STEAMSHIP MUTUAL

MANAGEMENT HIGHLIGHTS 2019

CONTENTS

AT THE 2019 RENEWAL, THE CLUB WAS ABLE TO DISPENSE WITH A GENERAL INCREASE FOR THE FIFTH YEAR, REFLECTING ITS STRONG FINANCIAL POSITION.

Armand Pohan
Chairman of the Board

FINANCIAL RESILIENCE. COMMITMENT TO SERVICE.

CHAIRMAN OF THE BOARD'S INTRODUCTION

I AM PLEASED TO REPORT THAT, DESPITE CLAIMS INCREASES AND A REDUCTION IN FREE RESERVES, THE CLUB ENDED THE 2018/19 YEAR IN A STRONG FINANCIAL POSITION, ENABLING IT TO AVOID A STANDARD INCREASE AT THE 2019/20 RENEWAL AND TO DISTRIBUTE CAPITAL TO ITS RENEWING MEMBERS.

THE ANNUAL GROWTH IN THE WORLD FLEET WAS LOWER THAN IN RECENT YEARS, ALTHOUGH THE CLUB'S OWNED TONNAGE GREW BY A NET ONE MILLION GT DURING THE YEAR, TO 85.6 MILLION.

$467m

FREE RESERVES US$

$22m

2019 CAPITAL DISTRIBUTION

In 2018/19 the financial year combined ratio was 116.1% compared to 102.1% in the preceding (2017/18) financial year. The Club's goal is to achieve a combined ratio of 100% or less, and a number of factors contributed to the higher outcome.

The 2018/19 policy year claims are now projected to be greater than originally expected, accompanied by lower levels of reserve releases. Pool claims are also higher than in preceding years: in fact, 18 claims exceeding retention were notified to the Pool, none involving vessels entered in the Club. At the same time, premium fell, by approximately US$14 million, reflecting amongst other things improved Member records, cancellations because of sanctions, and some losses (and gains) at renewal. And, 2018 was the 4th successive year (2019/20 is the 5th) without any standard increase, despite churn.

Members records are generally assessed over a six year period. Notwithstanding higher claims in the 2018/19 policy year, the Club's average combined ratio over the most recent six year period is an acceptable 91.6%.

The Club was able to dispense with a general increase reflecting its strong financial position. This also enabled it to distribute capital to renewing Members, despite higher claims and lower premium, leaving free reserves comfortably in excess of required levels for regulatory and rating agency purposes.

Investment income in the 2018/19 policy year was relatively modest, at US$18.8 million, below returns achieved in the two preceding years.

Over the year, free reserves reduced from US$516 million to US$489 million, before the capital distribution to Members of US$21.9 million, leaving year end free reserves at US$467 million. Nevertheless, the Club's financial strength means that in October the Board will again consider whether further funds should be distributed to Members.

Whilst Owners and operators naturally focus upon cost, and expect their P&I premiums to be competitive, the Club is ultimately judged by the quality of its service. Indeed, in many ways it is easier to negotiate premium for a renewing member than it is to provide excellent service on demand, often at short notice, throughout the world and throughout the year. This is an essential objective, and the Club's overseas offices make a significant contribution towards it.

Last year I reported that in order to prepare for Brexit and to continue to underwrite EU business, we would establish a new European company located in Rotterdam. Subsequently the Board and Managers concluded that obtaining a licence in Cyprus would be preferable. There will be a close connection between the London based Club and the new European Club, with a common approach and outlook, and Members will receive the same levels of service as from the London Club.

The position in Europe concerning the implementation of Brexit is still unclear and fluid. The Board is following developments closely, as Members would expect, to ensure that the European Club provides the necessary cover to European Members.

Cyprus is a centre of shipping operations, with a number of Members based there. That Club will not only insure European Members but also support overall strategy; to continue to broaden and serve the Membership.

There are many geopolitical challenges, including new regulatory burdens, political hurdles, protectionism and cyber. And of course some risks have been reduced; piracy, for example, has been suppressed in some regions, but not eradicated.

The implementation of the MARPOL amendments to introduce a sulphur cap on marine fuel oils is slightly over six months away. Many Members are concerned about the availability of compliant and compatible fuel, and possible restrictions on the use of scrubbers. There is uncertainty concerning safety as well as financial implications. Through the International Group the Clubs are cooperating with industry bodies in order to assist them in discussions with the IMO concerning technical and implementation issues.

Some Members have been affected by US Government and other sanctions relating to Venezuela, Syria, Iran, and North Korea. These apply not only to operators who directly breach enforceable sanctions requirements, but also to others (including insurers) who may unwittingly provide services to companies engaged in sanctionable trade. As an insurer and provider of related services, the Club adopts a proactive approach, taking various steps to ensure compliance with sanctions, when otherwise there may be a risk of adverse action, including enforcement. The risk of non-compliance is most likely to arise when a Member carries embargoed cargo, trades to a prohibited area or with a designated entity, or provides related services of some kind. Procedures are in place to identify potential sanctions infringements and to minimise the risk of contravention by Club and Members.

Cyber risk originates in hostile action designed to jeopardise the proper functioning of its targets. The Club has systems in place and procedures to deter, identify and respond to cyber-attacks, and Members will of course have their own safeguards. To assist them, the Club has produced a film "Cyber Security: Smart, Safe Shipping" **(www.steamshipmutual.com/loss-prevention/cybersecurity.htm)** which highlights the risks and the necessity for controls to counter the growing threat to shipowners and operators. This and other material concerning cyber security is available without charge.

During the course of the year Mr Sanjay Mehta resigned from the Board to facilitate his appointment to the Board of the Corporate Trustee of The Steamship Mutual Trust. We would like to thank Mr Mehta for his valuable contribution over the last 15 years. We welcomed Mr Erxin Yao to the Board and I hope he will enjoy his time with us.

Armand Pohan
Chairman of the Board

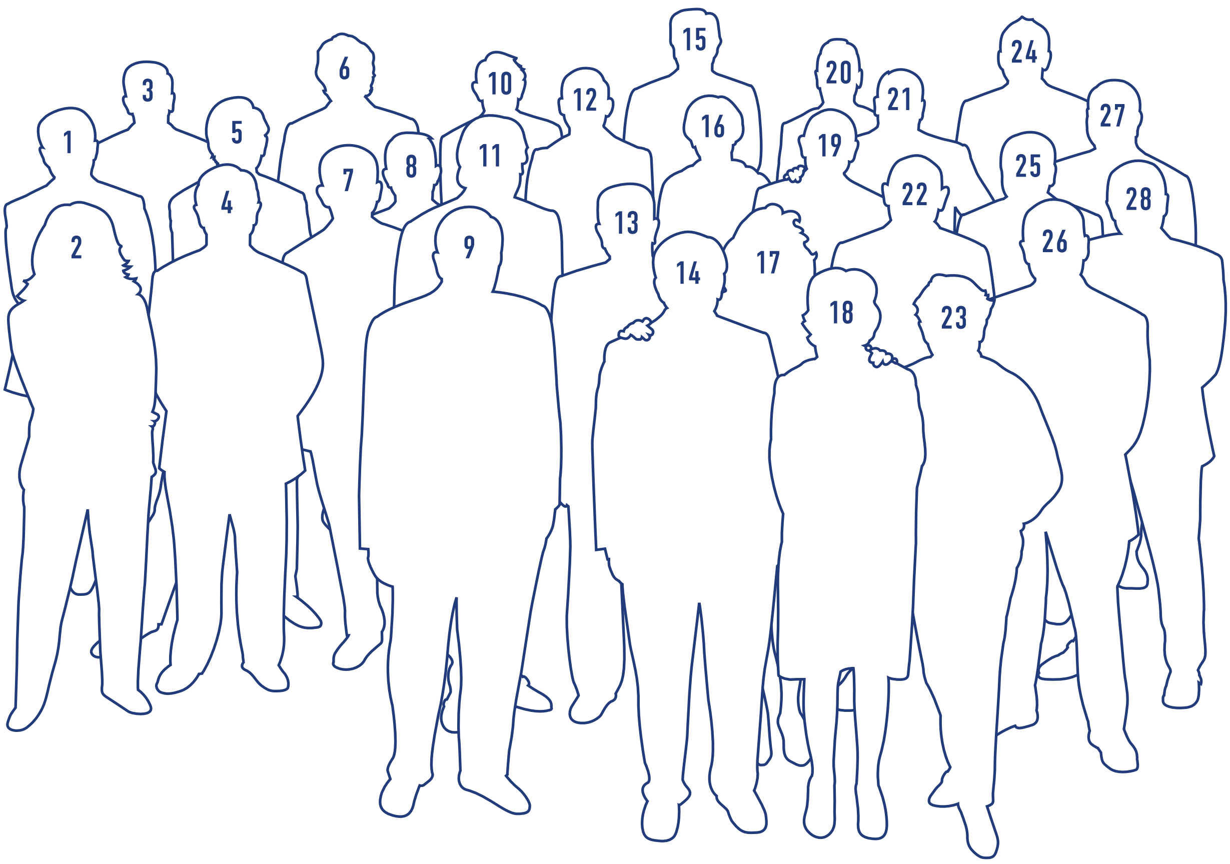
THE CLUB REMAINS IN A STRONG FINANCIAL POSITION AND IN OCTOBER OF THIS YEAR, AS PART OF ITS ANNUAL REVIEW, THE BOARD WILL CONSIDER WHETHER THERE SHOULD BE A GENERAL INCREASE AND/OR A FURTHER DISTRIBUTION OF FUNDS TO MEMBERS.

Stephen Martin
Executive Chairman

CLUB DIRECTORS – AMSTERDAM 2019

THE BOARD OF DIRECTORS IS GRATEFUL FOR THE STALWART ASSISTANCE OF JACKIE CALLARD, SECRETARY TO THE BOARD, WHO IS RETIRING AFTER 42 YEARS OF LOYAL SERVICE. WE SEND HER OUR HEARTFELT GOOD WISHES FOR THE FUTURE.

Armand Pohan
Chairman of the Board



1 Mr Chunfeng Song
2 Ms Sonia Zagury
3 Mr Carlos Juan Madinabeitia
4 Mr Enrique Ide
5 Mr Raffaele Zagari
6 Mr Alexandre Albertini
7 Mr Erxin Yao
8 Mr Eleftherios Veniamis
9 Mr Alan Marchisotto **T**
10 Mr Jeffrey Conyers **T**
11 Mr Sven-Michael Edye
12 Mr Sanjay Mehta **T**
13 Mr C.K. Ong
14 Mr Armand Pohan
15 Mr Christian Ahrenkiel
16 Ms Mary Sloan
17 Ms Isabella Grimaldi
18 Ms Jackie Callard
19 Mr Alan Tung
20 Mr Roger Thompson **T**
21 Mr Daniel Farkas
22 Mr Antonio Zacchello
23 Ms Doris Ho
24 Mr Carsten Sommerhage
25 Mr Bharat Sheth
26 Mr Michael Frith
27 Mr Buckley McAllister
28 Mr Clive Bouch

T Directors of Steamship Mutual Underwriting Association Trustees (Bermuda) Ltd only

2018/19 KEY STATISTICS

$467m
FREE RESERVES US$ AT 20 FEBRUARY 2019

$21.9m
RETURN OF CAPITAL TO RENEWING MEMBERS US$

160m
COMBINED OWNED AND CHARTERED GROSS TONNAGE

116%
FINANCIAL YEAR COMBINED RATIO

GROSS TONNAGE BY VESSEL TYPE

3%	OTHER
6%	GENERAL CARGO
12%	CRUISE AND FERRY
19%	CONTAINER
23%	TANKER
37%	BULK CARRIER

GROSS TONNAGE BY REGION

2%
LATIN AMERICA

5%
AFRICA, MIDDLE EAST & INDIAN SUB-CONTINENT

16%
NORTH AMERICA

37%
EUROPE

40%
FAR EAST

92%
6 YEAR AVERAGE FINANCIAL YEAR COMBINED RATIO

ZERO%
NO GENERAL INCREASE FOR THE FIFTH SUCCESSIVE YEAR

$1bn
TOTAL INVESTMENTS & CASH IN EXCESS OF

A (stable)
S&P RATING

AGE OF VESSELS

24%	35%	17%	12%	12%
0-4 YEARS	5-9 YEARS	10-14 YEARS	15-19 YEARS	20+ YEARS

DESPITE A CHALLENGING YEAR FOR CLAIMS, THE CLUB'S FREE RESERVES REMAIN STRONG AND THE CAPITAL RATIO IS ONE OF THE STRONGEST IN THE INTERNATIONAL GROUP ENABLING IT TO RETURN CAPITAL TO ITS MEMBERS.

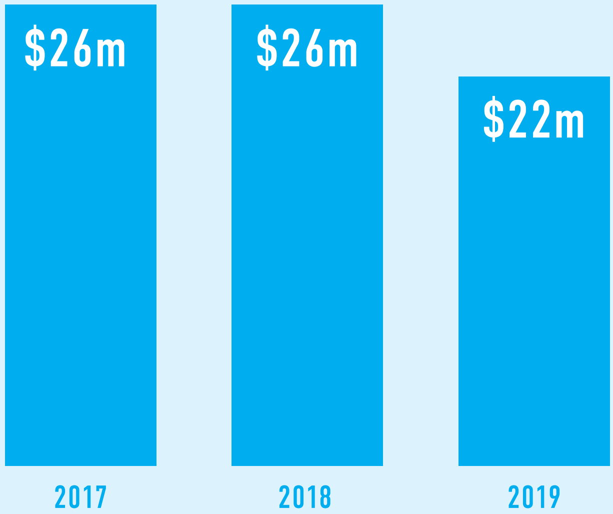
Arjun Thawani
Chief Financial Officer

2018/19 FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 20 FEBRUARY 2019

CAPITAL DISTRIBUTIONS / RETURN OF PREMIUM
US$ MILLIONS

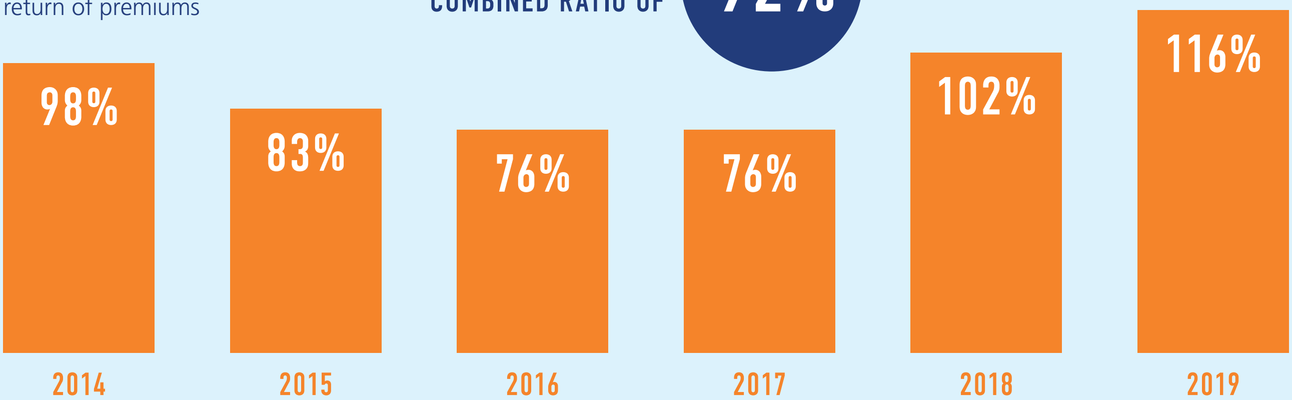
DISTRIBUTIONS MADE TO MEMBERS FOR 3 YEARS



COMBINED RATIO
PERCENT %

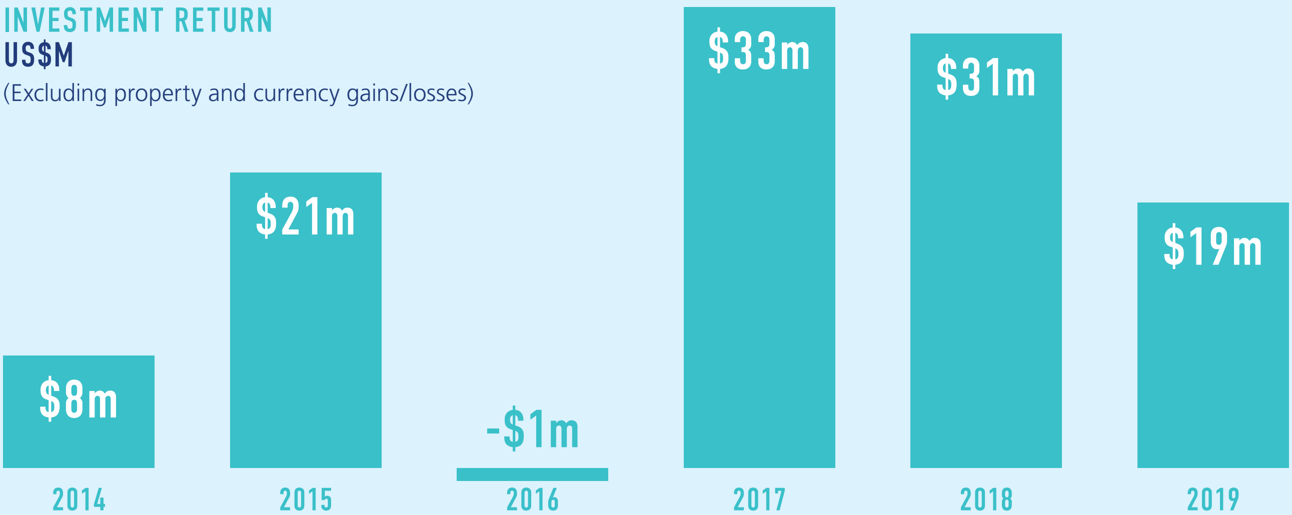
On net premium, excludes return of premiums

SIX YEAR AVERAGE COMBINED RATIO OF **92%**



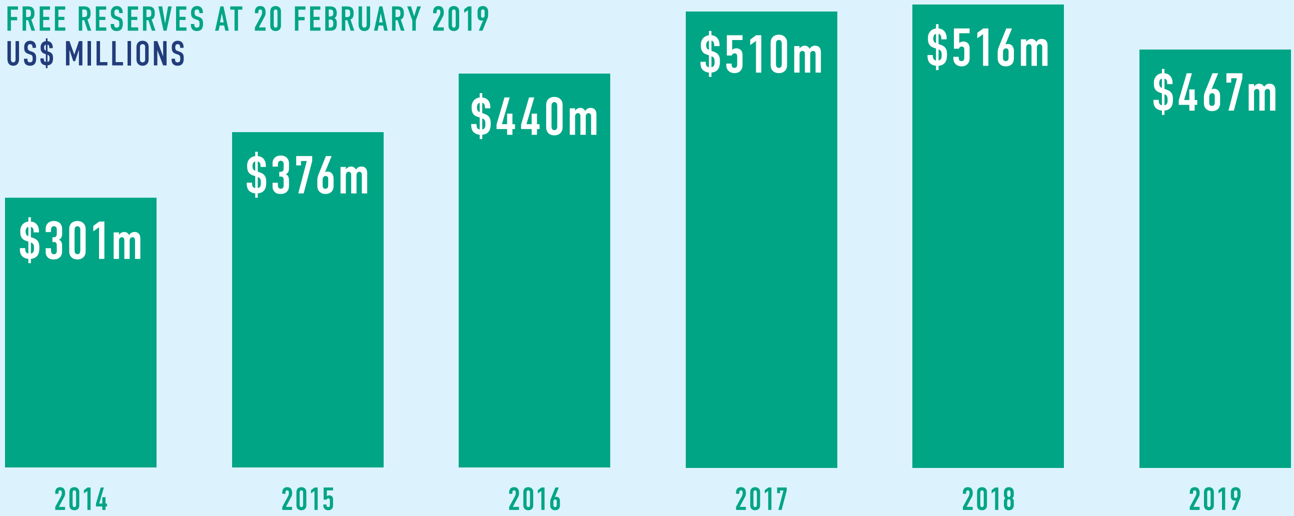
INVESTMENT RETURN
US$M

(Excluding property and currency gains/losses)

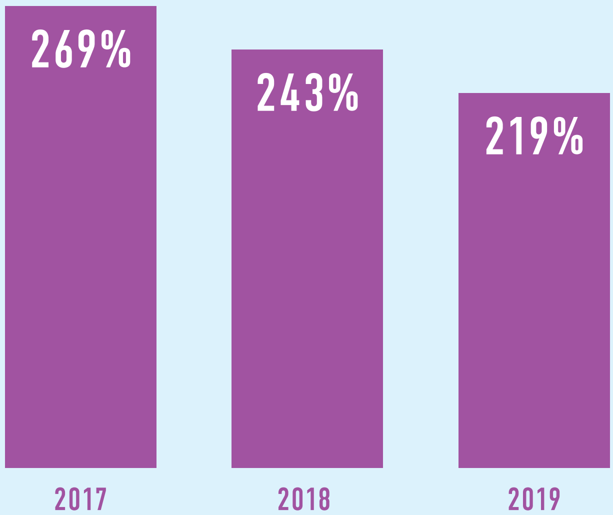


S&P RATING: A (STABLE)

FREE RESERVES AT 20 FEBRUARY 2019
US$ MILLIONS

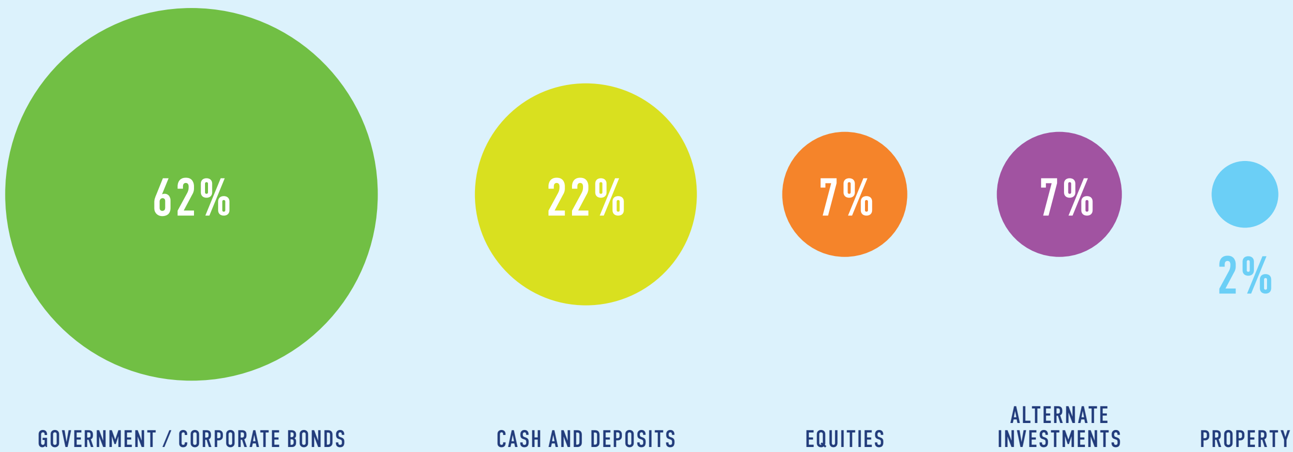


SOLVENCY II CAPITAL RATIO
PERCENT %
BSCR Ratio



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

ASSET ALLOCATION



UNDERWRITING AND REINSURANCE

OVER THREE MILLION GT OF OWNED TONNAGE HAS ALREADY BEEN COMMITTED TO THE CLUB FOR THE 2019 POLICY YEAR.

Gary Field
Head of Underwriting, London

THE CLUB'S STRONG CAPITAL POSITION ENABLED THE BOARD TO AVOID IMPOSING A GENERAL INCREASE, FOR THE FIFTH SUCCESSIVE YEAR, AND TO DISTRIBUTE CAPITAL TO RENEWING MEMBERS. THUS, FOR A THIRD YEAR IN A ROW THE CLUB'S FINANCIAL STRENGTH HAS MADE IT POSSIBLE TO RETURN FUNDS TO MEMBERS.

Year to 20 February 2019

During the 2018 policy year owned tonnage increased by approximately one million GT and premium reduced by US$550,000. This reflected, in part, the cancellation of a few fleets due to the imposition of sanctions.

Over the course of the year the Club's entered tonnage grew by approximately 1.14%, whilst global fleet growth was 2.56%, in both cases a lower rate of growth than in preceding years.

In recent years, the Club's premium per GT has reduced largely because of churn (see glossary). In 2016/17 and 2017/18, for example, churn ran at 6.3% and 4.1% respectively.

In 2018/19 however, this measure reduced to just 1.3%, and the overall premium rate was largely unchanged. Although churn is not an accurate indicator of the level of movement in or out of the Club, the cancellation of a few larger, higher paying vessels can have a disproportionate (reducing) effect upon the average premium rate per ton, across the Club as a whole. For the 2018/19 year however, the low level of churn reflects normal premium losses for outgoing tonnage, and higher than usual premium gains for incoming tonnage, resulting in rough equality.

The Club's chartered entry increased by 1 million GT to 75 million GT bringing the Club's overall entry to 160 million GT on a combined owned and chartered basis.

Renewal 20 February 2019

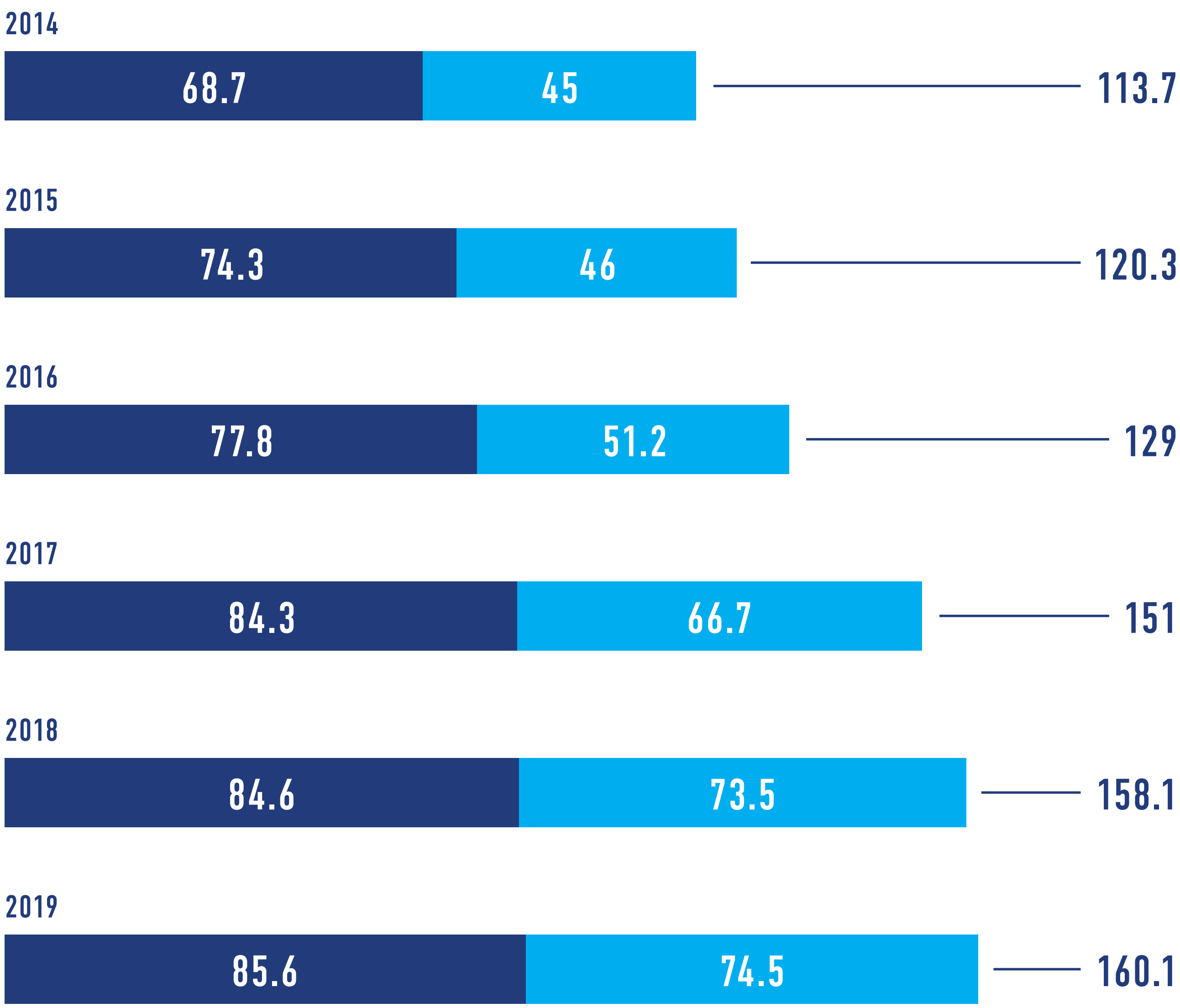
Given the Club's capital return and a fifth year without any general increase it is perhaps not surprising that the loss records of many Club Members were (and remain) in balance. Nevertheless, some Members have experienced significant adverse claims over the last few years, and in those cases the Club sought and achieved increases in order to restore, or make progress towards, underwriting balance. Generally the Club was able to achieve increases when records required it.

Rupert Harris
Head of Reinsurance, Chief Executive SSM Europe

INTERNATIONAL GROUP POOL INCURRED CLAIMS BASED UPON HISTORICAL THRESHOLDS
US$ MILLIONS

Months	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
12 Months	226.3	179.1	231.0	368.6	279.8	179.6	198.4	84.0	227.2	**306.1**
24 Months	221.8	241.1	277.9	453.9	327.0	193.6	276.6	125.9	**269.6**	
36 Months	223.5	266.9	280.8	467.0	364.0	204.5	284.0	**145.0**		
48 Months	219.5	252.5	289.6	465.1	364.9	215.8	**282.7**			
60 Months	246.9	250.6	289.3	446.3	411.6	**221.3**				
72 Months	266.7	259.0	288.7	418.6	**408.6**					
84 Months	263.9	259.9	284.4	**403.6**						
96 Months	260.7	254.0	**281.2**							
108 Months	260.4	**266.3**								
120 Months	**256.5**									

OWNED AND CHARTERED TONNAGE
GT MILLIONS



THE OPENING OF STEAMSHIP'S SINGAPORE OFFICE HAS ENABLED THE CLUB TO WORK CLOSER WITH OUR MEMBERS IN THE REGION, COMPLEMENTING OUR STRONG PRESENCE IN ASIA.

Jamie Taylor
CEO Singapore Branch

Owned P&I entries

For renewing Members the Club achieved an overall increase in premium of 2.1% or approximately US$5 million. Adding the value of increased risk retention (deductibles and other changes in terms) the result was equivalent to an increase of approximately 6%.

New entries and losses

The outcome for owned entries (including P&I, Defence and extra covers) was neutral in terms of tonnage gains and losses and a net loss in premium of US$1.9 million.

The outcome for chartered business (including P&I, Defence and extra covers) was net loss of 170,000 GT and a premium loss of US$1.5 million.

2019

As the new policy year began the Club's projected annualised premium for both owned and chartered entries was US$304 million.

Encouragingly, over three million GT of owned tonnage has already been committed to the Club for the 2019 policy year, organic growth aside. The Club's financial strength and commitment to service provide a good foundation to attract business through the forthcoming policy year.

Pooling and Reinsurance

Pooling

2018 has seen overall Pool claims move upwards. At the time of writing, 18 claims with estimates exceeding 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 notified no claims to the Pool for 2018. There was no change to the Club retention of US$10 million for the 2019 policy year. The Pool structure remained largely unchanged.

General Excess Loss contract

No claims have been estimated to reach this contract. In spite of a hardening reinsurance market, the International Group secured a small reduction across the programme to be able to reduce the Excess Loss rates for all categories of vessel. This was mainly achieved by restructuring the programme to introduce a new Annual Aggregate Deductible within the first layer of the programme. This structure should create greater certainty for each Club's exposure to large claims.

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.

$304m

US$ PROJECTED ANNUALISED PREMIUM FOR BOTH OWNED AND CHARTERED ENTRIES

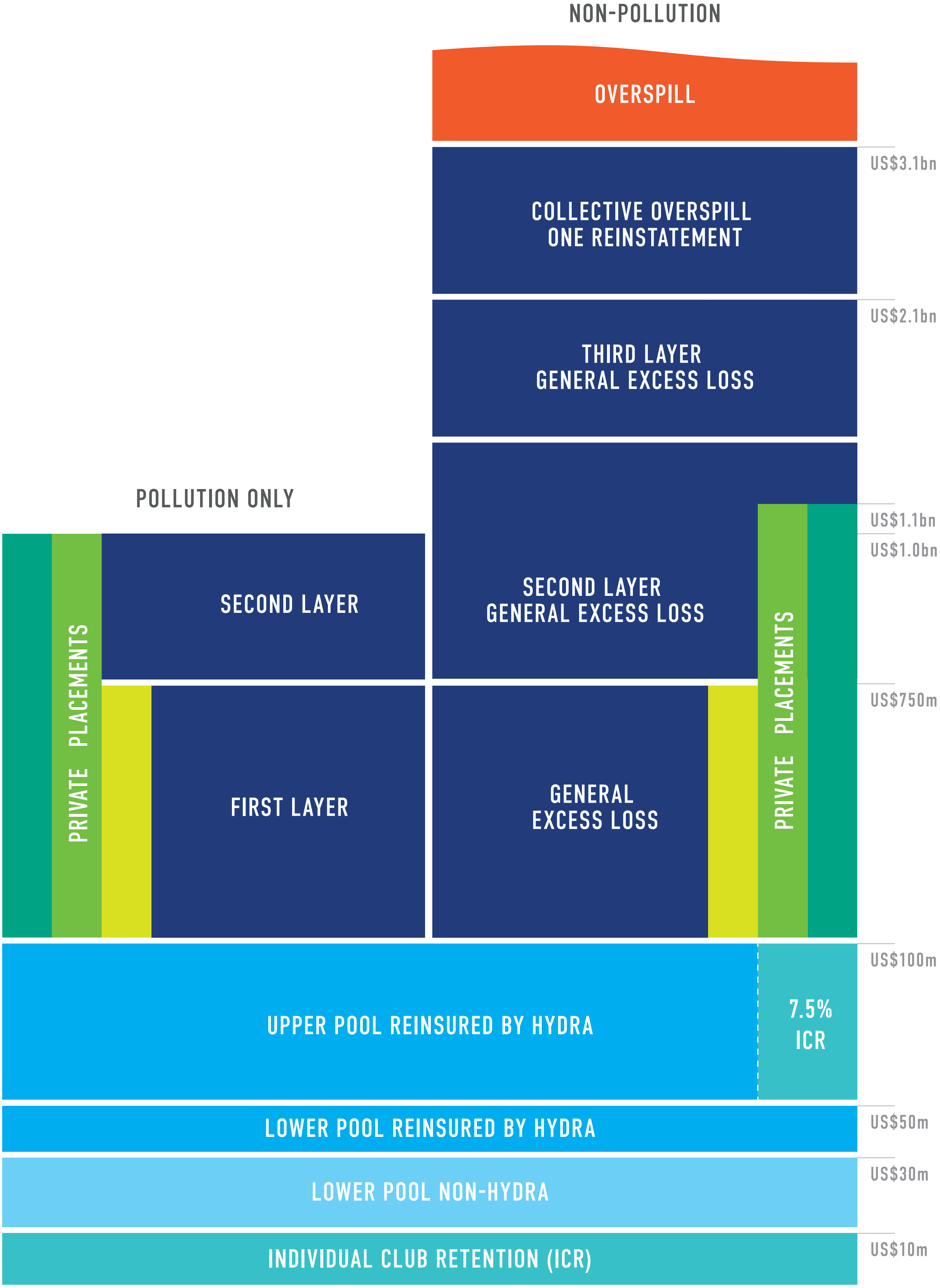
Kristina Larsson
Syndicate Executive, Underwriting, London

David Archard
Syndicate Manager, Underwriting, London

ASIA HAS ALWAYS BEEN AN IMPORTANT REGION FOR STEAMSHIP MUTUAL AND IT IS A GREAT BENEFIT TO BE ABLE TO MAINTAIN CLOSER CONTACT WITH OUR MEMBERS FROM OUR OFFICES IN HONG KONG, SINGAPORE AND TOKYO.

Eric Wu
Director – Underwriting,
Hong Kong

LAYERS OF INTERNATIONAL GROUP REINSURANCE PROGRAMME 2019/20



Sven-Michael Edye
Board Member
Chairman, Steamship Mutual Bermuda

P&I CLAIMS

THE 2017 AND 2018 POLICY YEARS SERVE AS A REMINDER OF THE VOLATILE NATURE OF LARGE LOSSES ARISING EITHER FROM THE CLUB OR THE INTERNATIONAL GROUP.

Charles Brown
Head of Claims, London

AFTER THE SIGNIFICANT INCREASE IN THE CLUB'S OVERALL CLAIMS EXPERIENCE LAST YEAR, THE 2018 POLICY YEAR SHOWED A SUBSTANTIAL REDUCTION IN GROSS INCURRED CLAIMS AS AT THE 12 MONTH PERIOD.

The cost of claims within the US$10 million retention experienced by the Club in 2018 only fell by 2.5% compared to the previous year, despite the Club incurring no pool claims – higher than original projections at the outset of the year.

The level of attritional owned claims (less than US$250,000) over the last six years have been remarkably consistent with the exception of the 2016 policy year, which now appears to have been anomalous.

The number of large owned claims – those involving claims in excess of US$250,000 – increased but their average value declined resulting in a total almost 13% lower than in 2017. This is largely attributable to the Club not having any pool claims in the 2018 policy year.

Chartered claims in 2019, net of reinsurance, increased substantially in total value over the previous year, mainly as a result of four claims in excess of US$1 million.

Looking at the corresponding figures for previous years there does not appear to be evidence to support a trend of increasing charterers' claims and it may well turn out that the 2018 policy year was anomalous in this respect.

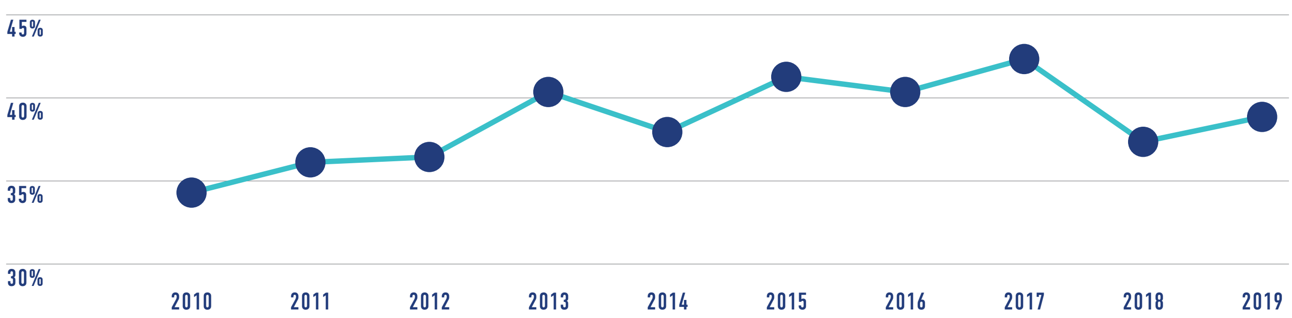
Despite a significant increase in the number of FDD claims, there was a substantial decrease in the total amount of expenses incurred to the lowest level in five years.

At year end, 18 claims exceeding the Pool retention occurring in 2018 were reported to the International Group, five more than in 2017. None of these involved vessels entered in the Club. Although the majority of these were consequent on collision, grounding or damage to fixed or floating objects, four involved fires on board. There were also three pollution claims. Whilst retained estimates are at present 2.9% lower at the 12 month point than for the prior year, it is anticipated that the ultimate cost of Pool claims for the 2018 policy year will be significantly higher than the prior year.

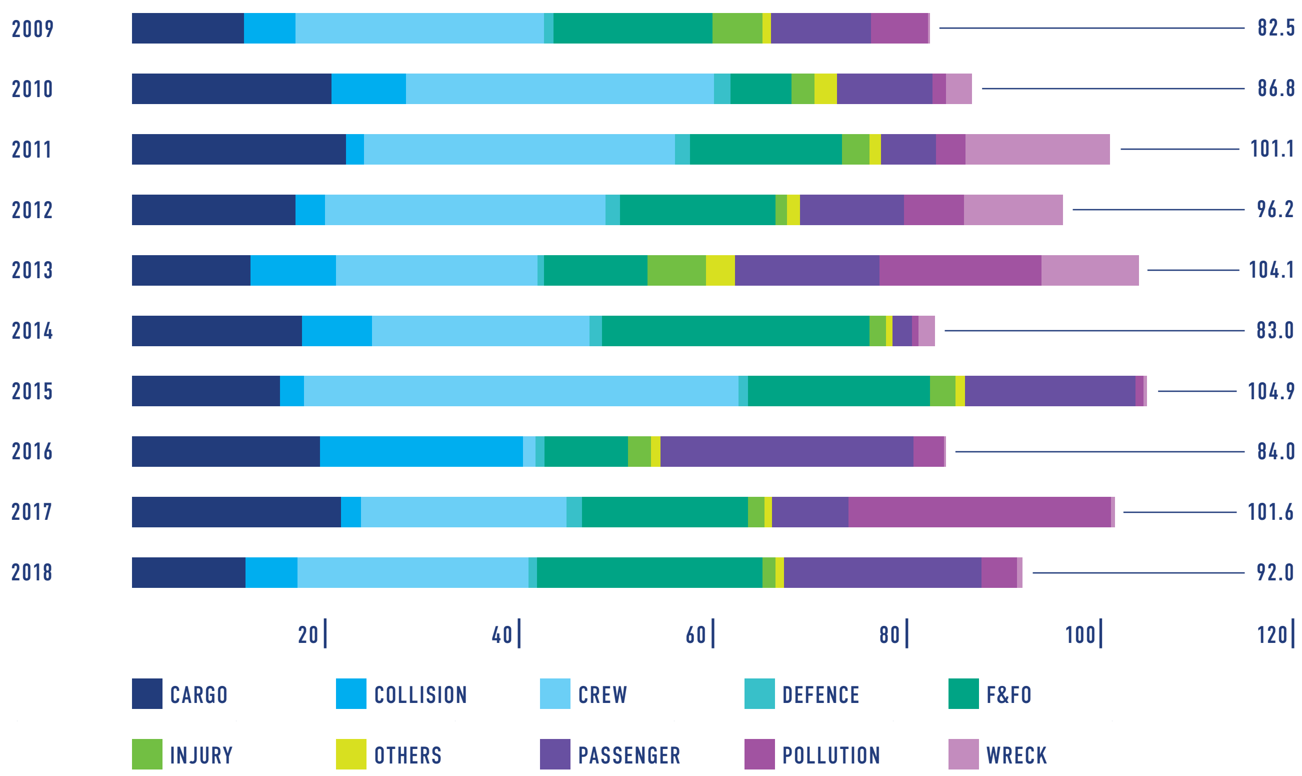
The Club's experience in relation to prior year claims was positive overall in 2018 with improvements in prior year results at both the retained level and the Pool level. However, the Club continues to maintain a prudent reserving appetite, as can be seen from the level of IBNR provisions at the end of each financial year shown in the graph below.

Disregarding the 2016 year, the spread between the highest and lowest years for attritional claims is only just over 6%. This lack of volatility of attritional claims as an indication of claims trends is encouraging. The 2017 and 2018 policy years serve as a reminder of the volatile nature of large losses arising either from the Club or the International Group - the 2018 policy year is currently only 52% developed so the scope for further volatility remains.

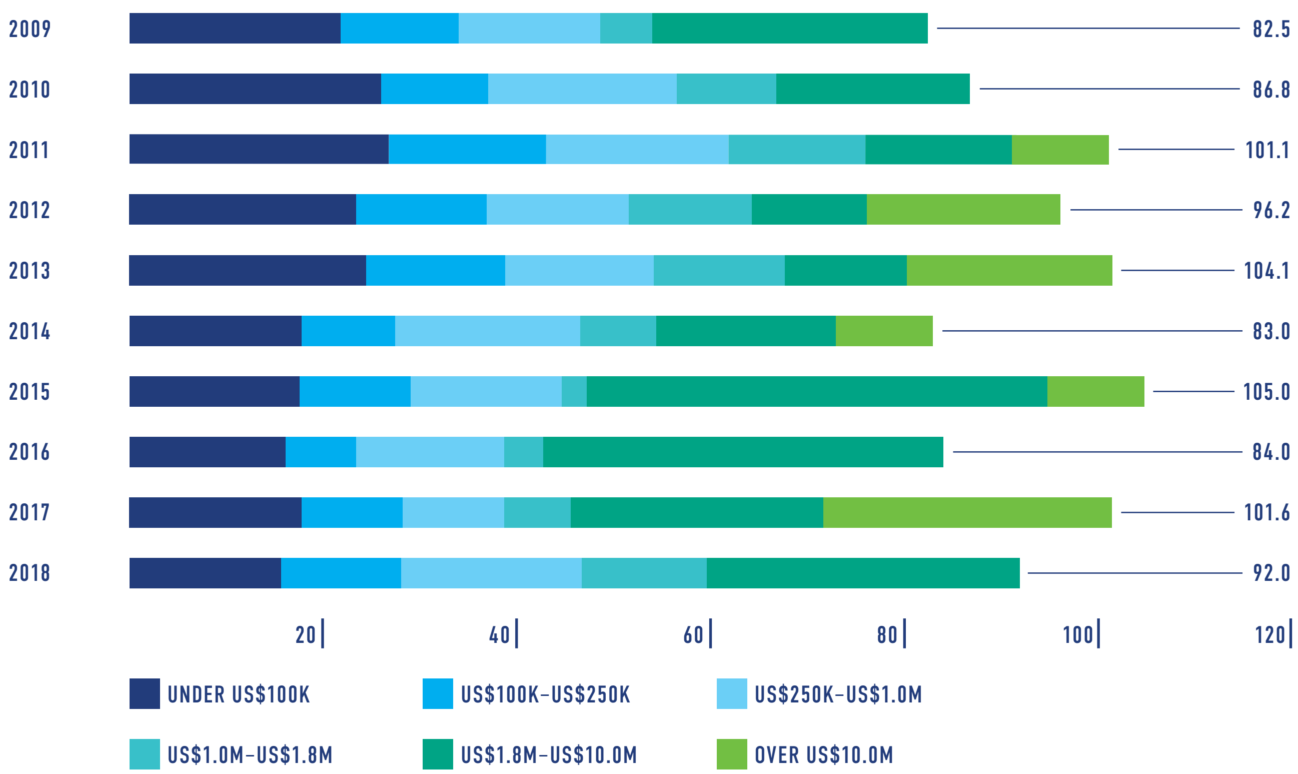
IBNR AS A PERCENTAGE OF TOTAL NET OUTSTANDING CLAIMS AS AT EACH FINANCIAL YEAR-END



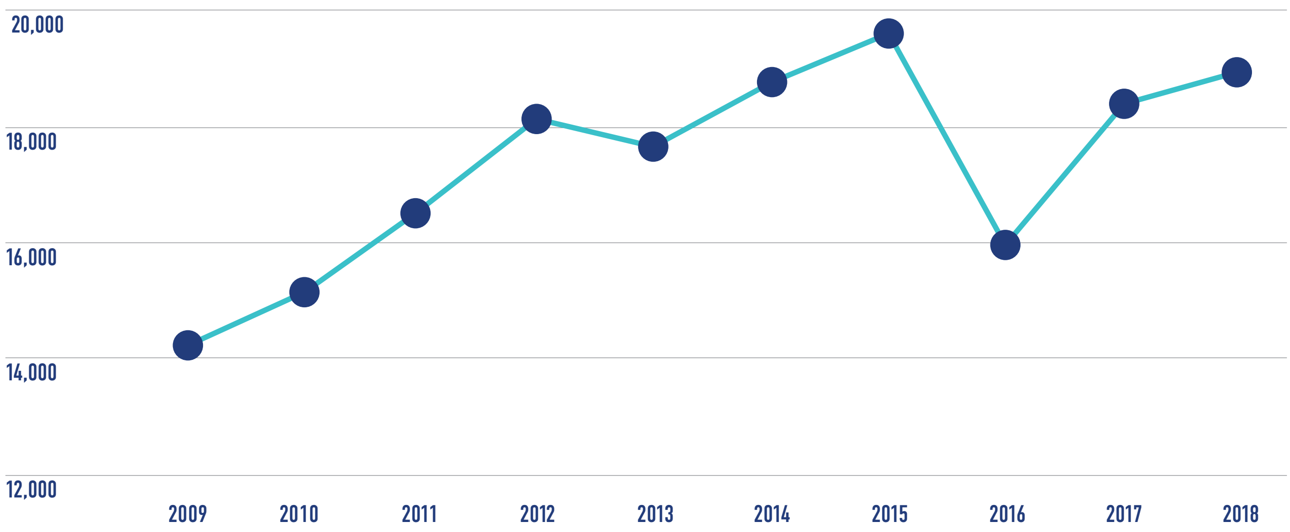
RETAINED OWNED CLAIMS BY CLAIM CATEGORY AT 12 MONTHS
US$ MILLIONS



RETAINED OWNED CLAIMS BY SIZE AT 12 MONTHS
US$ MILLIONS



AVERAGE SIZE OF ATTRITIONAL CLAIMS (UP TO US$250,000) AT 12 MONTHS



Large Claims Review

The Club incurred 67 claims in excess of US$250,000 in 2018. The total estimated exposure for those large claims at the year-end, net of individual claims deductibles, was approximately US$105.8 million. The comparable figures for the preceding year were 50 claims estimated at a total of US$172.6 million, so whilst claims frequency was higher in 2018, claims severity was considerably lower.

There were no claims in 2018 to involve the International Group pooling reinsurance, whereas the Club incurred three pool claims in 2017. This factor alone accounts for an overall reduction in the claims experience for 2018 of approximately US$91 million. However, that reduction was offset by an increase of US$24.4 million in the value of large claims up to US$10 million. There were 66 such claims valued at US$73.8 million in 2018 compared with 47 claims totalling US$49.4 million in 2017.

In contrast to past recent experience, claims in respect of chartered entries constituted both the most frequent and most severe exposure in 2018. Next in severity were fixed and floating object (FFO) and passenger liability claims. There were 36 claims overall in these three categories (54% by number), and collectively these constituted over 75% of the value of the overall large claims exposure for the year.

Cargo

There were nine large cargo claims involving owned entries with an overall value of US$6.1million, approximately 6% of the total. These claims arose on six different ship types – general cargo, container, tanker, bulk carrier, RoRo and barge. No category of vessel contributed disproportionately to the exposure.

There were a variety of causes of these claims, but fire contributed the most exposure, approximately 38% of the total for this claim category. Other causes in descending order of severity were: crew error in cargo handling, stowage or securing (26%); structural deficiency of the vessel (20%); and mechanical breakdown (16%).

Chartered

There were 15 large claims incurred in respect of chartered entries, with an overall value of US$42.4 million. In contrast to the experience of cargo claims on owned vessels, the overwhelming majority of the chartered claims arose on one category of vessel; container. There were 12 claims involving container vessels and these contributed 92% of the overall exposure in this category. The other three claims involved a tanker, bulk carrier and a general cargo vessel.

Three of the claims involved potential liability for damage to hull and contributed 8% of the overall exposure. Of the other 12 claims, the most frequent liability was for loss or damage to cargo and this constituted an exposure of US$12.6 million (30% of the total).

Fire or cargo heating was the cause of 69% of the cargo claims exposure. There were three incidents of vessels running aground which generated a further 12% of the exposure, notwithstanding that much greater exposure for the consequences of those incidents should rest with the respective Owners of the vessels given the circumstances of those incidents. Other less significant causes of the cargo liabilities involved leakage of the contents of containers and failure to recognise the requirement for refrigerated containers to be connected to electrical power.

There was one pollution incident as the result of liquid cargo spilling from flexitanks, and one FFO claim arising from an allegation of an unsafe berth to which the vessel had been ordered.

The notable feature of the cargo liability exposure for both owned and chartered vessels is the part played by fire as the cause, which constituted 66% of that exposure.

Geoffrey Wardropper
Syndicate Executive, Claims, London

Danielle Southey
Syndicate Associate Claims, London

Fixed and Floating Objects

There were 12 large FFO claims with a total value of US$20.8 million, representing 20% of the overall large claims exposure. Both frequency and severity were higher than in the previous year and the claims involved six different vessel types.

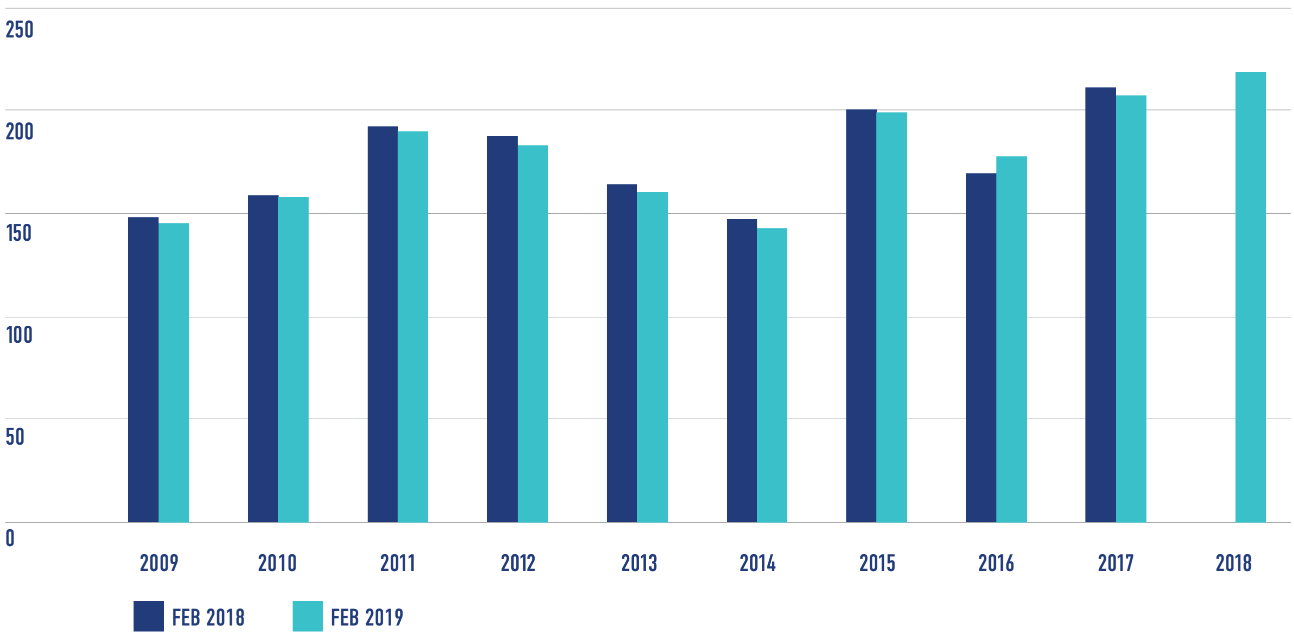
As may be expected with this claim category, the most frequent claims arose from damage caused when vessels were manoeuvring either to approach or to depart a berth. There were four such incidents which contributed 22% of the overall FFO exposure. In three of those incidents the vessels were being assisted by local pilots.

The most severe claims arose as the result of operational errors whilst ships were manoeuvring within a port environment. There were three incidents of this nature which contributed 55% of the overall exposure. One involved a failure in bridge resource management when an incorrect helm order was executed without being checked, one involved excessive speed in the vicinity of a moored vessel, and the other involved a loss of control of a vessel in adverse environmental conditions.

Of the other large FFO claims, two arose when ships broke away from their berths in adverse weather, two involved damage to submarine cables as the result of vessels dragging their anchors, and there was one claim that arose from mechanical breakdown. These incidents contributed 9%, 8% and 6% of the overall FFO exposure respectively.

12 LARGE FFO CLAIMS TOTALLING US$20.8M

DEVELOPMENT OF NET CLAIMS BY POLICY YEAR
US$ MILLIONS



Fiona Li, Rohan Bray, Eric Wu, Shirley Wu
Steamship Mutual Hong Kong

Thuolase Vengadashalapathy
Syndicate Associate, Claims, Singapore

Passenger

There were nine large passenger claims with a total value of $17.7 million representing 17% of the overall large claims exposure. Frequency and severity were both higher than in the previous year.

Fortunately the claims that involved physical injury to passengers were in the minority. There were four claims of this nature representing 11% of the total passenger claim exposure. Three claims involved passengers sustaining injuries in falls, one of these occurred on the vessel and the other two occurred during off vessel excursions. The other incident giving rise to injury arose on a vehicle ferry when a car fell from a ramp in the vehicle deck.

The other five claims, which contributed 89% of the overall passenger claim exposure, arose from the curtailment of cruises. There were two such claims that arose following failures in propulsion machinery, another two arose when vessels' rudders and propellers were damaged following groundings, and one as the result of an outbreak of viral illness.

Crew

There were 12 large crew claims with a total value of US$10.5 million or 10% of the overall large claims exposure. Whilst the frequency of these claims was lower than in the preceding year, their severity was 34% greater. The claims arose on nine different vessel types. Eight of the claims involved injury, and the other four arose from illness. As in the previous year, the overwhelming majority of the large crew claims (75%) arose on vessels either registered in or operated from the USA.

The injury claims amounted to 74% of the value of the claims in this category. There were four injury claims that arose whilst crew were working with or in the vicinity of machinery, and all involved a failure to follow safe working practices. Those incidents contributed 58% of the total cost of large crew claims. Three injuries arose following falls on deck and these constituted 11% of the total large crew claims exposure. The other claim involved an injury that arose from a strain whilst the crewmember concerned was working.

The illness claims arose from a variety of ailments and involved one death. Only one of the claims appears to have involved a condition that might potentially have been identified in an enhanced pre-employment medical examination.

Collision

There were six large collision claims in 2018 with a total value of US$5.2 million. The severity and frequency of these claims were both greater than in the preceding year. The causes of these claims involved familiar issues of failure to keep a proper lookout and to appreciate the risk of collision.

The severity of these claims was compounded by the deaths of nine individuals and injuries sustained by a further 11 persons in three of the incidents. These involved collisions with two fishing vessels, and a recreational vessel respectively. These three incidents constituted 72% of the total value of the large collision claims.

$5.2m

SIX LARGE COLLISION CLAIMS TOTALLING US$5.2 MILLION

SAFETY AND LOSS PREVENTION

SHIPBOARD FIRES ARE A SIGNIFICANT FEATURE OF THE 2018 CASUALTY EXPERIENCE.

Chris Adams
Managing Director,
Head of Loss Prevention, London

IT IS NOTABLE FROM THE REVIEW OF THE CLUB'S LARGE CLAIMS EXPERIENCE IN 2018 THAT A VERY SIGNIFICANT PROPORTION OF THE OVERALL EXPOSURE IN THIS SECTOR AROSE FROM CARGO FIRES ON SHIPS. TWO VESSEL TYPES WERE INVOLVED, CONTAINER AND RORO AND THE CLAIMS ARISING FROM THIS CAUSE CONSTITUTED JUST OVER 33% OF THE OVERALL VALUE OF THE LARGE CLAIMS INCURRED LAST YEAR.

For seafarers, a shipboard fire is a terrifying experience. The routes for escape are very limited and it is therefore all the more important that the ships' own fire-fighting efforts bring any fire under control and extinguish it at the earliest opportunity. When such fires cannot be controlled, the effects can be devastating. In addition to the paramount risk of loss of life and personal injury to those on board, the resultant damage to ships, their cargoes and the environment can amount to many millions of US dollars.

Any cargo which is flammable poses a risk of fire. In many cases that risk may be obvious and precautionary measures can be implemented. However in the case of container ships the precise nature of the cargo is hidden from view within the containers themselves. Whilst there are obligations on shippers to accurately declare the nature of cargo being shipped such that dangerous cargoes can be readily identified and thereby loaded and stowed appropriately, regrettably the misdeclaration of the contents of individual containers, whether deliberate or otherwise, continues to be a feature of the trade.

Loss Prevention information, including Risk Alerts can be found on:

www.steamshipmutual.com/loss-prevention/

Precise statistics are elusive, and those that do exist are based upon small samples, but a report submitted by the International Cargo Handling Coordination Association to IMO in 2017 estimated that in 2015 some 1.16 million Cargo Transport Units (CTU: defined as a freight container vehicle, railway wagon or any other similar unit in particular when used in intermodal transport) loaded with declared dangerous goods might be anticipated to be deficient in some way. This of course does not include the many units that contain undeclared dangerous cargoes.

AS VESSELS BECOME LARGER THE DIFFICULTIES AND COSTS OF CASUALTIES RISE DRAMATICALLY

Container ships are becoming larger and consequently even if the risk of an undeclared dangerous cargo being loaded was not increasing, the more containers a vessel loads the greater is the chance that one or more of them may be the potential origin of a fire. As is already evident from high profile container ship fires in recent years, these give rise to numerous difficulties beyond extinguishing the fire itself. The scale of damage can be enormous, port states can be reluctant to provide refuge, disposal of the polluted water from firefighting and other waste material can be extremely difficult and expensive to accomplish, and as vessels become larger, these difficulties and the resultant costs rise dramatically.

There is no easy or obvious solution to this problem given the number of shippers involved globally and the quantities of cargo shipped by container. However, detailed guidance on the safe packing of cargo within containers is available to those responsible for undertaking this task in the IMO/ILO/UNECE Code of Practice for Packing of Cargo Transport Units – the CTU Code. It would undoubtedly be helpful in reducing this area of risk if more could be done to raise awareness of the requirements of the CTU Code and to verify compliance.

The electrical and fuel systems on vehicles that are carried on RoRo vessels can also pose a significant fire risk, particularly when such vehicles are not new, and there have been a number of costly casualties in recent years. Enhanced controls may be necessary to reduce these risks.

Navigation and Admiralty Claims

The commencement and conclusion of a voyage for a commercial vessel generally involves arrival at a port or terminal, and this stage of a voyage inevitably involves an increase in risk, particularly when manoeuvring in areas of increased traffic density or in the confined waters of a port or its approaches. That risk generally manifests itself as either a contact with a fixed or floating object (FFO) or collision with another vessel.

A vessel's navigation in the approach to and departure from a port or terminal is generally assisted by a local pilot. Notwithstanding the presence of a pilot, the vessel's bridge team should recognise the inherent enhanced risk

AS WITH ALL OFFICES, THE LATEST IN TOKYO FOLLOWS THE STEAMSHIP ETHOS OF PROVIDING EXCEPTIONAL SERVICE TO MEMBERS.

James Ingham
Director, Tokyo

at this stage of a voyage, and should therefore exercise heightened diligence to ensure that the intended passage plan under pilotage is agreed and fully understood. Further, the vessel's progress against that passage plan must be closely monitored in order to ensure that any deviation from it is observed and acted upon promptly.

As noted in the large claims review, the Club's claims experience in respect of liabilities for FFO damage and collision was higher than in 2017, both in terms of the number and severity of these claims. The circumstances of some of these incidents indicate that more effective bridge resource management could have had a beneficial impact.

It was also notable that two of the large FFO incidents involved damage to submarine cables caused by vessels' anchors. These claims are invariably costly because of the nature of the operations required to effect a repair, and the consequential loss associated with the denial of service associated with the cable being severed or damaged. The risk of a vessel dragging anchor must always be recognised and evaluated in the light of forecast weather conditions for the likely duration of the period to be spent at anchor. If there are submarine cables in the vicinity of the intended anchorage, this also must be taken into account in risk-assessing the proposed position in which to anchor.

Three of the collision claims involved contact with much smaller vessels; fishing vessels and recreational craft. Unsurprisingly the size differential in such incidents frequently and tragically results in loss of life and personal injury, the liability exposure for which is often far greater than the physical damage, which is the general measure of collision liability within the meaning of the "running down clause". The causes of these incidents generally involve familiar issues of adequacy of lookout, and appreciation of the risk of collision. As has been noted in past reviews, independent navigational reviews can be helpful in identifying deficiencies in navigational practice such that these can be corrected before they manifest as a casualty.

It was a notable feature of the passenger claim exposure in 2018 that the majority of this arose from cruise curtailment either following the breakdown of propulsion systems or damages to rudders and propellers. As these ship types also become larger, with greater passenger capacity, the amplification of liability when such incidents occur is self-evident and consequently emphasises the need for heightened care in all operational areas likely to have a causative effect in casualties of this nature.

Club and Industry Safety Information

During the course of 2018, the Managers once more supported and participated in the Nautical Institute's AGM and seminar in Malta, where the focus was upon refugees and the risks posed. The Managers also continue to promulgate 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

Members are strongly recommended to disseminate this publication to all of their vessels and also to encourage their Masters and officers to consider becoming members of The Nautical Institute in order to benefit professionally from the information and material that is available through membership.

The Managers also continued to publish on the website the reports issued pursuant to the Mariners' Alerting and Reporting Scheme (MARS). MARS reports are confidential and anonymous reports of incidents or near misses under an international cooperative scheme that serves to raise awareness and improve safety. 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/Articles/seaways.htm

During the year the Managers also participated in seminars and presentations on loss prevention topics in China, Greece, Indonesia, Romania and Ukraine.

The Club's sixth Residential Training Course for Members will take place in London and Southampton commencing on 24 June 2019.

CURRENT GROUP ISSUES

THE 2020 SULPHUR CAP AND SANCTIONS CONTINUE TO DOMINATE GROUP ISSUES.

Ben Dyer
Director, Underwriting, London

Francis Vrettos
Director, Claims, Piraeus

FROM 1 JANUARY 2020, ANNEX VI OF THE INTERNATIONAL CONVENTION FOR THE PREVENTION OF POLLUTION FROM SHIPS (MARPOL) WILL REQUIRE ALL VESSELS UNLESS FITTED WITH SCRUBBERS TO USE BUNKER FUEL WITH A MAXIMUM SULPHUR CONTENT OF 0.5% WORLDWIDE, OTHER THAN IN EMISSION CONTROL AREAS (ECA'S).

Pooling Agreement

The International Group's Pooling Agreement is being amended to revise the mechanism for deciding upon the scope of cover for specialist operations. In future, accommodation vessels will be acceptable as eligible vessels within the Pooling Agreement, and the scope of cover for non-marine personnel is being clarified.

Current Pollution Issues

Following court decisions in several recent pollution incidents – notably the Nissos Amorgos, the Erika and the Prestige - there is concern that some Member States are taking decisions that are not consistent with how the 1992 Civil Liability and Fund Conventions were intended to apply; notably with respect to the "limitation" and "channelling" provisions of the 1992 CLC Convention. As a result, the International Group has made a suggestion to the IOPC Funds that work be undertaken on a Unified Interpretation (UI) of the pollution conventions with a view to achieving a more consistent application of these conventions.

A Memorandum of Understanding has been agreed between the International Group and the Chinese Oil Pollution Compensation Fund, similar to that currently existing between the International Group and the 1992 International Oil Pollution Compensation Fund. Moreover, pollution prevention regulations generally continue to be discussed with both the PRC and Taiwanese governments.

Marpol Annex VI – the use of low sulphur fuel

With effect from 1 January 2020, Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) will require all vessels unless fitted with scrubbers to use bunker fuel with a maximum sulphur content of 0.5% worldwide, other than in Emission Control Areas (ECA's) where the existing 0.1% limit will continue to apply. Shipowners are concerned that these forthcoming regulations and the resultant increase in the use of low sulphur fuel may exacerbate the current problems with bunker quality and its effect on vessel machinery. In addition to availability and quality issues, there are also concerns as to consistent enforcement of the provisions. The International Group is supporting other industry bodies in engaging with the International Maritime Organisation (IMO) with a view to try to mitigate this problem.

Bill Kirrane
Syndicate Manager Claims, London

Sanctions

Sanctions continue to have a significant impact on Members trading opportunities, and the ability of the Club to provide related insurance. There have been significant developments over the past 12 months, notably in relation to Iran, North Korea, Syria, and more recently Venezuela. The re-imposition of US secondary sanctions in relation to Iran has significantly cooled Iran trade. The EU responded in the form of amendments to the "Blocking Statute", prohibiting EU operators from complying with those US secondary sanctions. This has created conflicting sanctions laws for EU persons to navigate.

A side-effect of these developments is that banks are very averse to providing services in connection with countries affected by sanctions, even in relation to trade and insurance activities that are not targeted by sanctions.

Heather Cooper
Managing Director,
Bermuda office

THE CLUB IS ULTIMATELY JUDGED BY THE QUALITY OF ITS SERVICE.

Mary Sloan
Board Member,
Claims Committee Chair

GLOSSARY

TERM/ABBREVIATION	EXPLANATION
AIS	Automatic Identification System
BIMCO	Baltic and International Maritime Council
BMA	Bermuda Monetary Authority
BWM	The 2014 Ballast Water Management Convention
churn effect	Replacement of older higher rated tonnage with newer lower rated tonnage
CLC	International Convention on Civil Liability for Oil Pollution Damage
CTU	Cargo Transport Units
ECDIS	Electronic Chart Display and Information System
EU	European Union
FFO	Fixed and Floating Objects
FCR	Financial Condition Report
FDD	Freight, Demurrage and Defence
GSSA	Group Solvency Self-Assessment
GT	Gross Tonnage
Hydra	Hydra Insurance Company Limited
IBNR	Incurred But Not Reported – a term used to describe a claim which may have occurred, but of which the Club is not yet aware, or is only partially aware and for which provision must be made when calculating the Club's liabilities
IMO	International Maritime Organisation
ILO	International Labour Organisation
IOPC Fund	International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (Fund Convention)
JCPOA	Joint Comprehensive Plan of Action
MAIB	UK's Marine Accident Investigation Branch
MISA	Marine Invasive Species Act
NOD	Net of Deductible
P&I	Protection and Indemnity
PEME	Pre-Employment Medical Examination
S&P	Standard & Poor's
SIMSL	Steamship Insurance Management Services Limited
SMPH	Steamship Mutual Property Holdings Limited
SMUA	Steamship Mutual Underwriting Association Limited
SMUAB	The Steamship Mutual Underwriting Association (Bermuda) Limited
SPIM	Steamship P&I Management LLP
The Trust	The Steamship Mutual Trust
UK	United Kingdom
UN	United Nations
UNECE	United Nations Economic Commission for Europe
US	United States (of America)

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Featured on cover on board LOG-IN PANTANAL:

Captain João Francisco Neto, Master

Yuri Gomes, Superintendent

Katia Oliveira, Manager Steamship Rio de Janeiro office

Manoel Ribeiro, Chief Engineer

Paulo Cesar Espindola, Insurance Manager, Log-In Logistica Intemodal