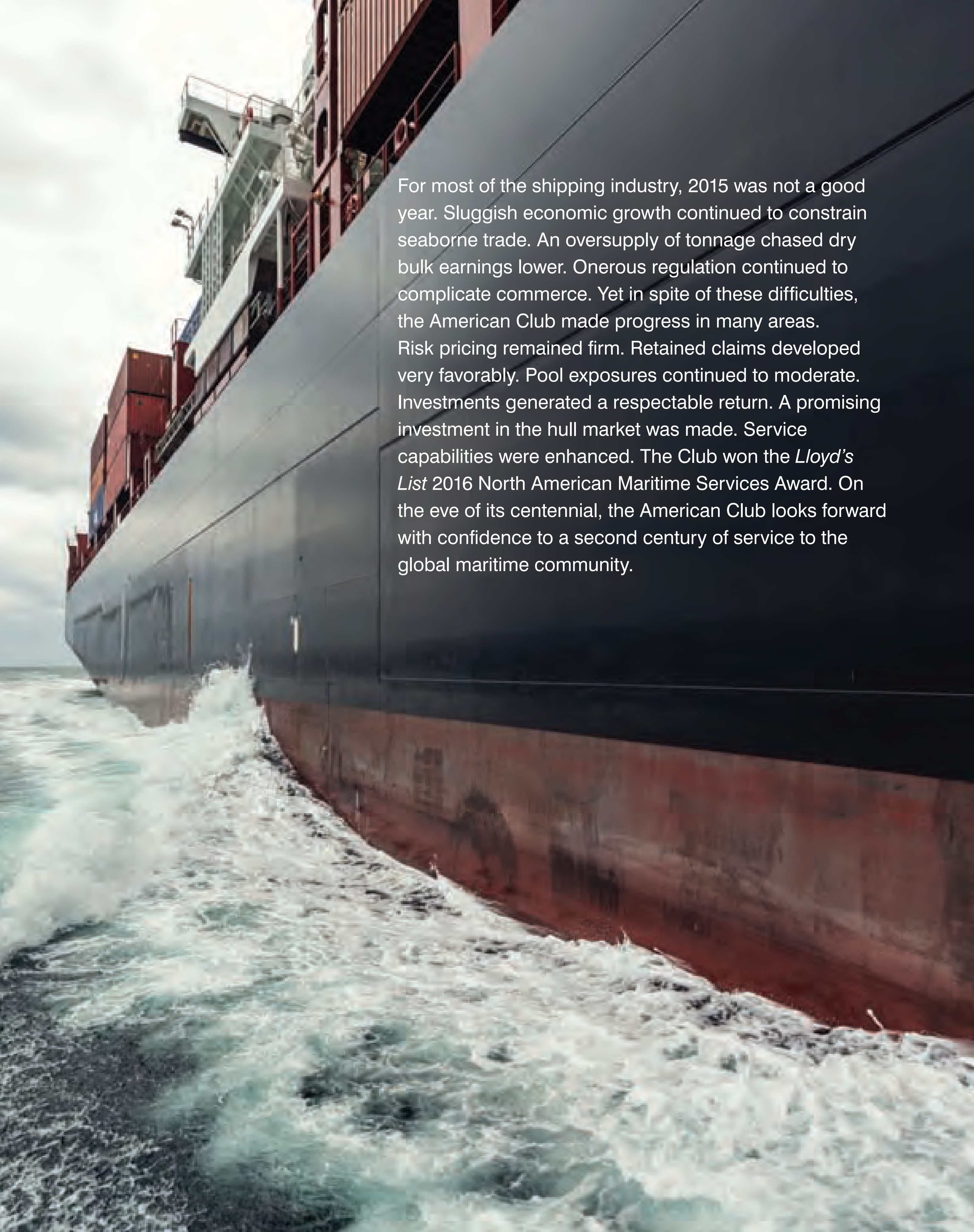
THE AMERICAN CLUB

2015 Annual Report

THE AMERICAN CLUB



For most of the shipping industry, 2015 was not a good year. Sluggish economic growth continued to constrain seaborne trade. An oversupply of tonnage chased dry bulk earnings lower. Onerous regulation continued to complicate commerce. Yet in spite of these difficulties, the American Club made progress in many areas. Risk pricing remained firm. Retained claims developed very favorably. Pool exposures continued to moderate. Investments generated a respectable return. A promising investment in the hull market was made. Service capabilities were enhanced. The Club won the *Lloyd's List* 2016 North American Maritime Services Award. On the eve of its centennial, the American Club looks forward with confidence to a second century of service to the global maritime community.

Table of Contents

HIGHLIGHTS

For most of the shipping industry 2015 was not a good year. Yet the American Club made progress in many areas, and recently won a prestigious maritime industry services award.

2015 Highlights

- 2015 begins with modest uplift in renewing rates per ton.
- Freight market depression erodes dry bulk constituency, tanker sector expands.
- 2012 policy year closed without call in excess of original forecast.
- Investments produce small, but positive, return.
- Retained losses develop at exceptionally favorable pace: best results since 2002.
- Pool claims emergence prolongs moderate trend of recent years.
- Standard & Poor's affirms investment grade counterparty rating.
- Eagle Ocean Marine continues to grow market footprint with solid profitability.
- Investment in American Hellenic Hull establishes groundbreaking involvement in hull sector.
- Loss prevention initiatives continue vigorously.
- 2.5% increase in premium levels across all classes for 2016: Club retention increases: Pool structure reorganized: Group reinsurance costs decline.
- 2016 renewal sees year-on-year stability in tonnage and pricing.
- Favorable risk profile of continuing business encourages positive outlook.
- Club wins *Lloyd's List* 2016 North American Maritime Services Award.

REPORT OF THE DIRECTORS

The Directors of American Steamship Owners Mutual Protection and Indemnity Association, Inc. (the American Club) are pleased to present the Club's Annual Report and Accounts for the year ended December 31, 2015.

The Year in Review

The American Club's principal activity continued to be the insurance of marine Protection and Indemnity (P&I) and Freight, Demurrage and Defense (FD&D) risks on behalf of its Members, both owners and charterers.

The Annual Meeting of the Club's Members took place in New York City on June 18, 2015. At that meeting, all the Directors who had presented themselves for re-election were duly re-elected to serve for a further twelve months.

At the Annual Meeting of the Directors, which took place immediately after that of the Members, Mr. J. Arnold Witte of Donjon Marine Co., Inc. and Mr. Markos K. Marinakis of Marinakis Chartering Inc. were re-elected, respectively, as Chairman and Deputy Chairman of the Board. Mr. Lawrence J. Bowles was re-appointed as General Counsel to the Club and Mr. Joseph E. M. Hughes, Chairman and CEO of the Managers, was re-appointed as Secretary.

In February, 2016, Mr. Henry Djuhari of PT Meranti Maritime, Jakarta, resigned from the Board following the reorganization of his company. The Board thanks Mr. Djuhari most warmly for his contribution to the Club's business in recent years.

In addition to the Annual Meeting, in conjunction with which a regular meeting of the Board was also held, the Directors met on three further occasions in 2015. All these meetings took place in New York.

On each of these occasions, a wide range of matters was reviewed. They included policy year accounts, and the closing of relevant years, the settlement of claims of the Club's Members, including omnibus clause references, matters relevant to the Club's membership of the International Group of P&I Clubs, including the development of Pool claims, reinsurance, investment policy, the outcome of renewal negotiations, marketing and business development, developments in global regulation affecting shipping, and the implementation of other political initiatives, including those in regard to sanctions, as well as many other subjects pertinent to the Club's business.

A particular highlight of 2015 was an initiative – which gained momentum from April onward – to develop a presence for the American Club in the hull and machinery market. This entailed an investment in a new company in Cyprus, American Hellenic Hull Insurance Company, Ltd.

The hull and machinery portfolio forming the core of business for American Hellenic at its inception is that derived from Hellenic Hull Mutual Association, Plc., a well-known and highly regarded insurer with which the Club worked in close cooperation during the closing months of 2015. The Report of the Managers contains a further discussion of this transaction, including a description of the many benefits accruing to the American Club in consequence thereof.

The period under review saw the closing of the 2012 policy year, without contribution in excess of originally estimated total premium, as of March 31, 2015. The small deficit for the year was covered by a transfer from the Club's substantial contingency fund.

Circular No. 34/14 of November 20, 2014, informed Members of the Club's premium policy for 2015. It communicated the Board's decision to apply a 4.5% general increase across all classes of the Club's business, together with increases in certain deductibles. For P&I entries, as had been the case the previous year, all estimated total premium was ordered to be debited in four equal installments during the calendar year. FD&D premium was to be debited in two equal installments.

In November 2015 the release call for 2013 was reduced from 20% to 7.5% of estimated total premium, while the release call for 2014 was reduced from 20% to 12.5% of estimated total premium. As to the 2015 policy year itself, it was decided that the release call margin for that year would for the time being remain at 20% of estimated total premium, as originally mandated, but that the position would be reviewed again within the first half of 2016.

DIRECTORS' REPORT

A particular highlight of 2015 was an initiative to develop a presence for the Club in the hull and machinery market.

The Club's funds under investment generated an overall return of 28 basis points during the 2015 financial year. Against a background of considerable market volatility – both in the fixed income sector and within the equities space – this was a creditable result. It reflected well on the Club's policy during the period which aimed to achieve, in a carefully measured fashion, a moderation of the portfolio's risk profile, particularly in light of an aging bull market for stocks.

The Club's year-end GAAP equity for 2015 reduced by about 4% over year-end 2014 to $56.4 million, while the year-end statutory surplus for 2015, of $74.3 million, was greater (by approximately 15%) than that of twelve months earlier.

This increase in statutory surplus was partly attributable to a private placement of surplus notes in the sum of $19.5 million, some of which was allocated to provide capital support for the American Hellenic initiative mentioned above. American Hellenic is expected to generate both operational profitability and capital appreciation for the Club over time, as the facility develops as a growing force in the international hull market.

As to claims, the Club's retained exposures developed very positively during 2015. Indeed, the level of claims for the Club's own account in policy year 2015 has been the lowest since 2002, while the emergence of International Group Pool claims has been similarly encouraging. It is hoped that this trend will continue into 2016, and that the favorable development of earlier years will also be maintained.

The Club continued to benefit from meetings of the Finance and Audit, Claims and Risk Management, and Safety and Environmental Protection Committees during the year. Each engaged in a variety of initiatives in order, respectively, to ensure the careful monitoring of the Club's funds under investment and generally oversee the financial dimensions of its business; to examine claims trends in detail with the aim of minimizing risk; and to implement the lessons learned from those trends in the form of user-friendly loss prevention tools and other means of enhancing safety both ashore and afloat.

As has been reported in the past, and as part of a longer-term intention to diversify its activity, the Club became engaged, in July 2011, as primary insurer of the Eagle Ocean Marine (EOM) facility. This offers fixed premium P&I and FD&D cover to the operators of smaller ships in local and regional trades outside the United States.

The facility continued to make excellent progress during 2015. Indeed, the share of the underlying exposure insured by the Club was increased from 20% to 50% as of July 1, 2015, reinsurance for the remainder of the first tranche of $10 million per claim being supported by quota-share arrangements placed at Lloyd's. The maximum limit of cover available for P&I risks under the facility continues to be $500 million, although individual fleet limits tend to be lower than this. There has been steady growth of the facility's income in recent years, supported by its excellent operational results.

The Directors were gratified to learn, not long before this Annual Report went to press, that the American Club had won the prestigious *Lloyd's List* 2016 Marine Services Award. In the opinion of the judges, the Club had "*gone above and beyond best practice to offer the shipping industry something exceptional.*"

As in previous years, the Directors thank the Members, and all those who act on their behalf, for their continuing support of the Club. Many challenges lie ahead, not least for the shipping industry itself. Although recent commodity price trends, notably for oil, have created a positive backdrop for some trades, the difficult state of the dry markets continues to cause concern.

In 2017 the American Club celebrates its centennial. There are grounds for cautious optimism that global economic conditions generally, and those affecting the shipping industry in particular, will have improved by that time. To commemorate this important milestone, the Club has commissioned a centennial history which is intended for publication in the fall of 2016. It speaks to both the Club's colorful past and the exciting prospects which lie ahead as it moves into its second century of service to the global shipping community.

REPORT OF THE MANAGERS

Global trade faltered in 2015. This, and the difficulties it generated for the shipping industry, gave rise to an unpromising environment in which to advance the business of the American Club. Despite these challenges, the Club pursued its agenda with energy, and made significant progress during the year.

Entered Tonnage, Underwriting and Reinsurance

The freight market background against which the 2015 renewal took place was no better than that of twelve months earlier. A continuing crisis in the dry bulk trades in particular made it difficult to secure higher prices for marine insurance of any kind.

The Board had ordered a general increase of 4.5% on expiring premiums for all classes of renewing business, significantly less than that for 2014 (10%). As in previous years, the release call for both P&I and FD&D was set at a margin of 20% over and above estimated total premium and minimum deductibles were prescribed for certain types of claims. In the result, the overall increase on renewing business at February 20, 2015, was about 4% for P&I, and 2% for FD&D, against a 4.5% target for each.

For the 2016 policy year, the Board decided to apply a lower general increase than that mandated twelve months earlier. This was ordered to be 2.5% for all classes of insurance, the release call for both P&I and FD&D being, once again, set at a margin of 20% over and above estimated total premium and, again, minimum deductibles to apply for certain types of claims.

The 2016 renewal resulted in a modest expansion of tonnage over the period, although year-on-year annualized premium for renewing entries was essentially flat. However, the business renewed into the current policy year brings with it a trailing five year gross loss ratio of only 52%, a figure which augurs well for the future.

Fleet contraction in the dry bulk sector has inhibited tonnage growth over the last two years, and has also caused some attenuation of premium over the period, influenced, too, by the "churn effect". As will be seen from the breakdown of Members' tonnage by vessel type, it has also affected the balance as between dry bulk and tanker entries.

Accordingly, the distribution of membership for 2016 is somewhat different from that of 2015. By vessel type, bulk carriers and tankers continue to represent the largest sectors in tonnage terms, although the latter constituency has grown from 40% last year to 44% of the total at the commencement of 2016, with dry bulk tonnage now at 40%. General cargo, container, passenger and RoRo vessels account for 14% (14% a year earlier). The remaining 2% is made up of tugs, barges and small craft (2% twelve months ago).

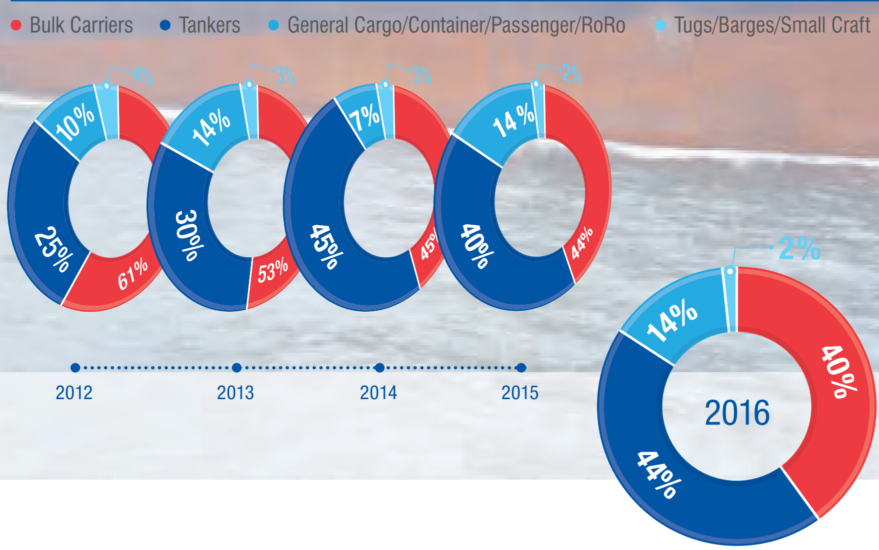
The latter sector, however, continues to be larger in premium terms, being 18% of the Club total. As to the balance, 25% of premium is generated by bulk carriers, 30% by tankers and 27% by general cargo, container, passenger and RoRo vessels.

By reference to domicile of management for 2016, EMEA (Europe, Middle East and Africa) is the largest region by tonnage at 55% of the total. The proportion of tonnage entered by Asian Members continues to be significant at 29%. The proportion of tonnage entered by North American Members – predominantly those from the United States – is 13%, with entries from the rest of the world accounting for a further 3%. Breakdowns of the Club's tonnage by reference to vessel type and membership domicile are set out on pages 11 and 12 respectively.

In premium terms, the three main constituencies of the Club's membership are more closely aligned. Members based in EMEA contribute about 37% of total premium, those from Asia about 26% and those headquartered in North America about 32%. The remaining 5% of premium comes from Members domiciled elsewhere, chiefly in Latin America and Australasia.

The Club's reinsurance arrangements during 2015 were broadly the same of those for 2014. Participation in the International Group of

MEMBERS' TONNAGE BY VESSEL TYPE



UNDERWRITING

The distribution of membership for 2016 is somewhat different from that of 2015.

P&I Clubs' program continued, entailing an individual Club retention of $9 million per claim. Above that ceiling, clubs' contributions to claims in the lower layer of the Pool from $9 million to $45 million remained subject to a tripartite formula taking account of each club's contributing tonnage, premium and claims record. For claims falling in the upper Pool from $45 million to $60 million, 10% was for allocation to the club bringing the claim and 90% was shared by all on a tonnage-weighted basis. For claims between $60 million and $80 million, 5% was to be retained by the Club bringing the claim, and 95% shared by all on a tonnage-weighted basis.

Changes have been made for 2016. The Pool attachment point (individual club retention) has increased from $9 million to $10 million, although the Pool ceiling (being also the attachment point for the Group's general excess of loss reinsurance program) remains unchanged at $80 million.

For 2016, a simplified two layer pool structure has also come into effect, with a lower Pool layer from $10 million to $45 million. The current upper, and upper-upper Pool layers have been replaced by a single upper Pool layer from $ 45 million to $80 million, with a claiming club retention of 7.5% across the new layer in its entirety.

The Group's general excess of loss reinsurance program for 2016 is essentially the same as that for 2015. However, in addition to the two 5%, 36 month private placements of US$ 1 billion excess US$100 million which incepted on the 2014 and 2015 renewals respectively, a further 5%, 36 month private placement of $1 billion excess of $100 million came into effect from February 20, 2016.

The coverage of nuclear risks under approved certificates, guarantees or undertakings – up to a limit of $1 billion – has been introduced into the program for 2016. There was also an overall price reduction of about 8% at the latest renewal. This saving was passed on differentially as between the vessel types to which a cost per gross ton is allocated in payment of the global premium for the program.

The Hydra reinsurance of the Pool has remained unchanged at $50 million excess $30 million for 2016, while its coinsurance share of the first layer of the Group program ($500 million excess of $80 million) has been increased slightly to include a further 5% share of the layer $80 million to $100 million. As will be recalled, Hydra is a Bermuda-based segregated cell captive which reinsures the Group's exposure to claims in the manner described above. Each Hydra cell reinsures its respective club for these purposes.

A schematic of the International Group's reinsurance program is set out on page 17.

The American Club continued to reinsure its lower Pool, and sub-Pool, retentions with Hannover Re during 2015. These arrangements contain provisions which provide flexibility for the Club in managing the contract. They are intended to smooth the Club's exposure over time, given the unpredictable spikes to which the Pool, in particular, is prone. These arrangements continue into the 2016 policy year, the final year of the contracts for both protections.

In the middle of 2015 the American Club renewed its participation in the Eagle Ocean Marine (EOM) facility – a fixed premium program for the insurance of P&I and FD&D risks for smaller vessels in local and regional trades, principally in East Asia, Europe, Africa and other areas outside the United States.

At that time, the Club rearranged its underlying quota-share protection of its exposure, taking a 50% share of the first tranche of $10 million rather than 20% of the underlying $25 million which had previously

been the case. Earlier in the year, the limit of cover available under the EOM facility was increased from $100 million to $500 million, strengthening EOM's competitiveness. The facility made excellent progress in 2015 and continues to provide respectable profits for both the Club and its co-venturers at Lloyd's.

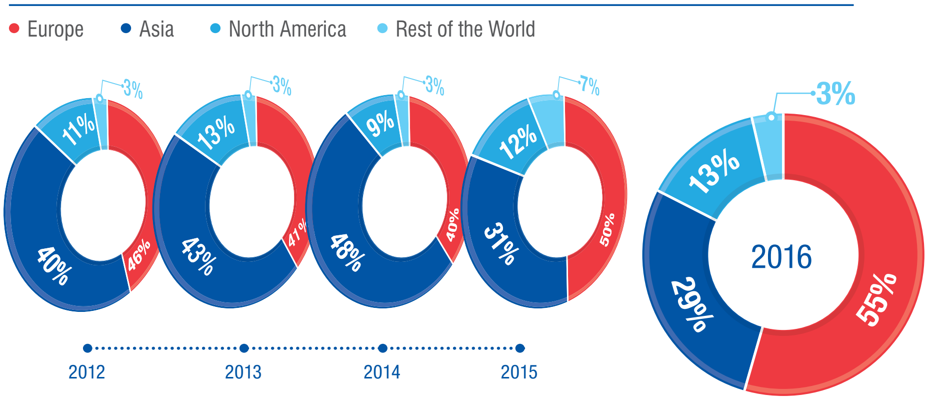
On the ratings front, Standard and Poor's reaffirmed in 2015 the American Club's BBB- investment grade financial strength rating with a stable outlook. This followed a comprehensive review of the Club's current and prospective circumstances, a review which has continued into the early part of 2016.

The American Club's underwriting capabilities gained further traction during 2015 through their increasingly close integration with a new business development strategy to which reference was made last year. This was aimed at the enhanced delivery of service to Members and their intermediaries by moving the Club's risk assessment, technical underwriting and business development activities much closer to the local needs of Members and their brokers.

These initiatives, together with the growing integration of underwriting and other service functions into a holistic, analytics-based regime to ensure the maintenance of best practices in every aspect of Club activity, form an integral part of the Club's enterprise risk management (ERM) capabilities on which detailed comment was made in last year's Annual Report. An undiminished focus on ERM has continued in the meantime.

The Club's reach was significantly extended through its cooperation with Hellenic Hull Mutual in the latter part of the year, particularly toward the 2016 renewal, at which time further progress was made in developing new business in Greece and elsewhere. This cooperation has matured into the establishment of American Hellenic Hull Insurance Company, Ltd. on which further comment is made later in this report.

MEMBERS' TONNAGE BY MANAGEMENT DOMICILE



Supplementary and Release Calls

The period under review saw the closing of the 2012 policy year, without call in excess of the original forecast, as of March 31, 2015. The small deficit of $3.2 million was absorbed by the Club's contingency fund which, as of that date, stood at record figure of nearly $90 million. As has been the case for several years, no unforecast additional calls were levied for any year during 2015.

So far as release calls on open years are concerned, the margin for 2013 was reduced from 20% to 7.5% of estimated total premium in November, 2015, and notified to the Members by Circular. Members were also informed of the intention to close that year in June, 2016 without call in excess of the original estimate.

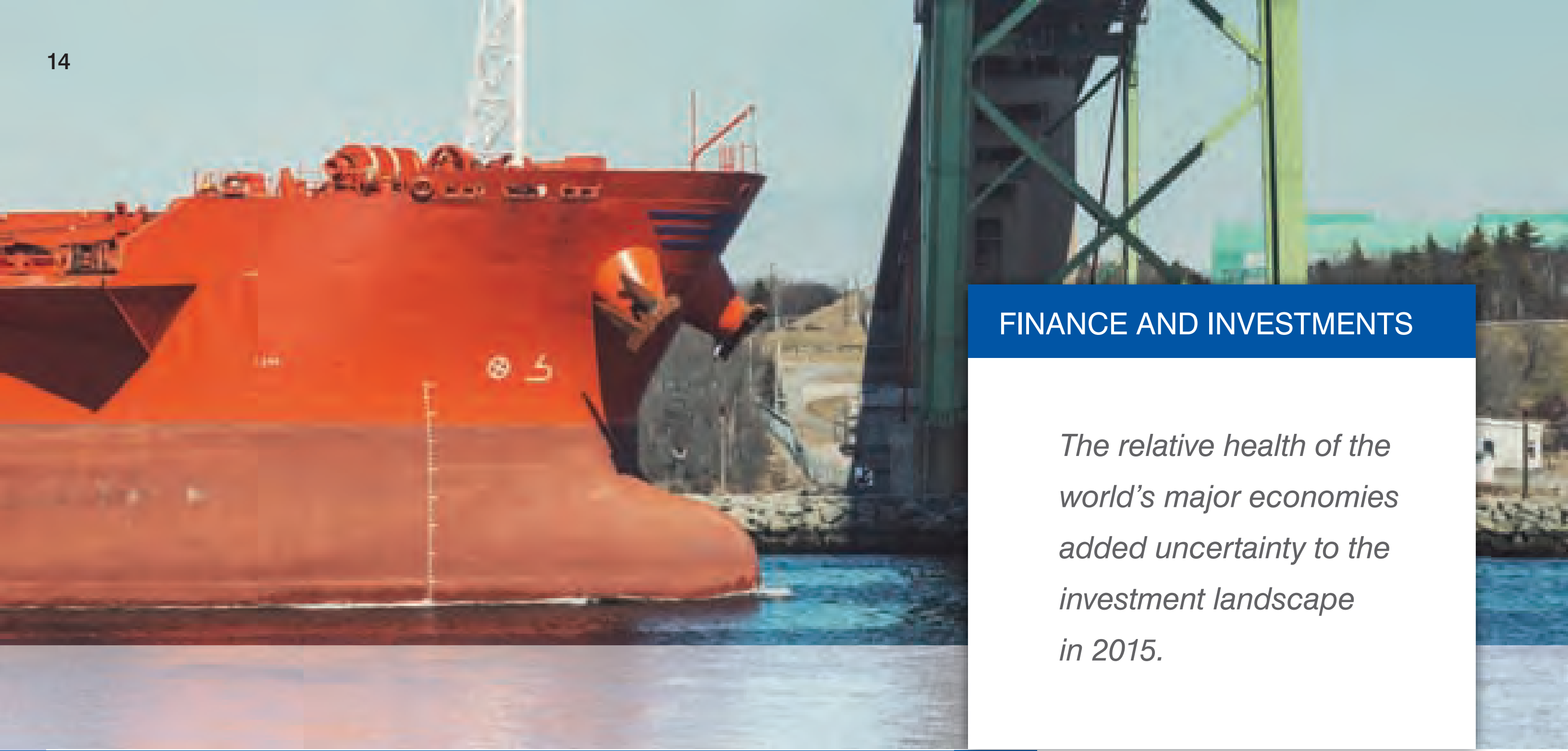
As to 2014, Members were notified in November, 2015 that it continued to emerge much in line with its predecessor year at the same stage of development. Closure of this year was scheduled for the first half of 2017. In the meantime, the release margin for the year was reduced from 20% to 12.5% of estimated total premium.

In regard to the 2015 policy year, the November Circular reported that the Club's retained and Pool-related losses were better than those of previous years at the same point of development. Members were also informed that the release call margin for the year would for the time being remain at 20% of estimated total premium, but that the position would be reviewed again within the first half of 2016.

Following the European Commission's decision during 2012 to conclude its investigations into the International Group of P&I Clubs' claims sharing and reinsurance arrangements, all clubs agreed to publish, at least annually, a statement of their release call percentages, including factors taken into account in calculating those percentages by reference to the actual assessment of various enterprise and other risks.

In conformity with this policy, in November 2015, being the same time at which individual open years' release call margins were notified to Members, the Club's Board explained the factors which it had taken into account in assessing the figures in question.

Specifically, these were premium risk, catastrophe risk, reserve risk, market risk and counterparty default risk, as well as the exposure of the Club generally to the wide variety of operational risks which, over time, it needs to consider in determining both its basic premium and, more particularly, release call needs in regard to all open policy years.



FINANCE AND INVESTMENTS

The relative health of the world's major economies added uncertainty to the investment landscape in 2015.

Finance and Investments

2015 was a difficult year for global investment markets. Although the performance of fixed income securities proved to be more range-bound than that experienced in the equities space, both sectors were affected by concerns about central bank monetary policy, and by declining corporate profitability as the bull market for stocks, particularly in the United States, continued to age.

The relative health of the world's major economies added further uncertainty to the investment landscape. A widely predicted economic slowdown in China, as well as continuing sluggishness in both the Eurozone and Japan, provided a negative counterpoint to a steady, albeit slow, economic recovery in the United States. This created a divergence in monetary imperatives, the ECB and BOJ being compelled to implement yet further easing, while the Fed faced pressure to raise interest rates as the year progressed, and the US labor markets continued to improve.

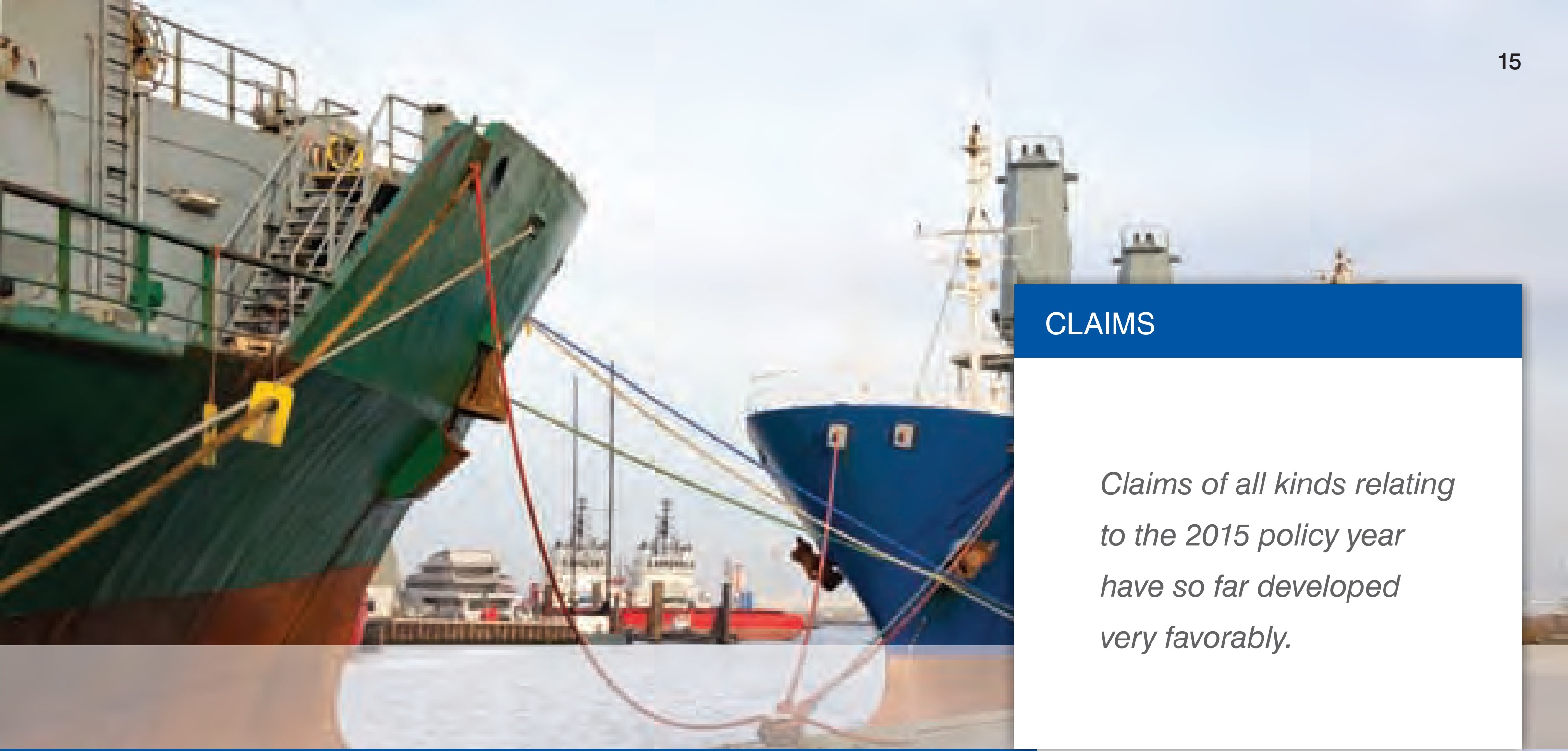
These macroeconomic themes were complicated by other trends. A sharp downturn in commodities added new uncertainty to the global outlook, particularly in light of what became a strong correlation between the oil price and equity valuations, to say nothing of concerns about the knock-on effect of these developments on emerging market debt.

Against this challenging background, and notwithstanding the stock market gyrations which characterized the second half of 2015, the Club's funds generated an overall return of 28 basis points during 2015. Its fixed income investments earned just over 2% while its equity holdings were about 2% to the downside.

As to asset allocation, the Club held just under 23% of its portfolio in equities at the end of 2015 and 69% in fixed income securities. The remainder of the portfolio constituted cash, together with investments in absolute return and private equity funds.

The Club has benefited substantially over recent years in maintaining a commitment to equities. This, aided by a modest outperformance of municipal bonds in recent years, has enabled the Club, since 2009, to enjoy an average annual investment return of about 6%, although the headline figure has recently trended downward as market conditions have become more challenging.

Toward the end of 2015, the Club arranged a private placement of surplus notes in the sum of $19.5 million, partly to provide funding for its investment in American Hellenic Hull Insurance Company, Ltd., and generally to increase its level of statutory surplus which ended the year at a record level. Further details of this transaction are set out in the relevant note to the accounts on page 34.



CLAIMS

Claims of all kinds relating to the 2015 policy year have so far developed very favorably.

Claims

Claims for the 2015 policy year have so far developed very favorably. The last five years have averaged approximately $55 million in total exposure (including both retained losses and Pool claims). 2015, by contrast, at the twelve month point of development, exhibited a figure of only $32 million, the lowest since 2002.

There were only four claims which exceeded $1 million in 2015, of which none exceeded $2 million. As is typically the case from year to year, 98% of all claims had an individual value below $250,000. Cargo and injury, illness and death claims formed the largest categories of exposures during 2015, accounting for about 60% of the Club's total claims by value, consistent with prior years. While there were fewer cargo claims in 2015 (179 incidents) by comparison with 2014 (201 incidents), the average cost per claim rose in 2015 to about $46,000 from about $41,000 for the previous year. However, illness, injury and death claims remained steady at an average cost per incident of about $20,000.

On the casualty front, claims frequency for 2015 was significantly lower than that of previous years, as was average severity. There were 46 collisions during the policy period, a figure significantly lower than the 63 experienced in 2014, the 56 in 2013 and the 69 in 2012. Similarly, 2015 saw only six grounding incidents, the lowest figure since 2010.

The pattern of claims arising under the Club's Class II, Freight Demurrage and Defense, cover during 2015 continued to reflect the weak drybulk market with unpaid freight or hire forming the largest category of cases.

The Club was also involved in several bunker supply disputes in various jurisdictions arising from the OW Bunker collapse. These disputes engaged both US and English courts during 2015, eliciting notable judgments which have affected both Club Members and the shipping community at large.

The development of International Group Pool claims for 2015 at policy year end was modest in comparison to prior policy years, with only eleven incidents reported and an overall exposure to the Club of just under $4.6 million, the lowest figure since 2008. It is to be hoped that this benign pattern of development continues over the months ahead.

The Nairobi International Convention on the Removal of Wrecks entered into force on April 14, 2015 and at year-end was in force in 25 countries. Pursuant to the terms of the convention, vessels of 300 gross tons or more which are registered with a ratifying state, or which call at a port facility in a ratifying state, must carry on board a certificate attesting that insurance or other financial security is in force in accordance with the convention. The Club issued various circulars concerning these requirements and assisted them with compliance through the issuance of relevant blue cards coordinated by the Managers' underwriting department.

As mentioned above, the collapse of OW Bunker A/S, the parent company of a global network of traders and physical suppliers of bunkers, and the ensuing bankruptcy proceedings commenced in November 2014, rippled balefully through the shipping industry. To assist Members in the aftermath of the OW Bunker collapse, the Managers provided information and guidance concerning bunker supply transactions, vessel arrest and maritime lien laws, and recent legal developments in courts across the world to mitigate potential exposures.

Activity within the International Group of P&I Clubs

Throughout 2015, the International Group maintained its engagement with those many and varied issues on which it speaks with a compelling voice for the shipping industry. For its part, the American Club continued to take an active role in the development of Group policy.

Further developments in sanctions legislation continued to pose challenges to, and command the attention of, the Group. A difficult geopolitical climate – made more complicated during 2015 by developments in the Crimea, Ukraine and North Korea – suggests that the sanctions landscape is unlikely to become any less complex over the years ahead.

The position regarding Iran changed significantly in January 2016 following the lifting of secondary sanctions against that country. Members were kept fully informed of these developments, both generally and to the extent they had a bearing upon American Club cover, in concert with initiatives and consultations with the Group.

Other than the careful monitoring of sanctions, no single theme dominated the collective affairs of the International Group during the period under review. However, the wide range of matters which routinely fall within the universe of Group activity remained as demanding as ever.

The winding up of the 1971 IOPC Fund at the end of 2014 was a source of regret to the International Group, and widely commented upon both then and into 2015. The Group had opposed this decision which went to the heart of the cooperation which had been built up between the Group and the IOPC Funds over many years.

The debate concerning places of refuge for vessels in distress continued in 2015. The Group maintained a constructive participation in discussions on this issue at the International Maritime Organization, within the European Union and with individual maritime administrations in states across the world.

As mentioned in the previous section concerning claims, the International Group was involved during 2014 in organizing the provisions of Blue Cards in regard to the Nairobi International Convention on the Removal of Wrecks. This came into force on April 14, 2015, eight years after it had been adopted at a diplomatic conference held in 2007 in Nairobi under the aegis of the IMO.

It is difficult to say with certainty what effect the convention will have on future removal of wreck operations, but it nevertheless provides an international framework of rights, duties and obligations on states, shipowners and insureds.

On June 8, 2015, a 51% increase in the liability limits under the LLMC 1996 Protocol – approved by the IMO Legal Committee in 2012 – came into effect. The amended regime has increased the property claims limit for a vessel of 100,000 gt from approximately $43 million to approximately $63.5 million. It will be of interest to see how this affects claims inflation over time.

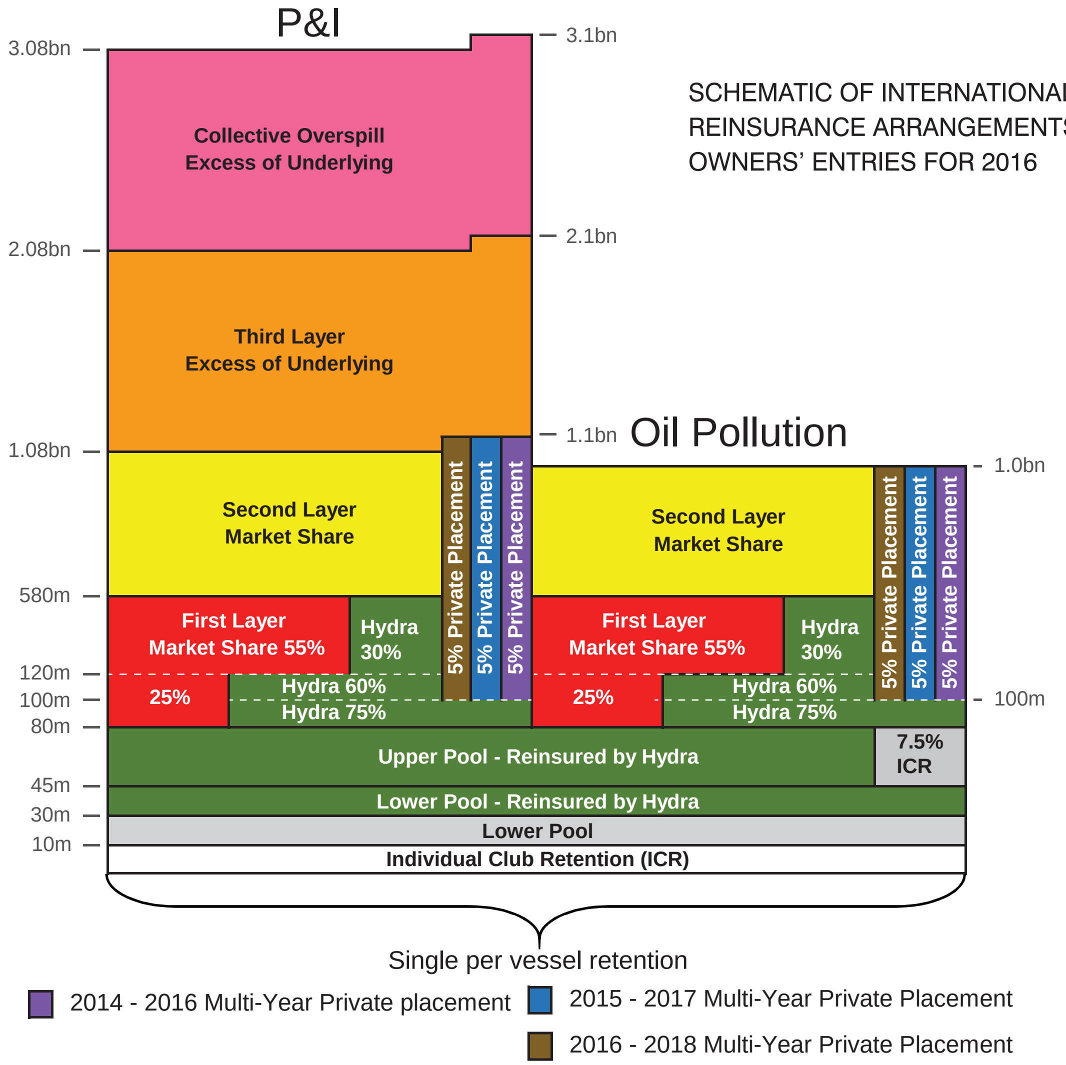
The Group continued to monitor changes to the regime governing employment at sea instituted by the Maritime Labor Convention, 2006 (MLC). Under Article 13 XXI of the MLC, the Convention is to be kept under continuous review by a Special Tripartite Committee comprised of representatives of shipowners, seafarers and governments.

The financial certification requirements established under the Convention remained under International Group review throughout 2015. The Group continued to work on the detail of security requirements to ensure that, when they entered into force, shipowners would have the proper arrangements in place.

INTERNATIONAL GROUP

The International Group maintained its engagement with those many issues on which it speaks with a compelling voice for the shipping industry.

SCHEMATIC OF INTERNATIONAL GROUP REINSURANCE ARRANGEMENTS FOR OWNERS' ENTRIES FOR 2016



Safety and Loss Prevention

The development of Safety and Loss Prevention initiatives remained at the forefront of the American Club's outreach to Members during 2015. As in previous years, Club's chief activities in this area comprised the surveying of vessels, pre-employment medical examinations and the dissemination of e-learning material for a variety of loss prevention purposes.

On the survey front, 113 surveys were undertaken during the 2015 policy year, rather fewer than those undertaken in the previous year. The ten year eligibility criterion was maintained during the period in regard both to vessels being offered for entry and to those which had not been surveyed during the previous three years.

The number of surveys undertaken annually has been in decline over the past two or three years, chiefly because the Club's overall entry has comprised newer ships over the recent past, as well as fewer, but larger, units.

The Club's pre-employment medical examination (PEME) program remained an important focus of its loss prevention activity during the period under review. In 2015 the network of clinics was extended by the addition of facilities in Indonesia, Philippines, the Russian Federation and Ukraine. Now in its twelfth year, the network has grown to include 90 approved clinics in 45 cities in 15 countries.

The Club continued to add to its guidance to Members on best practices during 2015, and incorporated this guidance as a dedicated part of the Club's website. New information was supplied in regard to sanctions, the carriage of bagged rice, infectious diseases, piracy and the liquefaction of bulk cargoes. The Club's Transport Guidance for Bagged Rice, released in 2014, appears to be having a positive effect upon exposures to claims arising from such cargoes. A similar document in regard to the handling and carriage of steel cargoes is presently nearing completion and expected to be published in July 2016.

The Club continued to promote its own training seminars, as well as participating in industry-based events during 2015. The subjects covered included behavioral psychology as it affects seafarer performance, the advantages of compliance with the PEME program, the carriage of steel cargoes, the risks associated with the carriage of LPG, human error in shipping, seafarer fatigue and the carriage of dangerous bulk cargoes.

The Club also continued its outreach to Members on matters of loss prevention through Alerts and Circulars. These covered, inter alia, such subjects as the Zika virus, US sanctions, the bankruptcy of the OW Bunker Group, the risks associated with the self-heating of coal, and emission control areas in the People's Republic of China and Hong Kong mandating the use of low sulfur fuels.

AMERICAN HELLENIC

In the early part of 2015, the American Club embarked upon an important new initiative in the hull insurance sector.

The American Hellenic Hull Insurance Company, Ltd.

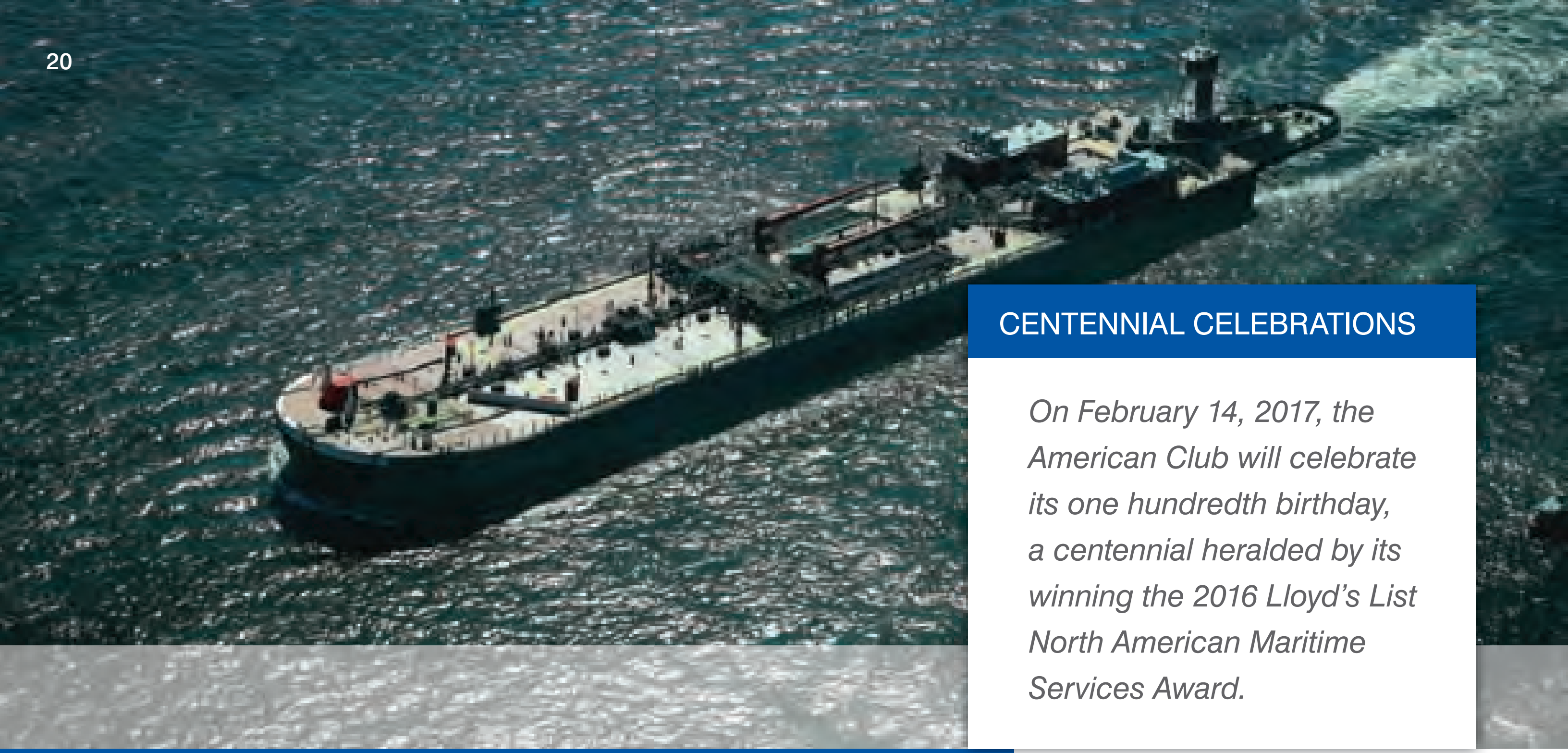
In the early part of 2015, the American Club embarked upon an important new initiative aimed at establishing a presence in the international hull insurance markets. This entailed the establishment of a new company in Cyprus, American Hellenic Hull Insurance Company, Ltd., as an investment through a wholly-owned subsidiary of the Club.

American Hellenic's portfolio derives from that previously insured by Hellenic Hull Mutual Association, Plc. Hellenic Hull insurances contain a provision for their transfer (by way of a novation clause) to American Hellenic following the latter's authorization by the Cyprus regulator to conduct hull business in full compliance with Solvency II.

The day-to-day management of American Hellenic is undertaken by Hellenic Hull Management, Ltd. which has for many years operated Hellenic Hull. This arrangement permits a seamless transition of service from Hellenic Hull to American Hellenic, aimed at providing the same exceptional standards of customer care with which the former has long been associated.

The initiative continues to gain momentum. Many benefits have accrued to the American Club, and will continue to do so. The transaction has enabled it to become involved in the hull sector in a cost-effective manner which exploits existing corporate structures and market platforms.

It has also allowed the American Club to leverage the great respect with both Hellenic Hull and Hellenic Management are viewed in the market, as well as the considerable legacy value of their business, in order to gain an immediate presence in an insurance space highly synergistic with the Club's existing P&I portfolio. This combination of capabilities has created a new force of growing energy within the industry.



CENTENNIAL CELEBRATIONS

On February 14, 2017, the American Club will celebrate its one hundredth birthday, a centennial heralded by its winning the 2016 Lloyd's List North American Maritime Services Award.

Moving forward into the Club's centennial year

On February 14, 2017 – Saint Valentine's Day – the American Club will celebrate its one hundredth birthday. A centennial history of the American Club is due for publication toward the end of 2016 and will be available in good time for the celebration of the centennial itself. The history provides a uniquely American perspective on the role and dynamics of the P&I markets.

War was raging in Europe when the Club began. At that time, P&I insurance was available primarily from clubs in the United Kingdom and Scandinavia. The American Club was established to provide a reliable source of coverage in the United States from which, for many years, it almost exclusively gained its membership.

Times change, and the Club has in more recent years evolved into a global organization serving shipowners across the world. The Club's ethos, however, has never changed. It has always defined itself by a single-minded commitment to its Members. At its core, the story of the American Club – and the source of its continuing service ethos – is ultimately about people working together on behalf of those they serve, Members and colleagues alike.

The Club's exemplary service ethos recently gained the recognition of the larger maritime community when it won the prestigious *Lloyd's List* North American Maritime Services Award for 2016. The American Club was chosen for this award from a very strong field of finalists by a judging panel comprising representatives from every sector of the shipping industry. In the words of *Lloyd's List* itself, the Club was considered to have set itself apart by "*going above and beyond best practice to offer the shipping industry something exceptional.*"

As the Club enters into its second century of service to the global shipping community, it looks back with satisfaction, but not complacency, on its most recent year of activity, and with pride on the decades of distinguished enterprise which preceded it. Most especially, the American Club looks forward with great excitement to the many years of further achievement yet to come.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2
14M
8
6
4
2
13M
8
6
4
2
12M
8
6
4
2
11M
8
6
4
2
10M
8
6

2015 FINANCIAL REPORT

Contents

Independent Auditors' Report

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To the Members of the American Steamship Owners Mutual Protection and Indemnity Association, Inc.

We have audited the accompanying consolidated financial statements of the American Steamship Owners Mutual Protection and Indemnity Association, Inc. and its subsidiary (the "Association"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules listed in the table of contents on pages 40-43 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These schedules are the responsibility of the Association's management. Such schedules have not been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, accordingly it is inappropriate to and we do not express an opinion on the supplemental schedules referred to above.

Deloitte & Touche LLP

June 17, 2016

Consolidated Balance Sheets

IN THOUSANDS	NOTE	DECEMBER 31 2015	2014
ASSETS			
Investments	3	$ **227,020**	$ 239,547
Cash and cash equivalents		**13,572**	14,983
Members' balances receivable		**9,676**	11,972
Reinsurance recoverable	6	**40,392**	45,959
Other assets	4	**23,727**	14,436
Total Assets		$ **314,387**	$ 326,897
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES:			
Unpaid losses and allocated loss adjustment expenses	6	$ **169,235**	$ 184,297
Unreported losses	6	**43,025**	44,160
Unearned premiums		**14,970**	16,778
Reinsurance payable		**5,268**	6,076
Surplus note payable	5	**19,500**	–
Other liabilities	4	**5,979**	16,986
Total Liabilities		$ **257,977**	$ 268,297
COMMITMENTS AND CONTINGENCIES			
MEMBERS' EQUITY:			
Retained earnings		**50,459**	46,830
Accumulated other comprehensive income		**5,951**	11,770
Total Members' Equity	10	**56,410**	58,600
Total Liabilities and Members' Equity		$ **314,387**	$ 326,897

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Income

IN THOUSANDS	NOTE	DECEMBER 31 2015	2014
INCOME			
Net premiums and assessments earned	7	$ 81,376	$ 94,245
Net investment income		4,584	4,177
Net realized investment gains		1,614	3,378
Net realized and unrealized gains on derivatives		–	558
Total Income		87,574	102,358
EXPENSES			
Losses and loss adjustment expenses incurred	6	49,364	65,962
Other operating expenses	8	33,978	34,795
Total Expenses		83,342	100,757
Income Before Income Taxes		4,232	1,601
Income tax provision		(603)	(434)
Net Income		3,629	1,167
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized (loss) gain on investments		(5,819)	89
Other comprehensive (loss) income		(5,819)	89
Comprehensive Income		$ (2,190)	$ 1,256

Consolidated Statements of Changes in Members' Equity

IN THOUSANDS	NOTE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL MEMBERS' EQUITY
Balance, January 1, 2014		$ 45,663	$ 11,681	$ 57,344
Net income		1,167	—	1,167
Unrealized investment gains		—	89	89
Balance, December 31, 2014	10	46,830	11,770	58,600
Net income		3,629	—	3,629
Unrealized investment losses		—	(5,819)	(5,819)
Balance, December 31, 2015	10	$ 50,459	$ 5,951	$ 56,410

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IN THOUSANDS	DECEMBER 31 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 3,629	$ 1,167
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of bond premiums	2,441	2,277
Net realized investment gains	(1,614)	(3,378)
Net realized and unrealized gain on derivatives	—	(588)
Depreciation	78	83
	905	(1,576)
Changes in operating assets and liabilities:		
Members' balances receivable	2,295	(3,911)
Reinsurance recoverable	5,567	(1,548)
Other assets	(3,302)	525
Unpaid and unreported losses and allocated loss adjustment expenses	(16,197)	2,912
Unearned premiums	(1,808)	(482)
Reinsurace payable	(808)	(337)
Other liabilities	3,969	1,060
	(10,284)	(1,781)
Net cash used in operating activities	(5,750)	(2,190)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales/maturities of investments	110,991	89,387
Purchases of investments	(105,109)	(87,000)
Loan to Hellenic Hull Mutual	(6,000)	—
Purchases of fixed assets	(43)	(19)
Net cash (used in) provided by investment activities	(161)	2,368
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from surplus note issuance	19,500	—
Net payment of demand promissory note	(15,000)	(5,000)
Net cash provided by (used in) financing activities	4,500	(5,000)
Net change in cash and cash equivalents	(1,411)	(4,822)
Cash and cash equivalents, beginning of year	14,983	19,805
Cash and Cash Equivalents, End of Year	$ 13,572	$ 14,983
Supplemental Information:		
Income taxes paid	$ 427	$ 311
Interest paid	$ 271	$ 212

See Notes to Consolidated Financial Statements.

2015 Notes to Consolidated Financial Statements ($ in thousands)

1. Organization

American Steamship Owners Mutual Protection and Indemnity Association, Inc. ("the Association"), domiciled in New York State, was organized in 1917 to provide protection and indemnity insurance to maritime organizations. Pursuant to the terms of the agreements between the Association and its Member-insureds, the Members are charged premiums and subsequent assessments in amounts adequate to cover the Association's net operating expenses which are its total operating expenses, including net losses, less amounts earned by the Association from investment activities.

Members are charged premiums based on the tonnage of their insured vessels. For the 2015 and 2014 policy years, at December 31, 2015 and December 31, 2014, the gross tonnage insured was 16,093,533 and 16,022,491, respectively.

During 2005, the members of the International Group of P & I Clubs (the "International Group"), of which the Association is a member, created a segregated cell captive insurance company, Hydra Insurance Co. Ltd ("Hydra"). The Association is a minority owner of the general cell and owns 100% of its segregated cell. The results of the Association's segregated cell of Hydra are consolidated with the results of the Association in the consolidated financial statements.

During 2015, the Association established two wholly-owned subsidiaries, AHHIC, Inc., a U.S. domiciled holding company, and American Hellenic Hull Insurance Company, Ltd. ("AHHIC, Ltd.), a Cyprus based insurer. Pending regulatory approval, certain business written by Hellenic Hull Mutual, an unrelated insurer based in Cyprus, will novate to AHHIC, Ltd. As of December 31, 2015, regulatory approval was not yet received.

In connection with the transaction, AHHIC, Inc. loaned $6,000,000 to Hellenic Hull Mutual. This receivable is collateralized by Hellenic Hull Mutual's existing premium receivables, and is included in other assets on the consolidated balance sheet.

The Association is managed by Shipowners Claims Bureau, Inc. ("SCB"), an unrelated party. SCB provides administrative, underwriting, accounting and claims processing services to the Association for an annual fee.

On July 1, 2011, the Association began writing fixed premium protection and indemnity policies. The facility is managed by Eagle Ocean Agencies, Inc. ("EOA") using the trading name of Eagle Ocean Marine ("EOM"), under a management contract with SCB. EOA provides administrative, underwriting, accounting and claims processing services on a commission basis.

EOM provides an insurance option for operators of smaller vessels who prefer fixed premium limited cover rather than a mutual product with full International Group Pooling limits. The cover is available to operators worldwide, excluding operators based in the United States or trading exclusively in U.S. waters.

2. Summary of Accounting Policies

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP). Intercompany accounts and transactions have been eliminated. Significant accounting policies include the following:

Investments – Debt securities and equity securities with readily determinable fair values that the Association does not intend to hold to maturity are classified as available for sale and are reported at fair value. Unrealized investment gains (losses) are shown in Members' Equity. The Association has no investments in securities classified as held-to-maturity. Security transactions are recorded on the trade date. The Association's investment in the general cell of Hydra is carried at cost.

During 2013, the Association purchased over-the-counter ("OTC") equity market derivatives based on the S&P 500 equity market index. These equity index options were to hedge certain invested assets against changes in the equity indices. These derivatives were not designated as a fair value hedge and therefore did not meet the criteria for hedge accounting treatment. These derivatives were carried at their estimated fair value with changes to their estimated fair value being reported as changes in capital and surplus.

Other invested assets, consisting primarily of investments in funds or partnerships, are reported at fair value. Fair values are determined based on the Association's proportionate share of the underlying equity of the funds.

A review of investments is performed as of each balance sheet date with respect to investments where the market value is below cost. For fixed maturity securities in an unrealized loss position, an other-than-temporary impairment ("OTTI") is recognized in earnings when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the OTTI recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exist, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings ('credit loss"). If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors ("noncredit loss") is recorded in OCI.

With respect to equity securities, this review involves consideration of several factors including: (i) the significance of the decline in value and the resulting unrealized loss position; (ii) the time period for which there has been a significant decline in value; (iii) an analysis of the issuer of the investment, including its liquidity, business prospects and overall financial position; and (iv) the

Association's intent and ability to hold the investment for a sufficient period of the time for the value to recover. The Association uses Investment portfolio managers to manage the investment portfolio. Such portfolio managers are supervised by the Association and its managers. The identification of potentially impaired investments involves significant management judgment that includes the determination of their fair value and the assessment of whether any decline in value is other than temporary. If the decline in value is determined to be other than temporary, then the Association records a realized loss in the consolidated statement of operations and comprehensive income in the period that is determined, and the cost basis of that investment is reduced.

Valuation Techniques

U.S. government and government sponsored enterprises: Comprised primarily of bonds issued by the U.S. Treasury. These securities are generally priced by independent pricing services. The independent pricing services may use actual transaction prices for securities that have been actively traded.

Equity securities: Comprise actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Association can access.

Other Sovereign Government Obligations, Municipal Bonds and Corporate Bonds: Valued on the basis of valuations furnished by an independent pricing service approved by the managers or dealers. Such service or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities.

Other invested assets: As a practical expedient, we estimate fair value using the NAV reported by the external fund manager, based on the fair value of the underlying assets in the fund using a consistently applied three-month lag period adjusted for any significant changes from the lag period to the reporting date of the Association.

Derivatives: The estimated fair value of exchange-traded derivatives is determined through the use of quoted market prices.

Fair Value Measurement – ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and establishes disclosure requirements for fair value measurements. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Cash Equivalents – Cash equivalents include short-term, highly liquid investments with an original maturity of three months or less.

Fixed Assets – Computer equipment, furniture and fixtures, software, leasehold improvements and associated design, programming and installation costs have been capitalized and are being depreciated using the straight-line method over their estimated useful lives of three to ten years.

Liabilities for Unpaid Losses, Allocated Loss Adjustment Expenses and Unreported Losses – The liability for unpaid losses and allocated loss adjustment expenses represents the Association's best estimate of the gross amount of losses and loss expenses to be paid on ultimate settlement and is provided on the basis of management's and counsel's evaluation of claims filed with the Association. The liability for unreported losses represents the Association's best estimate of the gross amount required to ultimately settle losses which have been incurred but not yet reported to the Association as well as an estimate for future development on reported losses. Given the nature of the coverages written and the size of the Association, fluctuations in the liabilities for losses from year to year are likely. All changes in estimates are recognized in income currently within the consolidated financial statements.

Reinsurance – The Association's reinsurance contracts do not relieve the Association of its obligations, and failure of a reinsurer to honor its obligations under a reinsurance contract could result in losses to the Association. The Association evaluates the financial condition of each potential reinsurer prior to entering into a contract to minimize its exposure to losses from reinsurer insolvency.

The Association records, as an asset, its best estimate of reinsurance recoverable on paid and unpaid losses, including amounts relating to unreported losses, on a basis consistent with the reserves for losses and in accordance with the terms of its reinsurance contracts. The Association reduces such reinsurance recoverable for amounts not collectible. Substantially all amounts recoverable from reinsurers are due from underwriters at Lloyds of London, Munich Re, Swiss Re, and other members of the International Group.

Premiums and Assessments Written – The statements of operations include those premiums which have been billed in the respective year, together with estimates of unbilled assessments, representing an estimate of those assessments expected to be billed during the following calendar year.

For the fixed premium facility for nonmembers, premiums are deferred and earned on a pro–rata basis over the terms of the policies, typically twelve months.

The portion of premiums written applicable to the unexpired terms of the policies is recorded as unearned premiums.

Income Taxes – The Association is exempt from income taxes except for Federal and New York State taxes on taxable interest and dividends received. The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to Net investment income primarily due to tax-exempt interest income included in Investment income. Deferred income tax relating to accrued taxable interest and dividends is recorded. The Company has no uncertain tax positions.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates are unreported losses and investments.

Recent Accounting Pronouncements –In February 2015, the FASB issued ASU 2015-02, "Consolidation", which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 modifies the evaluation of whether limited partnerships are variable interest entities and the consolidation analysis of reporting entities that are involved in variable interest entities, particularly those that have fee arrangements and related party relationships. All legal entities are subject to reevaluation under this revised consolidation model. ASU 2015-02 is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. We are currently evaluating this new guidance and have not yet determined the impact that the adoption of this new consolidation model will have on our consolidated financial statements.

In May 2015, the FASB issued guidance requiring expanded disclosures for insurance entities that issue short-duration contracts. The expanded disclosures are designed to provide additional insight into an insurance entity's significant estimates made in measuring the liability for unpaid claims and claim adjustment expenses. The disclosures include information about incurred and paid claims development by accident year, on a net basis after reinsurance, for the number of years' claims incurred typically remain outstanding, not to exceed ten years. Each period presented in the disclosure about claims development that precedes the current reporting period is considered required supplementary information. The expanded disclosures also include information about significant changes in methodologies and assumptions, a reconciliation of incurred and paid claims development to the carrying amount of the liability for unpaid claims and claim adjustment expenses, the total amount of incurred but not reported liabilities plus expected development, claims frequency information including the methodology used to determine claim frequency and claim duration. The guidance is effective for annual periods beginning after December 15, 2016 and is to be applied retrospectively. The new guidance affects disclosures only and will have no impact on the Company's results of operations or financial position.

3. Investments

The cost or amortized cost, gross unrealized gains and losses and fair value of investments in securities classified as available-for-sale at December 31, 2015 and 2014 were as follows:

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2015				
US Treasury and obligations of other US government corporations and agencies	$ 9,217	$ 19	$ 12	$ 9,224
Obligations of states and political subdivisions	115,491	2,006	90	117,407
Industrial and miscellaneous bonds	8,308	21	10	8,319
Common stocks	83,345	8,035	4,317	87,063
Other invested assets	4,800	623	416	5,007
Total	**$ 221,161**	**$ 10,704**	**$ 4,845**	**$ 227,020**

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2014				
US Treasury and obligations of other US government corporations and agencies	$ 11,656	$ 25	$ 14	$ 11,667
Obligations of states and political subdivisions	111,969	1,789	149	113,608
Industrial and miscellaneous bonds	8,052	27	20	8,060
Common stocks	92,535	13,715	4,434	101,816
Other invested assets	3,657	739		4,396
Total	**$ 227,869**	**$ 16,295**	**$ 4,617**	**$ 239,547**

Derivatives

The Association may be exposed to various risks related to its ongoing business operations, including interest rate, credit risk and equity market risk. The Association uses different strategies to manage these risks.

The following summarizes unrealized investment losses by class of investment at December 31, 2015 and 2014. The Association considers these investments to be only temporarily impaired.

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES
December 31, 2015						
Government obligation	$ 1,367	$ 5	$ 1,242	$ 7	$ 2,609	$ 12
Obligations of states and political subdivisions	21,134	67	1,467	23	22,601	90
Industrial and miscellaneous bonds	2,216	6	847	4	3,063	10
Common stocks	36,374	2,547	11,780	1,770	48,154	4,317
Other invested assets	1,005	75	1,470	341	2,475	416
	$ 62,096	$ 2,700	$ 16,806	$ 2,145	$ 78,902	$ 4,845

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES
December 31, 2014						
Government obligation	$ 496	$ —	$ 2,486	$ 14	$ 2,982	$ 14
Obligations of states and political subdivisions	17,247	69	9,366	80	26,613	149
Industrial and miscellaneous bonds	4,010	20	438	—	4,448	20
Common stocks	33,628	1,594	19,069	2,840	52,697	4,434
	$ 55,381	$ 1,683	$ 31,359	$ 2,933	$ 86,740	$ 4,616

The fair value and amortized cost of available-for-sale debt securities at December 31, 2015 by contractual maturity are shown below. Expected maturities may differ from stated maturities because borrowers may have the right to call or prepay certain obligations with or without pre-payment penalties.

	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 17,161	$ 17,172
Due after one year through five years	52,192	52,579
Due after five years through ten years	46,614	47,976
Due after ten years	17,049	17,223
Total	**$ 133,016**	**$ 134,950**

Proceeds from sales of investments and gross realized gains and losses on such sales are shown below:

		2015		2014
Proceeds from sales of investments	$	96,330	$	81,235
Gross realized gains		7,140		5,508
Gross realized losses		5,526		2,130

There were realized losses in the amount of approximately $0 thousand and $56 thousand recorded at December 31, 2015 and 2014, respectively, that were a result of an investment being other-than-temporarily impaired.

At December 31, 2015 and 2014, United States Government Treasury notes in the amount of $310 thousand par value, respectively, were deposited with regulatory authorities as required by The New York Insurance Law.

Fair Value Hierarchy

In accordance with Fair Value Measurement Accounting Guidance, the Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access (examples include publicly traded common stocks and most U.S. Government and agency securities).

Level 2 Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets or liabilities in non-active markets;

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and

d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unob servable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability and long-dated equity derivatives.

As required by Fair Value Measurement Accounting Guidance, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

				FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2015				
		TOTAL FAIR VALUE		LEVEL 1		LEVEL 2		LEVEL 3
ASSETS								
US Treasury and obligations of other US government corporations and agencies	$	9,224	$	9,224	$	—	$	—
Obligations of states and political subdivisions		117,407		—		117,407		—
Industrial and miscellaneous bonds		8,319		—		8,319		—
Common stocks		87,063		87,043		—		20
Other invested assets		5,007		—		—		5,007
Total	**$**	**227,020**	**$**	**96,267**	**$**	**125,726**	**$**	**5,027**

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2014			
	TOTAL FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS				
US Treasury and obligations of other US government corporations and agencies	$ 11,667	$ 11,667	$ —	$ —
Obligations of states and political subdivisions	113,608	—	113,608	—
Industrial and miscellaneous bonds	8,060	—	8,060	—
Common stocks	101,816	101,796	—	20
Other invested assets	4,396	—	—	4,396
Total	**$ 239,547**	**$ 113,463**	**$ 121,668**	**$ 4,416**

During the years ended December 31, 2015 and 2014, there were no transfers into (out of) Levels 1, 2 or 3.

The following is a reconciliation of the beginning and ending balance of financial instruments using significant unobservable inputs (Level 3) for the year ended December 31, 2015 and 2014.

	YEAR ENDED DECEMBER 31, 2015		
	COMMON STOCKS	OTHER INVESTED ASSETS	TOTAL
Opening balance January 1, 2015	$ 20	$ 4,396	$ 4,416
Total gain or losses included in earnings: (realized/unrealized)			
Realized losses	—	(3)	(3)
Change in fair value of other invested assets	—	(531)	(531)
Purchases or (sales):			
Purchases	—	1,375	1,375
Sales	—	(230)	(230)
Transfer in (out) of Level 3	—	—	—
Ending balance, December 31, 2015	**$ 20**	**$ 5,007**	**$ 5,027**

	YEAR ENDED DECEMBER 31, 2014		
	COMMON STOCKS	OTHER INVESTED ASSETS	TOTAL
Opening balance January 1, 2014	$ 20	$ 2,684	$ 2,704
Total gain or losses included in earnings: (realized/unrealized)			
Realized gains	—	33	33
Change in fair value of other invested assets	—	404	404
Purchases or (sales):			
Purchases	—	1,475	1,475
Sales	—	(199)	(199)
Transfer in (out) of Level 3	—	—	—
Ending balance, December 31, 2014	**$ 20**	**$ 4,396**	**$ 4,416**

The following table provides information on the valuation techniques, significant unobservable inputs and ranges for each major category of Level 3 assets measured at fair value on a recurring basis at December 31, 2015:

	YEAR ENDED DECEMBER 31, 2015			
		FAIR VALUE	PRINCIPAL VALUATION TECHNIQUES	UNOBSERVABLE INPUT
Other Investments:				
Other invested assets	$	5,007	Market approach	Estimated net asset value multiple which incorporates estimated market value of underlying holding
Common stock		20	Cost approach	Investment is not actively traded, value is listed at cost

4. Other Assets and Liabilities

		2015		2014
Other Assets				
Computer equipment and software - net of accumulated depreciation of $6,320 and $6,242, respectively	$	139	$	194
Receivable for securities sold		4,692		513
Accrued interest receivable		1,426		1,493
Income tax recoverable		20		2
Prepaid reinsurance premiums		2,918		3,625
Management fee receivable		1,659		1,718
Note receivable (Hellenic Hull Mutual)		6,000		–
Other assets		6,873		6,891
	$	**23,727**	**$**	**14,436**
Other Liabilities				
Accrued expenses		915		1,119
Liability for securities purchased		4,850		827
Note payable, including accrued interest		–		15,020
Income tax payable		214		20
	$	**5,979**	**$**	**16,986**

An unbilled assessment in the amount of $5.6 million and $5.4 million at December 31, 2015 and 2014, respectively, included in other assets in the table above, was recorded as a result of the Association's asbestos-related claims settlement agreement as described in Note 8.

5. Debt

During 2015, the Association fully repaid all borrowings on a demand promissory note from Deutsche Bank Trust Company America ("demand promissory note"). At December 31, 2014, the Association owed $15 million on the demand promissory note. Interest on the demand promissory note was calculated using a rate of 3-month LIBOR plus 1 percent. Interest accrued at December 31, 2014 was $20 thousand. Interest expense paid for the years ended December 31, 2015 and 2014 was $271 thousand and $212 thousand, respectively.

A surplus note with an interest rate of 8% and a date of maturity of December 20, 2040, in the amount of $19,500,000 was issued in exchange for cash as a private placement issue by the Association. No payment of principal or interest shall be permitted on the surplus note without the prior approval of the Superintendent of the New York State Department of Financial Services and shall only be made out of free or divisible surplus of the Association. In the event of the liquidation of the Association, the claims under this surplus note shall be paid out of any assets remaining after the payment of all policy obligations and all other liabilities, but before distribution of assets to members.

6. Unpaid Losses and Reinsurance Recoverable

Activity in the liability for unpaid losses and allocated loss adjustment expenses and unreported losses is summarized as follows:

		2015		2014
Gross balance at January 1	$	228,457	$	225,545
Less reinsurance recoverable on unpaid losses		43,601		41,954
Net Balance at January 1		**184,856**		**183,591**
Incurred related to:				
Current year		45,349		61,898
Prior years		4,015		4,064
Total Net Incurred		**49,364**		**65,962**
Paid related to:				
Current year		3,838		9,721
Prior years		57,835		55,030
Total Net Paid		**61,673**		**64,751**
Net balance at December 31		**172,572**		**184,856**
Plus reinsurance recoverable on unpaid losses		39,688		43,601
Gross Balance at December 31	**$**	**212,260**	$	**228,457**

In 2015, adverse development for prior years was $4 million. The unfavorable development was mainly due to emergence of $7.4 million for the 2014 policy year, of which $10 million was expected emergence based on the earned premium of the 2014 policy year. However, there was favorable emergence of $3.3 million for policy years 2013 and prior. An increase or decrease due to re-estimation of prior year's losses is generally a result of ongoing analysis of recent loss development trends as well as claim reviews on specific files.

In 2014, adverse development for prior years was $4.1 million. The unfavorable development was mainly due to emergence of $4.2 million for the 2013 policy year, of which $11.1 million was expected emergence based on the earned premium of the 2013 policy year. However, there was favorable emergence of $137 thousand for policy years 2012 and prior. An increase or decrease due to re-estimation of prior year's losses is generally a result of ongoing analysis of recent loss development trends as well as claim reviews on specific files.

Original estimates are increased or decreased as additional information becomes known regarding individual claims.

A fluctuation in reserves within a reasonable actuarially calculated range of those carried by the Association at December 31, 2015 could materially impact members' equity. There are points within this loss reserve range which, if carried at the liability, may reduce members' equity by approximately 23% at the mid-point of the range.

		2015		2014
Reinsurance recoverable on unpaid losses	$	39,688	$	43,601
Reinsurance recoverable on paid losses		704		2,358
	$	**40,392**	$	**45,959**

The Association assumes losses from the International Group Pool (the "Pool") and cedes direct and assumed losses to reinsurers to limit its exposures. The components of incurred losses are as follows:

		2015		2014
Direct	$	48,471	$	69,250
Assumed		6,773		21,025
Ceded		(5,880)		(24,313)
	$	**49,364**	$	**65,962**

7. Premiums and Assessments

		2015		2014
Premiums written and billed assessments	$	97,088	$	115,977
Change in unbilled assessments		197		(693)
Return premiums		(882)		(691)
Reinsurance premiums ceded		(16,128)		(20,553)
Net premiums and assessments written		**80,275**		**94,040**
(Increase) decrease in net unearned premiums		1,101		205
Net Premiums and Assessments Earned	**$**	**$81,376**	$	**94,245**

As of December 31, 2015, an unbilled assessment in the amount of $5.6 million was recorded as a result of the Association's asbestos-related claims settlement agreement as described in Note 8.

8. Other Operating Expenses

		2015		2014
Management fee	$	16,975	$	16,986
Bad debts		1,571		945
Brokerage		9,093		9,430
Other		6,339		7,434
Total Other Operating Expenses	**$**	**33,978**	$	**34,795**

9. Commitments and Contingencies

Letters of Credit – At December 31, 2015 and 2014, the Association had outstanding letters of credit for $10.8 million and $12.6 million, respectively.

Exposure to Asbestos-related and Environmental Claims – Since the early 1980's industry underwriting results have been adversely affected by claims developing from asbestos-related coverage exposures. The majority of such claims allege bodily injury resulting from exposure to asbestos products.

		2015		2014
Asbestos-Related Claims				
Aggregate gross losses paid to date at December 31	$	13,305	$	12,409
Loss reserves - reported		1,093		897
Loss reserves - unreported		4,496		4,496

In February 2002, a former Member commenced legal action against the Association claiming increased coverage in asbestos-related illness cases applying only one deductible per claim, rather than one deductible per insurance policy year, the Association's long-standing discretionary practice for policy years prior to February 20, 1989.

In May 2004, the Association's Board of Directors resolved to terminate the prior discretionary practice of paying unreported, unreserved or under reserved occupational disease claims on closed policy years prior to February 20, 1989.

In June 2004, the Association filed a Declaratory Judgment Action in Federal Court against all of its pre-February 20, 1989 members (the "former members" or "defendants") seeking a judicial declaration that the Association was entitled to terminate a prior practice of indemnifying those former members with respect to asbestos related and other occupational disease claims against them arising from occurrences (exposure) in the pre-February 20, 1989 years (the "Closed Years Claims"). The basis for the complaint was that, before the accounts for the pre-February 20, 1989 years were closed, the former members had never paid assessments to cover what were then unknown claims. The Association commenced this action because of its concern that the costs of the Closed Year Claims against its former members were being improperly shifted to the Association's current members, without their consent and in violation of the principles of mutuality.

On February 5, 2008, the Association entered into a Settlement Agreement with its former members/defendants ending the Declaratory Judgment action. The Settlement Agreement resolved all of the disputed factual and legal issues raised in the litigation. While the Association will now provide coverage to its former members for their Closed Year Claims, the Association's payment of those claims is subject to an annual limit of $800 thousand, regardless of the aggregate value of the former members' Closed Year Claims, and the former members have agreed to continue to absorb multiple deductibles in calculating the value of their indemnity claims. In effect, the Association's accumulated surplus generated by the former members Closed Years is expected to generate sufficient investment income to fund the annual cap amount requiring little or no contribution from current or future members.

As a result of the Settlement Agreement, the Association recorded additional reserves of approximately $7 million at December 31, 2007. Pursuant with the terms of the Settlement Agreement, the Association has made $7.3 million in payments as of December 31, 2015. This represents a one-time $900 thousand payment related to 2006 as well as seven payments of $800 thousand related to the 2007 through 2013 years and a $778 thousand payment in 2014. Additionally, the Association has made another $822 thousand payment in January 2016 related to 2015.

With respect to environmental liability, the Association's only exposure arises out of sudden and accidental pollution caused by the escape of polluting substances (primarily oil) from oceangoing or inland river vessels which are capable of navigation.

Other Contingencies – From time to time, asserted and unasserted claims are made against the Association in the ordinary course of business. Management of the Association does not believe that the outcome of any such proceedings will have a material adverse effect on the Association's financial position or result of operations.

10. Statutory Filings

The Association is required to report the results of its operations to the New York State Department of Financial Services ("the Department") on the basis of accounting practices prescribed or permitted by the Department ("statutory accounting practices"), which differ in some respects from accounting principles generally accepted in the United States of America.

The principal differences affecting the Association are described below:

Premiums and Revenue Recognition – Under statutory accounting practices, the Association may only record those premiums which are billed at the balance sheet date plus those that are unbilled for which either a letter of credit is held or which may be offset by unpaid losses. Unbilled and unsecured assessments are not reflected in the statutory financial statements, except that the Association is permitted by the Department to reflect as an admitted asset future assessments up to the difference between the ultimate and present values of unpaid losses. Such amount has been recorded as a direct credit to statutory surplus. The Association has calculated the future assessment consistent with the methods used in prior years.

Nonadmitted – Under statutory accounting practices, certain assets, principally premiums receivable over 90 days past due, are not reflected in the statutory statement of assets, liabilities and surplus. Such nonadmitted assets are charged directly against surplus. Under accounting principles generally accepted in the United States of America, such amounts are recorded as assets, net of an allowance for doubtful accounts.

Computer Equipment, Furniture & Supplies – Under statutory accounting practices; the Association is not permitted to capitalize costs relating to applications software, consultants' fees, and furniture and supplies.

Provision for Unauthorized Reinsurance – Under statutory accounting practices, the Association may take credit for reinsurance coverage from reinsurers who are "unauthorized" in New York State where letters of credit or funds are held by the Association as of the balance sheet date, or are qualified for additional credit pursuant with Part 125.4(e) & (f) of Title 11 of the Rules and Regulations (11 NYCRR), also referred to as Regulation 20. Additionally, the Association may not take credit for reinsurance recoverables from authorized reinsurers where such amounts are overdue. Such unsecured and overdue balances are reflected as a liability charged directly against surplus. Under accounting principles generally accepted in the United States of America, such amounts are recorded as assets, net of an allowance for uncollectible reinsurance.

Unrealized gains (losses) on available-for-sale securities - For the purpose of the both statutory and accounting principles generally accepted in the United States of America, the cost of its fixed income security investments are listed at book/adjusted carrying value. Under statutory accounting practices, the Association is required to report the statement value of its fixed income security investments at book/ adjusted carrying value. Under accounting principles generally accepted in the United States of America, such amounts are recorded at fair market value.

Statutory ULAE adjustment - Under statutory accounting practices, the Association records an ULAE reserve related to indirect costs of running off the Association's unpaid and unreported losses. Under GAAP, the Association does not record the costs of running off the unpaid and unreported losses until the expenses have been incurred.

Hydra consolidation adjustment - Under statutory accounting practices, the Association reports Hydra as an equity investment. Under accounting principles generally accepted in the United States of America, Hydra's financial statements are consolidated into the Association's financial statements.

Surplus Note Adjustment - Under statutory accounting practices, the Association reports surplus notes as a component of capital and surplus. Under GAAP, the Association reports the notes as a liability.

A reconciliation of statutory surplus as reported to the Department to Members' equity on the basis of accounting principles generally accepted in the United States of America is as follows:

		2015		2014
Statutory surplus, as reported	$	74,312	$	64,807
Future assessments receivable up to difference between ultimate and present value of losses		(17,524)		(19,146)
Unbilled assessments, net		5,589		5,392
Nonadmitted assets and other reconciling items		8,640		2,228
Carrying value of applications software and consultants' fees		94		79
Provision for unauthorized reinsurance		263		155
Reinsurance Premium: Ceded recovery		324		746
Allowance for doubtful accounts		(743)		(743)
Unrealized gains (losses) on available-for-sale securities		6,283		8,048
Statutory ULAE Adjustment		3,100		2,935
Hydra consolidation adjustment		(4,428)		(6,490)
Surplus Note Adjustment		(19,500)		–
Statutory audit adjustment		–		589
Members' Equity on the Basis of Accounting Principles Generally Accepted in the United States of America	**$**	**56,410**	$	**58,600**

State insurance statutes require the Association to maintain a minimum statutory surplus of $250 thousand, and permit the Department to specify a higher amount at its discretion. The Department has specified $7.5 million as the minimum surplus to be maintained by the Association.

11. Leases

On July 1, 2006, the Association entered into a noncancellable operating lease for its occupied offices that is due to expire April, 1, 2017.

On March 13, 2014, after negotiation with the landlord and mutual agreement, the Association terminated the above referenced lease. The Association's managers have signed a new lease in which they are the named tenant. The lease commenced on March 1, 2014 and expires September 30, 2029. The Association is the guarantor of this lease agreement. The value of the guarantee over the term of the lease is approximately $18.3 million.

12. Average Expense Ratio

In accordance with Schedule 3 of the International Group Agreement 1999, the Association is required to disclose its Average Expense Ratio, being the ratio of operating expenses to income, including premium and investment income, averaged over the five years ended December 31, 2015.

The operating expenses include all expenditures incurred in operating the Association, excluding expenditures incurred in dealing with claims. The premium income includes all premiums and calls. The investment income includes all income and gains whether realized or unrealized, exchange gains and losses less tax, custodial fees and internal and external investment management costs. The relevant calculations entail adjustments to calls and premiums to reflect policy years rather than accounting periods. Adjustments are also required for transfers from operating costs to internal claims handling costs and internal investment management costs.

For the five years ended December 31, 2015 the ratio of 24.2% has been calculated in accordance with the schedule mentioned above and the guidelines issued by the International Group. This compares with a ratio of 21.6% recorded for the five years ended December 31, 2014.

However, when considering brokerage expense netted against calls and premiums earned rather than including in operating costs as shown in the Accounts, the calculated ratio for the five years ended December 31, 2015 is 17.7%. This compares with a ratio of 15.1% calculated for the five years ended December 31, 2014.

13. Subsequent Events

Subsequent events have been considered through June 17, 2016 for the audited financial statements were available to be issued. No other events occurred subsequent to December 31, 2015, through June 17, 2016, which would have a material effect on the financial position, results of operations or cash flows of the Association.

* * * * *

Unaudited Supplemental Schedules

Statement of Operations and Comprehensive Income Years Ended December 31, 2015 and 2014

	P&I		FD&D	
IN THOUSANDS	2015	2014	2015	2014
INCOME				
Net premiums and assessments earned	**$ 77,380**	$ 89,418	**$ 3,996**	$ 4,827
Net investment income	**4,359**	3,963	**225**	214
Net realized investment gains	**1,535**	3,205	**79**	173
Net realized and unrealized gains on derivatives	**—**	529	**—**	29
Total Income	**83,274**	97,115	**4,300**	5,243
EXPENSES				
Losses and loss adjustment expenses incurred	**46,916**	62,756	**2,448**	3,206
Other operating expenses	**32,309**	33,013	**1,669**	1,782
Total Expenses	**79,225**	95,769	**4,117**	4,988
Income Before Income Taxes	**4,049**	1,346	**183**	255
Income tax provision	**(573)**	(412)	**(30)**	(22)
Net Income	**3,476**	934	**153**	233
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized (losses) gains on investments	**(5,533)**	84	**(286)**	5
Other comprehensive (loss) income	**(5,533)**	84	**(286)**	5
Comprehensive (loss) Income	**$ (2,057)**	$ 1,018	**$ (133)**	$ 238

P&I – represents Protection and Indemnity insurances for Class I Owners' risk and Class III Charterers' risk.
FD&D – represents Class II Freight, Demurrage and Defense insurance.

Unaudited Supplemental Schedules
Losses and Reinsurance Recoverable Years Ended December 31, 2015 and 2014

IN THOUSANDS		2015		2014
NET CLAIMS PAID				
Gross claims paid:				
Members' claims	$	**57,973**	$	72,703
Other Clubs' Pool claims		**13,492**		14,715
		71,465		87,418
Recoveries on claims paid:				
From the Group excess of loss reinsurance		**14**		51
From the Pool		**3,509**		15,107
Other reinsurers		**6,269**		7,509
		9,792		22,667
Net Claims Paid	$	**61,673**	$	64,751
CHANGE IN NET PROVISION FOR CLAIMS				
Claims outstanding:				
Members' claims	$	**168,721**	$	178,198
Other Clubs' Pool claims		**43,539**		50,259
		212,260		228,457
Reinsurance recoverables:				
From the Group excess of loss reinsurance		**369**		383
From the Pool		**18,952**		19,319
Other reinsurers		**20,367**		23,899
		39,688		43,601
Net claims outstanding at December 31		**172,572**		184,856
Net claims outstanding at January 1		**184,856**		183,591
Change in Net Provision for Claims	$	**(12,284)**	$	1,265

Unaudited Supplemental Schedules
Open and Closed Years and Contingency Fund

The Association maintains separate accounting for each policy year, which runs from February 20 through February 20, and keeps policy years open until the Board of Directors resolve to close the year. Years are closed after the ultimate liabilities for that year are known with a high degree of probability. The 2012/13 policy year was closed on March 31, 2015, without further calls.

The Association accounts for premiums, assessments and paid and incurred losses by policy year on a specific identification basis. Other amounts, such as investment income, gains and losses and expenses are allocated to policy years in a systematic and rational manner, so as to maintain equity between policy years.

In 1996 the Board of Directors resolved to bifurcate the closed policy years' and open policy years' surplus of the Association by establishing the contingent fund. The purpose of the contingency fund would be to moderate the effect of supplementary calls in excess of those originally forecast for a particular policy year by reason of claims for that year having exceeded originally expected levels.

DEVELOPMENT OF OPEN POLICY YEARS

	2013–14	2014–15	2015–16
INCOME			
Calls and premiums – net	$ 99,740	$ 101,424	$ 72,426
Investment income	5,003	3,259	1,685
Total Income	**104,743**	**104,683**	**74,111**
EXPENSES			
Net paid losses	34,305	27,304	3,327
Net pending losses	29,611	34,625	25,547
Unreported losses	2,711	7,298	15,964
Reinsurance premiums	19,380	20,374	12,822
Other operating expenses	23,035	25,461	22,054
Total Expenses	**109,042**	**115,062**	**79,714**
RETAINED EARNINGS (DEFICIT)	**(4,299)**	**(10,379)**	**(5,603)**
MEMBERS' EQUITY (DEFICIT): OPEN YEARS	**$ (4,299)**	**$ (10,379)**	**$ (5,603)**

(a) A 10% assessment in each of the following open policy years would generate the following net income for the Association (in thousands):

2013/14	$6,785
2014/15	$7,304
2015/16	$7,212

(b) For the 2015/2016 policy year calls and premiums are stated on an earned basis to December 31, 2015. Expenses are stated on an accrued basis for the same period.

CLAIMS OUTSTANDING (INCLUDING UNREPORTED LOSSES) - OPEN YEARS

	2013–14	2014–15	2015–16
Gross outstanding claims			
Members' claims	$ 29,466	$ 43,147	$ 35,752
Other Club's Pool claims	7,109	6,239	10,501
	36,575	**49,386**	**46,253**
Pending reinsurance recovery			
From the Group excess of loss reinsurance	—	—	—
From the Pool	2,096	5,202	—
Other reinsurers	2,157	2,262	4,743
	4,253	7,464	4,743
Net Outstanding Claims	**$ 32,322**	**$ 41,922**	**$ 41,510**

DEVELOPMENT OF CLOSED POLICY YEARS AND CONTINGENCY FUND

	2015	2014
Closed Years' Balance, January 1	**$ —**	$ —
Total income earned	**1,102**	2,323
Net paid losses	**25,413**	27,439
Net pending losses	**(19,381)**	(19,896)
Unreported losses	**(2,600)**	(2,853)
Reinsurance premiums	**647**	(110)
Other operating expenses	**94**	3
Total expenses incurred	**4,173**	4,583
Unrealized investment losses	**(5,819)**	89
Transfer from closed policy year 2012/13	**(3,238)**	—
Transfer from closed policy year 2011/12	**—**	4,235
Net change	**(12,128)**	2,064
Transfer from (to) contingency fund	**12,128**	(2,064)
Closed Years' Balance, December 31	**$ —**	$ —
Contingency Fund Balance, January 1	**$ 88,818**	$ 86,754
Transfer from (to) closed policy years	**(12,128)**	2,064
Contingency Fund Balance, December 31	**$ 76,690**	$ 88,818
Open Policy Years' Equity		
2012/13	**$ —**	$ (5,206)
2013/14	**(4,300)**	(11,819)
2014/15	**(10,378)**	(13,193)
2015/16	**(5,602)**	—
Total Members' Equity	**$ 56,410**	$ 58,600
Claims Outstanding (including IBNR) – Closed Years		
Gross pending losses		
Members' claims	**$ 60,355**	$ 77,783
Other Clubs' Pool claims	**19,689**	15,104
	80,044	92,887
Pending reinsurance recovery		
From the Group excess of loss reinsurance	**369**	383
From the Pool	**11,654**	10,877
Other reinsurers	**11,206**	9,308
	23,229	20,568
Net Pending Losses	**$ 56,815**	$ 72,319

(a) All amounts are reported in nominal dollars and do not give effect to any discounts.

The Mission of the American Club

The American Club's mission is to provide its Members with a broad and financially secure range of P&I and related insurance services which most effectively meet the imperatives of their day-to-day business and which are delivered in an attentive, efficient, courteous and focused manner. Specifically, the American Club seeks to:

- Foster the development of a broadly-based, diverse and high quality membership by reference to vessel-type, trade and domicile of management
- Provide insurance services carefully tailored to individual Members' needs at a cost which is competitive, yet fully reflects a responsible approach to the financial well-being of the Club as a whole
- Apply best industry practice to issues of loss prevention and risk control
- Handle claims in an energetic and practical manner aimed at minimizing exposure both to individual Members and to the Club as a whole
- Ensure that the financial transactions of Members and others who deal with the Club are accomplished with efficiency, accuracy and fairness
- Develop and maintain cordial and constructive relationships with regulators, the Club's International Group co-venturers, the broking community, reinsurers, the Club's correspondents and other professional service providers, rating agencies and all its other business associates and counterparties
- Exhibit in the conduct of its corporate governance exemplary standards of transparency, being alert to the needs of, and accountable to, Club Members at large

In accomplishing its mission, the American Club seeks to exceed expectations in all that it does, justifying its status as a first division marine insurer with a reputation for professional integrity, financial strength and customer care commanding universal respect within the industry.

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As of June 1, 2016

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