



JUNE 24, 2002

CIRCULAR NO. 10/02

TO MEMBERS OF THE ASSOCIATION

Dear Member:

**THE AMERICAN CLUB'S RECENT ANNUAL MEETING
CLOSING OF THE 1998 POLICY YEAR**

The annual meeting of the Members of the American Club recently took place in New York. It was a most successful occasion. It afforded an opportunity for Members to meet their management team and to exchange news and views in a highly convivial atmosphere.

The Club's 2001 annual report was presented to the Members at the meeting. Its highlights were the subject of a press release, a copy of which is attached for Members' ready reference.

At its own subsequent meeting, your Board of Directors decided to close the 1998 policy year without further call in excess of that originally forecast. The surplus for the year has been credited to the Club's contingency fund.

If any Member has questions in regard to the foregoing, the attached, or generally, the Managers will, as usual, be pleased to respond.

Yours faithfully,
Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB

Attachment

AMERICAN CLUB's OPTIMISM.....

as it reports solid operating performance boosted by record tonnage growth

NEW YORK, June 21: The American Club was able to report a distinctly upbeat result for 2001 at its annual meeting in New York yesterday. In addition to an uplift in entered tonnage that has taken the club to a total of nearly 14m. gross tons, it also reported a \$9m. pretax profit in the face of difficult trading conditions, reversing the previous year's loss of just over \$10m.

The New York-based mutual saw its premium income rise by 73% (to \$41.5m.) over the fiscal period, as well as reporting a 20% reduction in incurred claims (to \$24.9m.) in contrast with the previous year. These factors combined to produce a solid operating performance.

Paul Sa (Standard Shipping Inc.), the club's chairman, said: "For the world at large, 2001 was not a good year. Irrespective of the suffering caused by the events of September 11 - which will reverberate for years to come - the more mundane realities of insurance life, notably poor investment returns and soft pricing, militated against the short-term strengthening of financial results. Thus, it is encouraging to see that, despite these difficulties, the club gained ground during 2001 and continues to be well-positioned for further strong growth in the future."

Endorsing these remarks, Joe Hughes, chairman and ceo of Shipowners Claims Bureau Inc., the club's managers, commented: "To say that 2001 was a difficult year would be a gross understatement." However, he noted that the club was nevertheless able to report a significant increase in entered tonnage at the last renewal and a robust increase in premium for the 2002 policy year. "In fact, taking new business into account, the projected total premium for 2002, at between \$55m. and \$60m., will be about 55% greater than the figure for the previous policy year," he said.

He added: "Obviously, as in the case of most insurance providers, the club's reserves suffered from the deteriorating economic climate seen last year, exacerbated by the tragic events of September 11. However, this was offset by the club's improved income and claims emergence, with the result that total assets at year-end were only slightly less than 12 months earlier."

Mr Hughes said that the additional supplementary calls of 20% and 50% for the 1999 and 2000 policy years, respectively, had been made with little enthusiasm, but had been correctly perceived to be necessary to mitigate the worse-than-normal results for those years.

As to policy year development generally, he reported that the 1998 year was being closed in surplus, as had been predicted in mid-2001. There was a tendency for years to develop more favourably towards closure than originally indicated in earlier projections - a function of the manner in which the club was required to report under the highly conservative standards imposed by the New York State Insurance Department.

Mr Hughes concluded: "2001 might, in retrospect, be seen as the bottom of the current cycle. It is pleasing to note that, although the results for the 1999 and 2000 years created something of a drag on earnings during 2001, incurred claims reduced significantly during the year while respectable premium increases were obtained.

"Bearing in mind the considerable increase in premium income secured at this year's renewal and the decline in loss emergence, which appears to be continuing into 2002, the prospects for the club are indeed encouraging."