



2018 Management Highlights





Contents

02	Chairman of the Board's Introduction
04	Underwriting and Reinsurance
14	P&I Claims
22	Safety and Loss Prevention
28	Current Group Issues
32	Capital Management
36	Investments
40	Combined Financial Statements
62	Staff Training
63	Glossary

Chairman of the Board's Introduction



I am pleased to report another satisfactory financial year performance. The Club continues to enjoy a very strong financial position, over the past four years the free reserves have increased by US\$215 million and now stand at US\$516 million.

US\$25.6M
RETURN OF PREMIUM
TO MEMBERS ON THE
2015/16 YEAR

The Club experienced an increased level of claims in the 2017/18 policy year. Compared to the preceding policy year, net claims were 23.4% higher. Claims were, however, in line with the preceding two years and there is no indication as yet that claims are moving to a level above the recent trend. Nevertheless, there was a deterioration in the underwriting performance of the Club. The combined ratio for the financial year was 112.8%, although this does include US\$25.6 million of premium returned to the Members in November 2017, which, if excluded, results in a combined ratio of 102.0%. The result is more a reflection of what has been happening on the premium side of the equation rather than the level of claims. Four consecutive years of no standard increase accompanied by the churn effect of high rated tonnage being replaced by lower rated tonnage has inevitably put pressure on premium levels. If claims continue at the level seen in 2017/18, consideration will have to be given to premium adjustments.

The operating performance was assisted by an investment return of 3.5%. The strategy of the Board puts the emphasis on capital preservation rather than outright investment return. The Board sees no need to take on a high level of risk within the investment portfolio: the strong capital base of the Club in conjunction with sound underwriting should be the financial cornerstones. The prudent conservative nature of

the Club's approach, not only in the investment policy but also in the approach to underwriting risk and reserving policy, will perhaps only show its true merit when conditions for the P&I market are more testing than they have been recently. We must be prepared for a sudden upturn in claims levels and a downturn in financial markets. History suggests that it is only a matter of time before we have to face such challenges.

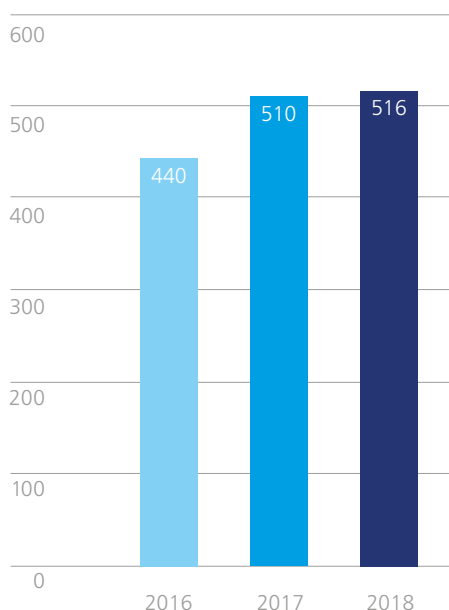
The financial strength of the Club will enable the Board to assess how best it can act for the benefit of the membership as a whole. The structure of the Steamship Group of companies is a real benefit in making such assessments. Over 40% of the membership is represented on the Boards of the Steamship Mutual Group. This ensures that the interest of the membership is central to decisions concerning the Club's financial management. It also means that the Board is eminently well placed to judge the service levels provided by the management to the Members. The Board believes that the increase in free reserves and the absence of standard increases in recent years demonstrate that the Club is achieving more than satisfactory results for the Members.

Fortunately the economic backdrop for most shipowners is looking slightly better. For the most part the freight markets, with the possible exception of the tanker market, are at a higher

THREE YEAR KEY FINANCIAL FIGURES

FREE RESERVES (US\$ MILLIONS)

Net of return of premium [2017: US\$26.0M / 2018: US\$25.6M]



level. World trade is growing. On the deficit side there are increasing political tensions in the Middle East, the return of US sanctions against Iran and strong protectionist voices in some quarters. It is also the case that the banks have become more risk averse. Amongst the effects of this is a less flexible approach from the banks towards the issuance of security in the event of a casualty. If this continues, as seems likely, shipowners will probably look even more to their P&I Clubs for assistance. It is possible that the International Group will be called upon to try to persuade governments and claimants to accept P&I guarantees as the only way to avoid ships being detained for unacceptably long periods. As in so many areas of shipborne commerce, the International Group provides an invaluable forum and a means of overcoming difficult issues.

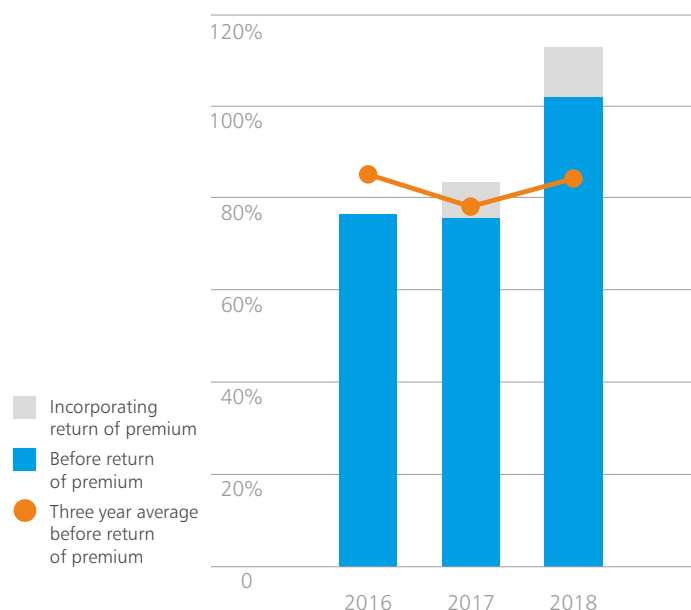
Last year I reported that the Club would probably need to establish a company within the EU to ensure that the Club could continue to underwrite European based business after the UK exits the EU in the spring of 2019. Nothing has happened since that time to obviate the need for a European office. The Club has chosen Rotterdam as the location for this new European company and has submitted an application for a licence to the Dutch authorities. Following meetings with the Dutch authorities, the Board believes that they possess a depth of knowledge and expertise in regulating

marine insurance companies. The Board also wants the new company to be a positive factor for the Steamship Mutual Group. Rotterdam is one of the leading ports in the world; a centre for trade and commerce. As such it has a wealth of talented professionals well able to make a valuable contribution to the Club and its Members. The transport links with the UK and Europe are excellent. The Board believes that Rotterdam will be a valuable addition to the offices operated by the Steamship Mutual Group around the world. Licences were obtained for the Club to operate in Singapore and Tokyo during the year. The physical presence of the Club in many of the world's leading shipping centres will enhance the service to Members and make the Club a more attractive option for shipowners.

During the course of the year the following Directors retired from the Board: Mr Mohammad Saeidi, Capt. Bipin B. Sinha and Chee Chen Tung. On behalf of the Board I would like to thank them for their valuable contribution. C.C. Tung has served on the Board for 44 years and held every senior office. Our gratitude, respect and affection for C.C. are unbounded. We welcomed Mr Eleftherios Veniamis to the Board and I hope he will enjoy his time with us.

Armand Pohan
Chairman of the Board

COMBINED RATIO



84.7%
THREE YEAR
AVERAGE
COMBINED RATIO
BEFORE RETURN OF
PREMIUM TO MEMBERS

ZERO
STANDARD
INCREASE
FOURTH IN SUCCESSION

Underwriting and Reinsurance



Suez, Egypt

04:55



Underwriting and Reinsurance

The Club was able to dispense with any general increase in premium ratings for the fourth consecutive year and the Board returned premium to Members for the second year in a row.

INCREASE IN COMBINED OWNED & CHARTERED TONNAGE TO 158.6m GT

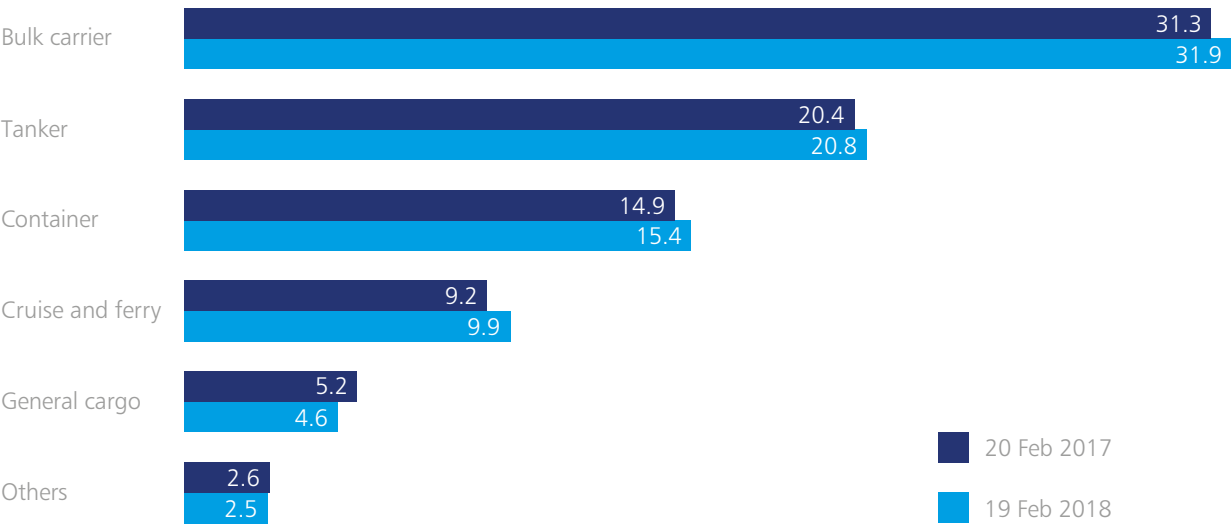
Year to 20 February 2018

The policy year period runs from after renewal on 20 February 2017 to before the subsequent renewal on 20 February 2018. It thus covers all growth and losses in entered tonnage over the last full policy year.

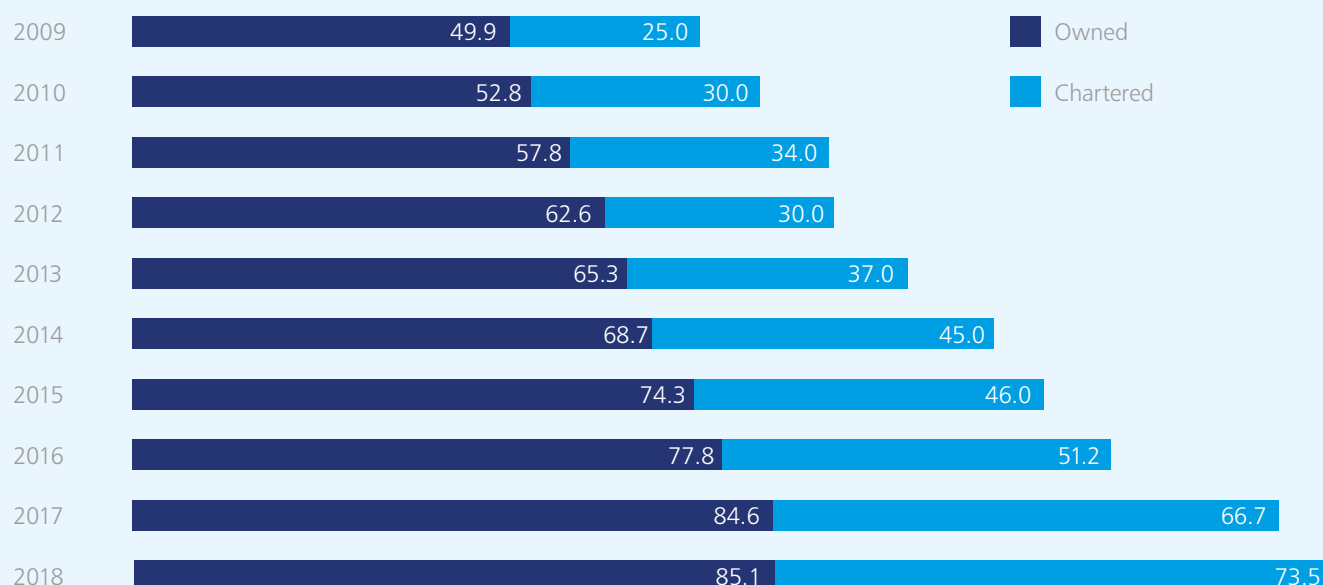
Owned tonnage grew by some 4.4 million GT over the course of the 2017/18 policy year, in respect of which annualised premium increased by about US\$2.2 million. However, premium rates per GT for owner Members reduced by about 4.1% (annualised) primarily because of churn. Churn was thus less than in the year before (2016/17) when it reached about 6.3% annualised.

The world fleet has grown by 3.4% over the last year and the Club's own growth of 5.2% is thus comfortably ahead of the strategic business plan goal of 110% of annual growth in International Group owned tonnage, a target of approximately 3.3% in terms of annualised gross tonnage (i.e. assuming all entries in the Club continued for the full 12 months of the policy year).

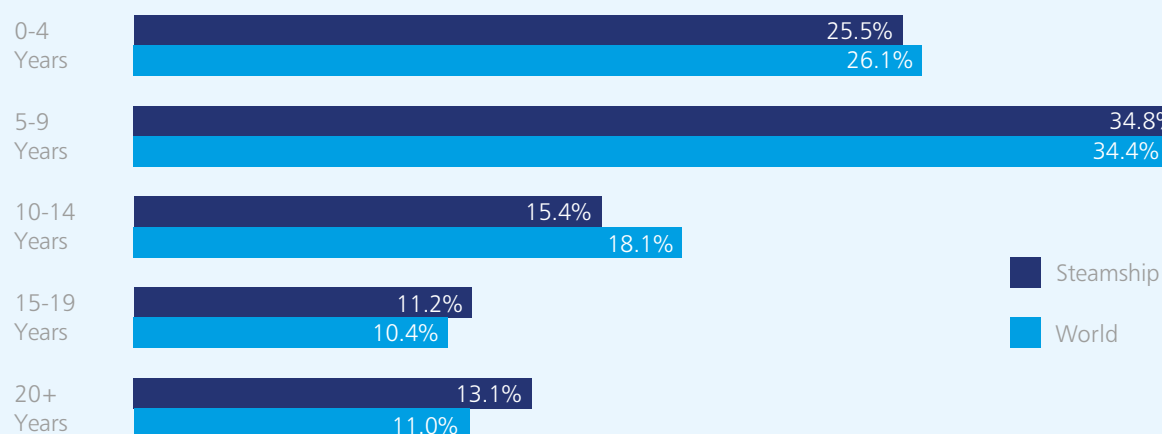
TONNAGE GROWTH DURING 2017/18 BY VESSEL TYPE – GT MILLIONS



OWNED AND CHARTERED TONNAGE 2009-2018 – GT MILLIONS



STEAMSHIP AND WORLD TONNAGE BY AGE OF VESSEL



Premium call history

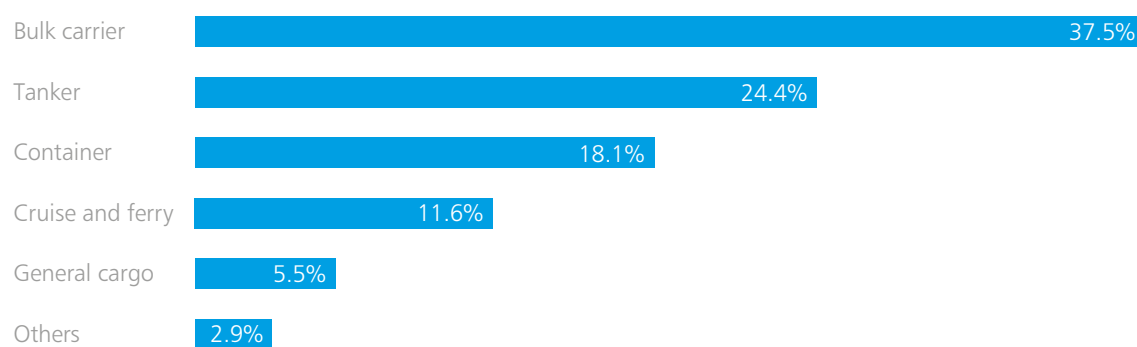
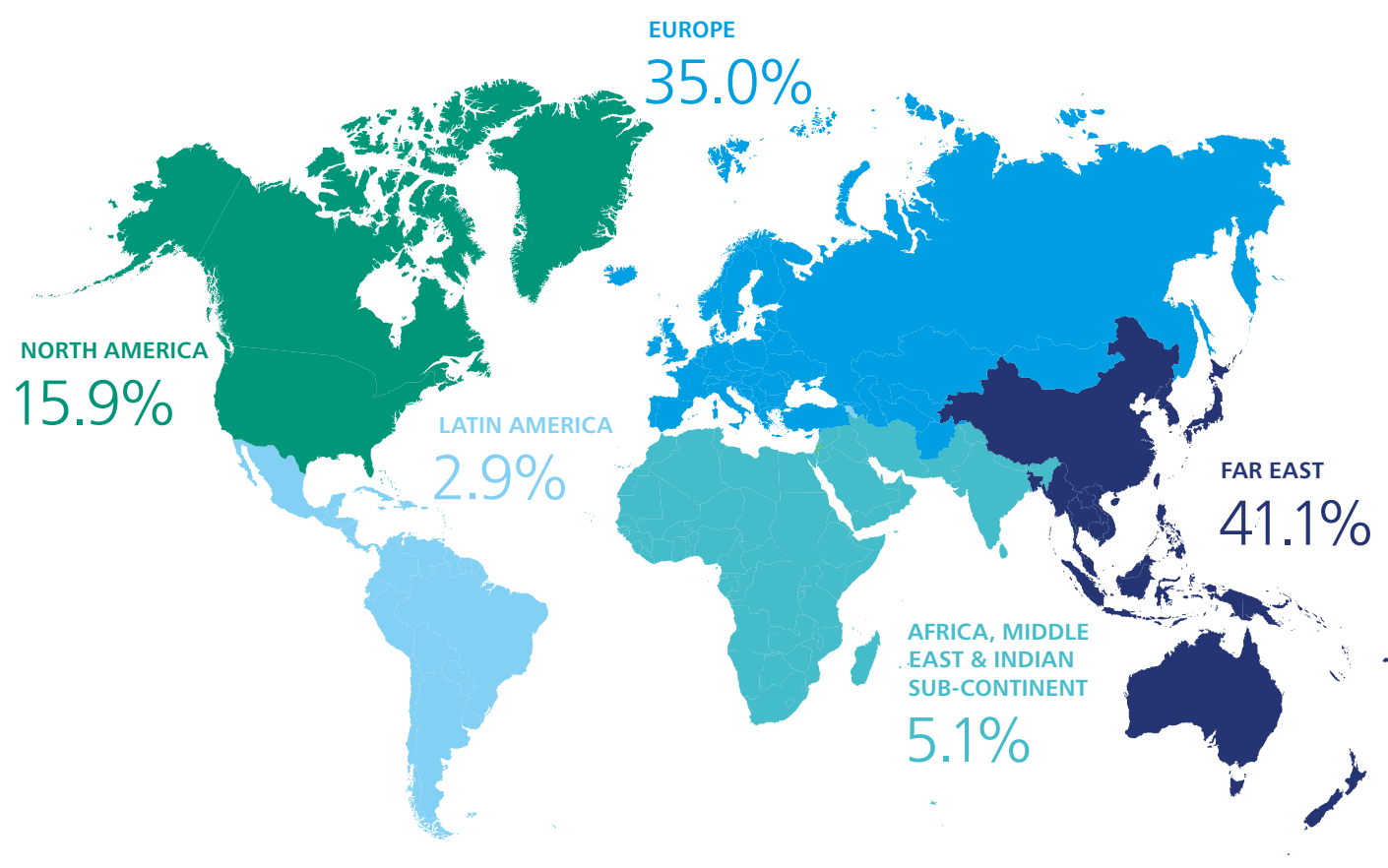
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mutual premium	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Additional premium	—	—	—	—	—	—	—	—	—	—
Return of premium	—	—	—	—	—	(10.0%)	(10.0%)	—	—	—

General increase history

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General increase	17.5%	5.0%	0.0%	5.0%	7.5%	10.0%	0.0%	0.0%	0.0%	0.0%

Release call history

	Position at May 17	Position at May 18
2015	0.0%	Closed
2016	2.5%	0.0%
2017	12.5%	2.5%
2018	—	12.5%

GROSS TONNAGE BY VESSEL TYPE AS AT 20 FEBRUARY 2018**GROSS TONNAGE BY REGION AS AT 20 FEBRUARY 2018**

INTERNATIONAL GROUP POOL INCURRED CLAIMS BASED UPON HISTORICAL THRESHOLDS – US\$ MILLIONS
 DATA AS AT 20 FEBRUARY EACH YEAR

Months	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
12 Months	87.6	226.3	179.1	231.0	368.6	279.8	179.6	198.4	84.0	227.2
24 Months	116.2	221.8	241.1	277.9	453.9	327.0	193.6	276.6	125.9	
36 Months	106.3	223.5	266.9	280.8	467.0	364.0	204.5	284.0		
48 Months	122.0	219.5	252.5	289.6	465.1	364.9	215.8			
60 Months	120.0	246.9	250.6	289.3	446.3	411.6				
72 Months	119.5	266.7	259.0	288.7	418.6					
84 Months	122.9	263.9	259.9	284.4						
96 Months	124.9	260.7	254.0							
108 Months	124.5	260.4								
120 Months	124.5									

Renewal 20 February 2018

Most renewals are marked by one or two predominant themes. This time, as last year, many Members experienced improving records, and lower than projected claims; factors which naturally feed into stable or lower premium costs for those Members experiencing such claims improvements. The Club was able to dispense with any general increase in premium ratings for the fourth consecutive year, and the Board returned premium to Members for the second year in a row. Most Members also avoided any record based increase in premium. Amongst owners renewing this year, fewer than 10% paid an increase.

In terms of tonnage gained and lost, two other factors had a significant impact upon the ultimate renewal outcome. First, a decision was taken to end the entry of Iranian fleets insured by the Club since after the JCPOA came into effect in early 2016. That decision reflected the various difficulties anticipated by the Club if it were to continue to provide insurance to Iranian entities. The effect was that some 3.2 million GT of Iranian tonnage

across three fleets left the Club at renewal. Second, and balancing that loss to some considerable degree, the Club entered a very substantial owner/operator as a new Member at renewal, gaining nearly 5 million GT of chartered tonnage, and further growth in the owned entry as well.

Altogether some 5.8 million GT of owned entries (more than half of which was the three Iranian fleets), moved out of the Club, including entries of other owners to whom renewal was not offered, or whose terms could not be agreed. Nearly 2.1 million GT of new owned business was added by existing Club Members transferring tonnage from other International Group Clubs. Overall, following renewal, entered tonnage, owned and chartered, increased to 158.6 million GT (2016/17 – 151.3 million GT).

Renewing owned P&I entries

In the absence of a general increase, it was anticipated that premium levels for owned entries, negotiated at renewal, would be slightly lower than as expiring. In fact the reduction of 0.3% was less than expected and takes account of the value (as if in premium

terms) of increased deductibles and other changes in conditions. Leaving aside the value of increased deductibles and other changes in terms, the overall annualised cash reduction for renewing owned entries amounted to 1.7%.

New entries and losses – owned

On the owned side, including P&I, Defence and extra covers, the net result of these gains and losses was that tonnage reduced by 3.7 million GT, and premium by US\$7.4 million.

New entries and losses – chartered

For chartered business, tonnage increased by 4.7 million GT, and net premium increased by US\$2.1 million.

All new entries and losses at renewal

Allowing for all new business gained as well as entries lost at renewal, entered tonnage increased by 948,000 GT, and in premium terms reduced by US\$5.3 million.



Overall result at the start of the 2018/19 policy year

Total entered tonnage increased by 7.3 million GT to 158.6 million GT. Projected annualised premium for both owned and chartered entries of US\$309 million (incorporating changes in Excess Loss premium and lay ups) is down from projected premium of US\$314 million at February 2017.

Current policy year considerations

Encouragingly, there were commitments to enter 600,000 GT of owned tonnage during the course of the present policy year, from a wide cross-section of Members; increasing recognition of the Club's financial strength and service excellence, all of which contributes to its success. Of course, further organic growth is also expected.

The Club's business plan projects growth of 3.3%, in tonnage, over the full policy year. This accords with the strategic business plan projection of 110% of tonnage growth within the International Group as a whole.

Pooling and Reinsurance

Pooling

2017 has seen Pool claims move back towards the norm. Fourteen claims, with estimates exceeding or equal to the US\$10 million Club retention, have been notified by all Clubs to the Pool. All, except one, are currently estimated below the Pool's limit of US\$100 million. The Club itself has notified three claims to the Pool for 2017. There was no change to the Club retention of US\$10 million for the 2018 policy year. Some simplification of the International Group programme was introduced at the last renewal, with the Lower Pool increased in size to US\$50 million.

General Excess Loss contract

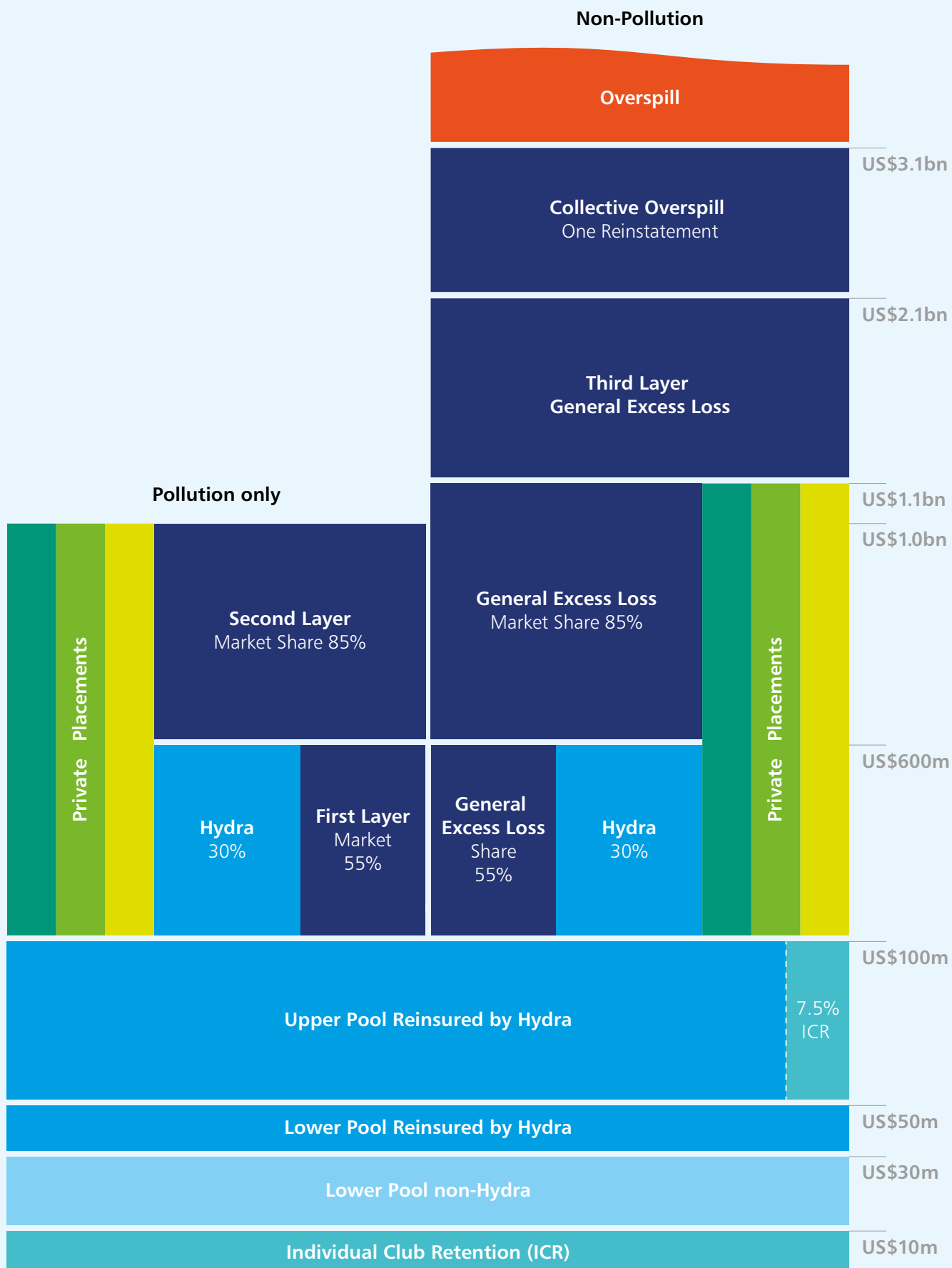
One claim has been notified by another Club in respect of the 2017 policy year. In spite of a hardening reinsurance market, the International Group secured a small reduction across the programme to be able to reduce the Excess Loss rates for all categories of vessel.

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.

Stephen Martin
Managing Director
and Head of Underwriting

Rupert Harris
Head of Reinsurance



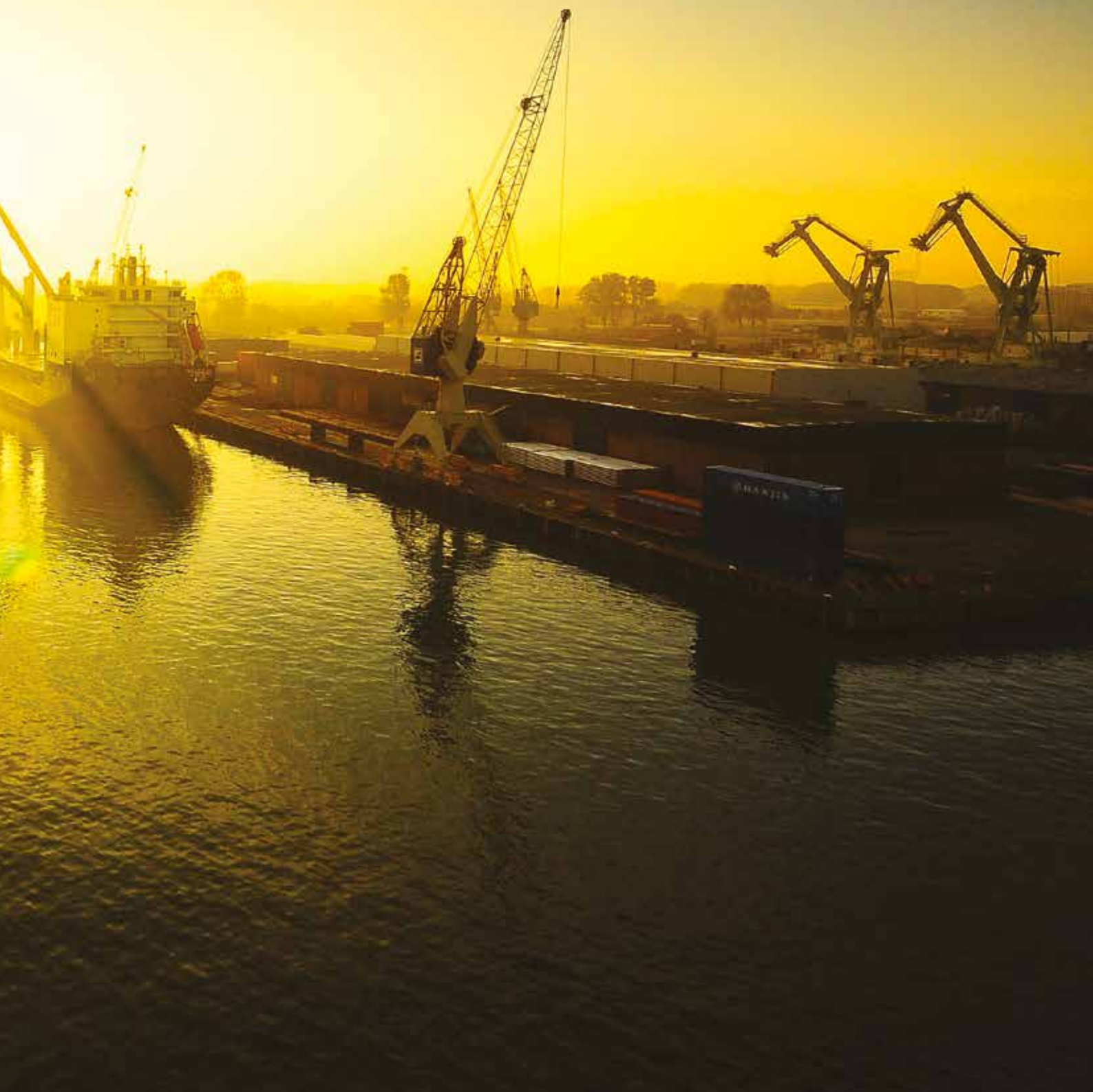


P&I Claims



Rotterdam, Netherlands

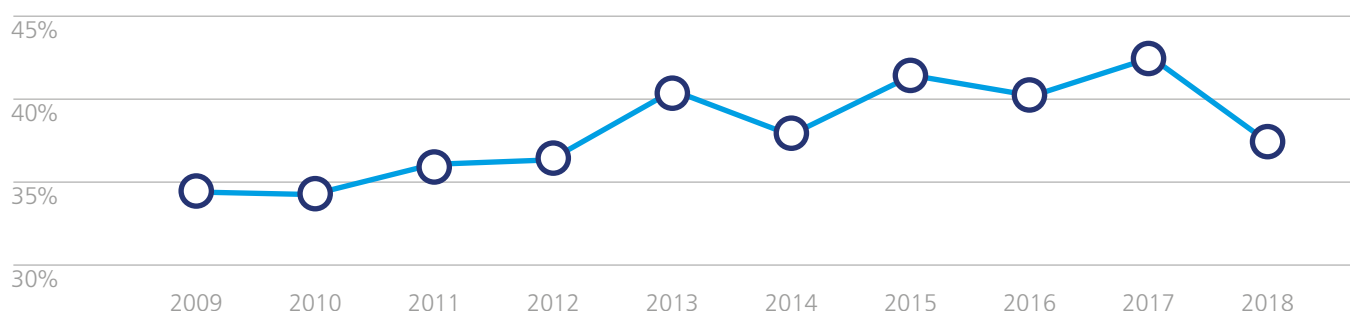
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P&I Claims

Attritional claims figures provide the most reliable indicator of current claims trends and their return to pre-2016 levels suggests a reversion to the longer term paradigm.



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

The Club's overall 2017 claims experience was significantly higher than the comparable figures in all recent years. Moreover, whilst the cost of claims within the US\$10 million retention experienced by the Club in 2017 was 24% higher than the comparable figure for the previous year, despite similar numbers of claims, it is very similar to recent earlier years, suggesting that the 2016 year was an anomaly.

This increase was reflected in the attritional claims – those claims with values of less than US\$250,000 which make up the overwhelming majority of all claims in terms of numbers (97% in the case of the 2017 year). The increase was 28% in terms of overall cost compared to 2016, and was reflected in most claims categories, but the figure was, again, very similar to the attritional claims figures for the previous three years.

Moreover, the average size of attritional claims increased by 16% compared to the previous year, a reversion to the long term upward trend.

This increase in the value of attritional claims was mirrored by a corresponding 21% increase in net claims costs for larger losses – those involving claims in excess of US\$250,000 – again, despite similar numbers of such claims. This increase in severity was most

apparent in those claims in excess of US\$10 million; the Club having experienced three Pool claims by year-end in 2017 compared to no more than one in earlier years.

At year-end, 14 Pool claims had been reported for 2017; similar to the position in recent earlier years. All but two of these 2017 Pool claims resulted from groundings, collisions or damage to fixed or floating objects.

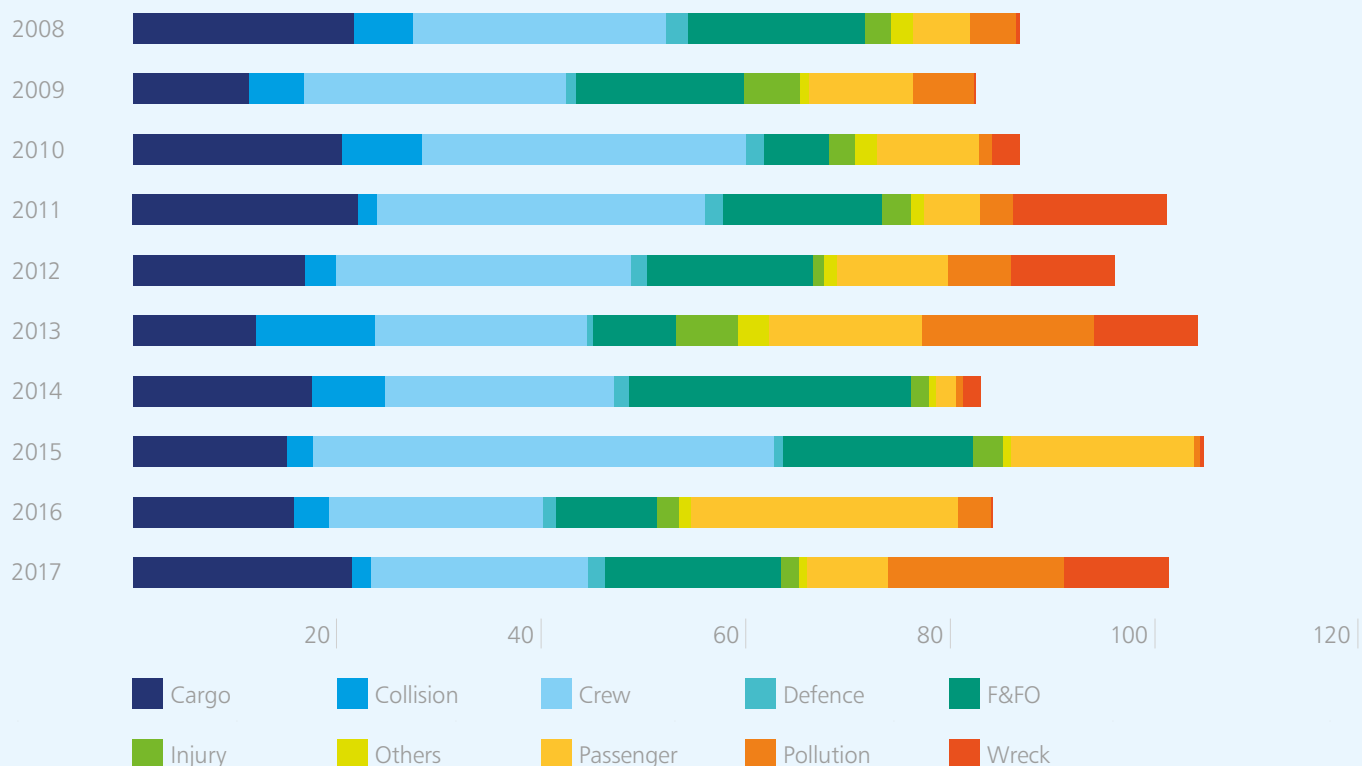
The Club's experience in relation to prior year claims was positive overall in 2017 with a slight deterioration in prior year results at the retained level being countered by a slightly larger improvement in prior year results at the Pool level. However, the Club continues to maintain a prudent reserving appetite, as can be seen from the level of IBNR provisions at the end of each financial year shown in the above graph.

Attritional claims figures provide the most reliable indicator of current claims trends and, thus, their return to pre-2016 levels suggests a reversion to the longer term paradigm. However, the year is currently only 62% developed and so the scope for volatility in its overall result remains.

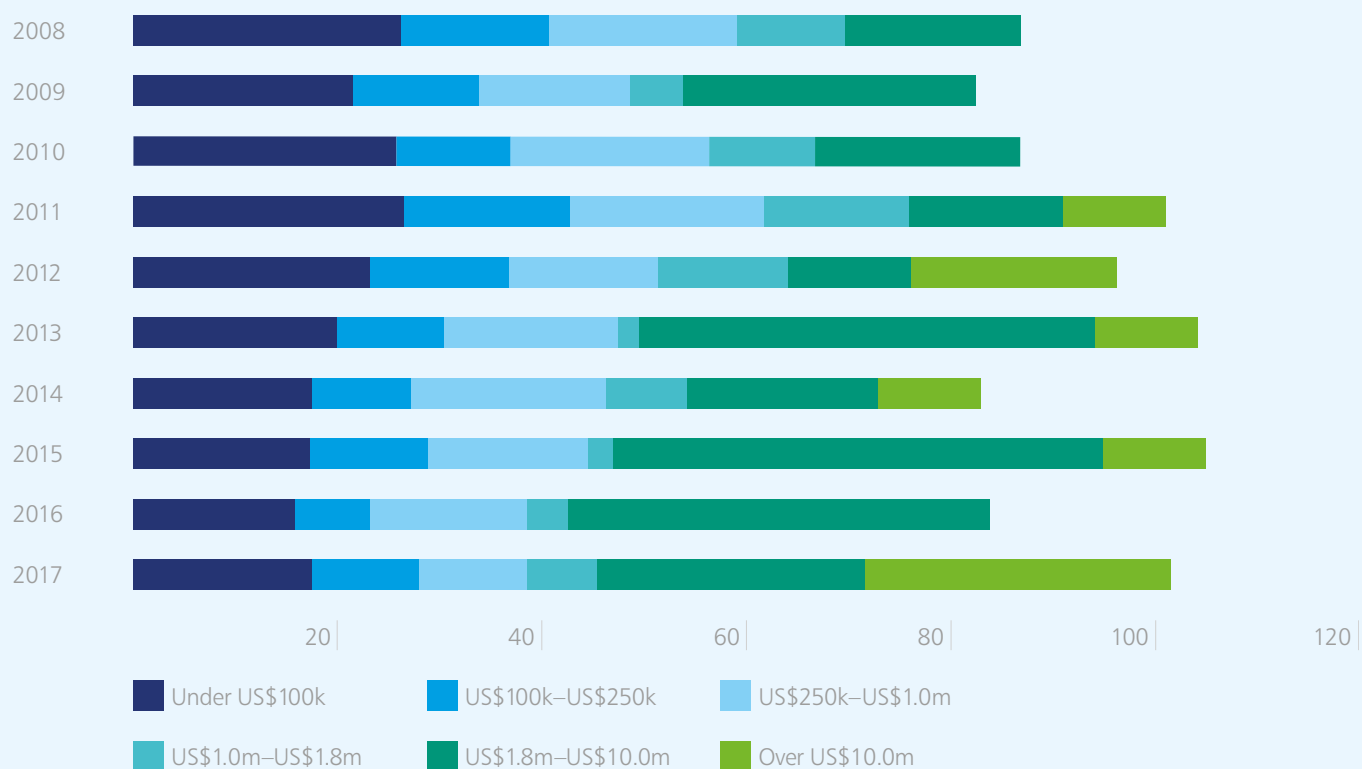
**16% INCREASE
IN THE SIZE OF
ATTRITIONAL
CLAIMS**

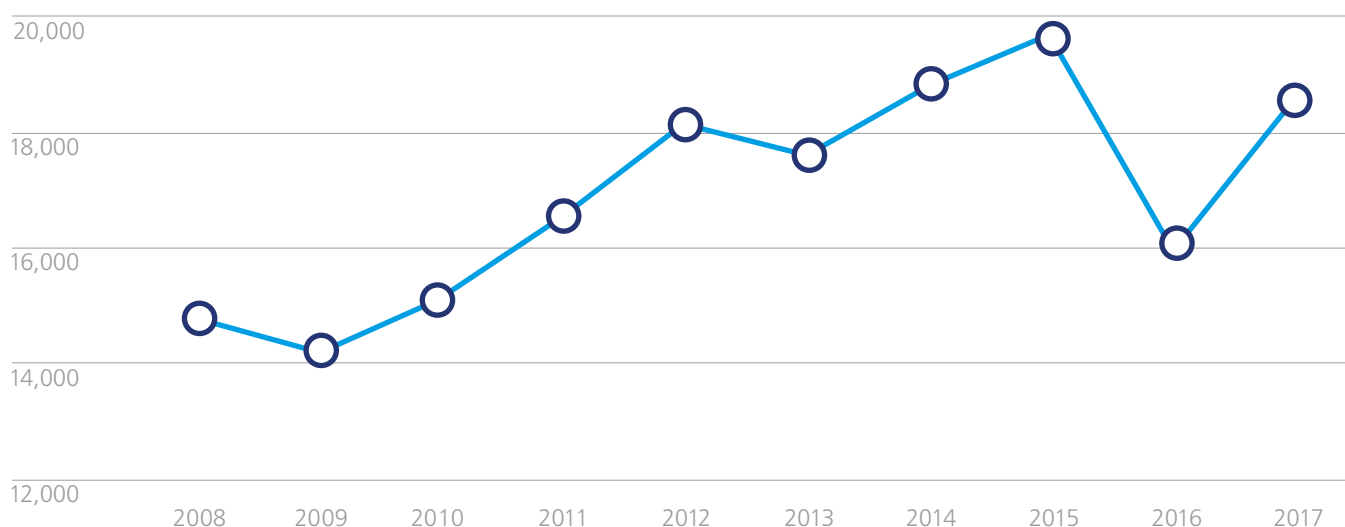
**14 POOL CLAIMS
REPORTED
FOR 2017**

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 50 claims in excess of US\$250,000 in 2017. The total estimated net of deductible ("NOD") exposure for those large claims at the year-end was approximately US\$172.6 million. The number of such claims was only one more than in 2016, but severity was substantially greater, as the total exposure for the 2016 underwriting year at the equivalent point was approximately US\$62.9 million. This large difference in the experience for the two years is entirely attributable to the fact that there were three claims in 2017 in excess of the International Group Pooling retention of US\$10 million, whereas there were no Pool claims in 2016. Without those three Pool claims, the overall large claims exposure would have been just over 20% lower than in 2016. This re-emphasises the impact of such large claims on annual volatility.

As in previous years, the most frequent large claims were in the crew category. The number and severity of large fixed and floating object claims was also notably greater than in 2016. Pollution claims represented by far the largest proportion of the overall exposure.

Cargo

There were six large cargo claims overall with a total value of US\$22.9 million, and two of those involved chartered entries. These claims constituted 13% of the total of the large claims incurred.

The claims arose on bulk carriers and general cargo vessels, with an equal distribution by number between the two vessel types. The two largest claims, which accounted for over 90% of the total in this category, both occurred on bulk carriers, and the largest of these arose from the total loss of a laden bulk carrier, the cause of which has yet to be determined. The other two bulk cargo claims both involved agricultural products, and arose in one case from the rejection of a cargo of grain due to mould and the presence of insects following a prolonged voyage, and in the other from damage occurring during the voyage and further damage sustained during discharge following a fire in a cargo excavator that was operating in the vessel's hold.

The three claims on general cargo vessels all involved project cargo. In two of the cases, cargo became damaged following a shift of stow in heavy weather. In the other, cargo was damaged during the course of loading whilst being lifted by the vessel's cranes which were being operated by the ship's crew.

Collision

As was the case in the preceding two years, the frequency of collision claims was again low in 2017. There were two incidents that resulted predominantly in physical damage to the other vessel, and those claims constituted less than 1% of the overall total of the large claims incurred. However, one of the claims covered in the Pollution section of this report, because that was the predominant claims category exposure, arose from a collision. When that claim is taken into account, collision was the cause of a substantially greater proportion of the total large claims exposure. This is a stark reminder that collisions between vessels can result in a wide spectrum of P&I liabilities, extending beyond pure physical damage to the other vessel involved, and highlights the significant impact that navigational error can have on overall liability exposure.

The two smaller claims arose whilst the vessels concerned were operating in confined waters – in one case an anchorage and in the other, a river. In those scenarios close-quarters situations will inevitably be experienced and the risk of collision will be significantly enhanced. The larger incident occurred in open waters whilst the vessels were on passage.



Crew

There were 19 large individual crew claims in 2017, and a further very substantial crew claim arising from the total loss of a vessel with all hands following the serious collision referred to above, resulting in an overall crew claims exposure of US\$15.4 million. Although the Club experienced one further total loss of a vessel during the year, with the loss of the majority of the ship's complement, crew liabilities on that particular vessel were insured elsewhere.

Crew claims constituted 38% of the total number of large claims for the year, and 9% of their value. The majority – 13 of the individual claims – were in respect of injuries, and as in previous years, there was a further majority of those injury claims (69%) which occurred on vessels either registered in, or operated from the US. The injury claims, including the deaths arising from the total loss, constituted 60% of the value of the large crew claims.

Of the individual crew injury claims, seven out of the 13 claims occurred as the result of either slips and falls on deck or in the engine room, or falls, sometimes from a height, as the result of individuals becoming unbalanced. Those claims constituted 56% of the total value of the injury claims.

Two of the claims involved injuries caused because of improper manual handling practices. The remaining four claims each occurred in different circumstances, and in order of severity involved:

- death and injury as the result of an explosion in a confined space where inflammable gas generated by a cargo of coal had accumulated;
- the death of a Master presumed lost overboard in unknown circumstances;
- injury incurred whilst a crew member was taking shore leave from a vessel; and
- decompression injury to a shipboard diver.

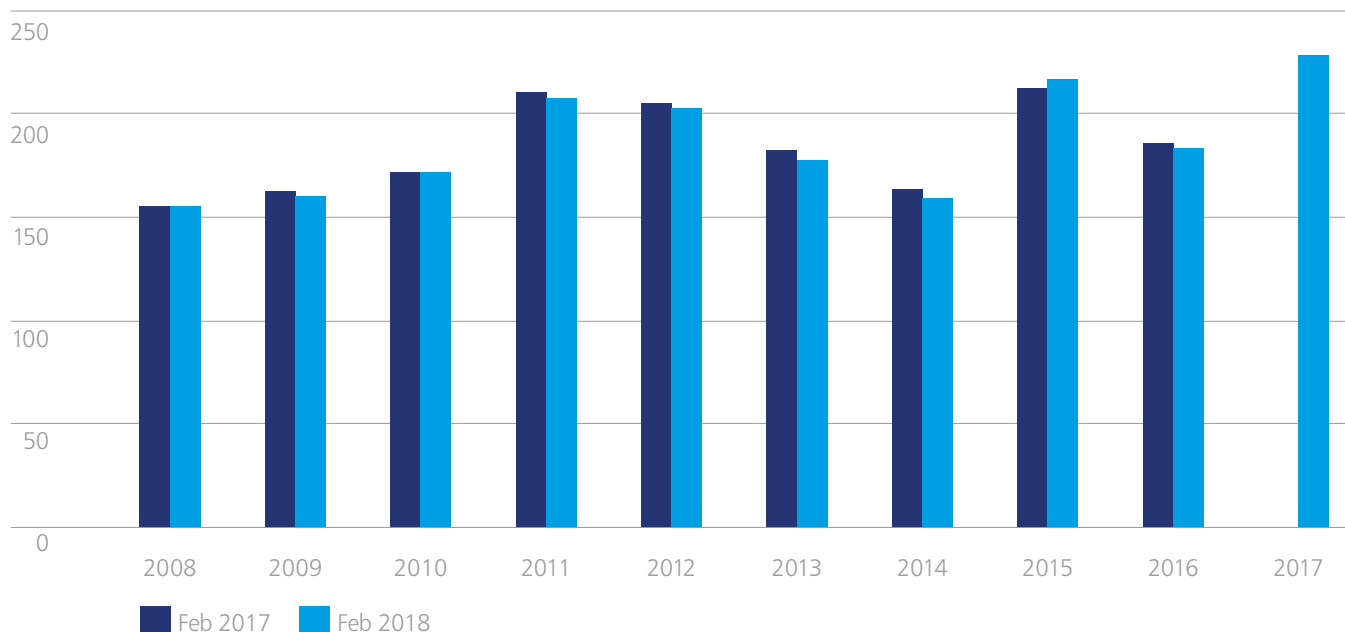
There were five illness claims totalling approximately US\$1.7 million. Three of those claims sadly involved the deaths of the seafarers concerned. It is possible that in one of those cases the underlying medical condition might have been identified in an enhanced pre-employment medical examination ("PEME"), but in the other two cases, the deaths appear to have been fortuitous. The other two claims involved respectively a viral infection contracted whilst in service on the vessel, and the diagnosis of cancer which is unlikely to have been identified in the usual PEME.

Passenger

There were three incidents giving rise to large passenger claims with a total value of US\$8.2 million. This was a much more favourable experience, both in terms of claims frequency and severity, than in either of the preceding two years when there were eight and nine claims, valued at US\$24.7 million and US\$16.7 million, respectively.

As in previous years, the majority of the claims arose from cruise curtailment. There were two such incidents, one due to the failure of propulsion units and the other due to heavy weather experienced during a passage. The third incident, which gave rise to the majority of the financial exposure, arose from a road traffic accident during a passenger excursion.

DEVELOPMENT OF TOTAL NET CLAIMS BY POLICY YEAR – US\$ MILLIONS

**Fixed and floating objects**

There were eight large fixed and floating object claims with a total value of US\$15.2 million. Both the frequency and severity of this category of claim were greater than in the preceding year, when the comparable figures were six claims valued at US\$8.2 million. These claims arose in variety of circumstances.

There were three claims totalling US\$3.7 million – 22% of the total on this category – which arose when vessels broke away from their berths due to the failure of mooring systems to hold the ships alongside against the effects of either wind or tide.

Two claims arose due to misjudgements in the handling of the ships during manoeuvres to either leave a berth or to come alongside. In one of the incidents the vessel had the assistance of a local pilot. These claims amounted to US\$6.8 million – 45% of the total.

A further two claims were caused by vessels damaging submarine cables with their anchors. In both cases the incidents could have been avoided with more appropriate navigational chart selection. These claims amounted to US\$4.3 million – 28% of the total.

The final claim arose from the grounding of a vessel on a coral reef. This incident was also caused by inappropriate chart selection, and errors in both passage planning and monitoring of the vessel's position.

Injury

There was only one large third party injury claim valued at substantially less than US\$0.5 million which arose when a contractor on a vessel was injured by some metal sheets which fell on to him.

Pollution

This category of claim constituted the largest exposure incurred in 2017. There were three large pollution claims with an overall exposure of a little over US\$100 million. As mentioned earlier in this report, the most serious incident arose from a collision, and that casualty resulted in collision, crew and pollution liabilities that are included in this total amount. The claims in this category represented almost 60% of the total large claims exposure for the year.

There were two further, less serious, pollution claims. The largest of these occurred when a vessel grounded under the effects of a tropical storm. The smaller claim arose as the result of contesting, in a difficult jurisdiction, false allegations of pollution that had not in fact arisen as the result of any spillage from the entered vessel.

Colin Williams
Head of Claims

Safety and Loss Prevention



Durban, South Africa

11:12



Safety and Loss Prevention

Navigational and ship-handling errors were the major causes of large claims in 2017.

The Club's large claims experience in 2017 highlighted once more the serious impact of incidents attributable to navigational error.

Eight large claims were incurred last year that were caused or contributed to by navigational error, or errors and misjudgements in ship-handling. By number, these claims constituted 16% of the total number of the large claims experienced during the year. However, their financial impact was disproportionately greater. They totalled approximately US\$109 million, which represents 63% of the total value of such claims.

The liabilities arising from these incidents were varied, ranging from loss of life and personal injury, pollution and environmental damage, damage to underwater cables and port infrastructure, as well as the obvious physical damage to other vessels that were contacted. The potential impact of casualties that are caused by navigational or ship-handling error cannot be understated, and indeed such incidents have the capacity to result in the complete spectrum of P&I liabilities.

Analysis of the circumstances of these incidents reveals little of complexity in relation to their causes. This highlights once more a reference that the Managers have made previously to the enormous gulf that is frequently apparent between the simplicity of the cause of such incidents, and the severity of their consequences. Simple and straightforward errors can give rise to devastating consequences, and this is particularly tragic when, as so often is the case, loss of life and personal injury result from these casualties.

It is clear therefore that there is a need for continued focus upon navigational safety and operational practices if losses arising from navigational error are to be contained. The advent of the Electronic Chart Display and Information System ("ECDIS") has greatly facilitated the presentation of accurate and up to date navigational information to Masters and navigating officers. The ability to overlay the chart display with Automatic Identification System ("AIS") information from other vessels in the vicinity also brings considerable benefits. However, these technical developments also introduce risks that need to be understood, and navigational practices need to evolve in order to provide controls to these risks.

When the functionality and limitations of these systems are properly understood great benefit can be derived. However, the converse is also true in that when there are shortcomings in training on and familiarity with equipment, a lack of understanding of its limitations, and a failure to adapt practices to counter the risks associated with those limitations, then casualties can arise. This much is evident, not only from the Club's own claims experience but also from the findings in the reports of casualty investigations conducted by national organisations such as the UK's Marine Accident Investigation Branch ("MAIB").

The Managers have previously produced loss prevention material directed towards reducing the frequency of incidents of collision and groundings and it is clear that this material continues to be relevant and its dissemination to Masters and navigating officers in Members' fleets is encouraged.



During the course of 2017, the Managers once more supported and participated in The Nautical Institute's Command Series of Seminars, particularly those held in Singapore, London, and Limassol, the theme of which was navigational accidents and their causes. The Nautical Institute is an international representative body for maritime professionals that encourages and promotes high standards of competence and knowledge amongst those in control of seagoing vessels. One of the many publications produced by The Nautical Institute is the monthly magazine "The Navigator". The objective of this publication is to inspire professionalism in navigating officers. The current and past editions of "The Navigator" can be found on the Club's website at the following link:

<https://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 become members of The Nautical Institute in order to benefit professionally from the information and material that is available through membership.

The Masters and navigating officers of any vessel exercise control over assets of very considerable value. In entrusting those individuals with the task of safe navigation, Members are placing enormous responsibility upon these officers. There is therefore a need to be satisfied that confidence in their abilities is well-founded. In this respect, procedures and processes to verify that navigation is being undertaken safely and in accordance with company requirements are extremely important. In addition to routine visits to vessels by marine superintendents with command or senior navigational watch-keeping experience, navigational audits undertaken whilst vessels are at sea, and monitoring with the assistance of technology have an important part to play in the verification of navigational safety.

With regard to the large cargo claims incurred in 2017, the total loss of a bulk carrier, in circumstances which have not been determined highlights the risks to which such vessels can be exposed. The ninth and most recent edition of Intercargo's publication "Benchmarking Bulk Carriers 2016-17" reports the loss of 22 bulk carriers in the period 2007-2016 due to flooding, structural failure, or cargo shift/liquefaction.

The liabilities incurred on general cargo vessels in respect of project cargo in adverse weather conditions highlight the need for particular care and attention in the loading, stowage and securing of non-standardised cargo, particularly when the cargo units themselves have a large mass. Any weakness in cargo securing arrangements can be very quickly exploited by the dynamic forces to which cargo is subjected when a ship is underway in heavy weather, with potentially very serious and costly consequences.

The Cyber Security DVD – Smart, Safe Shipping won the Smart4Sea Cyber Security Award at an event in Piraeus in January 2018.



In relation to crew liabilities incurred in 2017, it is notable once again that the majority involved injury and that the majority of those injury claims arose on vessels operated from the US. The prevalence of injury arising from slips and falls, either on deck or in the engine room, highlight the need to re-emphasise the need for care and vigilance when moving around vessels. The old adage from the days of sail of “one hand for yourself and one for the ship” remains valid even now and if followed could well help to significantly reduce the risk of injury. There were several falls as individuals became unbalanced. As vessels become more massive it may be easy to overlook the fact that they nonetheless remain moving platforms, under the effects of wind and sea and can therefore be subject to unpredictable motion.

During the year, and in addition to The Nautical Institute seminars referred to above, representatives of the Managers also participated in loss prevention seminars and training sessions for Masters and senior officers in Ethiopia, Greece, Canada, Hong Kong, Romania and Ukraine.

The Club’s loss prevention DVD “Cyber Security – Smart, Safe Shipping” received recognition through being shortlisted as a finalist in the 2017 Seatrade Awards in the Cyber Security category. The programme went on to win the Smart4Sea Cyber Security Award at an event in Piraeus in January 2018. The Club’s Guide to Casualty Investigation and Claims Handling – “A Team Effort” – was released in the format of a smartphone App during the year. The latest version includes Japanese sub-titles in the video and a Japanese translation of the text of the claims handling guidelines.

The Club’s fifth Residential Training Course for Members took place in London and Southampton in June 2017. This was attended by delegates from Argentina, Brazil, Canada, China, Cyprus, Dubai, Ethiopia, Germany, India, Iran, Korea, Russia, Slovenia, UK and the US. Planning for the next course, which will take place in June 2019 is now underway and further information will be disseminated later in the year as arrangements are finalised.

Chris Adams
[Head of Loss Prevention](#)



Current Group Issues



Shanghai, China

15:17



Current Group Issues

Sanctions have continued to have an impact upon the business of the Club as well as trading opportunities for Members.

Current pollution issues

Funding of interim payments in Civil Liability Convention ("CLC") cases

When the IOPC Fund Administration Council decided to dissolve the 1971 International Oil Pollution Compensation Fund ("IOPC Fund") in 2014 despite the fact that a number of 1971 Fund cases involving International Group Clubs remained outstanding, this resulted in a pollution claim having to be funded by the shipowner in excess of the limit imposed under CLC due to the Clubs' practice of interim funding to ensure speedy compensation of hardship cases.

As a result of this problem, a template has been developed by the International Group and the IOPC Funds which is now available for use in future CLC/Fund cases. This template agreement, signed by both parties, formally defines what was understood to be the accepted practice to date by including a waiver of immunity by virtue of a clause in which the Fund submits to the jurisdiction of the English High Court. It thereby

provides Clubs with the ability to ensure that interim payments can be treated in a way protective of the shipowners' position in cases where CLC limits are likely to be exceeded.

Ballast Water Management Convention 2014

The 2014 Ballast Water Management ("BWM") Convention came into force on 8 September 2017. However, the US, which has, for some time, had more stringent BWM legislation, will maintain its own national BWM requirements. Moreover, California has enacted its own state ballast water management regulations – the Marine Invasive Species Act ("MISA"). The MISA contains BWM system performance standards that are exponentially more stringent than those contained in the federal regulations and technology capable of meeting the MISA standards is years away. However, the MISA allows mid-ocean ballast water exchange and new regulations contain very specific requirements as to how the exchange should take place and the level of fines for breaching them.

Under the BWM Convention, any ships built after 8 September 2017 must be fitted with an approved BWM system. A number of BWM systems have been approved for use in order to comply with the BWM Convention, several of which have now also been approved for use under the US regulations. However, the Convention implementation timetable for the fitting of BWM systems on existing vessels has since been delayed by two years until 8 September 2019 at the earliest.

Spill response contracts

Following discussions between the International Group and industry, two standard form spill response contracts have been developed; one for use in the US and the other for use elsewhere. These contracts are being published by BIMCO under the titles "RESPONSECON" and "US RESPONSECON".

Sanctions

Sanctions have continued to have an impact upon the business of the Club as well as trading opportunities for Members. The UN, EU and US have variously continued to impose new and expanded sanctions in many parts of the world including Iran, Russia, Ukraine, North Korea and Venezuela.

As many of these sanctions directly impact trade, finance and insurance activities, the Managers closely follow and report upon developments in these areas. Banks have become increasingly

averse to providing services in connection with countries affected by sanctions, particularly Iran, in large part due to the application of US primary sanctions, and the threat of US secondary sanctions being imposed against non-US persons. Due to the practical and legal difficulties this situation has raised, the entry of Iranian vessels was not renewed beyond 20 February 2018. Following US President Trump's announcement on 8 May 2018 of the withdrawal of the US from the JCPOA agreement, business opportunities in Iran look ever more diminished.



Capital Management



Miami, USA

19:23



Capital Management

The Club manages its overall capital resources to maintain a financial strength rating of A (stable) from Standard & Poor's. This is a higher capital requirement than is set by regulators.

The Club published its first annual Financial Condition Report ("FCR") in July 2017 required under 'Pillar 3' of the Solvency II regime. The aim of this report is to enable readers to understand the amount and type of risks taken by an insurer, as reflected in its capital requirement, and to compare this with the amount and type of capital resources which the insurer has available to protect itself against those risks.

Set out on the following page is a summary of the key information from Steamship's 2018 FCR, the full report will be published on the Club's website.

Under Solvency II the Club is considered to be a regulatory group comprising Steamship Mutual Underwriting Association Limited ("SMUA"), The Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB") and The Steamship Mutual Trust ("the Trust"). The supervisor for the Club is the Bermuda Monetary Authority ("BMA") and so the Club calculates its group solvency capital requirement using the BMA's standard formula.

At 20 February 2018, the Club had a capital requirement of US\$247.0 million and total eligible capital resources of US\$599.5 million. The solvency ratio of 243% (2017: 269%) is evidence of the strength of the Club's capital position, even after return of premiums in the last two financial years.

The following tables show the components of the capital requirement and eligible capital resources.

	2018 US\$ million	2017 US\$ million
Underwriting risks	304.3	292.3
Counterparty default risks	6.6	5.9
Market risks	79.9	68.3
Operational risks	35.1	27.0
	425.9	393.5
Diversification between risk categories	(178.9)	(166.2)
Capital requirement	247.0	227.3

Consistent with the risk appetite of the Club the majority of the capital requirement derives from underwriting risk. Market risk primarily relates to the investments held by the Club and reflects the emphasis on capital preservation rather than outright investment return.

	2018 US\$ million	2017 US\$ million
Tier 1 capital – Free reserves on Solvency II basis	505.9	504.6
Tier 2 capital		
Steamship Hydra Cell	25.6	34.8
Allowance for ability to make additional calls	68.0	71.5
Eligible capital resources	599.5	610.9

Tier 1 capital refers to resources on the Solvency II balance sheet and are available to meet risks throughout the business.

Tier 2 capital relates to resources which are either only available to meet particular risks or are additional funds that can be raised if required. Tier 2 capital can be used to make up a maximum of 50% of the capital requirement.

Solvency II requires that combined free reserves in the financial statements of US\$516.0 million be restated on an "economic" basis. The main adjustments required are to the provision for outstanding claims where any prudence in provisions is removed, leaving a "best or most likely estimate" of cost, a discount is then applied to reflect the time value of money and finally a "risk margin" is added using a standard calculation. The aim of this adjustment is to make claim provisions and therefore free reserves more comparable across insurers.

Part of the capital held in Steamship's Hydra cell, US\$25.6 million, is considered to be only available to meet risks arising in the Hydra cell and is hence classified as Tier 2.

The regulator recognises that the Club can increase capital resources by making additional premium calls under its Rules and in accordance with the approved formula an allowance of US\$68.0 million is included as Tier 2 capital.

The Club also ensures that capital resources of individual Steamship companies are more than sufficient to meet local regulatory capital requirements.

Investments



Los Angeles, USA

20:39



Investments

Steamship recorded a combined investment gain of US\$39.3 million, a 3.5% return on assets (excluding fees). This excludes a currency gain of US\$7.6 million on assets held to match the currency exposure in claims liabilities.

We would again like to thank the Managers and the Corporate Trustee of The Steamship Mutual Trust ("the Trust") for providing the information necessary to produce the charts which follow. The combined investment return is calculated on the invested assets of the Trust combined with the property, fixed income and cash balances maintained by the Associations for operational purposes.

Markets

The year began on a strong note which continued as markets climbed to record highs, defying predictions that the rally would peter out. Economic growth prevailed as rhetoric of rising interest rates, fiscal policy unwinding and political uncertainty threatened to derail it. US tax reforms were a big driver of US equity and bond markets. For most of the year markets withstood frequent political pressures, rebounding quickly to upheavals caused by US immigration policies, travel bans and healthcare reform, tension between the US and North Korea and elections in Europe and Japan. Other disruptive factors included the triggering of Article 50 of The Lisbon Treaty in the UK, signalling the formal start of the process to leave the EU, uncertainty over re-negotiation of the North American Free Trade Agreement

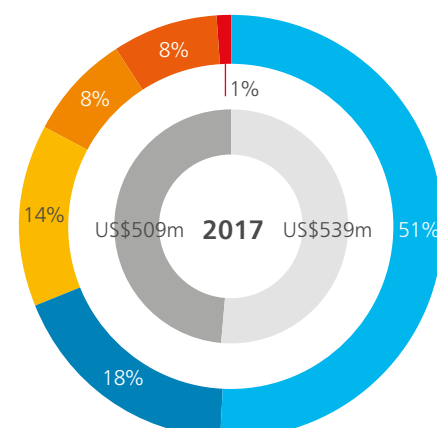
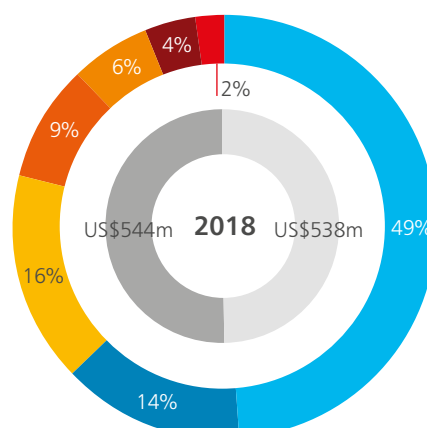
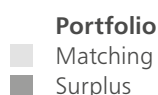
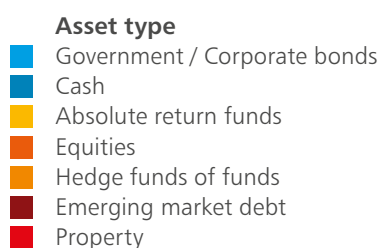
and US-China trade sanction tension. Throughout the year, inflation remained elusive in most developed economies despite unemployment falling to very low levels. Solid corporate earnings, merger and acquisition activity, and strong economic growth were supportive to credit and equity markets. Stock market volatility was historically low, especially in the US.

Equity markets continued to surprise on the upside with returns for the year to 20 February 2018 for the S&P 500 and Nikkei 225 indices being 16.9% and 13.8% respectively. During the year, two dominant and often opposing themes pushed and pulled on both equity and bond markets. One theme was the reflation trade; market moves based on the view that the world economy is in synchronised economic expansion that will bring firming inflation and normalising monetary policy. Expectations for the reflation trade were enhanced in the US by expansionary fiscal policy. When this theme ruled in the latter part of the year, bond yields rose and cyclically-oriented equity sectors benefitted. Commodity based markets and emerging markets were beneficiaries of the reflation trade. The second theme was the deflation

trade. At times during the year when investors were concerned that economic growth would fade, inflation would remain low and fiscal stimulus policies would not encourage growth, bond yields fell. At these times investors looked for secular growth stories, usually in information technology and health care sectors. Emerging markets benefited from both the synchronised global growth environment and the secular growth trade, having significant exposure to traditional cyclical sectors and innovative growth sectors. As a result, emerging market equities outperformed developed markets.

As central banks raised interest rates (0.25% in the UK and 0.75% in the US), bank shares continued to rally and bond spreads declined offsetting most of these interest rate rises. The US Treasury yield curve flattened significantly this year, driven up in the short end by interest rate rises while long-term yields remained largely unchanged as expectations for growth and inflation waned. Evidence of late cycle behaviour continues to mount as low rates and yield-seeking investors fuel asset price appreciation across financial markets. Despite weakening fundamentals and greater levels of risk, investors have

COMBINED ASSET ALLOCATION



largely ignored warning signs of stress as they search for any available yield, driving prices higher, compressing credit spreads and further stretching valuations. Increased market volatility is common in the later stages of the market cycle and has been exacerbated in the last quarter by concerns over global trade and the path of US interest rate rises.

A profitable year and low interest rates has increased business confidence setting the stage for stronger capital investment and productivity growth to support economic activity. With consumer confidence at very high levels, consumer spending should continue to be supported by low unemployment and slightly stronger wage growth. The theme is lower for longer; low inflation and low interest rates for longer.

Investment performance

Steamship recorded a combined investment gain of US\$39.3 million, a 3.5% return on assets (excluding fees). This excludes a currency gain of US\$7.6 million on assets held to match the currency exposure in claims liabilities.

Risk management and asset allocation

The portfolio has remained largely static throughout the year with some rebalancing during the year and an allocation to emerging market debt in the fourth quarter. The matching portfolio, held to back the net claim liabilities of Steamship, is comprised of highly rated government and corporate bonds, managed on a buy-and-maintain basis, with management of overall portfolio duration. This portfolio is used to provide collateral for the reinsurance obligations of the Trust to SMUA and SMUAB.

The remaining surplus portfolio was principally invested in absolute return bond funds, global equities, hedge funds of funds and high quality debt instruments. This allocation aims to deliver appropriate risk-adjusted returns within the risk appetite set.

The Corporate Trustee has continued to consult regularly with the Board of SMUAB, whose Members are the ultimate reinsured and beneficiaries of the Trust. That Board receives regular presentations on the utilisation of the agreed risk budget, investment performance and asset allocation.

Combined Financial Statements



Valparaíso, Chile

23:22



Managers' Report

Basis of combination

The Combined Financial Statements that appear on pages 44 to 61 of these Management Highlights have been prepared by combining the accounts of Steamship Mutual Underwriting Association Limited ("SMUA") with the consolidated accounts of its principal reinsurer The Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB"), and those of that Association's principal reinsurer The Steamship Mutual Trust ("the Trust"). All the Members of SMUA are also Members of SMUAB who are the beneficiaries of the Trust.

The Combined Financial Statements for "Steamship" are intended to provide an overall summary of the financial position of the three entities which, whilst contractually linked, are not under common management or control.

The consolidated financial statements of SMUAB and the financial statements of SMUA and the Trust are available in separate documents and on the Managers' website: www.steamshipmutual.com/club-finance/report-and-accounts.html

Free reserves

After considering the strong current and projected capital position of the Association, in October 2017 the Directors of SMUA decided to return 10% of mutual premium paid for the 2015/16 policy year (Class 1 – P&I) to the Members. Accordingly US\$25.6 million was credited to Members' statements in November 2017.

As at 20 February 2018, the combined free reserves of Steamship were US\$516.0 million, an increase of US\$5.7 million, or 1.1% over the financial year. For the year under review, the Directors set a 0% general increase in P&I premium. At the 2018 renewal the general increase was again set at 0%.

Underwriting

The 2014/15 year was closed in May 2017.

Gross premium totalled US\$295.3 million, net of the US\$25.6 million return of premium to Members, compared to US\$305.6 million last year. The financial year combined ratio, calculated by dividing the sum of net incurred claims, allocated currency gains/losses and operating expenses by net earned premium excluding the return, was 102.0% compared to 75.7% last year.

The Directors have decided to review release call levels as part of the Group Solvency Self-Assessment. In the meantime release calls for both Protection and Indemnity ("P&I") and Freight, Demurrage and Defence ("FD&D") will be set at 12.5% for the 2018/19 policy year, 2.5% for the 2017/18 policy year and 0% for the 2016/17 policy year.

Claims

Net claims paid during the financial year on a combined basis amounted to US\$214.3 million, a decrease of 2.1% on the previous year. Net outstanding claims increased by US\$27.1 million to US\$589.7 million, an increase of 4.8% compared to the previous year.

Gross claims arising in respect of the 2017/18 policy year, including IBNR, are projected to be US\$393.1 million, an increase of 59.8% over the 2016/17 policy year (US\$245.9 million). Claims net of reinsurance recoveries amounted to US\$255.0 million, an increase of 14.3% compared to the 2016/17 policy year (US\$223.0 million).

Investments

There was a combined gain on investments, including land and buildings, of US\$39.3 million, a return of 3.5%. The overall total of cash and investments rose by US\$42.2 million, or 4.0%, to US\$1,103.1 million.

A review of investment performance is provided in the Investments section of these Highlights.

Accountants' Report

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

We report on the unaudited Combined Financial Statements of The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited for the year ended 20 February 2018 ("the combined financial statements").

Our report is prepared solely for the confidential use of The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited and solely for the purpose of informing the Members of The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited and of the Members of The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited as a body, for our work, for this report, or for the opinions we have formed.

Responsibilities

The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited are responsible for the preparation of the combined financial statements.

It is our responsibility to carry out procedures designed to enable us to express an opinion as to whether the combined financial statements have been accurately compiled from the financial statements of The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited for the year ended 20 February 2018.

Basis of opinion

We have performed the procedures listed below with respect to the combined financial statements. The procedures were performed solely to assist the Corporate Trustee and the Directors with the preparation of the combined financial statements and are summarised as follows:

- We agreed the figures used in the combined financial statements to the signed financial statements of The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited as at 20 February 2018 respectively, and agreed adjustments on combination to the underlying accounting records;
- The auditor's reports on the financial statements of The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited were issued by ourselves on 14 May and 15 May 2018 and were unqualified. Our audit opinions in these financial statements did not cover the policy year statements;
- We checked the numerical accuracy of the combined financial statements; and
- We checked that the stated accounting policies in the combined financial statements are consistent with the accounting policies adopted by The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited, as defined in their respective financial statements to determine whether they are consistent.

Our procedures did not constitute an audit in accordance with Auditing Standards. In particular we have not verified any information or documentation provided to us and we should not be taken to have done so beyond the procedures described above.

Opinion

We report that:

- The combined financial statements have been accurately compiled from the financial statements of The Steamship Mutual Trust and The Steamship Mutual Underwriting Association (Bermuda) Limited and the statutory accounts of Steamship Mutual Underwriting Association Limited; and
- Accounting policies adopted in the combined financial statements are consistent with those adopted by The Steamship Mutual Trust, The Steamship Mutual Underwriting Association (Bermuda) Limited and Steamship Mutual Underwriting Association Limited.

Deloitte LLP

London
15 May 2018

Combined Income and Expenditure Account

for the year ended 20 February 2018

Technical Account

	Note	2018 US\$000	2017 US\$000
Gross premium written	2	295,318	305,642
Outward reinsurance premium	3	(52,089)	(56,033)
Net earned premium		243,229	249,609
Allocated currency gains/(losses)	7	7,615	(745)
Claims paid			
Gross amount	4	294,209	310,335
Reinsurers' share	4	(79,944)	(91,415)
		214,265	218,920
Change in the provision for claims			
Gross amount	5	65,440	(142,642)
Reinsurers' share	5	(38,336)	92,177
		27,104	(50,465)
Net claims incurred		241,369	168,455
Operating expenses	6	40,570	39,219
Underwriting balance		(31,095)	41,190

Non-Technical Account

Underwriting balance		(31,095)	41,190
Investment income	7	20,795	18,303
Unrealised gains on investments	7	17,379	13,801
Currency (gains)/losses allocated to the Technical Account	7	(7,615)	745
Net investment return		30,559	32,849
Investment charges		(2,407)	(2,145)
Other income	8	8,846	16
Other charges		—	(1,864)
Taxation		(225)	(77)
Surplus for the financial year		5,678	69,969

Combined Balance Sheet

as at 20 February 2018

		2018 US\$000	2017 US\$000
Assets			
Investments			
Land and buildings	8	21,424	12,687
Other financial investments	9	1,056,022	1,023,576
Reinsurers' share of technical provisions			
Claims outstanding	5	241,165	202,829
Debtors			
Debtors arising out of direct insurance operations		14,664	16,617
Debtors arising out of reinsurance operations		10,103	9,048
Other debtors		3,812	4,547
Other assets			
Cash at bank		25,606	24,554
Prepayments and accrued income			
Deferred acquisition costs		347	253
Other prepayments and accrued income		4,894	7,884
Total assets		1,378,037	1,301,995
Liabilities			
Capital and reserves			
Free reserves	10	515,968	510,290
Technical provisions		2,265	1,711
Claims outstanding	5	830,826	765,386
Provisions for other risks and charges			
Provision for taxation		218	77
Other provisions		835	—
Creditors			
Creditors arising out of direct insurance operations		14,481	10,688
Creditors arising out of reinsurance operations	11	8,990	6,843
Other creditors	12	4,454	7,000
Total liabilities		1,378,037	1,301,995

Notes on the Combined Financial Statements

1. Extract of accounting policies

(a) Accounting convention

The financial statements have been prepared in accordance with 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 the Trust to 20 February 2018.

2. Gross premium written

Mutual and fixed premium

Return of premium

Movement in unearned premium

2018	2017
US\$000	US\$000
321,460	331,382
(25,588)	(25,780)
(554)	40
295,318	305,642

3. Outward reinsurance premium

Group Excess Loss

Other reinsurance premium

2018	2017
US\$000	US\$000
35,499	34,515
16,590	21,518
52,089	56,033

4. Claims paid

Claims and related expenses

Group Pool claims

Claims administration expenses

2018	2017
US\$000	US\$000
253,158	265,316
15,677	20,310
25,374	24,709
294,209	310,335

Less reinsurers' share

Group Excess Loss

Group Pool

Other reinsurers

35,954	21,352
20,523	69,637
23,467	426
79,944	91,415

Net claims paid

214,265	218,920
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5. Change in net provision for claims**Gross outstanding claims**

Provision brought forward

Provision carried forward

Group Pool and Excess Loss reinsurers' share of outstanding claims

Provision brought forward

Provision carried forward

Other reinsurers' share of outstanding claims

Provision brought forward

Provision carried forward

Change in reinsurers' share

Change in net provision for claims

Net claims outstanding

2018	2017
US\$000	US\$000
(765,386)	(908,028)
830,826	765,386
65,440	(142,642)
150,806	248,189
(196,757)	(150,806)
(45,951)	97,383
52,023	46,817
(44,408)	(52,023)
7,615	(5,206)
(38,336)	92,177
27,104	(50,465)
589,661	562,557

A favourable net run-off deviation of US\$17.6 million was experienced during the year (2017: US\$43.4 million).

6. Operating expenses

Brokerage

Underwriting administration expenses

Other administration expenses

Directors' remuneration

Auditor's remuneration

Total expenses

Operating expenses

Claims expenses (note 4 above)

Investment charges

2018	2017
US\$000	US\$000
20,372	20,442
7,832	7,635
11,471	10,374
394	368
501	400
40,570	39,219
40,570	39,219
25,374	24,709
2,407	2,145
68,351	66,073

Notes on the Combined Financial Statements

continued

7. Net investment return

Dividends and interest

Realised gains/(losses)

Investments

Currency

Investment income

Unrealised gains

Investments

Currency

Currency (gains)/losses allocated to Technical Account

Net investment return

2018	2017
US\$000	US\$000
20,492	18,457
(3,536)	1,326
3,839	(1,480)
20,795	18,303
13,603	13,066
3,776	735
(7,615)	745
30,559	32,849

The allocation to the Technical Account is comprised of all realised and unrealised exchange differences arising on foreign currency investments held to hedge technical provisions in the same currencies.

8. Land and buildings

SMPH owns a freehold property consisting of office premises in London. It is occupied under licence, free of rent, by the Managers. The property was valued by CBRE Limited at £15.3 million (US\$21.4 million) reflecting the market value at 20 February 2018. This resulted in a revaluation surplus of US\$8.7 million. The original costs incurred when the property was purchased in 1987 amounted to US\$16,952,226.

9. Other financial investments**Market value**

	2018	2017
	US\$000	US\$000
Equities	101,154	80,453
Alternative investments	68,885	84,498
Bonds	762,450	690,976
Money market instruments	63,269	113,320
Deposits with credit institutions	52,026	49,185
Cash accounts	8,809	5,243
Derivative financial instruments	(571)	(99)
	1,056,022	1,023,576

Cost

Equities	68,053	62,954
Alternative investments	61,070	81,222
Bonds	778,574	704,570
Money market instruments	63,269	113,561
Deposits with credit institutions	52,026	49,185
Cash accounts	8,809	5,243
	1,031,801	1,016,735

10. Free Reserves

	2018	2017
	US\$000	US\$000
Brought forward	510,290	440,321
Surplus for year	5,678	69,969
	515,968	510,290

Notes on the Combined Financial Statements

continued

11. Creditors arising out of reinsurance operations

Group Clubs and Excess Loss reinsurers
Other reinsurance creditors

2018	2017
US\$000	US\$000
515	675
8,475	6,168
8,990	6,843

12. Other creditors

Unsettled investment transactions
Other creditors

2018	2017
US\$000	US\$000
—	540
4,454	6,460
4,454	7,000

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 2018 is 12.2% (2017: 12.1%).

14. 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 processes 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.

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. The Audit and Risk Committee compares the proposed claim reserves with an independent calculation performed by qualified actuaries at year-end.

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.

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

	2018 US\$000	2017 US\$000
5% increase in claims incurred on current policy year		
Overall surplus: gross of reinsurance	(19,628)	(12,297)
net of reinsurance	(11,274)	(12,297)
Single claim of US\$2 billion in current policy year		
Overall surplus: gross of reinsurance	(2,000,000)	(2,000,000)
net of reinsurance	(33,055)	(31,956)

Notes on the Combined Financial Statements

continued

14. Risk management continued

The following tables show the development of claims over seven 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.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Insurance claims – gross policy year							
End of reporting year	485,127	429,668	364,898	306,136	341,743	245,943	393,136
One year later	764,249	354,164	254,372	237,964	338,071	226,731	
Two years later	949,778	334,971	235,589	232,980	348,257		
Three years later	1,072,279	314,316	227,727	226,574			
Four years later	1,045,184	297,510	223,265				
Five years later	1,013,205	292,087					
Six years later	1,008,783						
Current estimate of ultimate claims	1,008,783	292,087	223,265	226,574	348,257	226,731	393,136
Cumulative payments to date	943,002	265,643	178,152	185,170	254,005	110,783	51,655
Claims outstanding	65,781	26,444	45,113	41,404	94,252	115,948	341,481
Claims outstanding relating to last seven reporting years							730,423
Other claims liabilities							100,403
Total gross claims outstanding							830,826

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Insurance claims – net policy year							
End of reporting year	263,946	280,512	266,696	239,384	245,985	223,046	255,033
One year later	253,164	253,863	230,933	214,612	232,623	219,762	
Two years later	243,051	255,088	223,774	205,809	240,962		
Three years later	246,075	245,586	217,545	202,161			
Four years later	241,346	235,862	213,697				
Five years later	236,195	234,329					
Six years later	234,447						
Current estimate of ultimate claims	234,447	234,329	213,697	202,161	240,962	219,762	255,033
Cumulative payments to date	217,434	210,466	172,117	167,800	158,210	109,651	51,655
Claims outstanding	17,013	23,863	41,580	34,361	82,752	110,111	203,378
Claims outstanding relating to last seven reporting years							513,058
Other claims liabilities							76,603
Total net claims outstanding							589,661

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 their financial strength rating is at least A- from Standard & Poor's or an equivalent rating from another rating agency, except in the case of some members of the Group and participants on reinsurance contracts placed through 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 avoiding any 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 arises on operational balances and deposits held with banks. This is controlled by using a variety of banks and limiting individual exposures to US\$10 million for banks rated AA by S&P, or an equivalent rating from another agency, and US\$5 million for banks rated A by S&P, or an equivalent rating from another agency. The credit risk of one unrated, privately capitalised bank is monitored by reference to a specific capital ratio.

Loans and receivables from Members, agents and intermediaries generally do not have a credit rating. Equities and alternative investments are also included within other assets that do not have a credit rating.

The following table shows the aggregated credit risk exposure for those assets with external credit ratings.

	AAA US\$000	AA US\$000	A US\$000	BBB US\$000	BB & below US\$000	Not rated US\$000	Total US\$000
As at 20 February 2018							
Bonds and loans	53,828	296,910	182,759	161,625	64,924	2,404	762,450
Money market instruments	63,269	—	—	—	—	—	63,269
Deposits with credit institutions	—	47,026	5,000	—	—	—	52,026
Cash accounts	9	1,839	6,961	—	—	—	8,809
Derivative financial instruments	—	—	—	—	—	(571)	(571)
Cash at bank	—	18,701	2,317	—	—	4,588	25,606
Reinsurers' share of technical provisions	—	12,830	192,941	34,829	—	565	241,165
Debtors arising out of reinsurance operations	—	17	9,956	35	—	95	10,103
Accrued interest	178	1,496	1,365	1,244	173	—	4,456
Unsettled investment transactions	—	—	379	—	—	—	379
Total assets with credit ratings	117,284	378,819	401,678	197,733	65,097	7,081	1,167,692
Other assets	—	—	—	—	—	210,345	210,345
Total assets	117,284	378,819	401,678	197,733	65,097	217,426	1,378,037

Notes on the Combined Financial Statements

continued

14. Risk management continued

Credit risk continued

As at 20 February 2017

	AAA	AA	A	BBB	BB & below	Not rated	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Bonds and loans	47,163	303,096	157,774	156,981	24,208	1,754	690,976
Money market instruments	113,320	—	—	—	—	—	113,320
Deposits with credit institutions	—	39,185	10,000	—	—	—	49,185
Cash accounts	—	11	5,232	—	—	—	5,243
Derivative financial instruments	—	—	(132)	—	—	33	(99)
Cash at bank	335	18,747	531	—	—	4,941	24,554
Reinsurers' share of technical provisions	—	35,598	164,345	2,705	—	181	202,829
Debtors arising out of reinsurance operations	—	17	7,831	843	—	357	9,048
Accrued interest	128	1,587	1,111	1,300	110	—	4,236
Total assets with credit ratings	160,946	398,241	346,692	161,829	24,318	7,266	1,099,292
Other assets	—	—	—	—	—	202,703	202,703
Total assets	160,946	398,241	346,692	161,829	24,318	209,969	1,301,995

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 2018

	Not due	0–30 days	31–90 days	Over 90 days	Impaired	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Debtors arising out of direct insurance operations	5,658	2,307	2,482	3,497	720	14,664
Debtors arising out of reinsurance operations	—	10,040	40	6	17	10,103
Total	5,658	12,347	2,522	3,503	737	24,767

As at 20 February 2017

	Not due	0–30 days	31–90 days	Over 90 days	Impaired	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Debtors arising out of direct insurance operations	6,845	2,966	3,191	2,680	935	16,617
Debtors arising out of reinsurance operations	—	8,694	301	36	17	9,048
Total	6,845	11,660	3,492	2,716	952	25,665

Market risk

Market risk is the risk of financial loss as a consequence of movements in prices of equities and bonds, interest rates and currency exchange rates and other price changes. Market risk arises primarily from investment activities.

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 having consulted with the Board of the reinsured. Exposures and compliance with Board policies are monitored and reported by the Managers assisted by independent investment consultants.

Steamship receives the majority of its premium income in US dollars, a significant amount in euro and small amounts in UK sterling and Canadian dollars. Claim liabilities arise in a number of currencies but predominantly in US dollars, euro, UK sterling and Brazilian reals. This exposure is mitigated by holding investments in UK sterling denominated assets and derivative positions held by the Trust in respect of the euro and Brazilian real. To minimise currency translation costs 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.

	US dollar US\$000	UK sterling US\$000	Euro US\$000	Brazilian real US\$000	Indian rupee US\$000	Other US\$000	Total US\$000
As at 20 February 2018							
Assets	1,208,570	48,653	108,069	1,162	1	11,582	1,378,037
Liabilities	(641,215)	(35,908)	(129,483)	(16,984)	(8,828)	(29,651)	(862,069)
	567,355	12,745	(21,414)	(15,822)	(8,827)	(18,069)	515,968
Derivative position			19,949	13,813			
As at 20 February 2017							
Assets	1,236,351	40,950	14,441	1,144	—	9,109	1,301,995
Liabilities	(689,668)	(26,511)	(25,229)	(14,295)	(8,721)	(27,281)	(791,705)
	546,683	14,439	(10,788)	(13,151)	(8,721)	(18,172)	510,290
Derivative position			14,380	11,091			

IBNR and reinsurers' share of IBNR are classified as US dollar.

The majority of the operating expenses of Steamship are the costs of SIMSL, the service company of SPIM. These expenses are payable in UK sterling giving rise to a currency exchange risk when compared to Steamship's base currency of US dollars. Steamship has a hedging policy which requires that a percentage of future costs be fixed in US dollar terms. This is achieved by entering into forward purchase contracts or other option based products with a bank.

Notes on the Combined Financial Statements

continued

14. Risk management continued

Market risk continued

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 1% increase in interest rates.

	Effect on investment valuation US\$000
As at 20 February 2018	(11,342)
As at 20 February 2017	(11,118)

The above assumes that all other key market variables are held constant and that the interest 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 a maturity equivalent to the expected settlement period of claim liabilities. Most of the remaining assets in the surplus portfolio could be converted in to cash in less than one month.

The following table shows the expected maturity of Steamship's assets. The tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where Steamship anticipates that the cash flow will occur in a different period.

	0–1 years US\$000	1–2 years US\$000	2–5 years US\$000	Over 5 years US\$000	Total US\$000
As at 20 February 2018					
Investments	719,441	141,324	144,889	50,368	1,056,022
Reinsurers' share of technical provisions	83,767	51,429	69,528	36,441	241,165
Other assets	59,426	—	—	21,424	80,850
Total assets	862,634	192,753	214,417	108,233	1,378,037
As at 20 February 2017					
Investments	512,082	278,252	219,784	13,458	1,023,576
Reinsurers' share of technical provisions	67,799	42,961	62,504	29,565	202,829
Other assets	62,903	—	—	12,687	75,590
Total assets	642,784	321,213	282,288	55,710	1,301,995

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

	0–1 years US\$000	1–2 years US\$000	2–5 years US\$000	Over 5 years US\$000	Total US\$000
As at 20 February 2018					
Claims outstanding	288,582	177,175	239,529	125,540	830,826
Other liabilities	30,408	—	—	835	31,243
Total liabilities	318,990	177,175	239,529	126,375	862,069
	0–1 years US\$000	1–2 years US\$000	2–5 years US\$000	Over 5 years US\$000	Total US\$000
As at 20 February 2017					
Claims outstanding	255,842	162,118	235,861	111,565	765,386
Other liabilities	26,319	—	—	—	26,319
Total liabilities	282,161	162,118	235,861	111,565	791,705

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 policy years

Open policy years

Gross premium

Reinsurance premium

Net earned premium

2017/18	2016/17	2015/16	Total
US\$000	US\$000	US\$000	US\$000
320,533	333,611	325,626	979,770
(49,422)	(60,191)	(66,216)	(175,829)
271,111	273,420	259,410	803,941

Allocated investment return
from non-technical account

4,476 (1,727) (2,487) 262

Net incurred claims

Claims paid net of reinsurance recoveries

Claims administration expenses

Net claims outstanding

IBNR provision

Future claims administration expenses

41,307	79,404	139,381	260,092
10,348	30,247	18,829	59,424
103,201	69,966	53,526	226,693
88,163	37,448	28,014	153,625
12,014	2,697	1,212	15,923
255,033	219,762	240,962	715,757

Operating expenses

Brokerage

Other expenses

20,414	20,439	20,844	61,697
20,116	18,870	20,615	59,601
40,530	39,309	41,459	121,298

Underwriting balance

(19,976) 12,622 (25,498) (32,852)

Allocated net investment income

(Deficit)/surplus on open policy years

19,163	7,375	36,666	63,204
(813)	19,997	11,168	30,352

Closed policy years

Surplus in respect of 2013/14 and prior years at 20 February 2017

Balance on 2014/15 year as at 20 February 2017

Movements on policy years prior to 2015/16

Surplus on all policy years

205,125
14,517
(8,718)
241,276

Managers' notes

- Investment income earned by SMUAB and SMUA 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.
- The pure underwriting result, being the balance of net earned premiums after deducting claims paid net of reinsurance recoveries, net claims outstanding, IBNR provision and brokerage is as follows:

2017/18	2016/17	2015/16
US\$m	US\$m	US\$m
18.0	66.2	17.6

Balance available for outstanding claims by policy year**Gross claims outstanding**

	2017/18 US\$000	2016/17 US\$000	2015/16 US\$000	Closed years US\$000	Total US\$000
Own claims	296,769	98,967	76,451	222,332	694,519
Pool claims	32,698	14,284	16,590	53,898	117,470
Future claims administration expenses	12,014	2,697	1,212	2,913	18,836

Reinsurance recoveries outstanding

Group Excess Loss contract	—	—	(348)	(39,525)	(39,873)
Group Pool	(128,583)	(2,741)	(3,435)	(22,124)	(156,883)
Other	(9,520)	(3,096)	(7,718)	(24,073)	(44,407)

Net provision for claims outstanding

	203,378	110,111	82,752	193,421	589,662
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Free reserves

(Deficit)/surplus on policy years	(813)	19,997	11,168	210,924	241,276
Unallocated investment income	—	—	—	274,692	274,692
	(813)	19,997	11,168	485,616	515,968

Balance available for outstanding claims

	202,565	130,108	93,920	679,037	1,105,630
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Managers' notes

1. Combined projected net outstanding claims at 20 February 2018, amounting to US\$589.7 million, includes IBNR provision totalling US\$212.0 million as follows:

	2017/18 US\$m	2016/17 US\$m	2015/16 US\$m	Closed years US\$m	Total US\$m
	88.2	37.4	28.0	58.4	212.0

2. Combined free reserves at 20 February 2018, amounting to US\$516.0 million, are stated net of a provision for future expenses on outstanding claims amounting to US\$18.8 million.

Combined Policy Year Statement

P&I Class

Development of policy years

Open policy years

Gross premium

Reinsurance premium

Net earned premium

2017/18	2016/17	2015/16	Total
US\$000	US\$000	US\$000	US\$000
293,574	300,530	289,861	883,965
(41,999)	(51,101)	(56,435)	(149,535)
251,575	249,429	233,426	734,430

Allocated investment return
from non-technical account

4,202 (1,338) (1,747) 1,117

Net incurred claims

Claims paid net of reinsurance recoveries

Claims administration expenses

Net claims outstanding

IBNR provision

Future claims administration expenses

37,125	74,252	130,528	241,905
9,416	27,471	17,109	53,996
99,588	66,832	50,254	216,674
80,955	34,387	26,287	141,629
11,335	2,541	1,138	15,014
238,419	205,483	225,316	669,218

Operating expenses

Brokerage

Acquisition and other expenses

18,907	18,969	19,326	57,202
18,432	17,021	18,500	53,953
37,339	35,990	37,826	111,155

Underwriting balance

(19,981) 6,618 (31,463) (44,826)

Allocated net investment income

(Deficit)/surplus on open policy years

13,883	7,684	35,701	57,268
(6,098)	14,302	4,238	12,442

Closed policy years

Surplus in respect of 2013/14 and prior years at 20 February 2017

Balance on 2014/15 year as at 20 February 2017

Movements on policy years prior to 2015/16

Surplus on all policy years

190,678
9,244
(2,127)
210,237

Managers' notes

- Investment income earned by SMUAB and SMUA is credited to the same policy year as the financial year in which it arises. Investment income earned by the Trust is only allocated to the policy year to the extent required to bring that year into overall balance.
- The pure underwriting result, being the balance of net earned premiums after deducting claims paid net of reinsurance recoveries, net claims outstanding, IBNR provision and brokerage is as follows:

2017/18	2016/17	2015/16
US\$m	US\$m	US\$m
15.0	55.0	7.0
23.3	23.5	24.5

- Net product of 10% supplementary call

Balance available for outstanding claims by policy year**Gross claims outstanding**

	2017/18 US\$000	2016/17 US\$000	2015/16 US\$000	Closed years US\$000	Total US\$000
Own claims	281,819	92,523	68,831	213,198	656,371
Pool claims	32,698	14,284	16,590	53,898	117,470
Future claims administration expenses	11,335	2,541	1,138	2,836	17,850

Reinsurance recoveries outstanding

Group Excess Loss contract	—	—	(348)	(39,525)	(39,873)
Group Pool	(128,583)	(2,741)	(3,435)	(22,124)	(156,883)
Other	(5,391)	(2,847)	(5,097)	(20,017)	(33,352)

Net provision for claims outstanding

	191,878	103,760	77,679	188,266	561,583
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Free reserves

Surplus on policy years	(6,098)	14,302	4,238	197,795	210,237
Unallocated investment income	—	—	—	274,692	274,692
	(6,098)	14,302	4,238	472,487	484,929

Balance available for outstanding claims

	185,780	118,062	81,917	660,753	1,046,512
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Managers' notes

1. Combined projected net outstanding claims at 20 February 2018, amounting to US\$561.6 million, includes IBNR provision totalling US\$196.0 million as follows:

	2017/18 US\$m	2016/17 US\$m	2015/16 US\$m	Closed years US\$m	Total US\$m
	81.0	34.4	26.3	54.3	196.0

Staff Training

During the year the staff of the Managers' London Representatives have attended training courses, or received the benefit of numerous talks and presentations on subjects of topical interest given by several of the Club's service providers such as lawyers and experts. The Managers are grateful to the following organisations for their co-operation and assistance in passing on the benefit of their knowledge and experience:

Associated Petroleum Consultants Ltd	Miller Insurance
Campbell Johnston Clark Ltd	Mills & Co
Chartered Insurance Institute	Montgomery, McCracken, Walker & Rhoads LLP
Corporate Training Partnership	Pains & Co Ltd
Eversheds	Pandiman
Heng Xin Law Office	Redcliffe Training
Holman Fenwick Willan LLP	Reed Smith LLP
Ince & Co	Solis Marine Consultants
L A Marine	Taylor Marine
Lawtel	Thomson Reuters
London Shipping Law Centre	
MFB Solicitors	

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
ECDIS	Electronic Chart Display and Information System
EU	European Union
F&FO	Fixed and Floating Objects
FCR	Financial Condition Report
FD&D	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
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
US	United States (of America)

Notes



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