

THE AMERICAN CLUB



A PROFILE

SEAMLESS SERVICE FOR TURBULENT TIMES



BUILDING ON THE PAST, WELCOMING THE FUTURE

FOREWORD

Why choose the American Club?

This is a profile of the American Club - an overview of who we are and what we do. It is intended to provide a comprehensive picture of the Club's business in a brief and accessible form. It also seeks to answer the question - *why choose the American Club?*

There are very good reasons to do so! The American Club occupies a special place in the P&I world and offers a special welcome to shipowners and charterers of all kinds from every part of the world, the more so as it commences its second century of service to the global maritime community.

The values which energize the Club's dedication to its Members are contained in its mission statement toward the end of this profile. They are authentic commitments motivating every aspect of Club activity. Reinforced by those commitments, the Club offers many advantages of membership, some of which are set out below.

- *The Club is of a size enabling it to handle the largest of fleets, but also to provide genuinely personal service*
- *The Club's participation in the International Group provides impeccable security to its Members, enabling it to pay the very largest claims to the same extent, and with the same reliability, as any other Group club*
- *The Club's free reserves per ton are strong, and compare well with industry norms. It is also a strong performer by reference to other financial metrics, including its solid investment results*
- *The Club offers an unsurpassed global service reach with local capabilities highly attuned to membership needs*
- *The Club is not given to favoritism among its Members: all Members are important*
- *Club Managers are easily accessible at every level and take pride in their reputation for an attentive and energetic approach to Member needs and expectations*
- *For operators domiciled in the US, or those from overseas who trade to the US, the American Club enjoys a unique home advantage*
- *The Club pursues exceptional transparency in its dealings with Members, reflecting a tradition of strong corporate governance and exacting regulatory oversight*
- *The Club welcomes Members from the broadest spectrum of the shipping industry. It is not dominated by, or restricted to, any particular industry sector or interests*
- *Eagle Ocean Marine, the Club's fixed premium facility, complements its core mutuality by providing gold standard cover and service to the operators of smaller vessels in local or regional trades*
- *American Hellenic Hull is able to provide hull and war risk insurance highly synergistic to Members' P&I needs*

The remainder of this profile summarizes the key areas of American Club service provision. But even more importantly than reading about it, the Club encourages regular contact from its Members, and invites those who are interested in learning more to get in touch.

A list of its offices throughout the world is set out at the end of this document. Further contact details can also be obtained by visiting the Club's website at www.american-club.com.

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INTRODUCTION - SOLIDLY SITUATED FOR A SECOND CENTURY OF SERVICE

American Steamship Owners Mutual Protection and Indemnity Association, Inc. celebrated its one-hundredth anniversary in 2017. Founded in February 1917 in New York, and still headquartered there, it is the only mutual Protection and Indemnity club domiciled in the United States. The American Club is overseen by the New York State Financial Services Department, widely recognized to be one of the most demanding insurance regulators in the world. It calls for meticulous reporting, exceptional transparency and irreproachable financial security.

Protection and indemnity insurance (commonly referred to as P&I) provides cover to shipowners and charterers against third-party liabilities encountered in their commercial operations. Responsibility for damage to cargo, for pollution, for the death, injury or illness of passengers or crew and for damage to docks and other installations are examples of typical exposures.

The Club welcomes Members from the broadest spectrum of the shipping industry. It is not dominated by, or restricted to, any particular industry sector or interests.

Running in parallel with a ship's hull and machinery cover, traditional P&I such as that offered by the American Club distinguishes itself from most other forms of marine insurance by being based on the not-for-profit principle of mutuality where members of a club are both insurers and insureds.

As in the case of other P&I mutuals, the overall policy and business direction of the American Club is set by its board of directors who, for the most part shipowners themselves, represent the interests of the membership as a whole. They are served by a professional management company, Shipowners Claims Bureau, Inc., which operates the Club from day to day, and reports to the board every quarter on the development of the Club's business.

The Club is a member of the International Group of P&I Clubs, a collective of thirteen mutuals which together provide Protection and Indemnity insurance for some 90% of the world's merchant fleet. International Group clubs have a storied history dating back to 1855. The American Club, over its more than one hundred years of engagement with the shipping industry, has provided impeccable security and superlative service to its Members, as have all Group clubs. To a large degree, this is attributable to the unique strength of the Pooling Agreement, which underpins the credit of the system as a whole. It was first established in 1899 and has been operated under broadly the same principles ever since.

The breadth of cover and attendant services offered by the American Club is unsurpassed. They are divided into three classes embracing Protection and Indemnity, Freight, Demurrage and Defense (FD&D), and insurance for charterers' risks.

As of February 20, 2020, the American Club has continued to build upon the traditions of its long history. Its total tonnage stands at about 17 million gross tons for P&I risks and

about 11 million gross tons for FD&D, with income of approximately \$90 million including its Eagle Ocean Marine fixed premium business. As of the same date, the Club's statutory surplus was approximately \$70 million.



The deployment of the Club's substantial investment portfolio is an important part of its overall activity. It is conducted by professional fund managers under the supervision of the Club's board. The careful husbandry of its funds has allowed the Club consistently to generate market-leading returns over recent years, averaging some 6% per annum since 2009. Although more anemic earnings were recorded in 2018, 2019 performed very well with a 10.6% return at year-end.

The Club's free reserves per ton are strong, and compare well with industry norms. It is also a solid performer by reference to other financial metrics, including its robust investment results.

The American Club's free reserves per ton entered for P&I risks, a measure of underlying financial strength commonly used within the industry, compare very respectably with those of other International Group clubs. As of February 20, 2020, free reserves per ton stood at approximately \$4.00 by reference to statutory surplus at that date. This figure acquits itself well by comparison with the Club's counterparts elsewhere in the International Group.

The American Club has been successful in recent years in building on its US heritage to create a truly international insurer with a global reach second-to-none in the industry. Day-to-day management of the American Club is provided by Shipowners Claims Bureau, Inc. (SCB) from its headquarters in New York with additional resources being provided through SCB's subsidiary offices in Hong Kong, Houston, London, Piraeus and Shanghai.

THE INTERNATIONAL GROUP OF P&I CLUBS

There are currently thirteen mutuals constituting the International Group of P&I Clubs. Administration of the Group's affairs is coordinated by a Secretariat based in London. Full details of the Group's activity are found on its website at www.igpandi.org. Collectively, International Group clubs provide liability cover for over 90% of world shipping. Like the American Club, each Group club is an independent, not-for-profit mutual insurance association, providing cover for its shipowner and charterer members against third party liabilities relating to the operation of ships.

The Group operates a claims pooling and reinsurance program which enables each club to provide cover with very high limits of liability at exceptionally competitive prices.

The Club is of a size enabling it to handle the largest of fleets, but also to provide genuinely personal service.

Claims pooling between the clubs is regulated by the Pooling Agreement. This defines the risks that can be pooled and how losses are to be shared between the participating clubs. The Pool provides a mechanism for sharing all claims in excess of US\$ 10 million up to, approximately, US\$ 8 billion for most risks. There are sub-limits for oil pollution (\$1 billion) and crew and passenger risks (\$3 billion).

Under the current structure, clubs' contributions to claims in the lower pool layer from \$10 million to \$50 million are assessed on a tripartite formula which takes account of each club's contributing tonnage, premium and claims record. For claims falling in the upper pool layer from \$50 million to \$100 million, 7.5% is retained by a club bringing the claim and 92.5% is shared by all on a tonnage-weighted basis.

The Group clubs arrange a common market reinsurance contract to provide reinsurance for claims which exceed the upper limit of the pool (US \$100 million) up to an amount of US \$2.1 billion any one claim (US \$1.0 billion for oil pollution claims). It is said to be the largest single marine reinsurance contract in the world.

The Group clubs also reinsure part of their risks with a captive insurance company, Hydra Insurance Co. Ltd. This is a segregated accounts company incorporated under the laws of Bermuda in which each club is an account owner and responsible for its own cell within the captive. Hydra provides reinsurance to the Pool and takes a further coinsurance participation in the first layer of the market contract.

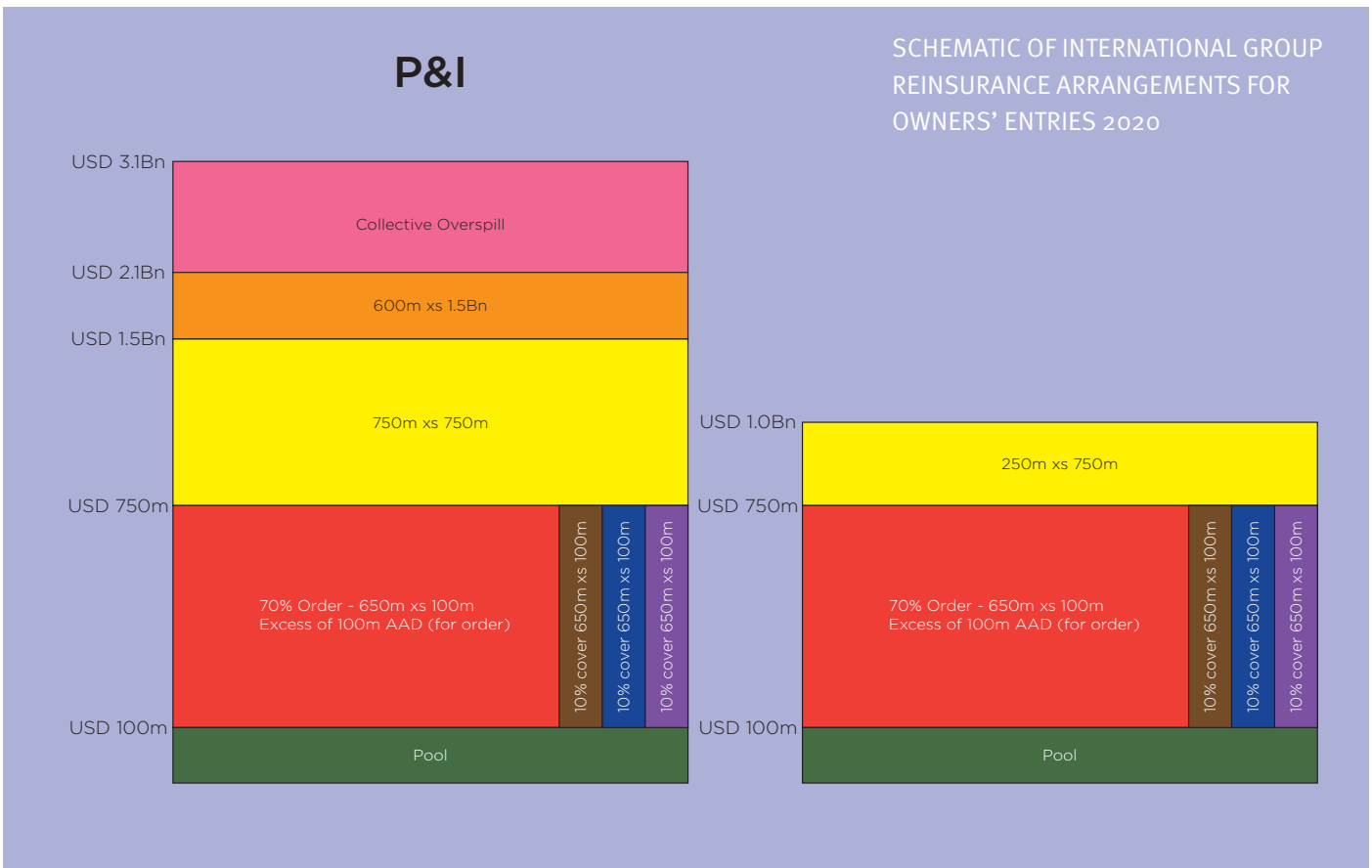
Any (non-oil pollution, passenger and crew) claims which exceed the limit available under the main reinsurance contract (\$2.1 billion) fall back to the Pool for distribution to each club in proportion to each club’s relative “overspill limit”. This is calculated as 2.5% of the combined value of each entered vessel’s limit as defined in the International Convention on Limitation of Liability for Maritime Claims, 1976.

In theory, this final layer of claims pooling takes the total amount available for any one (non-oil pollution) claim to about US\$8 billion. It is partly protected by reinsurance up to \$3.1 billion (referred to as “overspill” protection). However, depending on the ultimate size of the claim, the majority of the funds may need to come from the individual clubs. In such circumstances, Group clubs are entitled to charge an “overspill” call to their members in order to meet their liability to contribute to such a claim.

The Club’s participation in the International Group provides impeccable security to its Members, enabling it to pay the very largest claims to the same extent, and with the same reliability, as any other Group club.

A similar but more limited structure applies to the insurance of charterers’ liability, where such insurance is not independently insured under separate arrangements outside the Group. Very large claims are much less prevalent in this line of insurance and cover up to \$500 million, as available from the Club, represents the upper range of most insureds’ requirements.

The manner in which the Club’s pooling and market reinsurances are arranged is set out in the diagram below. It represents a level of collective security unsurpassed within the insurance market. The credit of the American Club so far as Members, claimants and all other counterparties are concerned, rests not only upon its own financial strength and flexibility but also upon the additional mutuality which supports the pooling system, and upon the cumulative resources of the global insurers who subscribe to the market reinsurances of the Group as a whole.



PRODUCTS AND SERVICES

1. Protection and Indemnity insurance

This insurance, usually referred to as P&I, provides cover to shipowners, operators, and charterers for third-party liabilities encountered in the commercial operation of entered vessels. The main risks covered are liabilities, expenses, and costs for:

- Loss of life, injury and illness of crew, passengers and other persons
- Cargo loss, shortage or damage
- Collision
- Damage to docks, buoys and other fixed and floating objects
- Wreck removal
- Pollution
- Fines and penalties
- Crew repatriation and substitution
- Damage to property on board the insured vessel
- Quarantine
- Vessel diversion expenses
- Unrecoverable general average contributions
- Vessel's proportion of general average

This cover is referred to as Class I, and the Class I Rules are the basic contractual terms upon which the owners/operators, or members, are insured.

In terms of overall American Club exposures in any one policy period, the vast majority (at least 97%) fall within an attritional layer of up to \$250,000 per claim. Claims in excess of this figure are very infrequent.

As to claims type, loss of life, injury and illness cases typically make up about 30 to 35% of the American Club's retained losses in any year, cargo claims equally about 30 to 35% with other exposures (pollution, collisions, damage to docks etc.) making up the balance to varying degrees from year to year.

The Club offers an unsurpassed global service reach with local capabilities highly attuned to membership needs.

handlers employed by the Club's Managers work closely with Members to solve problems and minimize losses and liabilities by, for example, coordinating experts, or directly negotiating with third party claimants. In addition, the Managers' claims and other service teams are able to provide proactive contractual and loss prevention advice to avoid problems before they arise.



2. Freight, Demurrage and Defense insurance

This insurance, often referred to as FD&D or simply Defense cover, provides Members with cover for claims handling assistance and for legal costs in relation to a wide range of disputes. Such disputes are outside the scope of P&I or H&M insurance and arise from the building, buying, selling, owning or operation of an entered vessel. For instance, FD&D insurance covers, among other things, the costs of pursuing or defending claims and disputes that may arise in respect of the following:

The Club is not given to favoritism among its Members: all Members are important.

- Charterparties
- Bills of lading
- Contracts of affreightment
- Vessel building contracts
- Vessel sale and purchase contracts
- Vessel repair contracts
- Vessel agency, stevedoring, towage and salvage contracts
- Insurance broking, ship broking and management service contracts
- Bunker and necessaries contracts
- Crew contracts
- Marine insurance contracts

FD&D insurance covers the expense of obtaining legal advice and assistance, including the cost of employing experts as may be necessary to pursue or defend such disputes. It does not, however, cover the principal sum in dispute, such as unpaid hire under a charterparty or, for example, a claim that is being denied by a hull insurer.

FD&D insurance is also referred to as Class II cover, and the Class II Rules are the basic contractual terms upon which Members are insured. This insurance is available to both shipowners and charterers.

A great many FD&D matters are handled in-house by the Managers' claims handlers who are experienced in such matters. This ensures high-quality handling from the very beginning, as well as admirable cost-effectiveness. If outside lawyers or experts are required,

the Club relies on the strong relationships it has developed with leading shipping service providers around the world. Even then, the Managers' claims executives continue to oversee matters and monitor all developments to ensure reliable, pro-active and cost-effective service. The goal is to solve the problem quickly and effectively. As with P&I cover, the Managers' claims executives are also available to provide advice on potentially problematic contracts and charterparty clauses before problems develop.

In terms of overall aggregate exposure to the Club as a whole in any year, FD&D claims typically emerge at much lower levels than P&I losses. As a component of overall service, however, FD&D insurance assumes a much greater importance in Club affairs than pure numbers would suggest.





3. Insurance for charterers' risks

This insurance provides cover corresponding to a shipowner's P&I and FD&D covers, but it is customized to embrace the unique nature of charterers' risks in respect of an entered vessel.

Cover may also be extended to a charterer's liability for the loss of, or physical damage to, the entered vessel (sometimes referred to as Damage to Hull (DTH) or Charterers' Liability to Hull (CLH) cover). Claims may arise in a variety of circumstances, such as when a charterer instructs a shipowner to load a cargo that unexpectedly damages a vessel's cargo holds, or when a charterer orders a vessel to an unsafe berth which leads to grounding damage.

Charterers' cover is generally subject to an agreed limit of liability, and is typically offered on a fixed-premium basis. This insurance is also referred to as Class III, and the Class III Rules are the basic contractual terms upon which charterer Members are insured.

As with shipowners' P&I and FD&D covers, proactive and expert service is an important aspect of this insurance, especially as the contractual and factual circumstances for charterers' disputes are often quite complex. And as with FD&D, the financial exposures related to the provision of charterers' insurance are typically much less than those of the P&I class.

For operators domiciled in the US, or those from overseas who trade to the US, the American Club enjoys a unique home advantage.

4. Ancillary covers

In addition to the standard cover described above, shipowners and charterers may also require covers ancillary to mainstream P&I risks in the course of their trade. These can be arranged through the Club for placement with specialist market underwriters as needed. Examples are set out below.

- Shipowners' liability (SOL insurance)
- Breaches of contract of carriage of cargo
- Extended cargo liability insurance
- Carriage of cargo on deck with under deck bills of lading
- Carriage of ad valorem cargo
- Liability as bailee of cargo and other valuables
- Extended contractual liability (ECL) insurance
- Specialist operations
- Towage of, or by, an insured vessel
- Liabilities caused by and to "other" personnel
- Family members travelling with crew
- Comprehensive tug and barge insurance (USA)

UNDERWRITING

In the assessment of risk, the Club's underwriters take into consideration a multitude of factors. These include the broad categories of the business operation, trading environment, claims performance and prospective loss profile of a shipowner or charterer, divided into a series of important subsets which relate to, for example, a vessel's flag, crewing arrangements and regional focus. Where applicable, the claims performance will be analyzed over a minimum of the current plus five previous complete years. The same approach is used when considering renewal terms for existing Members.

The Club pursues exceptional transparency in its dealings with Members, reflecting a tradition of strong corporate governance and exacting regulatory oversight.

The American Club's underwriting objective is to assume reasonable risk in return for a fair and equitable premium. The Club has a responsibility to all its Members to achieve the financial security and stability that the membership has every reason to expect and require.

CLAIMS

As will be evident from the foregoing, Shipowners Claims Bureau, Inc., as the Manager of the American Club, is exceptionally experienced in the handling of all types of P&I insurance, FD&D matters, and charterers' risks.

Reflecting the depth of its overall expertise, SCB's claims executives include maritime lawyers from the United States, Canada, the United Kingdom, China, Greece, Latin America and Turkey; former seamen who sailed as senior officers aboard bulkers, tankers, passenger ships and other vessels engaged in worldwide trade; average adjusters; senior surveyors; and individuals with P&I correspondent backgrounds.

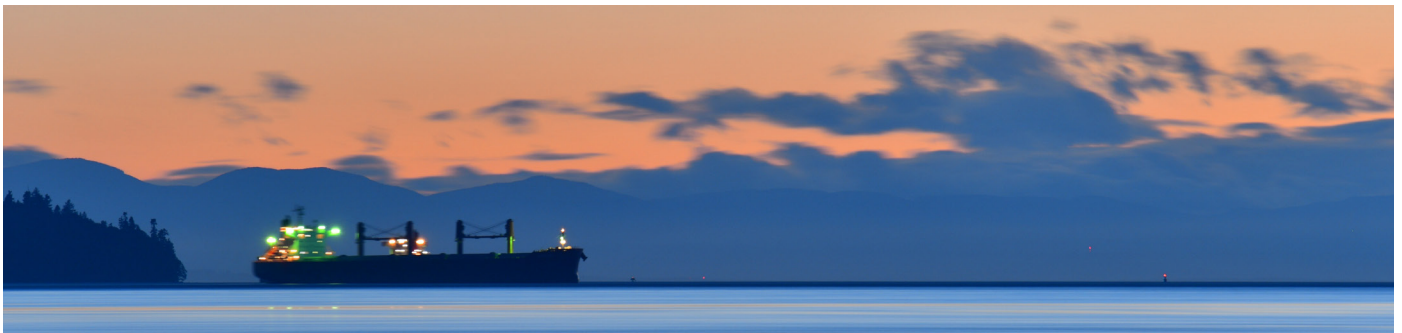
In this era of globalization, being able to speak the language of the membership is another strength of the Club. In addition to English, the staff has mother tongue fluency in many languages, including Greek, Chinese (both Mandarin and Cantonese), French, Hindi, Bulgarian, German, Russian, Spanish, Turkish and Korean. In short, the claims team is a highly skilled, dedicated and motivated group.

Club Managers are easily accessible at every level and take pride in their reputation for an attentive and energetic approach to Member needs and expectations.

From a logistical standpoint, the Managers are available 24 hours a day, 365 days a year to assist the Club's Members in the handling of claims. The Club's offices are within the local time zones of all five continents, and their geographic locations ensure that a member of its claims handling team is available at any time. With offices in New York, London, Piraeus, Hong Kong, Shanghai and Houston, the Club is truly accessible wherever its services are required.

Large claim or small, the Club relies on its maritime, commercial, and legal experience and expertise to provide each Member with pragmatic and cost-effective solutions from the first notice of a claim until its conclusion. SCB's overriding goal is to minimize its Members' losses and proactively seek a reasonable result, all the while working with and respecting Members' wishes.

To achieve this goal, SCB utilizes not only the resources available within the company, but also its worldwide network of correspondents – many of whom are exclusively listed by SCB – as well as any outside lawyers and consultants retained to assist in the handling of more complex matters.



SURVEYS AND TECHNICAL AND LOSS PREVENTION SERVICES

The American Club has extensive capabilities in the survey, technical and loss prevention domains. They form a key component of the Managers' day-to-day activity on behalf of the Club.

The technical department, in addition to arranging and reviewing the results of condition surveys on entered vessels, also engages with Members on problem areas affecting operations. These may include matters concerning cargo, machinery, fuel issues etc. The department is available to assist Members with the numerous technical and logistical challenges which they face in the day-to-day running of their fleets.

The American Club also prides itself on the range and diversity of its loss prevention capabilities. The Club provides a broad spectrum of educational and training tools. They include hard copy brochures, posters, DVDs and various e-learning materials. These encompass a wide range of subjects, concerning themselves with best practices and guidance, as well as education and training. The Club also conducts a pre-employment medical examination (PEME) program to encourage the health of seafarers joining Members' vessels, and the avoidance of illness and injury onboard.

The full range of the Club's offering in this important area can be seen by reference to the Club's website under the loss prevention section it contains.

EAGLE OCEAN MARINE

As a specialist brand of the American Club, Eagle Ocean Marine provides attentive, competitively-priced Protection and Indemnity and Defense insurance to the operators of smaller vessels who prefer a fixed premium approach to their P&I needs. Backed by the American Club in conjunction with underwriters at Lloyd's, Eagle Ocean Marine offers a gold standard International Group club service underpinned by the excellent security of reinsurance at Lloyd's.

The breadth and depth of Eagle Ocean Marine cover is second-to-none. The facility provides a full suite of Protection & Indemnity and Defense insurances as well as many ancillary covers. Cover of up to \$500 million is available, while lower limits are also routinely provided. The limit available for Freight, Demurrage and Defense risks is \$2 million any one dispute.

Eagle Ocean Marine, the Club's fixed premium facility, complements its core mutuality by providing gold standard cover and service to the operators of smaller vessels in local or regional trade.

Treasuring the traditions of the American Club, Eagle Ocean Marine offers a gold standard service, viewing the exposures of its insureds as commercial challenges demanding effective business solutions. Eagle Ocean Marine stands prepared, at any time of the day or night, and in any location, to assist its insureds in whatever adversity they may find themselves.

The loss prevention, risk control and claims management capabilities at the disposal of Eagle Ocean Marine are second-to-none. Again, they are

drawn from the exceptional skill sets of the American Club, an International Group mutual, and the deep resources of knowledge and experience at its command.

AMERICAN HELLENIC HULL

In a transaction negotiated during 2015, and accomplished as to its final details in June 2016, the American Club made a significant investment in the establishment of a new company in Cyprus, American Hellenic Hull Insurance Company, Ltd., in order to develop a presence in the hull and machinery market, an area highly germane to the Club's activity in the P&I sector.

American Hellenic Hull represents a new force of growing energy within the marine insurance markets across the world.

Complying with the rigorous financial and operational imperatives of the European Union's Solvency II regime, American Hellenic Hull has continued to achieve excellent progress since it commenced operations and now boasts a substantial, and growing, portfolio of first class international fleets, contributing solid profitability to the mutual Members of the Club.

American Hellenic Hull stands ready to provide highly synergistic hull and machinery solutions to the global shipping industry motivated by the same levels of customer care which it shares with its investor, the American Club itself. This combination of capabilities represents a new force of growing energy within the marine insurance markets across the world.

THE AMERICAN CLUB MISSION

The American Club's mission is to provide its Members with a broad and financially secure range of P&I, FD&D 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 in general.
- Apply best industry practices in 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 service providers, rating agencies and its all 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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