



JUNE 23, 2022

CIRCULAR NO. 17/22

TO MEMBERS OF THE ASSOCIATION

Dear Member:

**THE AMERICAN CLUB'S ANNUAL REPORT AND ACCOUNTS FOR 2021.
CLOSING OF THE 2019 POLICY YEAR.
LEVYING OF A SUPPLEMENTARY CALL FOR THE 2020 POLICY YEAR.**

Annual Report and Accounts for 2021

Your Managers are pleased to attach the [American Club's Annual Report and Accounts](#) for the year ended December 31, 2021. As will be seen, they are in an electronic format. They were formally approved at the one-hundred-fifth Annual Meeting of the Members of the Club which took place earlier today in New York. Hard copies of this document will also be available from the Managers over the forthcoming period.

As will be noted from the Club's latest financial statements, the accounting treatment and presentation of premium earned but unbilled (EBUB), as first established last year, has been maintained for 2021. EBUB continues to account for (i) the explicit, pro-rata reinsurance by open policy years of pre-1989 asbestos claims (as has been the case for some time) and (ii) deficits attributable to the development of the open policy years themselves. Both have been balanced by sums designated as EBUB.

As explained in detail last year, this properly recognizes the ex post facto, adjustable nature of the premium entitlements of mutual, assessable insurers such as the Club, and both the treatment and presentation of EBUB have been approved by its independent auditors. The approach has also removed certain inefficiencies in the Club's statutory accounting with the New York regulator.

The Club's EBUB-related combined ratio for 2021 was 112% (129% on a non-EBUB basis), figures which, in conformity with the experience of most clubs, highlight the need for the continuing pursuit of sustainability in premium pricing for the future.

Closing of the 2019 Policy Year

At the regular Board Meeting which took place shortly after the Annual Meeting of the Members, and as foreshadowed in [Circular No. 24/21](#) of November 19, 2021, it was resolved to close the 2019 policy year without further contribution. Your Board's decision was based upon figures as of March 31, 2022 which disclosed a break-even result for the year.

Levying of a Supplementary Call for the 2020 Policy Year

Again as foreshadowed in [Circular No. 24/21](#) of November 19, 2021, 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. This supplementary



call, which will apply to all assessable policies remaining open for assessment as of March 31, 2022, will be debited in two equal instalments due for payment on January 20, 2023 and July 20, 2023.

There is not expected to be a need for further calls for the 2020 year, which will be scheduled for formal closure early in the second half of 2023. In the interim, the release call margin for 2020 (i.e. over and above the 35% supplementary call figure declared herein) will be 5% of the originally estimated total premium for both P&I (Class I) and FD&D (Class II) entries, i.e. 40% in total.

Members are asked to note their records accordingly. If there are any questions in regard to the foregoing, or generally, your Managers will be pleased to respond to them.

Yours faithfully,

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