

Poseidon Principles for Marine Insurance |

A uniform approach and message toward our clients

Summary

The maritime sector has provided efficient economic services that play a key role in enabling growth of global trade and global economic development. However, this has not been without some adverse social and environmental consequences unique to the maritime sector. The continued success of the maritime sector is intrinsically linked to the well-being and prosperity of society, and all industry participants must play a role in addressing these adverse factors.

The Poseidon Principles for Marine Insurance create common global baselines that are consistent with and supportive of society's goals to better enable insurers to assess and align their portfolios with responsible environmental impacts. The Poseidon Principles for Marine Insurance are applicable to insurance providers who provide Hull & Machinery coverage, and are supported by our insurance brokers and our business partners. They apply globally to all shipping activities where a vessel or vessels fall under the purview of the IMO.

The Principles are consistent with the policies and ambitions of the IMO, including its ambition to reduce shipping's total annual greenhouse gas (GHG) emissions by at least 50% by 2050 compared to 2008. We have also chosen to take steps toward alignment with the Paris Agreement, to achieve climate neutrality by 2050, and to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels, with the ambition to be fully aligned over time.

The Principles and their requirements

The requirements for Signatory marine insurance institutions fall under the four Principles that constitute the Poseidon Principles for Marine Insurance:

1. Assessment of climate alignment

As a Signatory, we will, on an annual basis, measure the carbon intensity and assess climate alignment (carbon intensity relative to established decarbonization pathways) of our hull and machinery portfolio using the methodology established by the Poseidon Principles for Marine Insurance in line with the Technical Guidance¹ [p.20-31].

2. Accountability

As a Signatory, we will exclusively rely on trusted entities and mandatory regulations as explicitly identified in the Technical Guidance for the provision of information used to assess and disclose climate alignment.

3. Enforcement

As a Signatory we will introduce standard covenant clauses into facility documentation for all business activities² in order to ensure access to high quality data.

4. Transparency

As a Signatory, we will publish the overall climate alignment of our shipping portfolio, and supporting information on an annual basis. Climate alignment at a more granular level (e.g. by vessel or ship category, % non-reporting and % as the lead/follower insurer) will not be publicly disclosed.

¹ Download the full Poseidon Principles for Marine Insurance with Technical Guidance [here](#).

² insurance products which cover H&M, and where the insurer is the lead and has access to the required data from clients.

Standard Covenant Clause

Insurance providers are within their rights under most current agreements to demand disclosure of data necessary to comply with the initial Poseidon Principles for Marine Insurance. It was at the request of shipowners in the drafting group that the Principles should include a standardized covenant covering the more specific information so that they do not have to negotiate similar wording with every provider.

While the covenant wording is strongly recommended, it is not compulsory for Signatories. However, if all Signatories start using it in new agreements it will de facto be in common usage. There is no suggestion that existing agreements should be amended.

Sourcing the data

To ease global adoption and implementation, the Poseidon Principles for Marine Insurance are based on information already prepared and submitted under the IMO Data Collection System (DCS). To see the IMO regulation document, click [here](#).

What is the IMO DCS?

The IMO Data Collection System, or DCS, was adopted by resolution MEPC.278(70), which entered into force on 1 March 2018. This regulation requires shipowners to collect and report per calendar year for ships which are 5,000 gross tonnage and above engaged in international trade:

- 1) The amount of fuel consumption for each type of fuel in metric tonnes,
- 2) Distance travelled,
- 3) Hours underway, and
- 4) Technical characteristics of the ship including design deadweight.

Clients will not be required to perform any calculations, but simply to share information already collected for the purposes of the IMO.

Statement of Compliance (SoC)

The SoC is issued by a flag State or an RO on behalf of the flag state to the ship confirming its compliance with the IMO DCS. This occurs no later than 5 months from the beginning of the following calendar year (e.g., for the calendar year 2021, it would be issued by the end of May 2022).

Once the RO or flag State has verified the data submitted and issued the SoC, that ship is in compliance.

For more information on data sourcing, please see *Figure 7* on page 37 in the Poseidon Principles for Marine Insurance Technical Guidance, and for the SoC, see Appendix X in the [IMO regulation document](#).

About client and data privacy

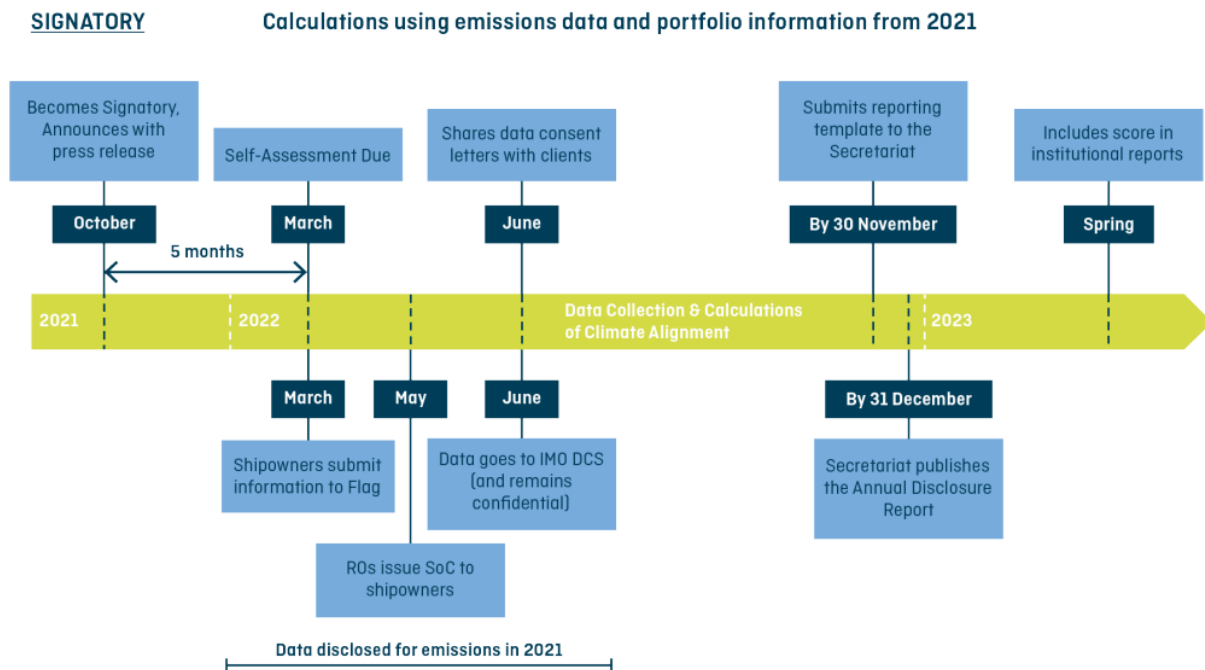
The data reported to the IMO database through the IMO DCS regulation is confidential and therefore cannot be accessed by the Signatories. Data from the IMO DCS is given to the Signatory via a third-party.

Likewise, the information that Signatories report to the Poseidon Principles for Marine Assurance Association is also confidential between Signatories and their clients. Confidential information is not shared between Signatories. We do not report who our clients are or the vessels in our portfolio, but exclusively the overall climate alignment of our shipping portfolio.

As a Signatory, we may decide to report additional information in our own sustainability reports, such as average ship type and size in our portfolio or trends in our alignment score over time, but client information remain confidential throughout this process.

Timelines for data reporting and sharing

The general timeline of the requirements for Signatories is as outlined in the figure below (example when a Signatory joined in October 2021).



The expectations of the Signatories to the Poseidon Principles for Marine Insurance

As a Signatory, it is our expectation that our clients:

1. Accept the covenant clause included in policy agreements,
2. Agree with the form of letter received from Signatories requesting data
3. Provide the necessary data, as already done in compliance with regulations, and
4. Provide the Statement of Compliance, as already provided when in compliance.

We are happy to have further discussions to answer any questions you might have.

The ambition of the Poseidon Principles for Marine Insurance

It is our ambition to gradually see the climate alignment of shipping portfolios to the decarbonization trajectories and the goals set by the IMO. Ultimately, we wish to see a carbon-neutral and decarbonized maritime sector.

The Poseidon Principles for Marine Insurance are particularly interesting for Signatory marine insurers as we see the Principles as an opportunity to work with our clients to initiate conversations which lead the transition to a greener industry. We will open a dialogue with you so that we can come up with solutions together. Having these conversations allow for everyone to distinguish between efficient and inefficient vessels and activities in order to make the most secure and environmentally conscious decisions in marine insurance.

Additional questions on vessels and detailed information regarding alignment, retrofitting, and similar questions will be available separately, as it will take time for us to collect and share this data as it becomes more readily available.