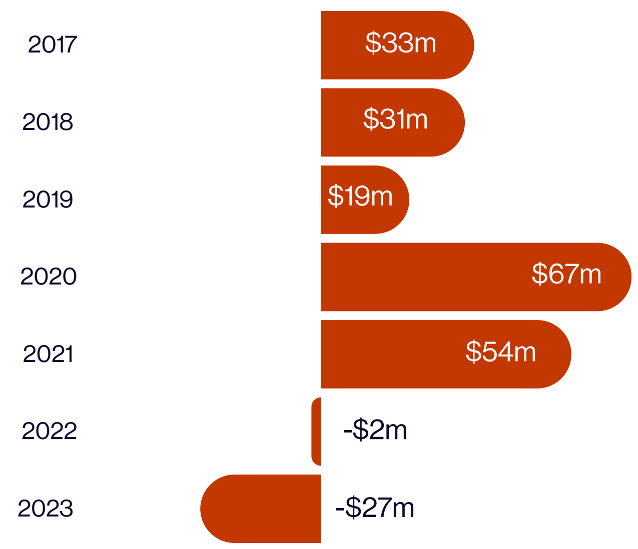
Combined Ratio

%



Investment Return

US$ millions

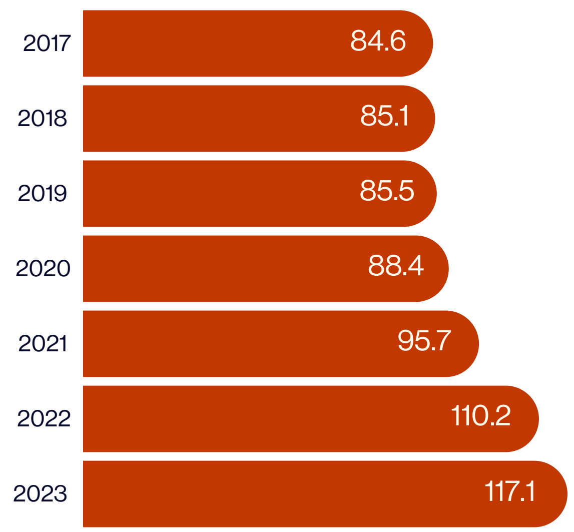


Free Reserves

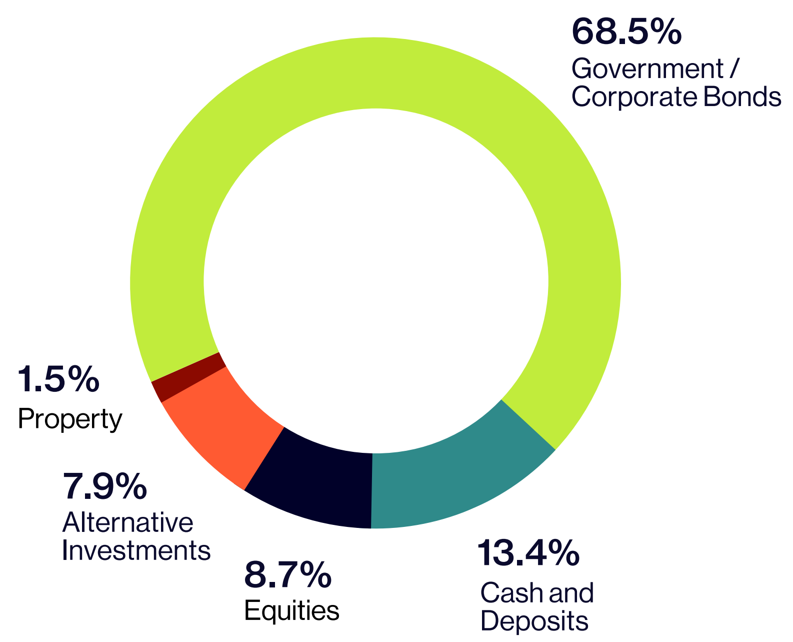
US$ millions

Owned Tonnage

GT millions



Asset Allocation



Underwriting

Underwriting

The Club remains committed to mutual principles and the Membership continues to be diverse in respect of vessel type and geography. Growth in recent years has coalesced around all of Steamship Mutual's global offices. While geographically disparate, all offices share the same mutual culture and a belief in flexibility. Throughout renewal, understanding the needs of our Members was a common theme and the Managers would like to thank the Boards and the Membership for their support.

Measured against the backdrop of the need to return to a balanced underwriting position and the effects of inflation, the Board announced a 7.5% General Increase for the 2023 policy year renewal.

The Managers are pleased to report that the Club achieved a 6.6% rise on expiring rates which includes the value of terms from transfer of risk. The Club remains committed to Members retaining more risk in lieu of premium increases to avoid unnecessary reinsurance expenditure and consequently a reduced total cost of risk to the Membership and Club.

Growth during the 2022 policy year of approximately 5% in tonnage terms was less than recent years, partially due to reduced newbuild volumes in the container and bulker markets specifically, and to a small degree due to the cessation of business with a Russian nexus. At renewal less than 1% of Members left the Club as a result of being unable to reach agreement on appropriate rates and terms.

Renewal saw new high quality Members join the Club as well as the movement of existing Members' vessels from other IG Clubs. When considering prospective Members, due consideration is given not just to the historic claims record but also to exposure, reputation, quality of management, a commitment to loss prevention and appetite for risk retention. With such a prudent underwriting ethos, the vast majority of prospective business was declined and the Managers are confident that the quality of new Members will only enhance the Club's strength.

Gary Field
Head of Underwriting

"The Club remains committed to Members retaining more risk in lieu of premium increases to avoid unnecessary reinsurance expenditure and consequently a reduced total cost of risk to the Membership and Club."

Reinsurance

Reinsurance

Hit with potentially significant losses from the Russia/Ukraine war and a downturn in the investment markets, reinsurers sought not only to raise premium levels, but to exclude as much risk as possible linked to the war. After a benign year on the International Group's Pooling arrangements, the IG was able to restrict increases on the Excess Loss programme to something near inflationary levels. However, a new sub-limit of US$80 million was imposed for P&I War risks, excess of hull value, in respect of risks within the Russia, Ukraine, Belarus High Risk Area. This unwelcome reduction in the cover was driven by a few large European reinsurers who restricted the cover they were willing to provide to the IG's own reinsurers. This fed down to the IG Clubs and ultimately to their Members.

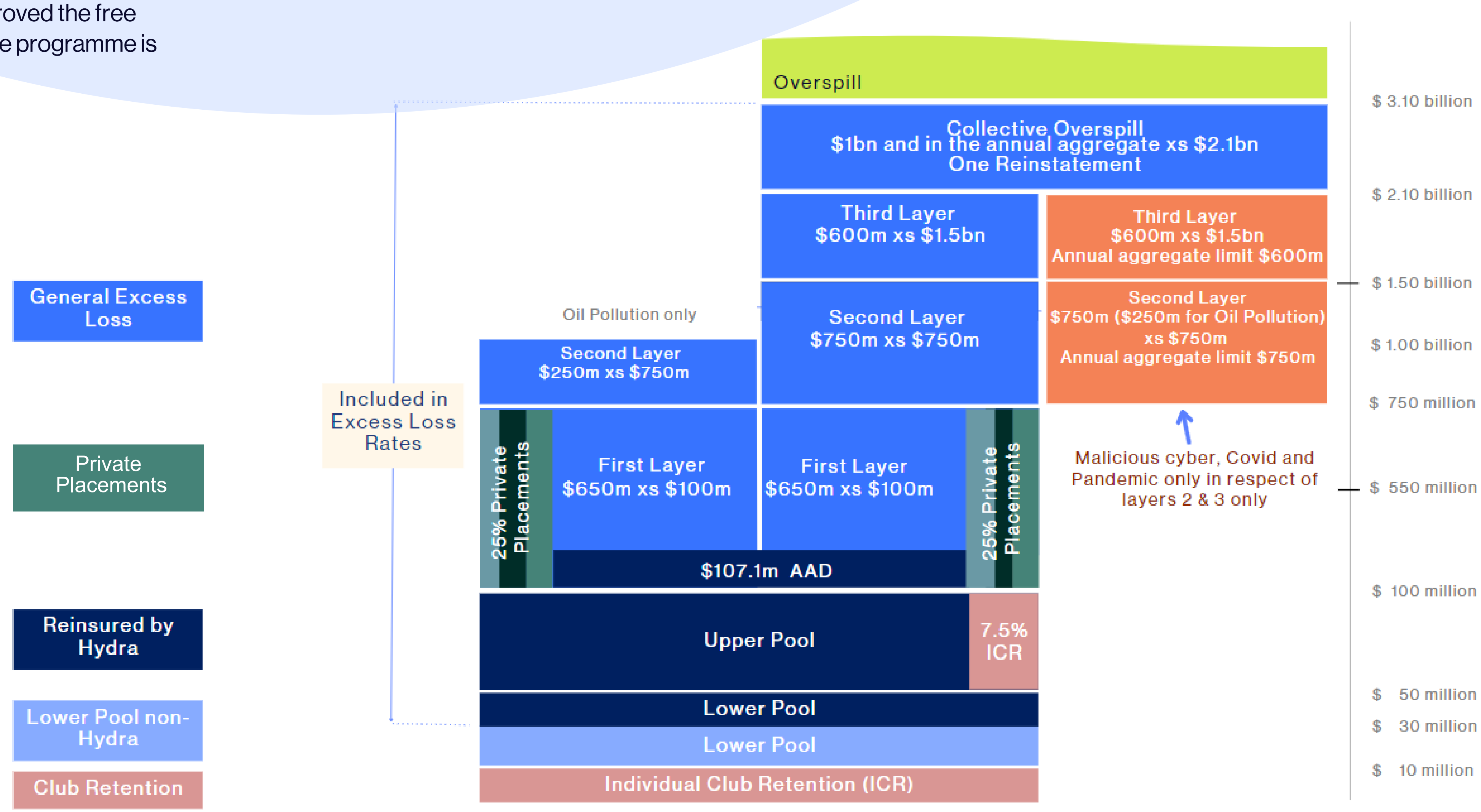
The International Group's pooling arrangements remained the same with each Club retaining the first US$10 million of each owned P&I claim. Likewise the IG's captive, Hydra, continued to reinsure the Clubs for claims excess of US$30 million up to US$100 million and the Annual Aggregate Deductible within the first layer of the Excess Loss reinsurance contract. There was a reduction in reinsurance placed through the so-called Private Placements, with an increasing share being allocated to the main market placement. There was some re-layering of the IG programme, which improved the free and unlimited reinsurance for cyber and pandemic risks, but otherwise the programme is in a very similar shape to the previous year.

"The Club increased the retention on its Charterers' reinsurance from US$3 million to US$5 million to improve its total cost of risk. Due to the Club's capital strength, it does not purchase retention reinsurance for either its Charterers or Owners (US$10 million retention) risks, which should provide better value to its Members."

The Club's own reinsurances for its chartered, fixed premium and non-poolable covers were also impacted by the Russia, Ukraine, Belarus exclusions. However, the Club was able to set up a facility to buyback those exclusions for Charterer Members trading in that area and in the Black Sea.Overall the renewal of the Club's reinsurances was satisfactory, with limits of cover up to US$1 billion still available to Members.

The Club increased the retention on its Charterers' reinsurance from US$3 million to US$5 million to improve its total cost of risk. Due to the Club's capital strength, it does not purchase retention reinsurance for either its Charterers or Owners (US$10 million retention) risks, which should provide better value to its Members.

Rupert Harris
Head of Reinsurance



Steamship Mutual and Sustainability

Steamship Mutual and Sustainability

We were pleased to publish our first Sustainability Report in December 2022. In that report we were guided by the Global Reporting Initiative (GRI) standards to set out what were considered to be our current contributions to ESG and sustainability goals, and to describe the ways in which the activities of Steamship Mutual and the Managers contribute to and align with the United Nations Sustainable Development Goals (SDGs).

Producing our report proved to be a very interesting and reflective process. It has been reassuring for us to see how much we do as an industry, a Club and as Managers which is already grounded in positive ESG principles and provides positive ESG impacts. In producing the report, we sought to achieve a balance between reflecting on what we have done, and taking a certain pride in that, whilst acknowledging there is more work to be done. This includes determining how we measure our performance, and hopefully our success.

This year, as indicated in the conclusion to the Sustainability Report, our work is focused on issues and operations where there is potential for more to be done, identifying gaps that may exist between where matters currently stand and where we would like them to be in the future, so that sustainability performance can be strengthened. In conjunction with this, we are also working on the development of our sustainability strategy.

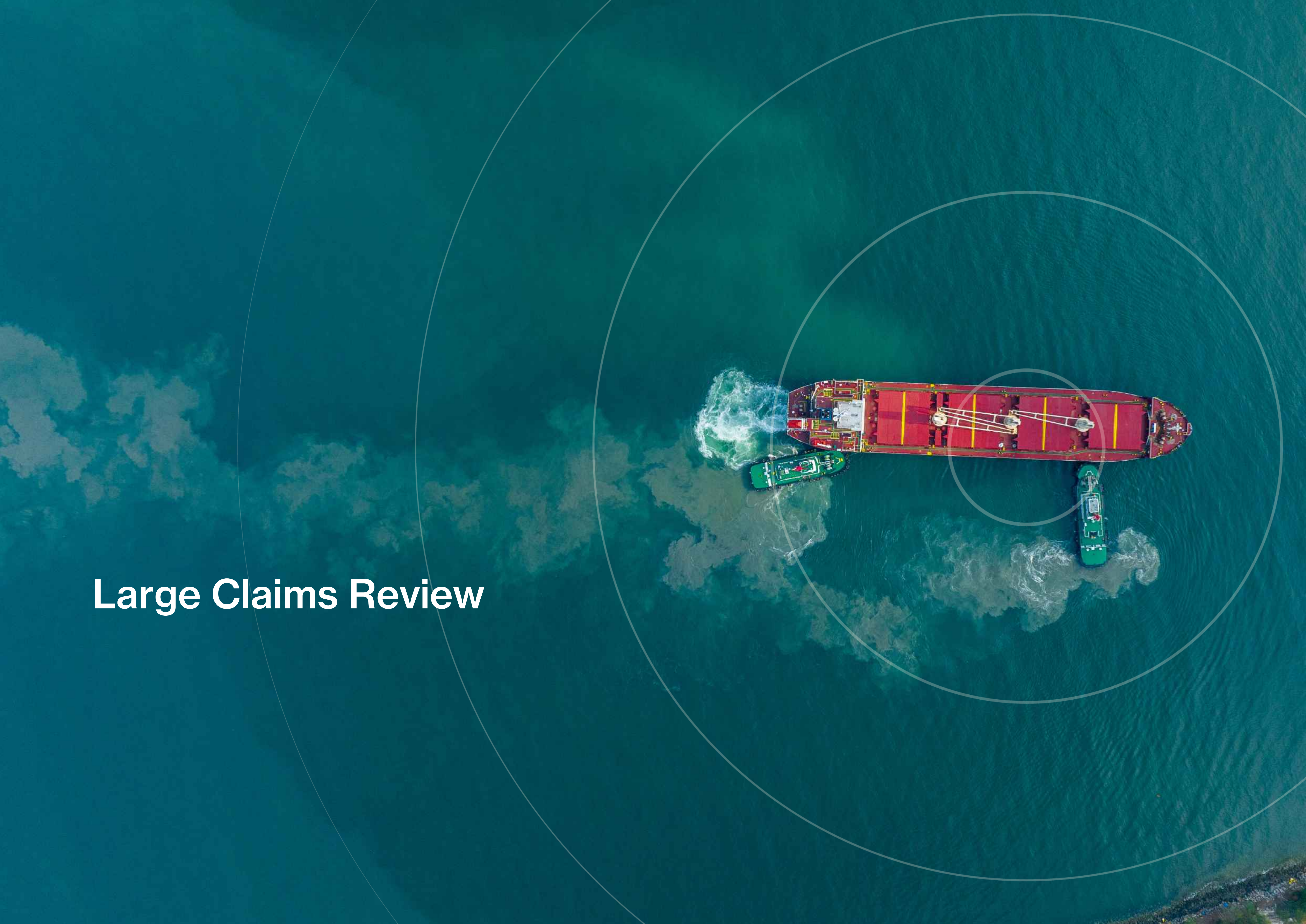
Highest amongst our priorities will be (i) ensuring that we are abreast of and complying with the expectations and requirements of our regulators. We expect that in many areas those expectations and requirements will align with our own ambitions, (ii) developing measurement of our Scope 1 and Scope 2 emissions and determining actions necessary and a target framework in which to bring those to net zero, and (iii) furthering the well-being and development of our employees.

We are also committed to supporting our Members with their own ESG and sustainability agendas. With this in mind, we recently launched the Steamship Mutual ESG Support Hub. This is a core group of individuals from across the business who will focus upon the development of their knowledge in areas such as (i) new fuels and technologies, (ii) offshore power generation developments, (iii) LNG as a cargo as well traditional advice on Terminal Conditions of Use Agreements, and (iv) contractual issues and disputes arising from regulatory developments such as EEXI, CII, EU ETS and Maritime FuelEU. The role of the Hub will be to oversee and coordinate our work in this area, helping to enhance the service we can provide to our Members.

We will report further progress later in the year.

Sue Watkins
Head of Claims, Eastern Syndicate & ESG Director

"Producing our report proved to be a very interesting and reflective process. It has been reassuring for us to see how much we do as an industry, a Club and as Managers which is already grounded in positive ESG principles and provides positive ESG impacts."



Large Claims Review

Large Claims Review

This review examines the claims incurred by the Club with a value greater than US$250,000.

There were 59 such claims in 2022, five more than in 2021. The overall estimated cost of these claims, US$57.7 million, was very similar to that of the preceding year, increasing by less than 1%. There were no Club claims for 2022 that involved the International Group Pooling Reinsurance, and this was a positive outcome when considering the Club's corresponding year on year growth in entered tonnage.

Whilst there were some COVID related claims, in contrast to the last two years there were none that exceeded the US$250,000 threshold. However, with cruise vessel occupancy levels increasing over the year, there was a predictable increase in the number of large passenger related claims. These represented 24% of the overall large claim exposure for 2022.

Cargo

There were eleven large cargo claims in 2022, three more than the previous year, but their overall value of almost US$7 million was 16% lower with one claim valued at more than US$1 million. These claims arose from stowage collapse, seawater ingress in inclement weather, hold flooding from ballast water and fires in the cargo holds of container vessels, apparently caused by dangerous or mis-declared cargo. There were also two claims involving cross contamination of cargo on tankers, one of which was the claim in excess of US$1 million. These two claims represented 40% of the overall value of the claims in this category.

Chartered

Nine of the large claims in 2022 involved chartered vessels with a total value of US$5.3 million. Only one of these claims had value greater than US$1 million. The claims below that threshold predominantly involved container ships. Three claims arose from fires in containers, one incident involved a collapse of stow, and a claim for cargo damage arising from a power supply failure to refrigerated containers. Other claims in this category involved engine damage arising from allegedly off-specification bunkers, and two claims for damage to the vessel caused by the operation of shore cranes. The single claim in excess of US$1 million , which constituted nearly 30% of the overall value of the large claims in this category, involved injury to a passenger who fell whilst boarding the vessel.

Adrian Benham
Head of Claims

Large Claims Review

Fixed and Floating Objects (FFO)

There were seven large FFO claims, the same number as in 2021 however, the overall value of these was US$7.8 million, a fall of 24% from the previous year. As may be expected, five of these claims involved incidents where the vessel was berthing or unberthing, or otherwise manoeuvring within a port. In each case the vessel had a pilot onboard.
Those claims constituted almost 90% of the overall exposure in this category.
The two largest claims both involved vessels berthing at excessive speed and an unsafe angle of approach, where poor communication and unquestioning reliance on the local pilot proved to be causative. The other two claims involved contact damage to a shore crane whilst the vessel was berthed and a barge contacting a terminal after breaking free of its moorings during a sudden storm.

Passenger

As passenger vessel activity has increased as the effects of the pandemic have receded, it is not surprising that there were more large claims in this category this year. However, the overall number of claims was modest, five claims in 2022 with a total value of just over US$13.8 million. Three of the claims involved cruise cancellations or delays and constituted 80% of the total value of the claims in this category. The largest concerned a grounding during inclement weather, another arose from an engine breakdown and the final incident concerned a vessel striking ice in thick fog. The other two claims arose from incidents that resulted in injuries sustained by passengers on a vessel operating in the Antarctic region.

Crew

Ten large crew claims were incurred in 2022. Whilst this number is substantially lower than in previous years, the overall value of almost US$8.5 million was nonetheless comparable to last years' experience. There was an even split in these claims between injury and illness. In terms of value, crew injury claims represented almost 70% of the overall exposure in this category and predominantly involved injuries sustained during mooring or unmooring operations. The high value of these claims is indicative of the high levels of compensation often awarded in some jurisdictions. With regard to illness, there were two claims making up 40% of the overall value, where the illness could potentially have been detected by an enhanced Pre-Employment Medical Examination (PEME) such as that which is available under the Club's PEME scheme.

Injury

This category involves injuries to third parties. There were three claims in 2022 compared to one in 2021. The total value of these three claims was just over US$5.5 million, with a single incident contributing 60% of this total. That arose from a collision which resulted in the other vessel sinking with substantial loss of life. The other two claims in this category involved a stevedore falling from the ship's gangway and unauthorised hot work onboard a tanker, which resulted in one fatality and a number of injuries after explosive gas was ignited.

Pollution

Pollution claims often involve volatility. Whilst their frequency is usually low, severity can vary considerably. There were three large claims in 2022, one more than 2021, with a total value of US$3.2 million. The largest claim arose from a fuel oil spill after a vessel ran aground due to steering failure. The other two claims involved tankers engaged in loading operations, where cargo overflowed due to a failure to closely monitor tank levels, and leakage from a defective valve in a cargo pipeline.

Collision

There were nine large collision claims in 2022, the same number as in the previous year. However, with a total value of just under US$5 million, the severity of these claims was down 77% when compared to 2021. In 2021 more than half of those claims were reserved in excess of US$1 million, in 2022 only one of the nine marginally exceeded that threshold. Three of these cases involved crossing or overtaking situations raising familiar issues of poor lookout, a failure to monitor the movement of other vessels and the failure to take early and appropriate action in accordance with the requirements of the Collision Avoidance Regulations. Four incidents occurred whilst manoeuvring to or from a berth or within a busy anchorage. One of those incidents involved a steering failure, but the other three were caused by poor ship handling in restricted waters. The final case involved a failure to appreciate the strength of the current in a river when manoeuvring to avoid an oncoming vessel.

Wreck Removal

This can often be a category of claim with a low frequency but high severity, but in 2022 there was only one incident valued at just under US$1.7 million. It arose following an engine fire on a small passenger vessel that quickly spread and resulted in the vessel being rendered a constructive total loss.

Safety and Loss Prevention

Safety and Loss Prevention

Partnerships - Mental Health

Whilst the difficulties arising from the COVID-19 pandemic appear to have eased over the past 12 months, new challenges have arisen. The Russian invasion of the Ukraine in late February 2022 has created a number of operational challenges for the shipping industry, and once again imposed burdens upon seafarers. Just as the stresses arising from the restrictions associated with the pandemic have eased, these have been replaced with new anxieties for seafarers; particularly for those of either Ukrainian or Russian nationality, or those serving on vessels in or around seas adjoining areas of active conflict. These extraordinary events naturally create great concerns for seafarers, not only for their own safety, but also for the safety, health and wellbeing of family and friends who live in or near the affected areas. When individuals are many miles from home and isolated on a vessel, the burden of dealing with these challenges can adversely affect mental well-being and potentially, operational safety. In the midst of the pandemic, the Club took the initiative to establish a partnership with Mental Health Support Solutions (MHSS) which provides seafarers serving on Members' vessels entered with the Club with access to an exclusive 24/7 telephone helpline. That service is equally relevant to support seafarers bearing the stresses and anxieties of the conflict in Ukraine, or indeed from any other cause.

This free of charge service affords seafarers confidentiality and the professional support of MHSS's fully qualified clinical psychologists who have considerable experience in the maritime sector. Further, the large number of professionals in the MHSS team enables advice to be provided in a wide range of languages. This effectively removes the communication barrier which could otherwise exist and make it extremely difficult for a seafarer to explain their concerns in something other than their first language. There has been a steady increase in the number of individuals using the service and this is reassuring as it reflects a growing preparedness to seek help in coping with issues that affect mental well-being. Addressing such issues not only provides immeasurable benefit to the individual seafarer, but also serves to improve shipboard safety and avoid unnecessary loss. The Managers strongly support this service for its humanitarian benefit and the contribution it makes to the Club's ESG objectives.

MENTAL HEALTH
SUPPORT SOLUTIONS

Partnerships - Safety Training

During the pandemic the Club produced, with Marine Media Enterprises (MME), a number of videos to provide seafarers with information about various aspects of COVID-19 of relevance to them:

MARINE MEDIA ENTERPRISES

- Part 1 – "Crisis" introducing the theoretical aspects of crisis management set against a backdrop of the COVID-19 pandemic

- Part 2 – "COVID" introducing the concept of different leadership styles during a suspected coronavirus infection onboard

- Part 3 – "Commerce" looking at some of the commercial issues impacted by the COVID- 19 pandemic

The Managers have continued to work with MME to develop further programmes which are focused on topics that have a bearing upon seafarer well-being and on recurrent causes of loss and injury. The intention is to make this suite of programmes available to both the Club's Members and the wider shipping industry. This will be a subscription service, charged on the basis of a fee per vessel per year for access to the full library of programmes. Concessionary rates will apply to Club Members. This scheme will also meet ESG objectives in two ways. Firstly, the programmes themselves have a focus on seafarer well-being but in addition to that, the scheme envisages a proportion of the subscription being donated to a charity of the subscribers' choosing.

Some of the more recently completed programmes cover the topics listed below:

- Social Isolation
- Dealing with Drug Trafficking
- Drug and Alcohol Abuse
- Just Culture
- Master/Pilot Relationship – Under Special Conditions
- Observational Skills and Incident Reporting

Work is in progress on programmes dealing with "Bullying, Harassment and Culture", "Financial Fraud" and "Entering into Enclosed Spaces". The latter video will take an innovative approach to this topic, which regrettably continues to claim the lives of far too many seafarers onboard all vessel types notwithstanding the repeated training and risk awareness measures that have been undertaken for decades.

The programme on financial fraud highlights the importance of cyber security. It is important to remember that many forms of cyber threat are faced by the shipping industry. Whilst cyber risk awareness should now be firmly embedded in the safety management system of a vessel, the requirement for continued training and awareness of the ongoing risks of cyber intervention should not be forgotten, particularly with the moves toward greater levels of autonomy on board vessels. Training and understanding the potential impact of a breach of cyber security are key to combatting this very real threat. In this respect, the Managers continue to commend The Nautical Institute's Cyber Security Awareness for Seafarers course which is available to Members at a concessionary rate.

With the easing of COVID-19 restrictions the Loss Prevention department have been invited to participate in an increasing number of both Member and industry seminars and webinars.This will also include participation in the 2023 Member Training Course that the Club is hosting in London and Southampton between the 3 and 7 of July, the first such course since the pandemic. The team continue to publish a range of articles and Risk Alerts intended to not only promote safer operations, but also identify means of reducing the likelihood of Members incurring claims.

The recently launched Steamship Mutual ESG Support Hub includes representatives of the Loss Prevention team. The Loss Prevention team understandably has a particular focus on technical issues and decarbonisation.

"Whilst cyber risk awareness should now be firmly embedded in the Safety Management System of a vessel, the requirement for continued training and awareness of the ongoing risks of cyber intervention should not be forgotten, particularly with the moves toward greater levels of autonomy on board vessels."

Safety and Loss Prevention

The majority of the large claims incurred this year arose from causes relating to collision, collision avoidance, mooring, berthing and navigation, cargo care, machinery and equipment maintenance and crew health.

Collision Avoidance

The collisions experienced once again demonstrated the need for watchkeeping officers to maintain an effective all round lookout, being alert to the presence of, and diligently monitoring the movements of traffic, and taking early and effective action to avoid collision in accordance with the Collision Avoidance Regulations. Three incidents unfortunately resulted in the sinking of fishing vessels, serving to emphasise the need for greater caution and vigilance when sailing in the vicinity of fishing fleets.

Mooring, Berthing and Navigation

Manoeuvring in and around ports and harbours is recognised as being a high-risk activity and seven claims arose in such circumstances. Contributing causes were poor passage planning and the execution of manoeuvres to approach or depart a berth. In most instances there was a local pilot onboard. For movements under pilotage to be accomplished safely there is the need for a detailed berth to berth passage plan and robust Master/pilot information exchange. It is essential that the intended pilotage passage plan is fully understood and that the resources in the bridge management team carefully monitor the vessel's progress and raise awareness of any deviation from the passage plan. Particular care should be exercised to ensure there is clear communication.

Poor planning, execution and monitoring of the passage plan were also significant contributory factors in three incidents of contact and damage with fixed or floating objects, and one grounding.

There were three mooring related injuries which regrettably resulted in the loss of a limb, or part of a limb. Mooring operations are never routine, and it is important for seafarers always to remain alert and vigilant to the dangers of mooring lines that are either under tension or could become so. A contributory factor in two of the incidents was perceived commercial pressure for the operation to be completed quickly. It is never acceptable for commercial pressure to compromise safety.

Cargo Damage

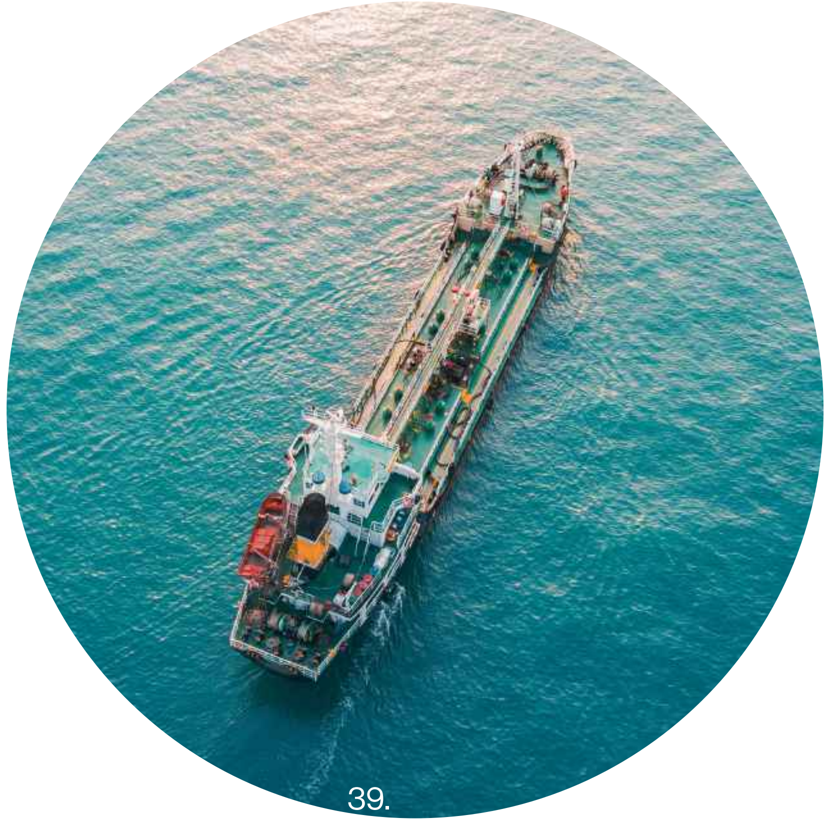
The claims of this type fell predominantly into two groups.

Cargo which was damaged either prior to or during loading, and or cargo being damaged due to poor stowage, securing or improper compliance with the requirements for carriage. Properly documenting and recording any cargo damage is essential in more fully protecting the carrier's interests. The appointment of a suitably experienced surveyor to support the Master in documenting damage, monitoring cargo operations and ensuring requirements of the cargo securing manual are followed should be considered where there are any doubts as to the condition, stowage and securing of cargo.

Encouragingly, compared to the experience of some earlier years, only one large claim resulted from the loss of containers overboard. However, the Club continues to experience claims resulting from fires of undeclared, or incorrectly declared, dangerous goods in containers, and this is an issue requiring continued industry focus and attention.

Four large claims resulted from a failure to follow standard tanker practices of robust cargo operations planning and clear effective communication, both internally between ship staff and externally with terminal personnel. Two incidents resulted in pollution claims and two in cargo contamination.

Machinery and equipment maintenance issues were the cause of 10 large claims, resulting in fires, injury to persons, cargo losses and collisions. Following a detailed planned maintenance schedule, together with timely and proper intervention in the event of suspected, or identified equipment failure, could have reduced, if not fully prevented, these claims.



In addition to the injuries sustained in mooring operations reported above, and other serious injury claims, the Club continued to experience large claims for serious and often life threatening illness, although none were COVID-19 related. To reduce the likelihood of such claims, and where available, an enhanced Pre-Employment Medical Examination (PEME) should be considered. An enhanced PEME has the potential to detect or give early indication of an illness that could be missed by a less rigorous examination. It reduces the risk of seafarers who are unfit for seagoing employment being engaged and avoids the potential for a costly claim. Early detection of medical conditions that could threaten seagoing employment enables seafarers to obtain treatment ashore that could restore fitness and prolong their seagoing employment in circumstances that avoid long term pain and anguish for both them and their families. Details of the Club's PEME scheme are available on the website.

"An enhanced PEME has the potential to detect or give early indication of an illness that could be missed by a less rigorous examination. It reduces the risk of seafarers who are unfit for seagoing employment being engaged and avoids the potential for a costly claim."

It remains evident from many of the large claims experienced in 2021 that there is a need for ship's staff to be fully familiar with and to properly follow the company's Safety Management System and its procedures. The human element remains a significant contributory cause in most claims, the reasons for which are many, for example stress, fatigue or the lack of appropriate training and experience.

It is ever more important that Members encourage, develop, and establish a deep-rooted safety culture within their organisation. Near misses should be recorded and all incidents thoroughly investigated. Root cause analysis should be undertaken, and the outcome shared across the fleet in order that preventive measures can be implemented to avoid re-occurrence of similar types of incident in the future.

Captain John Taylor
Head of Loss Prevention

Sanctions

Sanctions

Russia has been the subject of sanctions for a number of years, stemming primarily from the annexation of Crimea in 2014, but also in response to other issues, such as international cyber crime. The sanctions landscape affecting Russia changed very rapidly and significantly following its invasion of Ukraine in February 2022. During the course of 2022 measures imposed against Russia by a number of governments around the world developed into the most wide-reaching set of sanctions ever imposed against a single nation.

Sanctions targeting trade, banking and shipping activities have required shipowners and P&I insurers to review and, in many cases, alter their approach to the conduct of business. Current trade and insurance restrictions affect a vast number of products for carriage into and out of Russia, as well as activities involving Russian classed and flagged vessels.

Many of the trade and asset-freeze restrictions are difficult to navigate because they are framed and implemented in different ways by different governments. This has inevitably created a great deal of uncertainty for the shipping community.

The reliance on Russia's vast energy resources by a great number of nations around the world presentschallenges on how to balance the world's energy needs, on the one hand, whilst restricting Russia's cash-flows on the other. The uneasy compromise reached by the Price Cap coalition countries resulted in the Price Cap Scheme. These countries forego access to Russian oil and petroleum products, while permitting their shipping/insurance/banking sectors to provide services enabling those goods to be shipped to third countries. The Price Cap Scheme presents significant challenges to shipowners and operators carrying Price Cap cargoes. To preserve their P&I insurance they must ensure that the price paid for those cargoes does not exceed the applicable Price Cap from the time when it is received on the ship, to the point where it is delivered and passes through customs controls in the third country or where it is substantially processed off the water.

The reinsurance market has also been affected by the war, resulting in the imposition of geographic restrictions on cover for P&I War Risks.

These developments have required the Managers to implement a range of new controls to manage the Club's insurance of activities with a Russian-nexus, including revised limits for P&I War Risks cover. With no clear end to this war in sight, the shipping world will be faced with navigating the uncertainties caused by Russia sanctions for some time to come.

While Russia has dominated the headlines, sanctions have continued to affect other parts of the world. During 2022 the United States sanctioned a number of companies and individuals for facilitating the shipment of Iranian-origin oil and petrochemical exports. As with Russia, sanctions affecting Iran require the shipping community to exercise vigilance in identifying the origin of cargoes, and ensuring that the parties involved are not subject to sanctions or other relevant prohibitions. OFAC has continued to enforce its sanctions programme through pursuing civil actions, and during the course of 2022 OFAC imposed a total of 16 penalties totalling over US$42 million.

Separately, the European Commission is working to add the violation of sanctions to the list of 'EU crimes' included in the Treaty on the Functioning of the EU.

Sacha Patel
Director of Legal Services

"Sanctions targeting trade, banking and shipping activities have required shipowners and P&I insurers to review and, in many cases, alter their approach to the conduct of business."

Combined Financial Statements

Steamship

Combined Financial Statements 2023

Managers' Report

Basis of combination

The Combined Financial Statements for Steamship have been prepared by combining the consolidated accounts of Steamship Mutual Underwriting Association Limited ("SMUA"), Steamship Mutual Underwriting Association (Europe) Limited ("SMUAE"), the consolidated accounts of The Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB"), and The Steamship Mutual Trust ("Trust"). All the Members of SMUA and SMUAE are also Members of SMUAB and are beneficiaries of the Trust.

These Combined Financial Statements are intended to provide an overall summary of the financial position of the four entities which, whilst contractually linked, are not under common control.

The consolidated financial statements of SMUA and SMUAB and the financial statements of SMUAE and the Trust are available as separate documents at www.steamshipmutual.com.

Free reserves

As at 20 February 2023, the combined free reserves of Steamship were $454.4m, a decrease of $19.2m, or 4.1% over the financial year. For the year under review, the Directors set a 12.5% general increase in P&I premium. At the 2023/24 renewal the general increase was set at 7.5%.

Underwriting

The 2019/20 year was closed in May 2022.

Gross premium written of $406.9m, compared to $307.5m last year. The financial year combined ratio, calculated by dividing the sum of net incurred claims, allocated foreign exchange gains/losses and operating expenses by net earned premium decreased from 112.7% to 95.4% due to lower than anticipated pool claims from the International Group for the 2022 policy year.

The Directors will review release call levels as part of Steamship's Group Solvency Self-Assessment. In the meantime release calls for both P&I and Freight, Demurrage and Defence ("FD&D") were set at 15% for the 2023/24 and 2022/23 policy years and 12.5% for the 2021/22 and 2020/21 policy years.

Claims

Net claims paid during the financial year on a combined basis amounted to $224.8m, an increase of 3.5% on the previous year. Net outstanding claims increased by $36.7m to $737.3m, an increase of 5.2% compared to the previous year.

Gross claims arising in respect of the 2022/23 policy year, including incurred but not reported ("IBNR") claims, are projected to be $338.9m, an increase of 9.0% over the 2021/22 policy year ($310.8m). Claims net of reinsurance recoveries amounted to $252.9m, a decrease of 7.3% compared to the 2021/22 policy year ($272.8m).

Investments

There was a combined loss on investments (before currency and investment charges), excluding land and buildings, of $26.8m, a loss on return of 2.4%. Overall cash and investments decreased by $58.6m, or 4.9%, to $1,134.3m.

Accountants' Report

Accountants' report to the Directors of The Steamship Mutual Underwriting Association (Bermuda) Limited

Reporting on agreed upon procedures in respect of Steamship Mutual Combined Financial Statements

This report has been produced in accordance with the terms of our engagement letter dated 20 January 2023 ("the Engagement Letter") and in accordance with the International Standard on Related Services 4400 applicable to agreed-upon–procedures engagements as published by IAASB in connection with the combined financial statements of The Steamship Mutual Underwriting Association (Bermuda) Limited (SMUAB), Steamship Mutual Underwriting Association Limited (SMUA), Steamship Mutual Underwriting Association (Europe) Limited (SMUAE) and The Steamship Mutual Trust (the Trust) (together "the Entities").

Scope of our work and factual findings

We have performed the following work:

- We have agreed the figures used in the combined financial statements to the signed financial statements of the Entities as at 20 February 2023 respectively; and
- We have checked that the stated accounting policies for measurement in the combined financial statements are consistent with the accounting policies for measurement adopted by the Entities, as defined in their respective financial statements.

No exceptions were found.

We have not subjected the information contained in our report to checking or verification procedures except to the extent expressly stated above and this engagement does not constitute an audit or a review and, as such, no assurance is expressed. Had we performed additional procedures, an audit or a review, other matters might have come to light that would have been reported.

You were responsible for determining whether the agreed upon procedures we performed were sufficient for your purposes and we cannot, and do not, make any representations regarding the sufficiency of these procedures for your purposes.

Audit work

Our audit work on the financial statements of SMUA, SMUAB and the Trust, was carried out in order to report to the Entities' Directors or Trustees respectively as a body and is subject to separate engagement letters. The audit work was undertaken to state to the Entities' Directors or Trustees respectively those matters required to be stated in an auditor's report and for no other purpose. The audits of the Entities" financial statements were not planned or conducted to address or reflect matters in which anyone other than such Directors or Trustees respectively as a body may be interested. In particular, the scope of the audit work was set, and judgements made by reference to the assessment of materiality in the context of the audited financial statements taken as a whole, rather than in the context of the Report contemplated in this letter.

BDO LLP have not expressed an opinion or other form of assurance on individual account balances, financial amounts, financial information or the adequacy of financial, accounting or management systems. BDO LLP do not accept or assume responsibility to anyone other than the Entities' and the Entities Directors or Trustees respectively as a body, for their audit work, for their audit report or for the opinions they have formed. To the fullest extent permitted by law, BDO LLP do not accept or assume responsibility or liability to anyone by virtue of this engagement or our Report in relation to our audits of the Entities" financial statements.

The audit work on the financial statements of SMUAE was carried out by Moore Limassol. Their report was prepared for and only for member of SMUAE as a body in accordance with Article 10(1) of the EU Regulations 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. They do not in giving their opinion accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Use of Report

Our report is prepared solely for the confidential use of the Directors of The Steamship Mutual Underwriting Association (Bermuda) Limited. Our report must not be used for any purpose other than for which it was prepared or be reproduced or referred to in any other document or made available to any third party without the written permission of BDO LLP except a copy of our report may be provided, for information purposes only, to SMUA, SMUAE and the Trust to whom we have no liability and owe no duty of care.

We accept no liability to any other party who is shown or gains access to this report.

BDO LLP
London, UK
31 May 2023

BDO LLP is a Limited Liability Partnership registered in England and Wales (with registered number OC305127

Combined Income and Expenditure Account

For the year ended 20 February 2023

Technical Account	Note	**2023 $m**	2022 $m
Gross premium written	2	**406.9**	307.5
Outward reinsurance premium	3	**(71.4)**	(50.9)
Net earned premium		**335.5**	256.6
Allocated currency losses	7	**(5.1)**	(3.2)
Claims paid			
Gross amount	4	**367.3**	225.3
Reinsurers' share	4	**(142.5)**	(7.9)
		224.8	217.4
Change in the provision for claims			
Gross amount	5	**16.0**	54.3
Reinsurers' share	5	**20.7**	(29.4)
		36.7	24.9
Net claims incurred		**261.5**	242.3
Operating expenses	6	**53.4**	43.7
Underwriting balance		**15.5**	(32.6)
Non-Technical Account			
Underwriting balance		**15.5**	(32.6)
Investment income	7	**36.5**	51.6
Unrealised losses	7	**(68.4)**	(56.4)
Currency losses allocated to the Technical Account	7	**5.1**	3.2
Net investment return		**(26.8)**	(1.6)
Investment charges		**(2.7)**	(2.6)
Other income	8	**0.1**	–
Other charges	8	**(5.1)**	(0.7)
Taxation		**(0.2)**	–
Deficit for the financial year		**(19.2)**	(37.5)

Combined Balance Sheet

as at 20 February 2023

Assets	Note	**2023 $m**	2022 $m
Investments			
Land and buildings	8	**17.4**	22.5
Other financial investments	9	**1,095.4**	1,142.8
Reinsurers' share of technical provisions			
Claims outstanding	5	**288.5**	309.2
Debtors			
Debtors arising out of direct insurance operations		**10.4**	14.1
Debtors arising out of reinsurance operations		**1.1**	0.2
Other debtors	10	**75.1**	3.7
Other assets			
Cash at bank		**21.5**	27.6
Prepayments and accrued income			
Deferred acquisition costs		**1.0**	0.8
Other prepayments and accrued income		**5.9**	5.2
Total assets		**1,516.3**	1,526.1
Liabilities			
Capital and reserves			
Free reserves	11	**454.4**	473.6
Technical provisions			
Provision for unearned premium		**5.2**	4.6
Claims outstanding	5	**1,025.8**	1,009.8
Provisions for other risks and charges			
Provision for taxation		**0.2**	–
Creditors			
Creditors arising out of direct insurance operations		**15.7**	20.1
Creditors arising out of reinsurance operations	12	**10.4**	10.3
Other creditors		**4.6**	7.7
Total liabilities		**1,516.3**	1,526.1

Notes on the Combined Financial Statements

1. Extract of accounting policies

(a) Accounting convention

The financial statements have been prepared with regard to the measurement principles in the European Commission Insurance Accounts Directive (91 /674/EEC) as adopted in the United Kingdom through Section 396 of the Companies Act 2006 and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and applicable United Kingdom Financial Reporting Standards ("FRS") 102 and 103.

(b) Basis of combination

The financial statements combine the accounts of SMUAB and its subsidiary undertaking, Steamship Mutual Property Holdings Limited ("SMPH") and its share of Hydra Insurance Company Limited ("Hydra") with those of SMUA and its subsidiary undertaking, Steamship (Germany) GmbH, SMUAE, and the Trust to 20 February 2023.

2. Gross premium written	**2023 $m**	2022 $m
Mutual and fixed premium	**407.5**	308.5
Movement in unearned premium	**(0.6)**	(1.0)
	406.9	307.5

3. Outward reinsurance premium	**2023 $m**	2022 $m
Group Excess Loss	**49.3**	35.0
Other reinsurance premium	**22.1**	15.9
	71.4	50.9

4. Claims paid	**2023 $m**	2022 $m
Claims and related expenses	**308.2**	157.8
Group Pool claims	**29.3**	42.3
Claims administration expenses	**29.8**	25.2
	367.3	225.3
Less reinsurers' share		
Group Excess Loss	**57.6**	1.6
Group Pool	**84.4**	9.0
Other reinsurers	**0.5**	(2.7)
	142.5	7.9
Net claims paid	**224.8**	217.4

5. Change in net provision for claims	2023 $m	2022 $m
Gross outstanding claims		
Provision brought forward	**1,009.8**	955.5
Claims paid in the year	**(367.3)**	(225.3)
Changes to reserves	**383.3**	279.6
Provision carried forward	**1,025.8**	1,009.8
Group Pool and Excess Loss reinsurers' share of outstanding claims		
Provision brought forward	**261.6**	233.9
Reinsurance recoveries made in the year	**(142.0)**	(10.6)
Changes to reserves	**106.2**	38.3
Provision carried forward	**225.8**	261.6
Other reinsurers' share of outstanding claims		
Provision brought forward	**47.6**	45.9
Reinsurance recoveries made in the year	**(0.5)**	2.7
Changes to reserves	**15.6**	(1.0)
Provision carried forward	**62.7**	47.6
Total net claims outstanding	**737.3**	700.6

An adverse movement in the prior year net claims provision of $0.2m was experienced during the year (2022: favourable $34.4m).

6. Operating expenses	2023 $m	2022 $m
Brokerage	**28.1**	21.8
Underwriting administration	**11.0**	9.5
Other administration	**13.0**	11.1
Directors' remuneration	**0.6**	0.6
Auditor's remuneration	**0.7**	0.7
	53.4	43.7
Total expenses		
Operating expenses	**53.4**	43.7
Claims expenses (note 4 above)	**29.8**	25.2
Investment charges	**2.7**	2.6
	85.9	71.5

7. Net investment return	2023 $m	2022 $m
Dividends and interest	**26.4**	21.6
Realised gains/(losses):		
Investments	**12.4**	31.1
Foreign exchange	**(2.3)**	(1.1)
Investment income	**36.5**	51.6
Unrealised losses:		
Investments	**(65.0)**	(54.0)
Foreign exchange	**(3.4)**	(2.4)
Foreign exchange losses allocated to Technical Account	**5.1**	3.2
Net investment return	**(26.8)**	(1.6)

The allocation to the Technical Account is comprised of all realised and unrealised foreign exchange differences arising on non-US dollar investments held to match technical provisions in the same currencies, differences arising on the conversion of transactions on non-US dollar denominated transactions relating to the technical account, and the funding of the operating expenses of the Managers.

8. Land and buildings

SMPH owns a freehold property in London. It is occupied under licence, free of rent, by the Managers. The property was valued by CBRE Limited at £14.5m ($17.4m) reflecting the market value at 20 February 2023. The other charges shown in the combined income and expenditure account reflects this impairment in value (£2.1m), along with the movement in the US dollar equivalent of £16.6m ($22.5m) as at 20 February 2022 to that of £14.5m ($17.4m) at the balance sheet date. The original costs incurred when the property was purchased in 1987 amounted to $17.0m.

9. Other financial investments	2023 $m	2022 $m
Market value		
Bonds	**777.1**	804.4
Equities	**98.8**	87.2
Alternative investments	**89.2**	129.2
Money market instruments	**88.2**	100.3
Deposits with credit institutions	**29.5**	10.1
Cash accounts	**13.0**	11.3
Derivative financial instruments	**(0.4)**	0.3
	1,095.4	1,142.8
Cost		
Bonds	**822.0**	813.7
Equities	**79.1**	65.1
Alternative investments	**86.5**	103.6
Money market instruments	**88.2**	100.3
Deposits with credit institutions	**29.5**	10.1
Cash accounts	**13.0**	11.3
	1,118.3	1,104.1

10. Other debtors	2023 $m	2022 $m
Unsettled investment transactions	**71.3**	–
Other receivables	**3.8**	3.7
	75.1	3.7

11. Free reserves	2023 $m	2022 $m
Brought forward	**473.6**	511.1
Deficit for year	**(19.2)**	(37.5)
	454.4	473.6

12. Creditors arising out of reinsurance operations	2023 $m	2022 $m
Group clubs and Excess Loss reinsurers	**5.7**	2.7
Other reinsurance creditors	**4.7**	7.6
	10.4	10.3

13. Average expense ratio

In accordance with Schedule 3 of the International Group Agreement, Steamship is required to calculate and disclose its Combined Average Expense Ratio, being the ratio of operating expenses to income, including premium and investment income.

The operating expenses include all expenditure incurred in operating Steamship, excluding expenditure incurred in handling claims. Investment income includes all incomes and gains whether realised or unrealised, exchange gains and losses, and investment management costs.

The Combined Average Expense Ratio for the P&I business of Steamship for the five years ended 20 February 2023 is 12.8% (2022: 12.4%).

14. Guarantees

Steamship provides guarantees to third parties on behalf of Members. For guarantees issued in respect of covered claims, provision is made within the claims outstanding technical provisions. Guarantees are issued under certain circumstances, in accordance with procedures, for uncovered claims when appropriate counter security is obtained in advance.

As at 20 February 2023 the total value of guarantees issued in respect of uncovered claims was $19.1m (2022: $21.3m). If the guarantee crystalises, Steamship will exercise the counter securities held and consequently receive the respective amounts from the insureds.

15. Risk management

Steamship monitors and manages the risks relating to its operations through its risk management programme which analyses exposures by degree and magnitude of risks. This is evidenced in the Group Solvency Self-Assessment ("GSSA") report.

The GSSA documents Steamship's risk and capital management policies employed to identify, assess, manage and report the risks it may face and to determine the capital resources required to ensure that its overall solvency needs are met at all times. The GSSA considers the business strategy, how the strategy aligns to risk appetite and the current risk profile.

The principal risks faced by Steamship are insurance risk, credit risk, market risk and operational risk.

Insurance risk

Insurance risk is comprised of two elements; premium risk and reserving risk. Premium risk refers to the risk that insurance premium written in the current policy year is insufficient to cover claims and other costs arising in that year. It thus relates to the future, whereas reserving risk is the risk that, over the next year, existing technical provisions are insufficient to cover claims arising in previous policy years. Steamship is exposed to the uncertainty surrounding the timing, frequency and severity of claims made under its insurance contracts. Premium and reserving risk are calculated by reference to risk factors prescribed by the BMA and then combined taking account of dependencies and diversification effects.

Premium is set using assumptions which have regard to trends and the past experience of a specific Member. Premium risk is mitigated by diversification across a variety of ship types and geographical areas, and by careful selection and implementation of underwriting strategy guidelines including the screening of new Members.

Steamship transfers a substantial portion of its insurance risk to its reinsurers through the provisions of the reinsurance arrangements and its membership of the International Group ("Group").

The key methods used to estimate claims liabilities are Bornhuetter-Ferguson for the most recent policy year reported and the development factor method for all other policy years. Reserves for both reported and unreported claims are calculated using detailed statistical analysis of the past experience as to frequency and average cost of claims having regard to variations in the nature of current business accepted and its underlying terms and conditions. The Audit and Risk Committee compares the proposed claim reserves with an independent calculation performed by qualified actuaries at year end.

Inflation is one of many factors that are considered by claims handlers when setting an appropriate claims reserve prior to settling a claim. Steamship uses standard actuarial techniques which, amongst other things, incorporate inflation when calculating appropriate technical provisions. Together, these should accommodate potential increased costs arising from current levels of inflation.

Steamship aims to reduce reserving risk by setting claims reserves at a prudent level that provides between 70% and 80% confidence that they will be sufficient to cover actual settlement costs. Actual experience will differ from the expected outcome, but this prudent basis is expected to result in releases of prior year claim reserves. This prudence is expected to cover increased costs that might arise should inflation remain above the long-term average.

The sensitivity of the overall surplus to three factors, other assumptions being unchanged, is shown below.

		2023 $m	2022 $m
5% increase in claims incurred on current policy year			
Overall surplus	gross of reinsurance	**(16.9)**	(15.5)
	net of reinsurance	**(12.6)**	(13.6)
Single claim of $2bn in current policy year			
Overall surplus	gross of reinsurance	**(2,000.0)**	(2,000.0)
	net of reinsurance	**(34.9)**	(33.1)
Single claim for other member of IG of $2bn in current policy year			
Overall surplus	gross of reinsurance	**(21.2)**	(19.3)
	net of reinsurance	**(21.2)**	(19.3)

15. Risk management continued

The following tables show the development of claims over ten years on both a gross and net of reinsurance basis. The top half of each table shows how the estimates of total claims for each policy year have developed over time. The lower half of each table reconciles cumulative claims to the amount appearing in the balance sheet.

Insurance claims - gross

Policy year	2013/14 $m	2014/15 $m	2015/16 $m	2016/17 $m	2017/18 $m	2018/19 $m	2019/20 $m	2020/21 $m	2021/22 $m	2022/23 $m
End of reporting year	365.0	306.1	341.7	245.9	393.1	322.0	315.8	314.8	310.8	338.9
One year later	254.4	238.0	338.1	226.7	357.3	287.6	346.6	297.3	271.6	
Two years later	235.6	233.0	348.3	244.4	337.9	269.8	335.2	286.3		
Three years later	227.7	226.6	353.8	241.3	336.0	259.2	442.3			
Four years later	223.3	220.2	361.3	241.0	366.5	255.3				
Five years later	219.7	216.9	360.5	239.9	366.5					
Six years later	220.3	223.8	358.9	241.3						
Seven years later	218.3	222.8	360.5							
Eight years later	205.7	217.5								
Nine years later	203.2									
Current estimate of ultimate claims	203.2	217.5	360.5	241.3	366.5	255.3	442.3	286.3	271.6	338.9
Cumulative payments to date	194.4	205.6	337.2	221.1	250.9	183.6	353.7	133.8	104.4	42.9
Claims outstanding	**8.8**	**11.9**	**23.3**	**20.2**	**115.6**	**71.7**	**88.6**	**152.5**	**167.2**	**296.2**
Claims outstanding relating to last ten reporting years										**955.8**
Provision in respect of prior years										**70.0**
Total gross claims outstanding										**1,025.8**

Insurance claims - net

Policy year	2013/14 $m	2014/15 $m	2015/16 $m	2016/17 $m	2017/18 $m	2018/19 $m	2019/20 $m	2020/21 $m	2021/22 $m	2022/23 $m
End of reporting year	266.7	239.4	246.0	223.0	255.0	261.5	246.9	256.0	272.8	252.9
One year later	230.9	214.6	232.6	219.8	250.4	248.2	262.5	250.7	262.6	
Two years later	223.8	205.8	241.0	230.7	239.4	236.3	262.2	254.1		
Three years later	217.5	202.2	241.1	234.2	239.8	234.6	272.8			
Four years later	213.7	198.3	239.9	235.2	238.2	234.3				
Five years later	209.5	196.2	238.9	233.5	243.2					
Six years later	210.8	199.0	236.5	234.7						
Seven years later	209.8	197.0	236.3							
Eight years later	201.8	196.3								
Nine years later	199.5									
Current estimate of ultimate claims	199.5	196.3	236.3	234.7	243.2	234.3	272.8	254.1	262.6	252.9
Cumulative payments to date	191.5	186.0	222.0	216.0	201.2	183.6	206.7	133.6	104.3	42.9
Claims outstanding	**8.0**	**10.3**	**14.3**	**18.7**	**42.0**	**50.7**	**66.1**	**120.5**	**158.3**	**210.0**
Claims outstanding relating to last ten reporting years										**698.9**
Provision in respect of prior years										**38.4**
Total net claims outstanding										**737.3**

Notes on the Combined Financial Statements

continued

15. Risk management continued

Credit risk

Credit risk is the risk that a counterparty owing money to Steamship may default causing a debt to be written off. The reinsurance protection arranged by Steamship effectively transforms a proportion of insurance risk into credit risk as the risk exposure becomes reinsurer default. External reinsurers are generally only used if at the time of contracting with them their financial strength rating is at least A- from S&P Global, or an equivalent rating from another rating agency, except in the case of some members of the Group. The key areas of exposure to credit risk for Steamship are in relation to its reinsurance recoverables and bonds in the investment portfolio.

The Boards' Investment Policy and specific guidelines in investment mandates control the amount of credit risk taken in pursuit of investment return and ensure that such credit risk is diversified thereby reducing concentration of exposure.

Credit risk in respect of amounts due from Members is spread across diverse industries and geographical areas. Cover can be cancelled and claims set off against unpaid premium and there are other strong incentives for Members to keep their insurance cover in place. In practice, therefore, Steamship experiences prompt payment of premium and bad debt experience is immaterial.

Credit risk also arises on operational balances and deposits held with banks. This is controlled by using a variety of banks and limiting exposure to each individual bank based on its credit rating and/or capital strength.

Receivables from Members, agents and intermediaries generally do not have a credit rating. Equities and alternative investments are included within Other assets. The following table shows the aggregated credit risk exposure for all assets.

As at 20 February 2023

	AAA $m	AA $m	A $m	BBB $m	BB and below $m	Not rated $m	Total $m
Bonds and loans	85.3	248.6	261.2	166.9	15.1	–	**777.1**
Money market instruments	84.4	3.8	–	–	–	–	**88.2**
Deposits with credit institutions	–	9.1	20.4	–	–	–	**29.5**
Cash accounts	1.4	–	11.6	–	–	–	**13.0**
Derivative financial instruments	–	–	(0.4)	–	–	–	**(0.4)**
Cash at bank	–	15.9	3.9	–	–	1.7	**21.5**
Reinsurers' share of technical provisions	–	8.7	236.9	42.9	–	–	**288.5**
Debtors arising out of reinsurance operations	–	–	1.1	–	–	–	**1.1**
Accrued interest	0.5	1.5	1.9	1.6	0.1	–	**5.6**
Other assets	–	–	–	–	–	292.2	**292.2**
Total assets	**171.6**	**287.6**	**536.6**	**211.4**	**15.2**	**293.9**	**1,516.3**

15. Risk management continued

Credit risk continued

As at 20 February 2022

	AAA $m	AA $m	A $m	BBB $m	BB and below $m	Not rated $m	Total $m
Bonds and loans	100.3	256.0	259.5	166.8	21.8	–	**804.4**
Money market instruments	100.3	–	–	–	–	–	**100.3**
Deposits with credit institutions	–	9.0	1.1	–	–	–	**10.1**
Cash accounts	0.6	–	10.7	–	–	–	**11.3**
Derivative financial instruments	–	–	0.3	–	–	–	**0.3**
Cash at bank	–	18.8	5.4	–	–	3.4	**27.6**
Reinsurers' share of technical provisions	–	8.7	267.8	32.7	–	–	**309.2**
Debtors arising out of reinsurance operations	–	–	0.2	–	–	–	**0.2**
Accrued interest	0.1	1.0	1.8	1.4	0.1	–	**4.4**
Other assets	–	–	–	–	–	258.3	**258.3**
Total assets	**201.3**	**293.5**	**546.8**	**200.9**	**21.9**	**261.7**	**1,526.1**

The following table shows the age analysis of debtors arising out of insurance operations and debtors arising out of reinsurance operations after deducting provisions for bad debt.

As at 20 February 2023

	Not due $m	0 - 30 days $m	31 - 90 days $m	Over 90 days $m	Impaired $m	Total $m
Debtors arising out of direct insurance operations	3.5	1.9	3.0	1.9	0.1	**10.4**
Debtors arising out of reinsurance operations	–	1.1	–	–	–	**1.1**
Total	**3.5**	**3.0**	**3.0**	**1.9**	**0.1**	**11.5**

As at 20 February 2022

	Not due $m	0 - 30 days $m	31 - 90 days $m	Over 90 days $m	Impaired $m	Total $m
Debtors arising out of direct insurance operations	0.7	3.1	6.4	3.5	0.4	**14.1**
Debtors arising out of reinsurance operations	–	–	0.1	0.1	–	**0.2**
Total	**0.7**	**3.1**	**6.5**	**3.6**	**0.4**	**14.3**

15. Risk management continued

Market risk

Market risk is the risk of financial loss as a consequence of movements in prices of equities and bonds, interest rates and foreign exchange rates and other price changes.

Steamship's exposure to changes in interest rates and market prices is concentrated in the investment portfolio. The risk appetite, asset allocation and tolerance ranges are set by the Board of the Corporate Trustee of the Trust having consulted with the Boards of the reinsureds. Exposures and compliance with Board policies are monitored and reported by the Managers assisted by the investment managers.

Steamship receives the majority of its premium income in US dollars, a reasonable amount in euro and small amounts in UK sterling and Canadian dollars. Claim liabilities arise in a number of currencies but predominantly in US dollar, euro, UK sterling and Brazilian real. This currency exposure is mitigated by holding investments and derivatives in each of these currencies. To minimise currency translation costs some operational bank balances in euro and UK sterling are maintained to fund expected short term claim payments in those currencies.

The following tables show Steamship's assets and liabilities by currency. The exposure to Brazilian real and UK sterling through derivative positions was $4.1m and $5.7m respectively at 20 February 2023 (2022: $4.4m and $nil).

As at 20 February 2023

	US dollar $m	UK sterling $m	Euro $m	Brazilian real $m	Korean won $m	Other $m	Total $m
Assets	1,346.2	48.0	102.0	7.9	–	12.2	**1,516.3**
Liabilities	(900.0)	(26.8)	(104.0)	(12.4)	(2.8)	(15.9)	**(1,061.9)**
	446.2	**21.2**	**(2.0)**	**(4.5)**	**(2.8)**	**(3.7)**	**454.4**

As at 20 February 2022

	US dollar $m	UK sterling $m	Euro $m	Brazilian real $m	Korean won $m	Other $m	Total $m
Assets	1,353.2	39.9	110.3	8.6	–	14.1	**1,526.1**
Liabilities	(885.2)	(22.9)	(107.7)	(13.6)	(3.3)	(19.8)	**(1,052.5)**
	468.0	**17.0**	**2.6**	**(5.0)**	**(3.3)**	**(5.7)**	473.6

IBNR and reinsurers' share of IBNR are reserved in US dollar.

15. Risk management continued

Market risk continued

The majority of the operating expenses of Steamship are the costs of Steamship Insurance Management Services Limited, the service company of Steamship P&I Management LLP. These expenses are payable in UK sterling giving rise to a foreign exchange risk when compared to Steamship's base currency of US dollar. Steamship has a hedging policy which requires a percentage of future costs to be held in UK sterling to manage this risk.

Steamship's interest rate risk is in relation to the fluctuation in the fair value of future cash flows of bonds due to changes in interest rates. The table below shows the change in fair value of the investments assuming a 200 basis points increase in interest rates:

	Effect on investment valuation $m
As at 20 February 2023	(33.5)
As at 20 February 2022	(35.2)

Steamship's equity price risk is in relation to the fluctuation in the fair value of equities due to changes in market conditions. The table below shows the change in fair value of the investments assuming a 35% decrease in equities:

	Effect on investment valuation $m
As at 20 February 2023	(34.5)
As at 20 February 2022	(30.5)

The table below shows the change in fair value of the investments assuming a 15% decrease in alternative investment pricing:

	Effect on investment valuation $m
As at 20 February 2023	(13.4)
As at 20 February 2022	(19.4)

The above sensitivities assume that all other key market variables are held constant and that the percentage rate change is instantaneous, which is rarely the case.

Liquidity risk

Liquidity risk is the risk that Steamship cannot meet its financial obligations as they fall due. Steamship maintains a highly liquid portfolio of cash, government and corporate bonds with an average maturity equivalent to the average expected settlement period of claim liabilities. Most of the remaining assets in the investment portfolio could be converted into cash in less than one month.

15. Risk management continued

Liquidity risk continued

The following table shows the expected maturity of Steamship's assets based on the undiscounted contractual maturities of the assets.

As at 20 February 2023

	0-1 years $m	1-2 years $m	2-5 years $m	Over 5 years $m	Total $m
Investments	447.1	143.5	272.1	232.7	**1,095.4**
Reinsurers' share of technical provisions	105.2	59.9	81	42.4	**288.5**
Other assets	132.4	–	–	–	**132.4**
Total assets	**684.7**	**203.4**	**353.1**	**275.1**	**1,516.3**

As at 20 February 2022

	0-1 years $m	1-2 years $m	2-5 years $m	Over 5 years $m	Total $m
Investments	452.7	116.7	286.5	286.9	**1,142.8**
Reinsurers' share of technical provisions	32.9	103.6	126.6	46.1	**309.2**
Other assets	51.6	–	–	22.5	**74.1**
Total assets	**537.2**	**220.3**	**413.1**	**355.5**	**1,526.1**

The following table shows the expected maturity profile of Steamship's undiscounted obligations with respect to its insurance contract liabilities and other liabilities.

As at 20 February 2023

	0-1 years $m	1-2 years $m	2-5 years $m	Over 5 years $m	Total $m
Claims outstanding	374.3	212.8	288.1	150.6	**1,025.8**
Other liabilities	36.1	–	–	–	**36.1**
Total liabilities excluding capital and reserves	**410.4**	**212.8**	**288.1**	**150.6**	**1,061.9**

As at 20 February 2022

	0-1 years $m	1-2 years $m	2-5 years $m	Over 5 years $m	Total $m
Claims outstanding	387.5	229.5	279.5	113.3	**1,009.8**
Other liabilities	42.7	–	–	–	**42.7**
Total liabilities excluding capital and reserves	**430.2**	**229.5**	**279.5**	**113.3**	**1,052.5**

Operational risk

Operational risk includes fraud, interruptions in service due to external or internal disruption and procedural or systems errors. Steamship has identified its operational risks in a risk register and has in place appropriate controls to manage and mitigate such risks, consistent with good practice, regulatory guidance and legislation relating to human resources, financial crime, business continuity and information security. Appropriate controls are also in place to monitor the outsourcing of operations to the Managers and, through them, other service providers.

Combined Policy Year Statement – All Classes

Development of open policy years	2022/23 $m	2021/22 $m	2020/21 $m	Total $m
Gross premium	401.5	313.0	284.8	**999.3**
Reinsurance premium	(71.3)	(53.2)	(47.5)	**(172.0)**
Net earned premium	330.2	259.8	237.3	**827.3**
Allocated investment return from non-technical account	(2.9)	(2.6)	2.2	**(3.3)**
Net incurred claims				
Claims paid net of reinsurance recoveries	31.2	86.3	114.2	**231.7**
Claims administration expenses	11.7	18.0	19.4	**49.1**
Net claims outstanding	71.6	109.8	82.4	**263.8**
IBNR provision	125.9	45.3	37.1	**208.3**
Future claims administration expenses	12.5	3.2	1.0	**16.7**
	252.9	262.6	254.1	**769.6**
Operating expenses				
Brokerage	27.5	22.2	18.8	**68.5**
Other expenses	25.2	22.0	21.4	**68.6**
	52.7	44.2	40.2	**137.1**
Underwriting balance	21.7	(49.6)	(54.8)	**(82.7)**
Net investment income	(34.6)	(4.8)	55.1	**15.7**
(Deficit)/surplus on open policy years	(12.9)	(54.4)	0.3	**(67.0)**

Closed policy years	
Surplus in respect of 2018/19 and prior years at 20 February 2022	**535.9**
Balance on 2019/20 year as at 20 February 2022	**1.1**
Capital distribution	**(16.3)**
Movements on policy years prior to 2020/21	**0.7**
Surplus on all policy years	**454.4**

Notes

1. Investment income earned by SMUAB, SMUA and SMUAE is credited to the same policy year as the financial year in which it rises. Investment income earned by the Trust is only allocated to the policy year to the extent required to bring that year into overall balance.

	2022/23 $m	2021/22 $m	2020/21 $m
2. Net product of 10% supplementary call in respective of P&I class	30.1	22.7	20.1

3. The policy year combined ratios as at 20 February 2023 are as follows:

2022/23	2021/22	2020/21
93.4%	119.1%	123.1%

Combined Policy Year Statement – All Classes

Balance available for outstanding claims by policy year	2022/23 $m	2021/22 $m	2020/21 $m	Closed years $m	Total $m
Gross claims outstanding					
Own claims	243.5	123.7	94.6	340.6	**802.4**
Pool claims	39.9	40.3	56.9	66.1	**203.2**
Future claims administration expenses	12.6	3.2	1.0	3.4	**20.2**
Reinsurance recoveries outstanding					
Group Excess Loss contract	-	-	-	(38.0)	**(38.0)**
Group Pool	(57.2)	(4.4)	(29.7)	(96.5)	**(187.8)**
Other	(28.8)	(4.5)	(2.3)	(27.1)	**(62.7)**
Net provision for claims outstanding	210.0	158.3	120.5	248.5	**737.3**
Free reserves					
(Deficit)/surplus on policy years	(12.9)	(54.4)	0.3	285.7	**218.7**
Unallocated investment income	-	-	-	235.7	**235.7**
Balance available for outstanding claims	197.1	103.9	120.8	769.9	**1,191.7**

Notes

1. Combined projected net outstanding claims at 20 February 2023, amounting to $737.3million, includes IBNR provision totalling $279.0m as follows:

2022/23 $m	2021/22 $m	2020/21 $m	Closed years $m	Total $m
125.9	45.3	37.1	70.7	**279.0**

2. Combined free reserves at 20 February 2023, amounting to $454.4m, are stated net of a provision for future expenses on outstanding claims amounting to $20.2m.

Development of open policy years	**2022/23 $m**	**2021/22 $m**	**2020/21 $m**	**Total $m**
Gross premium	364.9	286.2	259.9	**911.0**
Reinsurance premium	(58.4)	(41.1)	(37.7)	**(137.2)**
Net earned premium	306.5	245.1	222.2	**773.8**
Allocated investment return from non-technical account	(2.4)	(2.0)	2.1	**(2.3)**
Net incurred claims				
Claims paid net of reinsurance recoveries	28.1	81.0	107.4	**216.5**
Claims administration expenses	10.6	16.9	18.1	**45.6**
Net claims outstanding	67.0	107.1	79.8	**253.9**
IBNR provision	117.0	41.9	35.0	**193.9**
Future claims administration expenses	11.5	3.1	1.0	**15.6**
	234.2	250.0	241.3	**725.5**
Operating expenses				
Brokerage	22.7	19.2	16.9	**58.8**
Acquisition and other expenses	22.9	20.2	19.5	**62.6**
	45.6	39.4	36.4	**121.4**
Underwriting balance	24.3	(46.3)	(53.4)	**(75.4)**
Allocated net investment income	(32.3)	(4.4)	49.8	**13.1**
Deficit on open policy years	(8.0)	(50.7)	(3.6)	**(62.3)**

Closed policy years	
Surplus in respect of 2018/19 and prior years at 20 February 2022	**508.4**
Balance on 2019/20 year as at 20 February 2022	**(2.1)**
Capital distribution	**(16.3)**
Movements on policy years prior to 2020/21	**3.2**
Surplus on all policy years	**430.9**

Notes

1. Investment income earned by SMUAB, SMUA and SMUAE is credited to the same policy year as the financial year in which it rises. Investment income earned by the Trust is only allocated to the policy year to the extent required to bring that year into overall balance.

	2022/23 $m	**2021/22 $m**	**2020/21 $m**
2. Net product of 10% supplementary call	30.1	22.7	20.1

3. The policy year combined ratios are as follows:

2022/23	2021/22	2020/21
91.3%	118.1%	125.0%

Combined Policy Year Statement – P&I Class

Balance available for outstanding claims by policy year	**2022/22 $m**	**2021/22 $m**	**2020/21 $m**	**Closed years $m**	**Total $m**
Gross claims outstanding					
Own claims	203.0	117.0	88.0	322.4	**730.4**
Pool claims	39.9	40.3	56.9	66.1	**203.2**
Future claims administration expenses	11.5	3.1	1.0	3.3	**18.9**
Reinsurance recoveries outstanding					
Group Excess Loss contract	-	-	-	(38.0)	**(38.0)**
Group Pool	(57.2)	(4.4)	(29.7)	(96.5)	**(187.8)**
Other	(1.7)	(3.9)	(0.4)	(25.0)	**(31.0)**
Net provision for claims outstanding	195.5	152.1	115.8	232.3	**695.7**
Free reserves					
(Deficit)/surplus on policy years	(8.0)	(50.7)	(3.6)	257.5	**195.2**
Unallocated investment income	-	-	-	235.7	**235.7**
Balance available for outstanding claims	187.5	101.4	112.2	725.5	**1,126.6**

Notes

1. Combined projected net outstanding claims at 20 February 2023, amounting to $695.7m, includes IBNR provision totalling $259.0m as follows:

2022/23 $m	**2021/22 $m**	**2020/21 $m**	**Closed years $m**	**Total $m**
117.0	41.9	35.0	65.1	**259.0**

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