

Intro

Steamship Mutual provides P&I cover to both owners and charterers. In addition the Club offers a range of ancillary products, including War cover. Recent events in Ukraine and the Red Sea mean it is more important than ever for Members to understand the scope of cover they have for War Risks.

I am joined today by Rupert Harris. Rupert is the CEO of Steamship Mutual Europe, one of the Club's Underwriting Directors and also the Club's Head of Reinsurance.

Do Owners have cover for War Risks under their P&I cover?

In short, "No". All International Group Clubs exclude War Risks under their P&I cover, in the same way as an Owner's Hull & Machinery cover will also exclude claims caused by a war event. By War, we mean not only war itself, but also civil war, revolution, rebellion, insurrection or civil strife. Also hostile acts by or against a belligerent power or any act of terrorism. In addition, cover will exclude any liabilities which arise out of weapons of war, such as mines and torpedoes.

If Hull and P&I underwriters exclude War, how do Owners protect themselves against War risks ?

In order to fill this gap, Owners will purchase a single War policy which includes both Hull and P&I war risks within it. Generally, but not always, both the Hull war and the P&I War elements will have a limit capped at the hull value of the vessel. Vessel values will vary a great deal, with older smaller vessels having values below \$10m, whereas some of largest modern cruise vessels have values in excess of \$1bn.

This means, particularly with low value vessels, an owner could be exposed to P&I war liabilities above the limit of cover they have under their combined Hull and P&I War cover. For instance, if there was a pollution or wreck removal, the limit under an owner's war cover could be quickly exhausted. So, in order to protect Members further, the International Group Clubs purchase a collective P&I War reinsurance, which sits excess of either the hull value of the vessel or US\$500m whichever is the lesser. The limit of that cover is US\$500m any one accident or occurrence.

Although it is important to note that in respect of Russian/Ukraine War risks, there is a sub-limit of \$80m. The reason for that lower limit is purely because there is very little reinsurance capacity available to underwrite those Russia/Ukraine war risks.

So, overall this means an Owner will generally have P&I War cover up to a limit of his hull value from his war risk underwriter, plus \$500m from his P&I Club for non-Russian/Ukraine risks or hull value plus \$80m for Russia/Ukraine war risks.

Does Steamship Mutual offer Hull and P&I War cover?

Yes, we do. Steamship started offering Hull War and P&I war cover to its members quite a few years ago, even though we do not write Hull & Machinery cover itself.

The Hull War cover is available to all Members of the Club. However we can also provide cover to a ship owner who is not a mutual member of the Club. So, if an owner would like to start a relationship with the Club with a view to becoming a full mutual P&I member in due course, then we are very happy to talk to them.

What are the limits and scope of the cover the Club provides?

We offer limits up to €300m on a 100% basis – i.e. we underwrite the full risk - or up to \$200m where we only underwrite a share of the risk, whether as a leader on the policy or a follower. That is a high enough limit to cover most vessels on a 100% basis, but there are some larger cruise vessels whose values will exceed €300m and we will have to cover only a part of the risk.

In terms of scope of cover, the Club does have its own War Risk Rules and many vessels are covered under those. However, we can also underwrite more bespoke wordings which might follow ITC, Norwegian, American or other War conditions.

Essentially, we are looking to provide cover which suits the needs of each owner.

Those needs will vary, depending on an Owner's underlying Hull conditions, its

trading patterns etc. As with all War underwriters, we provide an annual price per vessel along with additional premiums when vessels enter High Risk Areas.

What is the advantage to a Member in placing its Hull War cover with Steamship?

I hope there are a number of advantages to placing cover with Steamship Mutual, not least service and pricing. As a mutual, we are looking to keep pricing to a minimum. We don't primarily write this cover to make a profit for the Club. We certainly don't want to make a loss of course, but if there are any surpluses, they flow directly into the financial stability of the Club and therefore to the benefit of the P&I Members. War Risk claims are relatively rare, although they can of course be extremely expensive when they do occur. So the Club purchases reinsurance to deal with potential volatility or aggregation of risk. This allows us to use an individual member's War surplus to the benefit of their own P&I record and therefore their vessels' P&I rates.

From a service perspective, Members have a long term relationship with the Club, its claims and underwriting teams. They know the level of help and assistance they will have when a war claim occurs. From a P&I war perspective, it obviously makes

sense to have the Club handling the claim from the ground up, rather than sitting
excess of a hull war placement. Pricing is very important in Hull & P&I War, but
equally important is knowing that when a serious war claim happens, your
Steamship team are going to respond quickly and effectively.

Thank you, Rupert for your thoughts today. Details of the Club's War Risk policies
can be found on our website or from the Underwriting Department. Many thanks for
listening.