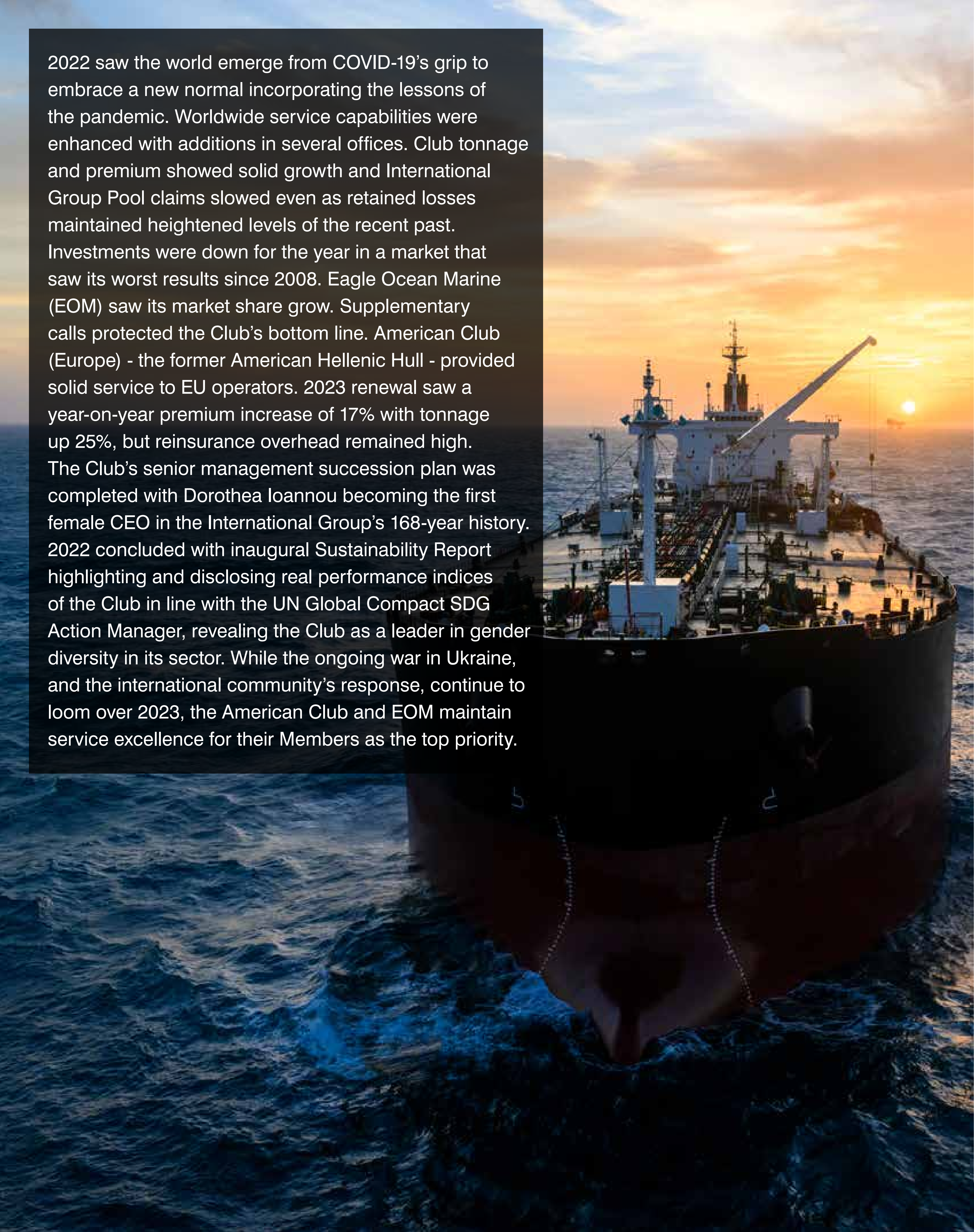
THE AMERICAN CLUB
1917

2022 Annual Report



2022 saw the world emerge from COVID-19's grip to embrace a new normal incorporating the lessons of the pandemic. Worldwide service capabilities were enhanced with additions in several offices. Club tonnage and premium showed solid growth and International Group Pool claims slowed even as retained losses maintained heightened levels of the recent past. Investments were down for the year in a market that saw its worst results since 2008. Eagle Ocean Marine (EOM) saw its market share grow. Supplementary calls protected the Club's bottom line. American Club (Europe) - the former American Hellenic Hull - provided solid service to EU operators. 2023 renewal saw a year-on-year premium increase of 17% with tonnage up 25%, but reinsurance overhead remained high. The Club's senior management succession plan was completed with Dorothea Ioannou becoming the first female CEO in the International Group's 168-year history. 2022 concluded with inaugural Sustainability Report highlighting and disclosing real performance indices of the Club in line with the UN Global Compact SDG Action Manager, revealing the Club as a leader in gender diversity in its sector. While the ongoing war in Ukraine, and the international community's response, continue to loom over 2023, the American Club and EOM maintain service excellence for their Members as the top priority.

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HIGHLIGHTS

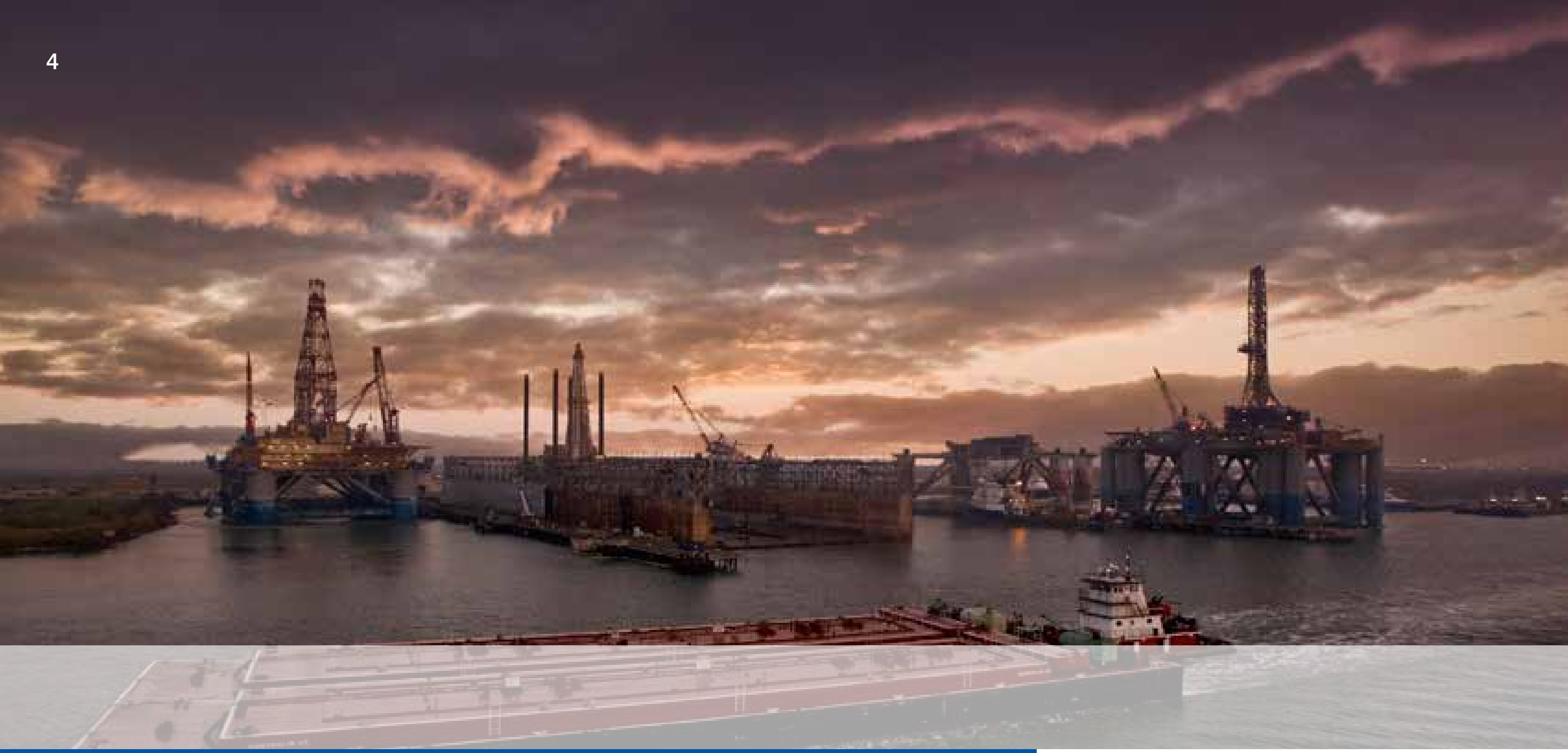
Senior management succession plan comes to fruition in Summer 2022 making P&I history with the first female CEO.

2022 Highlights

- 2022 embraces the "new normal" post COVID-19 with a return to in-person events and more regular business travel tempered by sustainability considerations.
- Club and EOM enhance worldwide service capabilities with key additions.
- International trade and business operations affected by geopolitical turmoil in Ukraine and worldwide sanctions response.
- 2022 performs better than 2021 but continuing trend of retained losses.
- 2022 International Group Pool exposures drastically abate from previous years' highs.
- Investments see a 10% unrealized loss as unpredictability drives worst market losses since crisis of 2008.
- 2019 policy year closed without further call.
- Historically high pool claims, changing risk landscape burdened by social inflation, retreating reinsurance from pandemic-related costs gave rise to 35% supplementary call for 2020 and 30% for 2021.
- Eagle Ocean Marine sees larger market presence.
- Standard & Poor's affirms investment grade counterparty rating.
- American Club (Europe) – formerly American Hellenic Hull – fully enters P&I sector in Europe.
- Loss prevention initiatives continue energetically.
- 2023 renewal features 10% target premium increase; rising reinsurance costs continue in run-up to new policy year.
- Renewing P&I tonnage for 2023 25% greater than 2022; average P&I rates per ton increase by 17% year-on-year.
- Senior management succession plan comes to fruition in Summer 2022 making P&I history with the first female CEO.
- Club releases inaugural Sustainability Report.

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, 2022.



The Year in Review

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, 2022.

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 Club also continued to provide P&I and FD&D insurance to the operators of smaller vessels through its fixed premium facility, Eagle Ocean Marine. In addition, through its wholly-owned subsidiary American Steamship Owners Marine Insurance Company (Europe) Ltd. (the American Club (Europe)) in Cyprus, the Club expanded beyond hull and machinery and war risks and formally entered the P&I and FD&D sector in Europe.

Unlike during the previous twelve months, the Club's activities escaped the shadow of the COVID-19 pandemic. Accordingly, the one-hundred-fifth Annual Meeting of the Club's Members, on June 18, 2022, was conducted in person for the first time since 2019.

At that meeting, all the Directors who had presented themselves for re-election were duly re-elected to serve for a further twelve months, including Ms. Boriana Farrar of Patriot Contract Services, LLC, who had previously been co-opted to the Board in March. Mr. John A. Witte, Jr. of Donjon Marine Co., Inc., was elected as a new Director at the June meeting.

At the same meeting the Board thanked Mr. J. Arnold Witte of Donjon Marine Co., Inc. for his 20 years of service, eleven of which were spent as Chairman of the Board of Directors.

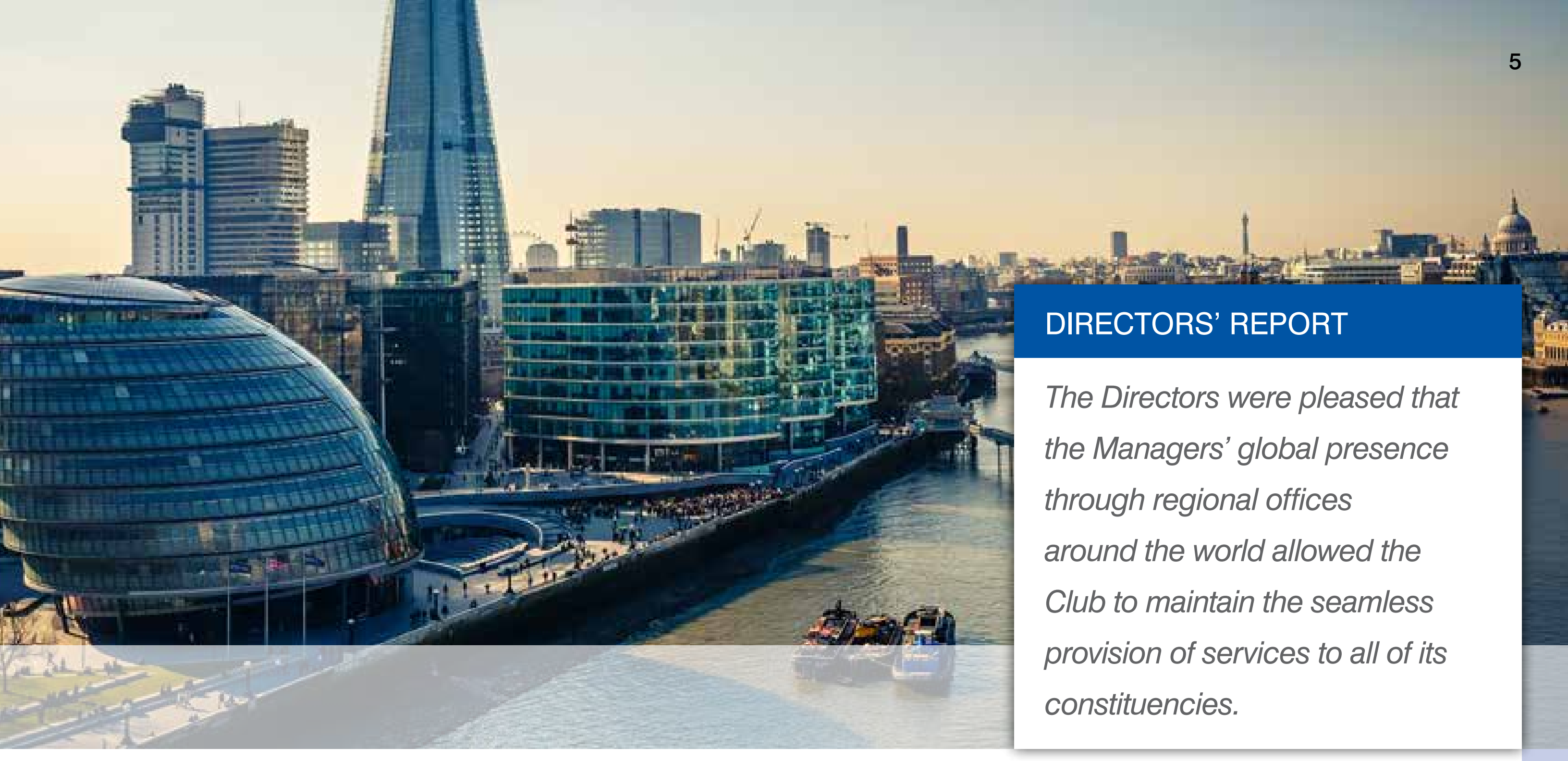
At the Annual Meeting of the Directors, which took place immediately after that of the Members, Mr. George D. Gourdomichalis of Phoenix Shipping & Trading, S.A. and Mr. Robert D. Bondurant of Martin Resource Management Corporation were re-elected as, respectively, Chairman and Deputy Chairman of the Board.

Ms. Dorothea Ioannou, CEO Designate of the Club's Managers, was re-elected as Secretary. In addition, Mr. LeRoy Lambert was appointed as General Counsel. The Board thanked Mr. Lawrence J. Bowles, Mr. Lambert's predecessor, for his 20 years of service in that role.

At the conclusion of the Annual Meeting of the Members, Mr. Nick Shaw, CEO of the Secretariat of the International Group of P&I Clubs made a presentation providing an overview of the activities and significance of the Group's role in the international maritime sector.

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 2022. These meetings all took place in a hybrid format, coordinated from the Managers' offices in New York and across the globe.

At each of the Board meetings, a wide variety of matters was reviewed. They included policy year accounts and the closing of relevant years; the analysis of claims of the Club's Members; loss prevention matters; issues relevant to the Club's membership in 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; the evolution of regional and global regulation affecting shipping; operations of the Managers' satellite offices across the globe; and the implementation



DIRECTORS' REPORT

The Directors were pleased that the Managers' global presence through regional offices around the world allowed the Club to maintain the seamless provision of services to all of its constituencies.

of other political initiatives, including those in relation to sanctions, an increasingly momentous subject within the industry; and many other issues pertinent to the Club's affairs, environmental, social and governance issues, including climate change and sustainability generally.

The Club's and its Managers' efforts to integrate lessons learned during the COVID-19 pandemic were regularly discussed. The Directors were pleased that the Managers' global presence through regional offices around the world allowed the Club to maintain the seamless provision of services to all of its constituencies.

At the regular Board of Directors Meeting following the Annual Meeting of the Members, as described in Circular No. 17/22 of June 23, 2022, it was resolved to close the 2019 policy year without further contribution and your Board also resolved to levy a supplementary call of 35% of currently estimated total premium for the 2020 policy year for both the P&I (Class I) and FD&D (Class II) classes of the Club's mutual business as had been forecast earlier in the year.

Despite a welcome improvement in results for 2022, especially with respect to the impact of the Club's contribution to other International Group member pool claims, losses on earlier years remained at elevated levels. The impact of "social inflation" continued to be evident across a broad spectrum of exposure, particularly in regard to people and environmental claims. The lingering effects of the COVID-19 pandemic also continued to have a negative influence on claims for the 2020 and 2021 policy years, as did further deterioration of International Group pool claims which reached historically high levels for both years. Moreover, the 2021 year had been unable to take the benefit of reinsurance protection for COVID related claims following the withdrawal of cover by market underwriters at the 2021 renewal. These factors caused the Board to consider it necessary to levy a supplementary call of 30% of currently estimated total premium for the 2021 policy year as announced in Circular No. 29/22 of November 18, 2022.

For the 2023 renewal, to take account of inflation and continuingly hostile trends in the claims environment, the Board mandated the implementation of a year-on-year target increase in the pricing of risk of 10% on expiring rates overall.

The Club's reinsurances for 2023, both those relating to its membership of the International Group and those it arranges for its own account, were renewed on broadly similar terms to those of the previous year. However, adjustments to retention levels by reference to renewing tonnage and premium resulted in a cost increase of about 12% as compared to the previous policy year. As for the International Group renewal, Members were informed of the new arrangements in Circular No. 01/23 of January 17, 2023.

The Club's fixed premium brand, Eagle Ocean Marine (EOM), saw a steady 2022. Although there has recently been a rise in claims, with trends not dissimilar to that of the mutual book of business with factors such as inflation on cargo liabilities and social inflation on people and environmental claims featuring strongly, EOM's premium also increased. Total income written to the facility, since inception, has now reached approximately $122 million, with a year-on-year compound annual revenue growth continuing in excess of 10% over the recent past.

The volatile investment environment led to unrealized losses of 10% on the Club's investment portfolio for 2022. This was not

an uncommon result in view of continuing market uncertainties generated by persistent supply chain difficulties, incipient inflation and ongoing geopolitical conflict. While the Club's investments are mainly in fixed income, ultimately 2022 saw both equities and fixed income securities suffer substantial losses. However, quick action early in 2023 facilitated the Club being able to take advantage of the positively shifting rise in fixed rates.

As to claims, the escalation of International Group Pool exposures which began in 2018 substantially abated in 2022, but the Club's own retained losses remained heightened during the year evidencing the permanence of a new risk landscape. The effects of COVID-19 also abated but the impact of higher value trending losses, influenced by social inflation in the United States and elsewhere, negatively affected results, with a global crisis of crew competency and seafarer shortage also continuing to impact on causation of maritime casualties.

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 to 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.

The development of safety and loss prevention initiatives continued to be a major American Club focus during 2022. Its chief activities in this area comprised the surveying of vessels, pre-employment medical examinations and the dissemination of e-learning and other material for a variety of purposes more extensively described in the Managers' Report.

As forecast, the hybridization of work as between conventional office conditions and those which exist at home featured through the year across all offices, with operating conditions in the People's Republic of China, and its Hong Kong SAR, in particular becoming more normal early in 2023.

Important management changes were implemented on August 1, 2022. Mr. Joseph E.M. (Joe) Hughes relinquished his position as Chief Executive Officer of the Managers of the Club after 27 years' service in that role. Mr. Vincent J. (Vince) Solarino at the same time stepped back from his role as Chief Operating Officer of SCB after a similar length of service. Ms. Dorothea Ioannou took over from Mr. Hughes as CEO while Mr. Dan Tadros became the new COO.

The Board noted much industry and press coverage in that Ms. Ioannou became the first female CEO of an International Group management company in the 167 years since the first mutuals of the current collective were founded. It takes pride in having been involved in the making of history in this regard.

In closing, as always is the case, the Directors thank the Members, and all those who work on their behalf, for their enduring support of the American Club, particularly during the difficult conditions which have prevailed over recent years. Geopolitical concerns continue, notably the hostilities in Ukraine, continuing to darken the outlook for the future.

In meeting the many challenges to come, your Directors will continue to work to ensure, in close collaboration with the Managers, that Members' expectations are fulfilled, and hopefully exceeded, in every aspect of Club service. In this, despite rather bleak prospects in many areas, the Club looks forward to fulfilling its ongoing mission with growing energy and enthusiasm.

REPORT OF THE MANAGERS

It was in 2022 that most of the world finally saw real easing of COVID-19 restrictions albeit with varying pace and impact across the globe. While trade activity increased, new levels of disruption were encountered in the form of Russian aggression in Ukraine, seriously affecting trading patterns and adding to an already complicated and challenging regulatory and compliance environment.

Within the P&I sector, while a welcome abatement of claims within the International Group Pool was experienced, along with the final remnants of COVID-19 related incidents, trends affecting the value and frequency of mainstream retained claims experience persisted. Steps taken during the 2022 renewal with respect to careful risk selection and appropriate premium rating evidenced progress in matching what could only be characterized as a new claims environment as 2022 unfolded. These developments laid the foundation for a need for all clubs to maintain the strategy of balanced rating for renewing business in 2023, on which further commentary is contained below.

Underwriting, Reinsurance and Business Development

Marine insurance premiums and specifically those related to the P&I sector had been subject to an extended period of weak premium pricing that only began to subside in 2021 into 2022. Evidencing this sea change was the decision of the Board of the American Club to set a general increase of 12.5% against premium ratings for all classes of business. This was the largest mandated rise since the 2014 renewal. A core tenet of the 2022 renewal was to foster a more sustainable premium pricing environment as a new risk landscape continued to emerge. This was further reflected in the Board's instruction to the Managers to seek additional premium rate increases as well as adjustments to terms of cover based on circumstances where individual member loss performance and other intrinsic risk factors made them appropriate.

Turnover of business during the course of the 2021 policy year and the actions undertaken during the 2022 renewal, resulted in a 13% increase in tonnage year-on-year, and for the same period the Club's projected Class I – P&I revenue increased by 20%. Revenue for the Club's Class II – FD&D was 11% greater, year-on-year. The revenue increase accompanied rate strengthening at the 2022 renewal in excess of that which was set by the Club's Board.

An important development in 2022 was the completion of licensing procedures for the Club's Cyprus domiciled subsidiary American Steamship Owners Marine Insurance Company (Europe) Ltd., also known as American Club (Europe). This is the renamed entity American Hellenic Hull Insurance Company Ltd., which now underwrites P&I business for EU/EEA qualifying operators. The American Club (Europe) began underwriting P&I risks with effect from 20 February 2022.

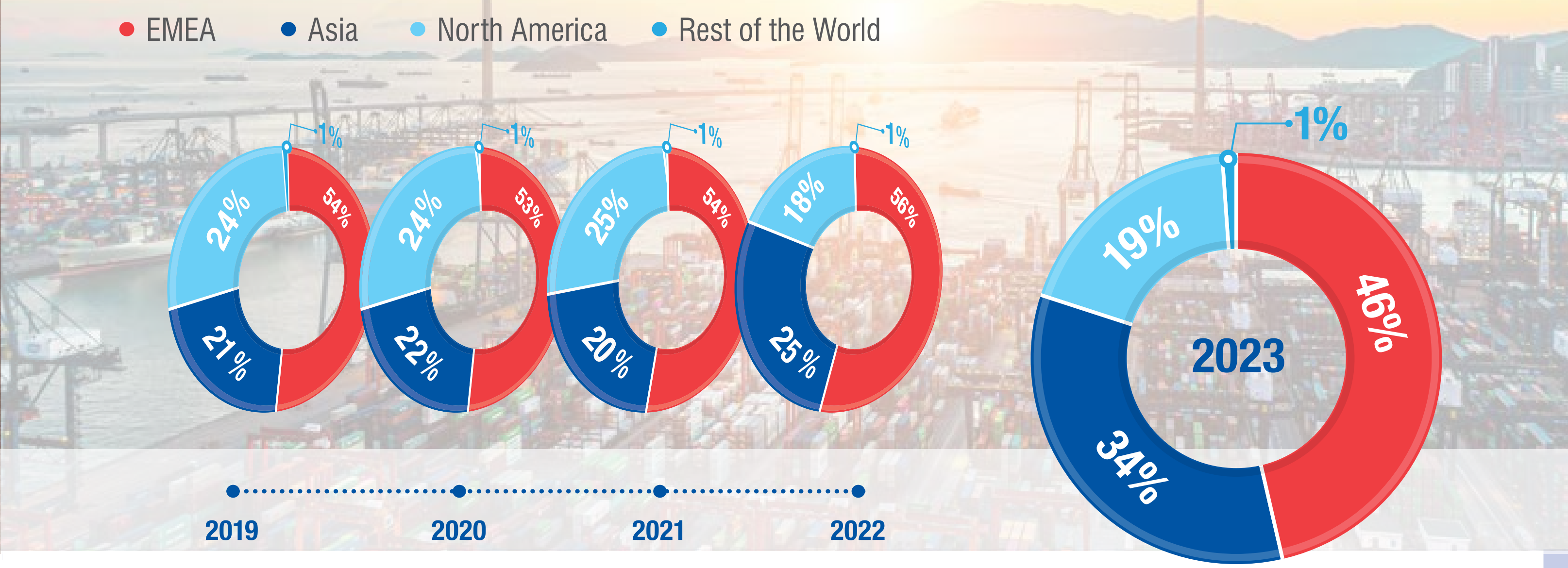
Premium and tonnage experienced encouraging growth over the course of the 2022 policy year. This culminated in the 2023 renewal results whereby the Club's tonnage for Class I – P&I exceeded 25 million tons and premiums were 17% higher than twelve months earlier. Similarly, Class II – FD&D tonnage was 15m tons and premiums increased by 20% year-on-year. Premiums derived from the Club's Class III charterers' liability business have grown by more than 30% since 2020.

Breakdowns of renewing tonnage for 2023 by reference to domicile of management and vessel type are contained in the tables on pages 11 and 13 respectively.

The Club's reinsurance arrangements for 2022 were successfully renewed despite a number of challenges. The International Group's market reinsurance arrangements were coming off a two-year placement which enabled the Group to maintain rates and conditions in 2021, despite the Group's claims performance and general uncertainty in the market relating to the longer term effects of the pandemic. This resulted in an average rate rise of approximately 33% for the 2022 year.

Despite a benign Pool claims environment for the 2022 policy year, difficult market conditions continued to present challenges for the 2023 renewal as the Group's reinsurers were impacted by the Russia/Ukraine conflict along with large hurricane related losses. Nevertheless, coupled with the increase paid in 2022, the Group was able to renew its reinsurance program for 2023 with only a small increase in rates for shipowners.

MEMBERS' TONNAGE BY MANAGEMENT DOMICILE



* As of March 1 in each year. Statistics weighted by reference to both tonnage and premium.

The main general excess of loss (GXL) placement (being layers 1, 2 and 3, for $2 billion excess of $100 million) was successfully renewed, along with the collective overspill excess of the GXL, and the three private placements (although with a reduced share of 25%). A diagram of the 2023 arrangements is set out on page 13.

The main GXL contract was renewed with unamended, free and unlimited coverage for all risks except malicious cyber, COVID-19 and pandemic exposures. For these categories, free and unlimited cover applies for claims up to $650 million excess of $100 million, covering almost all Group clubs' certificated risks. Excess of $750 million there is up to $1.35 billion of annual aggregate cover in respect of these exposures. Above that, the Group has decided to pool unreinsured risks, an expedient which has resulted in no practical change to Members' cover for 2023.

The collective overspill ($1 billion excess of $2.1 billion) and all ancillary covers were renewed with premiums included within the overall rate per gross ton. This was notified to Members in Circular No. 01/23 of January 17, 2023.

The International Group's Bermudan-based reinsurance captive, Hydra, continues to support the Group through its risk retention within the lower layers of the Group's reinsurance structure for 2023. The Group's strategy of placing a share of the reinsurance program on a stand-alone basis through the use of private placements also contributes to stability of cover.

The Maritime Labor Convention (MLC) market reinsurance cover was renewed for 2023 on competitive terms, with the premium included in the overall reinsurance rates charged to shipowners. The same is true of the International Group's excess war risks P&I cover, the details of which were, as usual, independently communicated by circular to Members at the beginning of the year.

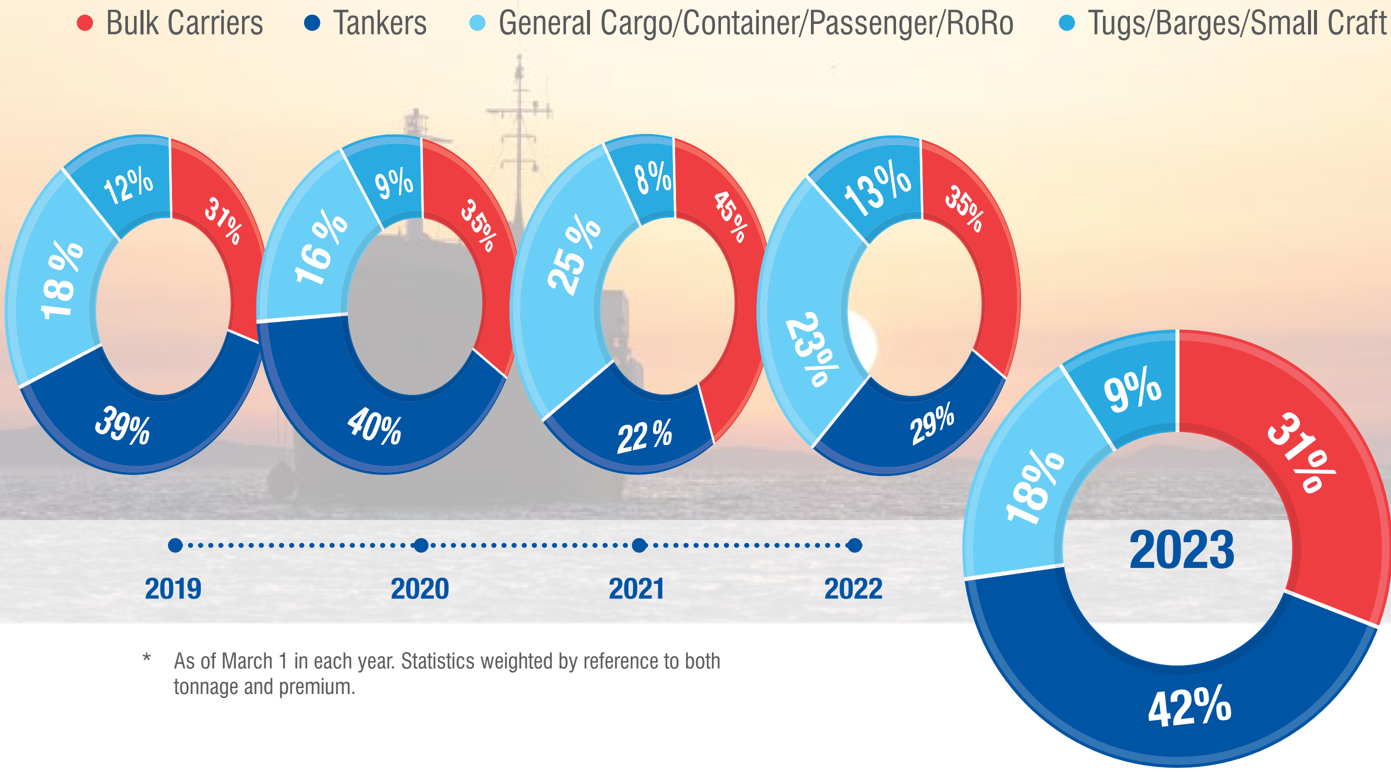
The American Club continues to reinsure its retained exposure in 2023 in much the same way as it did during the previous year. The design of the cover remains broadly similar, although elements of it have become more expensive due to the market hardening over the renewal period.

The Club's Eagle Ocean Marine (EOM) facility continues to build on momentum achieved in recent years. Similar to the Club's mutual book, the acute impacts of COVID were experienced in the 2021/22 year and there has been a great moderation as EOM has moved into its 2022/23 facility. EOM seeks to deliver value to the Club's mutuality and provide the highest quality service to its insureds.

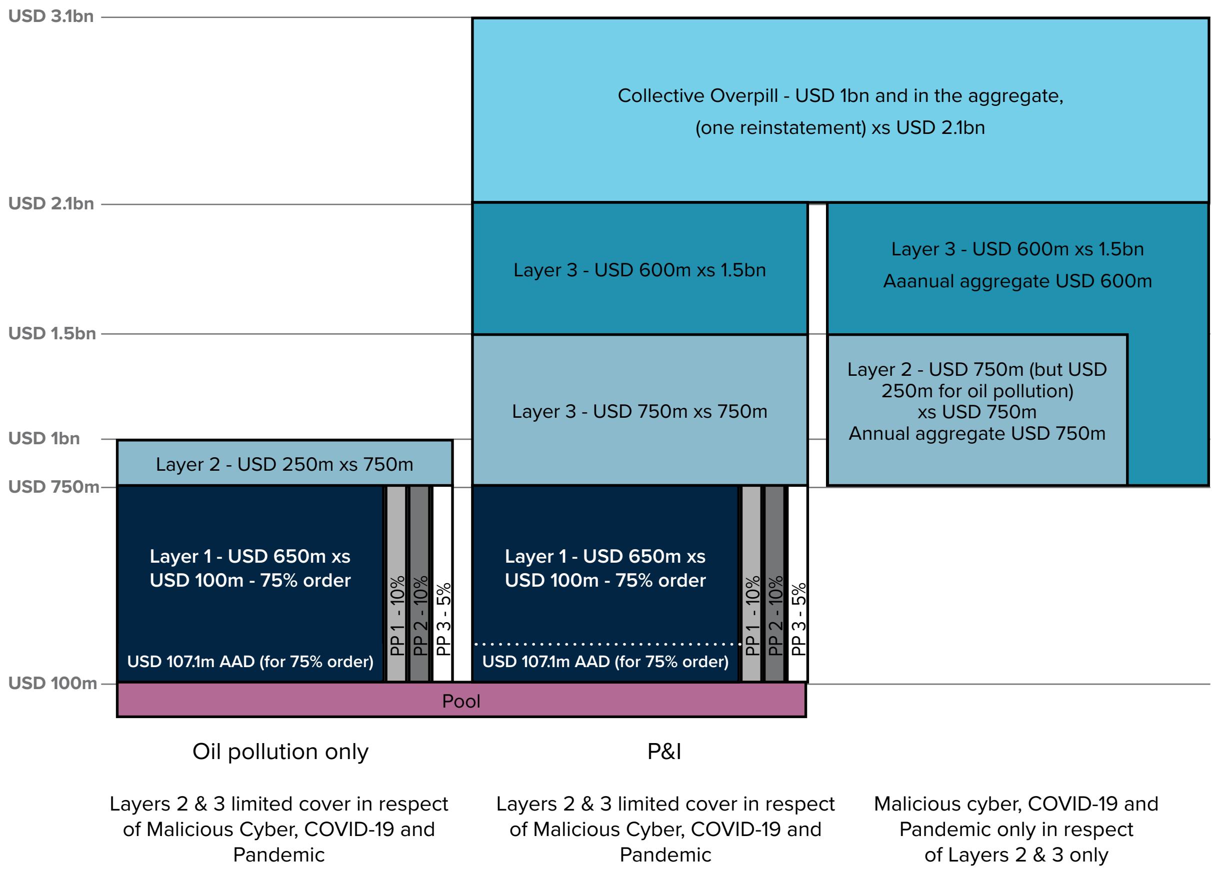
On the ratings front, Standard and Poor's reaffirmed in 2022 the American Club's BBB- investment grade financial strength rating, again with a negative outlook primarily in view of the general P&I landscape. The Club's competitive position within the International Group and the encouraging development of tonnage and premium during a challenging period was given considerable weight in the rating process.

Following the period of the worst elements of the pandemic, the Club's business development and marketing efforts began a return to more traditional practices in 2022. This included a presence during major global marine conferences, as well as an in-person Annual General Meeting of the Members along with a post meeting reception and dinner. The Club also hosted market presentations in London and Athens in December 2022, in addition to its virtual presence in the trade press and on social media.

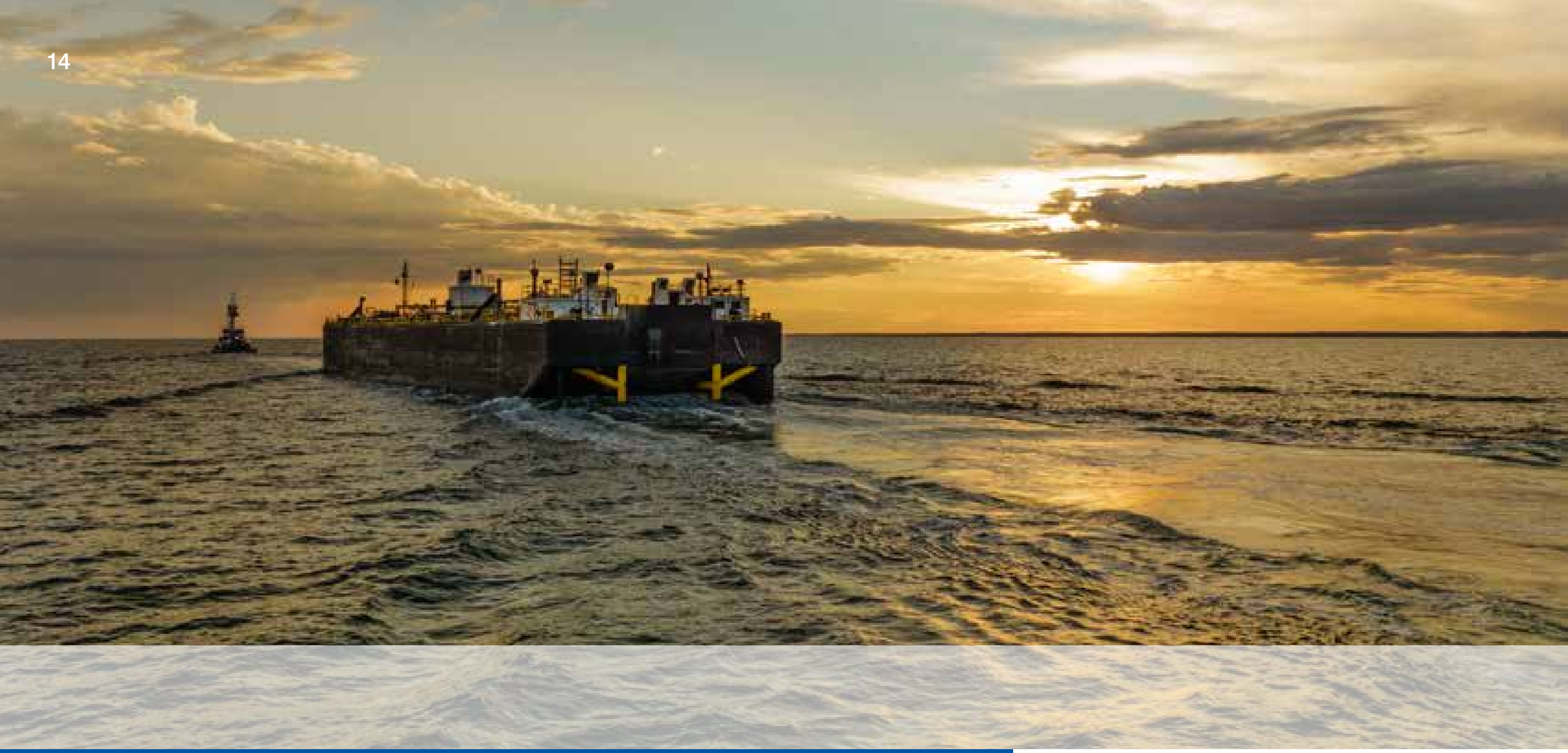
MEMBERS' TONNAGE BY VESSEL TYPE*



* As of March 1 in each year. Statistics weighted by reference to both tonnage and premium.



2023/24 Interrnational Group Pool and GXL Reinsurance contract structure



Supplementary and Release Calls

The 2019 policy year, as notified to the membership in Circular No. 17/22 of June 23, 2022 was closed without further contribution as of 31 March 2022.

2020 was, again as notified in the Circular, made subject to a supplementary call of 35% of estimated total premium due for payment in two equal instalments in January and July, 2023. In the interim, as notified to the membership in Circular No. 29/22 of November 18, 2022, the release call margin for 2020 was adjusted from 5% to 15%, in excess of the 35% supplementary call for Class I- P&I and Class II - FD&D entries..

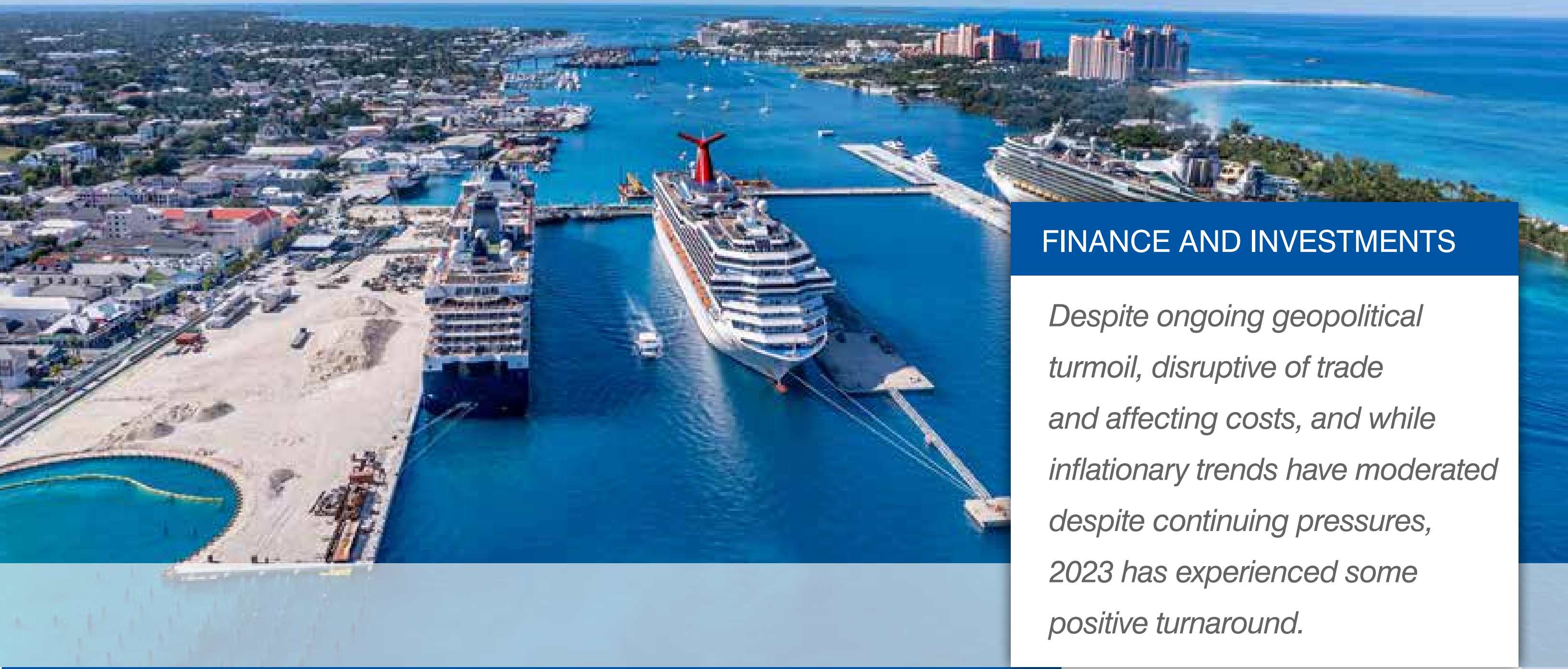
From an early stage in its development, 2021 was likely to be a challenging year, with retained exposure impacted negatively by COVID-19 claims as well as the historically high levels of claims assumed from the International Group Pool. As a result, the membership was advised in Circular No. 29/22 of November 18, 2022, that Class I – P&I and Class II – FD&D estimated total premiums for 2021 policy year would be subject to a 30% supplementary call due for payment in October 2023 and January 2024. In the Circular the Board also notified the membership that the release call margin for 2021 Class I – P&I and Class II – FD&D would be set at 30%, in excess of the 30% supplementary call.

Considerable strides were made at the 2022 renewal toward improving the balance of premium and insuring conditions against expected claims and costs. After encouraging results at the six-month mark in the policy year, during the second half, the Club experienced its first claim notified to the International Group Pool since the 2016 policy year, which has created some drag on overall performance. However, results in 2022 are expected to show improvement over prior years.

For a number of years, market-wide underwriting losses had been offset to a degree by investment income. 2022 has not benefitted from investments in the same manner as earlier years in terms of investment income which saw its worst performance in more than a decade. The release call margin for 2022 remains 20% of the original estimated total premium for Class I – P&I and Class II – FD&D.

Following the European Commission's decision during 2012 to conclude its investigation 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 calibrating those percentages by reference to the actual assessment for various enterprises and other risks.

In conformity with this policy, and as noted above, the Club's Board of Directors explained in Circular No. 29/22 of November 18, 2022, 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 is required to consider in determining both its basic premium and, more particularly, release call margins in regard to all open policy years.



FINANCE AND INVESTMENTS

Despite ongoing geopolitical turmoil, disruptive of trade and affecting costs, and while inflationary trends have moderated despite continuing pressures, 2023 has experienced some positive turnaround.

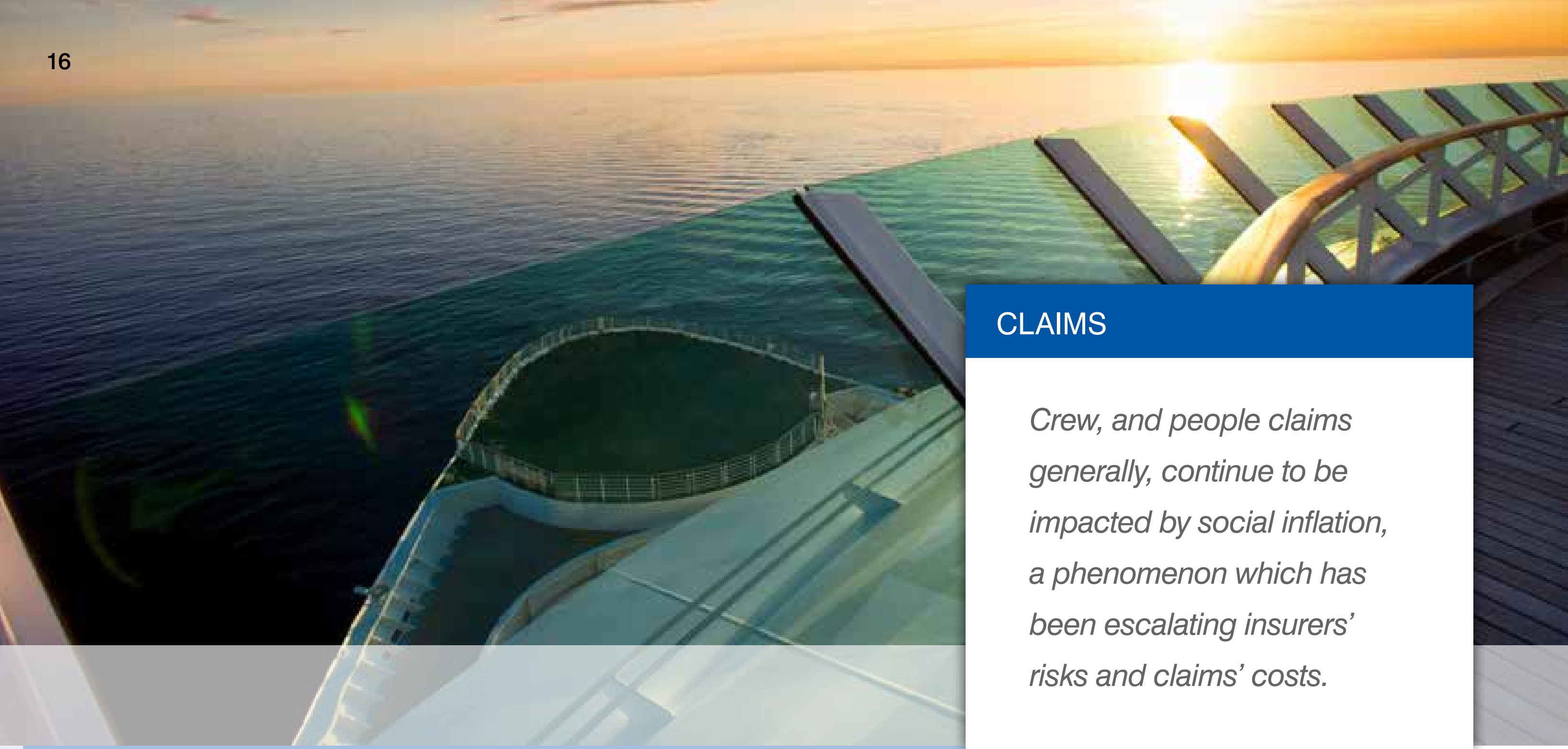
Finance and Investments

As the American Club and the world emerged from the restrictive COVID-19 pandemic environment of 2020 and 2021, with trade returning to normal pre-pandemic levels supported by consumer savings and initial general optimism, the year encountered further disruption, leading to a challenging year for investments, with downturns not seen since the financial crisis of 2008. With global leading economies taking measures to combat rising inflation and instability caused by the Russian invasion of Ukraine which exacerbated the inflationary trend affecting energy prices, it could be said that in terms of investment there was no “safe haven” with both equities and fixed investment products plagued by volatility and general negative performance. With this backdrop, the American Club’s investment portfolio experienced a 10.28% unrealized loss for the financial year to December 31, 2022. Despite the Club’s asset allocation being weighted heavily in fixed income, market conditions led to negative returns even in this “safe” asset class (-7.25%), with gains in alternative investments of 10.81% being insufficient to provide an overall positive return.

From a market benchmark perspective, in the United States, the S&P 500 returned a 19.64% loss during 2022 with the Dow dropping 8.8% and the NASDAQ returning -33.47%, making the 2022 experience for most major indexes the worst in the last 15 years. The MSCI World Index also dropped by 11.59% over the period of 2022. The overall performance of the Club’s portfolio, despite the negative return for 2022, within this context evidenced the relative resilience of the investment allocation strategy which has produced a positive return on average over the decade prior to 2022 of just below 5%. The Club ended 2022 with an asset allocation of approximately 29% in equities, 66% in fixed income and 5% in alternative investments and cash.

Despite ongoing geo-political turmoil, disruptive of trade and affecting costs, and while inflationary trends have moderated despite continuing pressures, 2023 has experienced some positive turnaround with the Club’s portfolio experiencing an overall positive return of 2.59% as of May 31, 2023, remains in both the equity and fixed income spaces. However, the outlook for the markets during the remainder of 2023 seeks still uncertain, with the overall environment experiencing a general slowing in the economy. Leading economic indicators are still negative with investor confidence shaky, evidenced in part, by the two regional “bank runs” in the first half of the year. Fears are still prevalent of an oncoming recession as a delayed possible impact of prior money tightening given also recent signs of rising unemployment.

The Association employs external asset managers and expert financial advisors to manage its investments with the Finance and Audit Committee of the Board of Directors overseeing the performance of its financial assets through regular performance, risk and compliance monitoring.



CLAIMS

Crew, and people claims generally, continue to be impacted by social inflation, a phenomenon which has been escalating insurers' risks and claims' costs.

Claims

The development of claims during 2022 has been more favorable compared to 2021's challenging claims environment. This is primarily the result of the significantly reduced number and level of International Group Pool claims, as well as the fading out of COVID-19 claims.

However, the Club's own retained claims have been following the previous year's inflationary trends, most notably in cargo and third-party property claims. More specifically, the cost of claims for damage to fixed and floating objects (FFO) is still on the rise across the board, not necessarily only in "difficult" jurisdictions.

Crew, and people claims, continue to be impacted by social inflation, a phenomenon which has been escalating insurers' risks and claims' costs. This is particularly evident in personal injury claims in the United States, although the rising claims' costs in other jurisdictions is noteworthy.

The human element is a significant factor increasing the exposure to casualties. The crew crisis is a post-COVID-19 phenomenon describing challenges in motivating and retaining seafarers and, as a result, in their training, which has been hindered during the pandemic, while being outpaced by constant technological advancements. This has generated a new elevated risk environment, most notably in connection with container ship casualties.

In this respect, the Club experienced its first Pool claim since 2016, the fire onboard and sinking of the container ship TSS PEARL in early October 2022, although its effects have been mitigated thanks to the Club's own reinsurances and the International Group's Pool cover.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Activity within the International Group of P&I Clubs

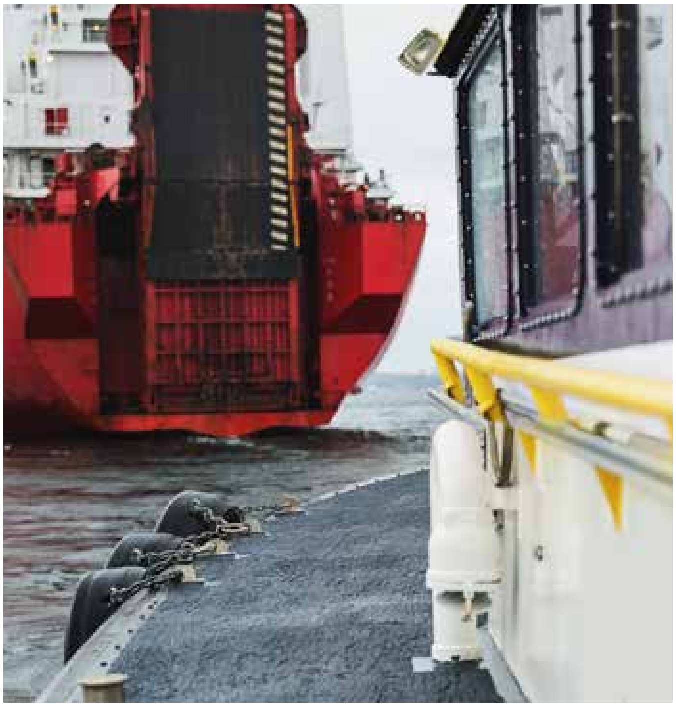
The American Club is one of 12 mutual P&I Clubs which comprise the International Group (the "Group"), which provides, between them, marine liability cover (protection and indemnity) for approximately 90% of the world's ocean-going tonnage. Through this unique structure, the member Clubs pool large loss exposures, have the benefit of leveraging one of the largest reinsurance arrangements in the world, share expertise on matters relating to shipowning marine liabilities, and provide a platform for effective representation and a voice in the industry. This remarkable mechanism provides a safety net for handling of major maritime casualties and peace of mind to stakeholders all over the world.

During 2022, the Group remained dedicated to working on all matters of concern to the global shipowning member Club constituencies. The activity of specialist committees of subject-matter experts from all member Clubs and from all over the world, continued with vigor. This combined resource of knowledge and experience adds exceptional value to the services of the Group as a whole and, by extension, to those of individual clubs. The work of the Group's Secretariat in this regard is especially vital.

With increasing geo-political disruption, sanctions remained a major focus throughout 2022. This continues into 2023. The Group's Sanctions Committee was particularly active in this regard and played a key role for shipowners in navigating the wide range of sanctions imposed on Russia by many countries.

Awareness and progress on matters related to sustainability remained a priority in Group discussions and the Group's inaugural Sustainability Report was released in September 2023 highlighting how extensively, and in what ways, the Group, as a collective, contributes to the industry within the context of the United Nations Sustainability Goals. The report provides insight particularly in regard to response to maritime casualties, the clean-up of pollution in the marine environment, seafarer safety, vessel standards, education in the maritime industry and partnering with the IMO, ITOPF and other industry groups.

Work continues with discussions as to the further contributions the Group can make going forward into the future with respect to matters of sustainability and across all the subject matters of the specialized committees, within which industry sustainability is inherently embedded.



Sustainability

A growing emphasis on sustainability in the shipping industry in general has blossomed since its first inclusion as an element of management activity in in the 2020 report as noted in the activity within the International Group of P&I Clubs. 2022 saw the Club issue its inaugural Sustainability Report covering 2021. As a not-for-profit mutual third-party liability marine insurer, principles of sustainability are embedded in its core purpose as illustrated in the Report.

The Report, available on the Club's website, explains how the work of the Board and its Managers incorporate the United Nations' Principles of Sustainable Insurance (PSI) as defined under the United Nations Environment Programme Financial Initiative (UNEP FI) banner as well as its accomplishments toward the UN's 17 Sustainable Development Goals (SDGs) through the globally accepted platform of the United Nations SDG Action Manager. The Club and its Managers achieved significant progress toward SDG 5 – Gender Equality as these recently updated statistics show: Managers' Senior Management: 39% female, Managers' Global Staff: 51% female, American Club Board of Directors: 24% female, Managers' Executive Committee: 31% female, Managers' Global Department Heads: 44% female. The appointment of Dorothea Ioannou as CEO of the Club's Managers made history as the first female to lead the Managers of a member of the International Group of P&I Clubs in its 168-year history and a reflection of longstanding inclusionary practices as a policy of the American Club and its Managers. Through the SDG Action Manager, the Club is committed to tracking its progress with emphasis on nine of the 17 SDGs which relate best to the scope and purpose of the Club within the context of contributing to sustainability.

The American Club has embraced – and will continue to embrace — by its very nature, sustainability attentively and deliberately. The Club's own sustainability program continued apace with industry and societal expectations while the Managers played a key role in the International Group's development of its own initiatives on the subject.

Sanctions

The ever-evolving sanctions landscape continues to pose challenges for the shipping industry.

Numerous countries, led by the European Union, the United Kingdom, and the United States, continue to enact a wide variety of sanctions on a broad range of Russian entities, and on the Russian economy in general. This has adversely impacted global shipping.

Relevant embargoes have affected a wide range of persons, investments, and commercial activities including those related to the carriage of specific cargoes such as steel products, gas, oil and coal originating in Russia, as well as Russian-owned and operated vessels. Owing to the continuous evolution of relevant regimes, Members and their trading partners have been forced to conduct frequent due diligence investigations in the conduct of vessel chartering and other commercial engagements.

The expanding requirements of needing to “know your client” and “know your client’s client” have placed burdens on otherwise routine commercial activity. In responding to Members’ needs – in addition to securing the Club’s own sanctions compliance – the Managers have established various new protocols to facilitate investigations. On the heels of the regulators’ directive that due diligence investigations are a non-delegable duty of every party involved in the shipping chain, many Members are taking advantage of the services provided by International Compliance Services, Inc. (ICSI), a due diligence service provider which offers significant discounts to Members.

As a result of the change in the regulators’ position with regard to due diligence investigations, your Managers are only able to confirm cover remains in place for voyages to Russia and other sanctions impacted areas once they receive the Member’s own due diligence findings. Your Managers continue to enhance their due diligence capabilities through assistance from ICSI and through growing the compliance team in New York and Piraeus. The need for sanctions compliance has never been greater than at present and, given the state of current geopolitics, is unlikely to decline any time soon.

Safety and Loss Prevention

Loss prevention and survey compliance continued to focus on safety and environmental protection. Cargo-worthiness remained a significant point of emphasis for the American Club in 2022.

Easing of COVID-19 related restrictions on surveyor access to vessels in 2022, combined with the Managers bringing on additional highly qualified technical staff, resulted in 302 condition surveys being performed in 2022, a 54% increase in comparison to vessels surveyed in 2021. This trend had a compound effect on the Club's Port State inspection record for the year resulting in a 1.6% Port State detention rate for 2022 – the best policy year results seen since 2013.

The conflict in Ukraine has led to considerable challenges to manning of the global maritime fleet. The Club rose to the challenge, working with Members to ensure compliance with Pre-Employment Medical Examination (PEME) program. The Club approved clinics in locations such as Bulgaria, Poland and Romania took up significant slack for Ukrainian seafarers displaced to those countries. The Club also expanded its PEME network in 2022 by adding approved clinics in India, Indonesia, Poland, and Romania.

The Club continued its efforts in seafarer focused guidance in its *Good Catch* loss prevention initiative presented in English and Mandarin. In 2022, seventeen alerts and a dozen animations were disseminated to Members and seafarers via the Club's website and mobile application covering a broad range of subjects including safety in line handling for ocean going vessels as well as for coastal and inland barges, mental wellness focused on anti-bullying and anti-harassment, inland waterway navigation, the importance of preparedness for heavy weather navigation, and other claims prevention related topics.

Additional guidance focusing on the importance of proper lube oil testing to prevent damage to machinery potentially leading to P&I-related claims was also disseminated. Further guidance on preventative measures for maintaining and testing of bilge systems was also provided.

In 2022, the American Club resumed in-person seminars for claims and loss prevention with events held in Houston and Piraeus focused on collision prevention for inland tugs and barges, water ingress into dry cargo holds and the PEME program.

THE WAY AHEAD

As a key stakeholder in the industry, the Club fills a vital role in providing a safety net for those affected by maritime casualties, as well as a resource and support mechanism for transitions in the industry that affect the membership.

The way ahead

2022 was a challenging year. While the world recovered from one of the greatest disruptions in history, the pandemic, as is the way of the world, other difficult and tragic events unfolded and challenged society in new ways as more complex geopolitical and economic problems emerged. Many of these problems, such as the ongoing war in Ukraine and the effects of inflation and the investment crisis, have been addressed in this report, in terms of both impact upon the performance of the Club and of their effect on the global outlook. However, these issues will continue to plague the world certainly for the remainder of 2023 and possibly beyond.

The year 2022 though, was not without moments of success, with the Club making history in August through implementation of its Manager's succession plan and earning industry wide recognition and awards within the domain of diversity, equity and inclusion. The Club's premium base also increased significantly, and almost all of its expiring business was renewed, affirming what S&P characterize as a strong and loyal membership base supporting its competitive position.

We must also recognize that the 2022 policy year fared better than those of the recent past. More importantly, this was not due to a chance or luck from a retained claims performance perspective, but rather from the strategic rate adjustments more aligned with the changing risk environment. Factors such as economic inflation, social inflation, commodity volatility, geopolitics/sanctions and increasing regulatory costs, compounded by a widespread crew competency and seafarer shortage in the industry, have changed the global maritime risk landscape, trends which began to manifest themselves in 2019. With overall retained claims progressing in this fashion over the last three years, this is a risk environment that is here to stay and must be adapted to.

As a key stakeholder in the industry, the Club fills a vital role in providing a safety net for those affected by maritime casualties, as well as a resource and support mechanism for transitions in the industry that affect the membership. Within this role, essential to global trade, the ability to be resilient in disruption is key for its shipowning constituency. In a world of constant and sometimes drastic change, for the Club, and indeed for the maritime community at large, one thing is certain: there will forever be the need to face new and growing challenges.

The economic outlook remains uncertain, the crucial energy transition continues to raise new questions as research and development unfold, the need for overall energy security is threatened by continuing geopolitical instability, and issues such as the seafarer shortage loom overhead with technology often outpacing training.

The Managers of the American Club are aware of these and other existing and developing challenges. They remain committed to facing and meeting these challenges to ensure the Club continues to provide personalized unsurpassed service as it has for the last 106 years. In continuing this commitment for the future, they thank all those who have supported the American Club throughout the years.


COSCO SHIPPING
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2022 FINANCIAL REPORT

Contents

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Independent Auditors' Report

To the Members of

The American Steamship Owners Mutual Protection and Indemnity Association, Inc.

Opinion

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, 2022, and 2021, and the related consolidated statements of operations and comprehensive loss, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of the Association as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Associations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 42-45, which are the responsibility of management are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such schedules have not been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Mazars USA LLP

New York, NY | June 22, 2023

Consolidated Balance Sheets

IN THOUSANDS	NOTE	DECEMBER 31 2022	DECEMBER 31 2021
ASSETS:			
Investments	3	**$ 131,215**	**$ 157,925**
Cash and cash equivalents		**28,997**	**19,467**
Members' balances receivable		**76,698**	**62,561**
Reinsurance recoverable	6	**123,576**	**78,037**
Advances to Hellenic Hull Mutual	1	**2,459**	**4,846**
Unbilled premiums and calls	2	**69,984**	**65,505**
Other assets	4	**10,031**	**13,795**
Total Assets		**$ 442,960**	**$ 402,136**
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES:			
Unpaid losses and allocated loss adjustment expenses	6	**$ 254,104**	**$ 199,333**
Unreported losses	6	**61,748**	**54,465**
Unearned premiums		**15,589**	**18,115**
Reinsurance payable		**15,631**	**10,315**
Surplus note payable	5	**19,500**	**19,500**
Demand promissory note payable	5	**15,113**	**20,034**
Other liabilities	4	**16,865**	**16,703**
Total Liabilities		**$ 398,550**	**$ 338,465**
COMMITMENTS AND CONTINGENCIES			
MEMBERS' EQUITY:			
Retained earnings		**$ 49,900**	**$ 62,342**
Accumulated other comprehensive income (loss)		**(5,490)**	**1,329**
Total Members' Equity		**$ 44,410**	**$ 63,671**
Total Liabilities and Members' Equity		**$ 442,960**	**$ 402,136**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Loss

IN THOUSANDS	NOTE	DECEMBER 31 2022	2021
INCOME			
Net premiums and calls earned	7	$ 151,705	$ 143,237
Net investment income		3,496	2,531
Unrealized gains on equities		—	1,672
Net realized investment gains		1,361	5,794
Total Income		156,562	153,234
EXPENSES			
Losses and loss adjustment expenses incurred	6	101,949	111,402
Unrealized losses on equities		11,375	—
Other operating expenses	8	55,680	48,501
Total Expenses		169,004	159,903
Loss Before Income Taxes		(12,442)	(6,669)
Income tax provision		—	—
Net Loss		(12,442)	(6,669)
OTHER COMPREHENSIVE LOSS, NET OF TAXES			
Unrealized losses on investments		(8,180)	(7,454)
Reclassification adjustments for net realized capital gains		1,361	5,794
Other Comprehensive Loss		(6,819)	(1,660)
Comprehensive Loss		$ (19,261)	$ (8,329)

Consolidated Statements of Changes in Members' Equity

IN THOUSANDS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL MEMBERS' EQUITY
Balance, January 1, 2021	$ 69,011	$ 2,989	$ 72,000
Net loss	(6,669)	—	(6,669)
Other comprehensive income	—	(1,660)	(1,660)
Balance, December 31, 2021	62,342	1,329	63,671
Net loss	(12,442)	—	(12,442)
Other comprehensive loss	—	(6,819)	(6,819)
Balance, December 31, 2022	$ 49,900	$ (5,490)	$ 44,410

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IN THOUSANDS	DECEMBER 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (12,442)	$ (6,669)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of bond premiums	1,178	1,506
Unrealized gains on investments	11,375	(1,672)
Net realized investment gains	(1,361)	(5,794)
Loan receivable provision	2,387	2,387
Depreciation	29	34
	13,608	(3,539)
Changes in operating assets and liabilities:		
Members' balances receivable	(14,135)	(10,424)
Reinsurance recoverable	(45,538)	(10,926)
Unbilled premiums and calls	(4,480)	(25,878)
Other assets	5,178	(1,070)
Unpaid and unreported losses and allocated loss adjustment expenses	62,054	38,358
Unearned premiums	(2,526)	3,476
Reinsurance payable	4,170	(2,074)
Other liabilities	241	5,488
	4,964	(3,050)
Net cash provided by (used in) operating activities	6,130	(13,258)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales/maturities of investments	73,125	150,953
Purchases of investments	(64,425)	(135,608)
Purchases of fixed assets	(300)	(450)
Net cash provided by investing activities	8,400	14,895
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from demand promissory note	—	—
Repayment of demand promissory note	(5,000)	—
Net cash used in financing activities	(5,000)	—
Net change in cash and cash equivalents	9,530	1,637
Cash and cash equivalents, beginning of year	19,467	17,830
Cash and cash equivalents, end of year	$28,997	$ 19,467
Supplemental Information:		
Income taxes paid	$ —	$ —
Interest paid	$ 283	$ 283

See Notes to Consolidated Financial Statements.

2022 Notes to Consolidated Financial Statements ($ in thousands, unless otherwise specified)

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 ("P&I") 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 calls 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.

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.

Members are charged premiums based on the tonnage of their insured vessels. For the 2022 and 2021 policy years, at December 31, 2022 and December 31, 2021, the gross tonnage insured was 27,064,842 and 25,039,340, 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. During 2016, AHHIC, Ltd. obtained its license to operate and began writing business on July 1, 2016. The business written by Hellenic Hull Mutual, an unrelated insurer based in Cyprus, novated to AHHIC, Ltd. on a pro-rata basis on July 1, 2016. In November 2021, AHHIC, Ltd was renamed American Steamship Owners Marine Insurance Company (Europe) Ltd ("ASOMIC"). Effective February 20, 2022, ASOMIC expanded its license to include P&I and related business for EU/EEA operators.

Effective February 20, 2022 ASOMIC expanded its license to include P&I and related business for EU/EEA operators. In March 2022, the Association contributed $7 million into ASOMIC to support the new business sector.

Effective February 20, 2022, ASOMIC began writing P&I/FD&D/Charterers business for EU risks as an EU licensed insurance company on policies that were transferred from ASOMPIA that met a certain EU requirement. These policies are reinsured under a quota-share arrangement with ASOMIC. In this quota share arrangement, the reinsurer (ASOMPIA) receives a flat percent of 90%, of the premium for the book of business reinsured. ASOMIC retains the remaining 10%. During the year ended December 31, 2022 the reinsurance premium assumed from ASOMIC amounted to $5.96 million. As of December 31,2022 the amount of reinsurance premium receivable from ASOMIC amounted to $2.1 million. These transactions have been eliminated on consolidation.

In connection with the establishment of these two subsidiaries, AHHIC, Inc. advanced funds to Hellenic Hull Mutual so they could continue to fund operations while ASOMIC obtained its license to operate. As of December 31, 2016, the outstanding advances due to AHHIC, Inc. was $11.2 million, of which $7.3 million was collateralized by Hellenic Hull Mutual's existing premium receivables and assessments. The remaining $3.9 million was unsecured. This $11.2 million advance was payable in full by December 31, 2017. On December 22, 2017, the Association instructed AHHIC, Inc., through their managers SCB, to extend the repayment date to September 30, 2019. They also instructed AHHIC, Inc. to capitalize the $3.9 million unsecured additional funding.

On September 17, 2022, AHHIC, Inc., as instructed by SCB, extended the loan repayment date, without accruing interest, until December 31, 2023. As of December 31, 2022 and 2021, the Company has reserved $4.8 million and $2.4 million, respectively, in relation to this loan. The balance of the loan receivable as of December 31, 2022 and 2021 stands at $2.5 million (net of $4.8 million reserve) and $4.8 million net of $2.4 million reserve) , respectively.

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 Significant 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).

Principles of Consolidation: The consolidated financial statements include the financial statements of the Association and its wholly-owned subsidiaries Hydra (segregated cell), AHHIC Inc. and ASOMIC. All significant intercompany accounts and transactions have been eliminated.

Reclassification: Certain prior period amounts have been reclassified to conform to current period classification.

Investment - Equity securities are held at fair value, with unrealized investment gains (losses) recorded in net income. Debt 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) on debt securities 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.

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.

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 fixed maturity 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 loss in the period that is determined, and the cost basis of that fixed maturity investment is reduced.

Valuation Techniques

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).

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.

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

Members' Balances Receivable and Charge Off – Members' balance receivables are recorded and billed when the insurance coverage is bound. The Association reviews its allowance for doubtful accounts four times a year. Past-due balances over 90 days are reviewed individually for collectability. Once all means of collection have been exhausted and the potential for recovery is considered remote, account balances, net of brokerage, are first offset against outstanding approved claims payments that were being held in accordance with the Association's rules. Any remaining amount is then charged off against the allowance. Unsecured claims reserves are also reduced to zero as the insurance contract is terminated in accordance with the Association's rules.

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.

Risk and Uncertainties – Financial instruments, which potentially subject the Association to concentrations of credit risk, consist principally of periodic temporary investment of excess cash. The company places its temporary excess cash investments in high quality short-term investments through several high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits.

Premiums and Calls Written - The statements of operations include those premiums and calls which have been billed in the respective year, together with estimates of unbilled premiums and calls, representing an estimate of those premiums and calls expected to be billed.

For the fixed premium facility for non-members, 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.

Certain acquisition costs related to commissions payable to brokers for gross premium written related to periods after the reporting date are recorded as deferred acquisition costs and are amortized to the statement of operations over time.

For the years ended December 31, 2022 and 2021, no Member accounted for 10% or more of total revenue and no Members' balances accounted for more than 10% of total assets.

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 as of December 31, 2022 and 2021.

Use of 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.

As a fully assessable mutual, the Association has the right to charge additional premium assessments to its members to cover losses and operating expenses. Effective with the year ending December 31, 2020, the Association reevaluated the previous presentation and calculation of the unbilled premiums and calls. The process of levying assessments for Supplemental Premiums or to close the policy years deficiency or surplus to the Club's Contingency Fund, is inherent to the constitution of the Club as an assessable mutual. In accordance with Article IV. Section 4, of the By- Laws of the Club and evidenced by the Certificates of Entry, which contains a clear statement of the liability of the Member for the payment of its proportionate share of any deficiency as provided by law within the limit provided by the contract of insurance, and further states that any premiums and calls shall be for the exclusive benefit of Members who are subject to such a contingent liability.

The total sum of all open policy years deficiencies as of any reporting date are fully assessable and earned, representing the shortfall of initial premium calculation based on Estimated Total Cost (ETC) known or predicted at the beginning of the policy year. The DJA pre-1989 asbestos claims liability at any reporting period end date is allocable evenly to each open policy year and is made part of that policy years ETC. This is the reinsurance responsibility assigned to open years on a rolling forward basis so that the three most recent open policy years are held accountable for the full outstanding DJA claims liability, however limited by agreement to payment of no more than $800 thousand per calendar year allowing for the above- mentioned rolling forward basis. The total of all open years' deficiencies, which includes the allocation of the DJA pre-1989 asbestos claims liability, is representative of, and includable in the calculation of unearned premiums and calls. The estimated gross earned but unbilled premium and calls as of December 31, 2022 and 2021 amounted to $69.9 million and $65.5 million, respectively.

The Association believes that calculating the unbilled premium and calls in this manner appropriately takes into consideration the totality of the Association's ability as an assessable Mutual Insurance Company to cure all policy year deficits, including the DJA pre-1989 asbestos claims estimated liability.

3. Investments

The cost or amortized cost, gross unrealized gains and losses and fair value of investments in equity securities and debt securities classified as available-for-sale at December 31, 2022 and 2021 were as follows:

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2022				
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 33,782	$ 57	$ 1,494	$ 32,345
Obligations of states and political subdivisions	47,423	102	2,162	45,363
Industrial and miscellaneous bonds	23,576	—	1,989	21,587
Common stocks	24,194	5,521	2,320	27,395
Other invested assets	9,908	—	5,383	4,525
Total	**$ 138,883**	**$ 5,680**	**$ 13,348**	**$ 131,215**

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2021				
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 41,891	$ 320	$ 93	$ 42,118
Obligations of states and political subdivisions	52,121	1,311	119	53,313
Industrial and miscellaneous bonds	16,912	59	146	16,825
Common stocks	26,598	13,415	459	39,554
Other invested assets	9,878	114	3,877	6,115
Total	**$ 147,400**	**$ 15,219**	**$ 4,694**	**$ 157,925**

The following summarizes unrealized investment losses by class of investment at December 31, 2022 and 2021. The Association considers these investments to be only temporarily impaired.

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2022						
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 17,269	$ 943	$ 10,336	$ 551	$ 27,605	$ 1,494
Obligations of states and political subdivisions	30,590	1,061	9,076	1,101	39,666	2,162
Industrial and miscellaneous bonds	12,378	877	8,594	1,112	20,972	1,989
Total	**$ 60,237**	**$ 2,881**	**$ 28,006**	**$ 2,764**	**$ 88,243**	**$ 5,645**

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2021						
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 17,118	$ 93	$ —	$ —	$ 17,118	$ 93
Obligations of states and political subdivisions	13,738	119	—	—	13,738	119
Industrial and miscellaneous bonds	11,920	146	—	—	11,920	146
Total	**$ 42,776**	**$ 358**	**$ —**	**$ —**	**$ 42,776**	**$ 358**

The fair value and amortized cost of available-for-sale debt securities at December 31, 2022 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	$ 31,443	$ 31,165
Due after one year through five years	42,387	40,540
Due after five years through ten years	18,554	17,275
Due after ten years	12,397	10,315
Total	**$ 104,781**	**$ 99,295**

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

	2022	2021
Proceeds from sales and maturities of investments	$ 73,125	$ 150,953
Gross realized gains	1,983	6,276
Gross realized losses	622	482

At December 31, 2022 and 2021, United States Government Treasury notes in the amount of $305 par value, respectively, were deposited with regulatory authorities as required by The New York Insurance Law.

As of December 31, 2022 and 2021, 444 and 163 securities with fixed maturities have unrealized losses, respectively. In conjunction with the Company's outside investment advisors, the Company analyzed the credit ratings of the securities as well as the historical monthly amortized cost to fair value ratio of securities in an unrealized loss position. This analysis yielded no fixed maturities which had amortized cost values less than 80% of fair value for the entire years of 2022 and 2021. Therefore, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2022 and 2021, and thus no impairments were recorded in 2022 or 2021.

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 certain 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 unobservable 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.

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, 2022 and 2021:

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2022				
	TOTAL FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	VALUED AT NAV
ASSETS					
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 32,345	$ 32,345	$ —	$ —	$ —
Obligations of states and political subdivisions	45,363	—	45,363	—	—
Industrial and miscellaneous bonds	21,587	—	21,587	—	—
Common stocks	27,395	27,375	—	20	—
Other invested assets	4,525	—	—	—	4,525
Total	**$ 131,215**	**$ 59,720**	**$ 66,950**	**$ 20**	**$ 4,525**

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2021				
	TOTAL FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	VALUED AT NAV
ASSETS					
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 42,118	$ 42,118	$ —	$ —	$ —
Obligations of states and political subdivisions	53,313	—	53,313	—	—
Industrial and miscellaneous bonds	16,825	—	16,825	—	—
Common stocks	39,554	39,534	—	20	—
Other invested assets	6,115	—	—	—	6,115
Total	**$ 157,925**	**$ 81,652**	**$ 70,138**	**$ 20**	**$ 6,115**

During the years ended December 31, 2022, and 2021, there were no transfers into (out of) Levels 1, 2 or 3. There were no purchases or sales of assets classified as Level 3 during the years ended December 31, 2022 and 2021.

This class includes several private equity funds that invest primarily in real estate, energy infrastructure, and other private equity funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 3 to 8 years, subject to 2 to 4 one-year extensions. However, as of December 31, 2022, it is probable that all of the investments in this class will be sold at an amount different from the net asset value of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments. As of December 31, 2022, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve of the buyer before the sale of the investments can be completed. As of December 31, 2022, there are $1.8 million in unfunded commitments.

4. Other Assets and Liabilities

	2022	2021
Other Assets		
Computer equipment and software - net of accumulated depreciation of $6.6 million and $6.6 million, respectively	$ 2,703	$ 2,432
Receivable for securities sold	21	—
Accrued interest receivable	856	877
Income tax recoverable	160	252
Management fee receivable	3,215	3,213
Other receivable	277	237
Other assets	2,799	6,784
	$ 10,031	**$ 13,795**
Other Liabilities		
Accrued expenses	$ 16,579	$ 16,702
Liability for securities purchased	16	—
Funds held under reinsurance treaties	269	—
Income tax payable	1	1
	$ 16,865	**$ 16,703**

5. Debt

At December 31, 2022 the Association owed $15 million on a demand promissory note from Deutsche Bank Trust Company America ("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, 2022 amounted to $113 thousand. At December 31, 2021 the Association owed $20 million on a demand promissory note from Deutsche Bank Trust Company America ("demand promissory note"). Interest on the demand promissory note was calculated using a rate of 12-month LIBOR plus 1 percent. Interest accrued at December 31, 2021 amounted to $34 thousand.

During 2015, a surplus note with an interest rate of 8% and a date of maturity of December 20, 2040, in the amount of $19.5 million 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. Interest accrued on the note at December 31, 2022 and 2021 was $10.9 million and $9.3 million, respectively, and is recorded under "Other liabilities" on the balance sheet.

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:

		2022		2021
Gross balance at January 1	$	253,798	$	215,440
Less reinsurance recoverable on unpaid losses		71,567		61,011
Net Balance at January 1	**$**	**182,231**	**$**	**154,429**
Incurred related to:				
Current year	$	79,138	$	76,202
Prior years		22,811		35,200
Total Net Incurred	**$**	**101,949**	**$**	**111,402**
Paid related to:				
Current year	$	16,595	$	17,579
Prior years		65,999		66,021
Total Net Paid	**$**	**82,594**	**$**	**83,600**
Net balance at December 31	**$**	**201,586**	**$**	**182,231**
Plus reinsurance recoverable on unpaid losses		114,266		71,567
Gross Balance at December 31	**$**	**315,852**	**$**	**253,798**

In 2022, unfavorable development for prior years was $31.9 million. The unfavorable development was the result of $11 million expected emergence for the 2021 policy year along with additional emergence of $11.4 million, and unfavorable emergence of $9.5 million for policy years 2020 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 2021, unfavorable development for prior years was $35.2 million. The unfavorable development was the result of $6.5 million expected emergence for the 2020 policy year along with additional emergence of $18 million, and unfavorable emergence of $10.7 million for policy years 2019 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, 2022 is not expected to materially impact surplus.

The following tables present information about incurred and paid claims development on Ocean Marine business as of December 31, 2022, net of reinsurance, as well as cumulative claims frequency. The table includes unaudited information about incurred and paid claims development for the years ended December 31, 2013 through 2016, which the Association presents as supplementary information. The number of reported claims is measured by claim event and an individual claim event may result in more than one reported claim. The Association considers a claim that does not result in a liability as a claim closed without payment. All the claim count information is disclosed on a per claimant basis.

Incurred Claims and Allocated Claims Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31

Accident Year	Unaudited 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	IBNR 2022	at Dec 31, 2022 Cumulative Number of Reported Claims
2013	77,992	71,244	66,232	72,860	73,504	74,850	74,462	73,984	73,521	73,521	610	1,780
2014		71,946	68,966	67,533	67,578	66,662	65,743	64,615	64,786	64,786	1,002	1,861
2015			55,047	47,232	44,471	43,635	41,784	39,623	39,372	39,372	985	1,579
2016				61,890	58,586	57,791	56,705	57,086	57,213	57,210	768	1,608
2017					46,539	51,749	55,240	58,654	62,925	62,876	940	2,366
2018						44,906	55,159	58,656	60,112	60,368	1,140	2,611
2019							62,101	68,998	67,886	67,455	748	2,889
2020								54,783	69,675	71,553	3,197	2,531
2021									84,338	76,440	10,524	3,162
2022										79,138	11,352	2,017
									Total	$652,719	$31,266	

Paid Claims and Allocated Claims Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31

Accident Year	Unaudited 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2013	17,860	25,743	37,780	53,536	60,493	62,599	65,821	71,809	72,162	72,162
2014		12,707	28,385	50,292	56,336	59,113	60,583	61,994	62,209	62,209
2015			7,678	18,576	25,390	28,631	30,894	32,692	33,814	33,814
2016				13,911	29,903	41,865	46,357	49,980	53,952	53,958
2017					10,828	27,900	41,733	47,324	52,384	52,389
2018						10,221	27,825	39,048	49,189	49,600
2019							11,446	31,180	55,078	54,986
2020								13,412	29,342	31,950
2021									19,674	24,963
2022										16,595
									Total	$452,626
		All outstanding liabilities prior to 2013, net of reinsurance								$ 1,494
		Liabilities for claims and claim adjustment expenses, net of reinsurance								$ 201,586

Years	1	2	3	4	5	6	7	8	9	10
Accident	20.4%	22.8%	21.0%	10.3%	5.8%	3.3%	2.4%	2.8%	0.2%	0.0%

	2022	2021
Reinsurance recoverable on unpaid losses	$ 114,266	$ 71,567
Reinsurance recoverable on paid losses	9,310	6,470
Total reinsurance recoverable	**$ 123,576**	**$ 78,037**

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:

	2022	2021
Direct	$ 146,545	$ 132,759
Assumed	12,467	24,147
Ceded	(57,063)	(49,504)
Total losses and loss adjustment expenses incurred	**$ 101,949**	**$ 111,402**

7. Premiums and Calls

		2022		2021
Premiums and calls written and billed	$	183,764	$	151,347
Change in unbilled premiums and calls		4,480		25,878
Return premiums		(2,419)		(1,620)
Reinsurance premiums ceded		(36,674)		(29,866)
Net premiums and calls written	**$**	**149,151**	**$**	**145,739**
Decrease (increase) in net unearned premiums		2,554		(2,502)
Net Premiums and Calls Earned	**$**	**151,705**	**$**	**143,237**

8. Other Operating Expenses

		2022		2021
Management fee	$	21,315	$	20,801
Bad debts		2,054		328
Brokerage		21,338		15,940
Other		10,973		11,432
Total Other Operating Expenses	**$**	**55,680**	**$**	**48,501**

9. Commitments and Contingencies

Letters of Credit – At December 31, 2022 and 2021, the Association had outstanding letters of credit for $3.8 million and $4.0 million, respectively. The bond investment accounts, held by Deutsche Bank Trust Company America as custodian, are pledged as collateral for the Letters of Credit.

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.

		2022		2021
Asbestos-Related Claims				
Aggregate gross losses paid to date at December 31	$	20,572	$	19,761
Loss reserves - reported		8,436		6,457
Loss reserves - unreported		12,521		14,521

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 calls 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.

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.

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. The Association reported statutory surplus of $42.0 million and $51.0 million as of December 31, 2022 and December 31, 2021, respectively.

As required, on May 18, 2023 the Association submitted a Risk-Based Capital Plan ("RBC Plan'') to New York State Department of Financial Services ("NYSDFS") which was subsequently approved on June 7, 2023.

The Association is currently undergoing its mandatory state examination. The statutory surplus reported here is subject to further adjustment, which will not be known until the final report is issued and agreed to at the completion of the examination process.

11. Leases

The Association's managers have a lease in which they are the named tenant, which commenced on March 1, 2014 and expires September 30, 2029. The Association is the guarantor of this lease agreement. The potential obligation 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, 2022.

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, 2022 the 5 Year Average Expense ratio calculated using net of brokerage premiums is 14.7%, and the 5 Year Average Expense Ratio calculated on Gross Premium with brokerage included in Operating Costs is 21.0%.

This compares with the 5 Year Average Expense ratio calculated using net of brokerage premiums of 15.1%, and the 5 Year Average Expense Ratio calculated on Gross Premium with brokerage included in Operating Costs of 21.3% recorded for the five years ended December 31, 2021.

These calculations reflect all known information through December 31, 2022.

13. Subsequent Events

Subsequent events have been considered through June 22, 2023, the date these audited financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Association. The duration of these uncertainties and ultimate financial effects cannot be reasonably estimated at this time. In addition, the full impact of the Russian invasion and war in Ukraine on the Company's business and results cannot be accurately assessed at this stage, given the uncertainty related both to the magnitude, duration, and consequential impacts of the conflict.

* * * * *

Unaudited Supplemental Schedules

Statement of Operations and Comprehensive Loss for the years ended December 31, 2022 and 2021

	P&I		FD&D	
IN THOUSANDS	2022	2021	2022	2021
INCOME				
Net premiums and calls earned	$ 129,978	$ 126,688	$ 6,519	$ 5,076
Net investment income	3,329	2,433	399	80
Unrealized gains on equity investments	—	1,608	—	64
Net realized investment gains	1,296	5,571	65	218
Total Income	134,603	136,300	6,983	5,438
EXPENSES				
Losses and loss adjustment expenses incurred	81,873	96,385	4,078	3,795
Unrealized losses on equity investments	10,832	-	543	—
Other operating expenses	49,827	41,954	2,499	1,681
Total Expenses	142,532	138,339	7,120	5,476
Loss Before Income Taxes	(7,929)	(2,039)	(137)	(37)
Income tax provision	—	—	—	—
Net Loss	(7,929)	(2,039)	(137)	(37)
OTHER COMPREHENSIVE LOSS, NET OF TAX				
Unrealized losses on investments	(6,502)	(1,611)	(326)	(65)
Other Comprehensive Loss	(6,502)	(1,611)	(326)	(65)
Comprehensive Loss	$ (14,431)	$ (3,650)	$ (463)	$ (102)

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.

Note: The operations of AHHIC, Inc,. a wholly owned subsidiary, has not been included in this presentation.

Unaudited Supplemental Schedules

Losses and Reinsurance Recoverable for the years ended December 31, 2022 and 2021:

IN THOUSANDS	2022	2021
NET CLAIMS PAID		
Gross claims paid:		
Members' claims	$ 65,987	$ 88,578
Other Clubs' Pool claims	18,385	15,514
	84,372	104,092
Recoveries on claims paid:		
From the Group excess of loss reinsurance	—	1
From the Pool	154	9,078
Other reinsurers	13,361	24,024
	13,515	33,103
Net Claims Paid	$ 70,857	$ 70,989
CHANGE IN NET PROVISION FOR CLAIMS		
Claims outstanding:		
Members' claims	$ 227,043	$ 162,758
Other Clubs' Pool claims	77,340	83,393
	304,383	246,151
Reinsurance recoverables:		
From the Group excess of loss reinsurance	98	98
From the Pool	42,821	11,889
Other reinsurers	68,934	58,875
	111,853	70,862
Net claims outstanding at December 31	192,530	175,289
Net claims outstanding at January 1	175,289	147,343
Change in Net Provision for Claims	$ 17,241	$ 27,946

Note: The operations of AHHIC, Inc,. a wholly owned subsidiary, has not been included in this presentation.

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 2018/19 policy year was closed on September 30, 2021, and the 2019/20 policy year was closed as of March 31, 2022, without further calls.

The Association accounts for premiums, calls, 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

	POLICY YEARS		
	2020–21	2021–22	2022–23
INCOME			
Premiums and calls – net	$ 110,667	$ 123,045	$ 102,074
Premiums and calls – earned but unbilled	10,836	20,896	18,309
Investment expense	(1,456)	(1,735)	(2,133)
Total Income	**120,047**	**142,206**	**118,250**
EXPENSES			
Net paid losses	35,469	33,616	11,175
Net pending losses	27,582	48,216	42,347
Unreported losses	1,911	3,781	7,333
Reinsurance premiums	31,191	32,140	32,995
Other operating expenses	25,098	25,553	24,869
Total Expenses	**121,251**	**143,306**	**118,719**
ACCUMULATED DEFICIT	**(1,204)**	**(1,100)**	**(469)**
MEMBERS' DEFICIT: OPEN YEARS	**$ (1,204)**	**$ (1,100)**	**$ (469)**

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

2020/21	$5,365
2021/22	$6,254
2022/23	$9,466

For the 2022 / 2023 policy years premiums and calls are stated on an earned basis to December 31, 2022. Expenses are stated on an accrued basis for the same period.

CLAIMS OUTSTANDING (INCLUDING UNREPORTED LOSSES) - OPEN YEARS

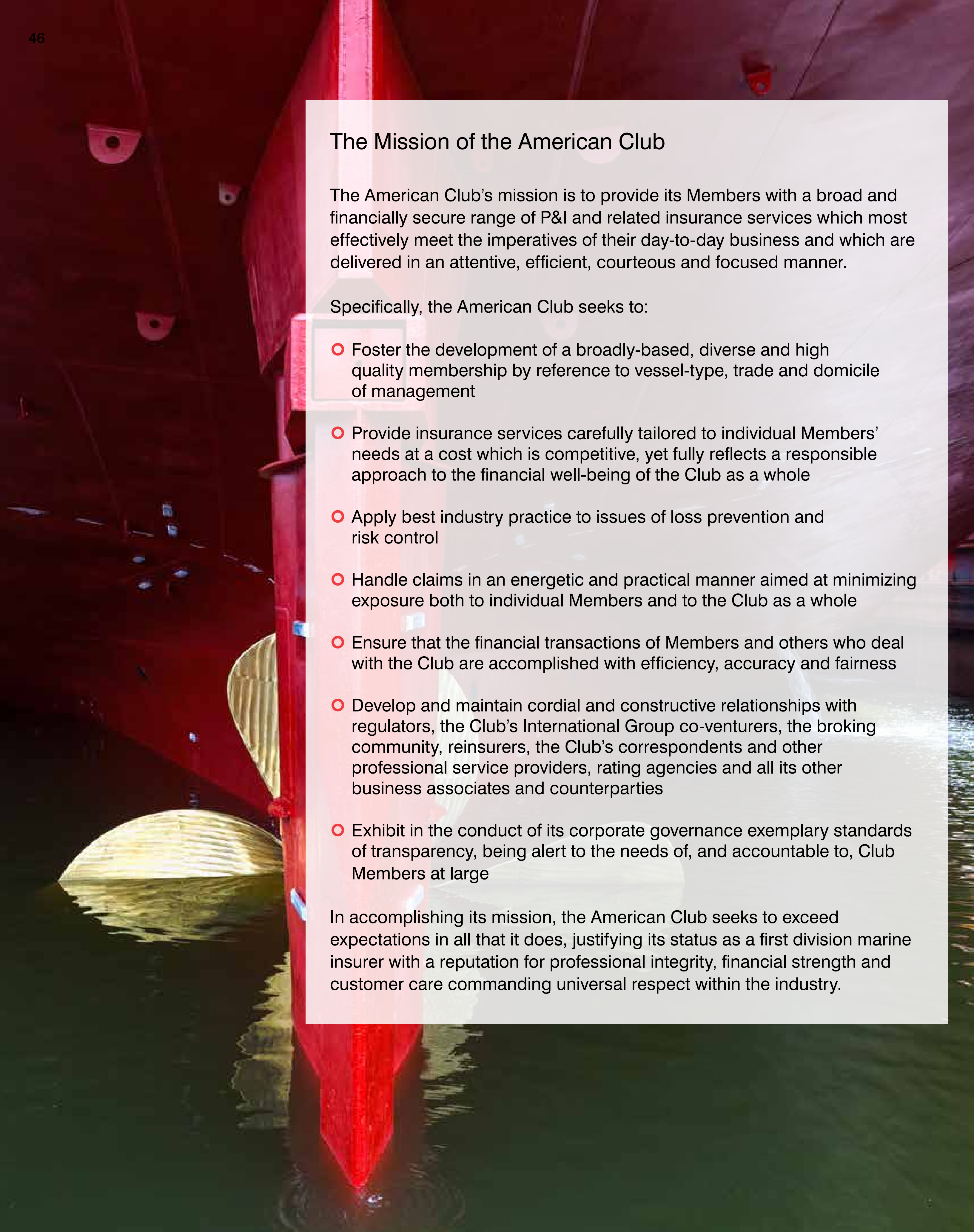
	POLICY YEAR		
	2020–21	2021–22	2022–23
Gross outstanding claims			
Members' claims	$ 28,770	$ 53,767	$ 74,160
Other Club's Pool claims	17,654	15,073	7,185
	46,424	**68,840**	**81,345**
Pending reinsurance recovery			
From the Group excess of loss reinsurance	—	—	—
From the Pool	3,295	1,078	29,109
Other reinsurers	13,637	15,765	2,557
	16,932	16,843	31,666
Net Outstanding Claims	**$ 29,492**	**$ 51,997**	**$ 49,679**

Note: The operations of AHHIC, Inc,. a wholly owned subsidiary, has not been included in this presentation.

DEVELOPMENT OF CLOSED POLICY YEARS AND CONTINGENCY FUND

		2022		2021
Closed Years' Balance, January 1	$	—	$	—
Total income earned		12,152		10,503
Net paid losses		29,068		26,951
Net pending losses		(8,730)		(7,850)
Unreported losses		(3,987)		3,683
Reinsurance premiums		(6,533)		(13,004)
Other operating expenses		5,678		6,282
Total expenses incurred		15,496		16,062
Unrealized investment losses		(18,194)		(12)
Transfer from closed policy year 2018/19		(4)		(691)
Transfer from closed policy year 2019/20		—		—
Net change		(21,542)		(6,262)
Transfer from (to) contingency fund		(21,542)		6,262
Closed Years' Balance, December 31	$	—	$	—
Contingency Fund Balance, January 1	$	68,725	$	74,987
Effect of correction of an error related to EBUB		—		—
Transfer from (to) closed policy years		(21,542)		(6,262)
Contingency Fund Balance, December 31	$	47,183	$	68,725
Open Policy Years' Equity				
2019/20	$	—	$	(38)
2020/21		(1,204)		(2,109)
2021/22		(1,100)		(2,907)
2022/23		(469)		—
Total Members' Equity	$	44,410	$	63,671
Claims Outstanding (including unreported losses) – Closed Years				
Gross pending losses				
Members' claims	$	70,570	$	59,429
Other Clubs' Pool claims		37,428		34,327
		107,998		93,756
Pending reinsurance recovery				
From the Group excess of loss reinsurance		98		98
From the Pool		9,339		8,638
Other reinsurers		36,976		19,703
		46,413		28,439
Net Pending Losses	$	61,585	$	65,317

(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, 2023

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