



2014

Annual Report

THE AMERICAN CLUB

The American Club made solid progress in 2014. Although fading later as freight markets faltered, first half growth was strong. Claims developed modestly. Premium pricing stayed firm. Surpluses increased. Loss prevention initiatives gained further momentum. Service capabilities were expanded. Eagle Ocean Marine saw its profits rise. Investments performed well. Despite uncertainty in the global and maritime economies, the Club is poised for continuing success over the years ahead.



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HIGHLIGHTS

The solid progress made in 2014 across a broad spectrum of Club activity augurs well for the future.

2014 Highlights

- 2014 begins with significant uplift in both tonnage and projected annual premium.
- Freight market slump inhibits growth during year, but pricing stays firm.
- 2011 policy year closed in surplus without call in excess of original forecast.
- Investments return nearly 4% despite market volatility.
- Retained losses continue moderate trend of previous years.
- Pool claims develop modestly by comparison with 2011 and 2012 highs.
- Year-end statutory and GAAP surpluses increase.
- Standard & Poor's affirms investment grade counterparty rating.
- Eagle Ocean Marine grows market footprint with solid profitability: limit increased to \$500 million.
- Loss prevention initiatives continue vigorously.
- Enterprise risk management further embedded in governance and operational procedures.
- 4.5% increase in premium levels across all classes ordered for 2015: Hydra participation in Group reinsurances expands as cost of cover declines.
- 2015 renewal sees continuing price stability despite initial downturn in volume.
- Favorable risk profile of continuing business encourages excellent outlook for the future.





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, 2014.



The Year in Review

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

The Annual Meeting of the Club's Members took place in New York City on June 19, 2014. At that meeting, all the Directors who had presented themselves for re-election were duly re-elected to serve for a further twelve months.

Earlier in the year, Messrs. Vassilios Bacolitsas and Yannis Vardinoyannis had resigned from the Board. Mr. Lawrence J. Bowles and Mr. Jonathan C. Wales retired at the Annual Meeting, Mr. Bowles agreeing to continue as General Counsel for the Club.

At the June 19 meeting of the Members, Mr. Henry Djuhari of PT Meranti Maritime, Jakarta and Mr. Craig Reinauer of Reinauer Transportation Companies, New York were elected as new Directors. Mr. Djuhari and Mr. Reinauer were welcomed to the Board in the expectation of their making a significant contribution to the affairs of the Club over the years ahead. The Board also took the opportunity of thanking Messrs. Bacolitsas, Bowles, Vardinoyannis and Wales for their sterling service in the past.

Later in 2014, Ms. Cigdem Sarioglu Ergut and Mr. Morton S. Bouchard III also resigned as Directors. Again, they were most warmly thanked by the Board for their great contribution to the Club's business in recent years.

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

In 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 2014. All these meetings took place in New York.

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

The period under review saw the closing of the 2011 policy year, without contribution in excess of originally estimated total premium, as of March 31, 2014. The surplus for the year was transferred to the Club's contingency fund.

Circular No. 33/13 of November 19, 2013, informed Members of the Club's premium policy for 2014. It communicated the Board's decision to apply a 10% general increase across all classes of the Club's business, together with increases in certain deductibles. For P&I entries, all estimated total premium was ordered to be debited in four equal installments during the calendar year. FD&D premium was to be debited in two equal installments.

In November 2014 the release call for 2012 was reduced to 10%, while the release calls for 2013 and for 2014 were ordered to remain at 20%, all figures representing a margin over and above the currently estimated total premium for those years.

The Club's investment portfolio continued to perform well during 2014, the Club realizing a return of just under 4%. Although this was less than the 6.7% achieved at year-end 2013, it was still a highly creditable result, in excess of the relevant benchmark.



DIRECTORS' REPORT

The prospects for the American Club remain bright, highlighted, as they are, by its approaching centennial.

The policy established toward the end of 2011, being to move a growing part of the Club's portfolio, in a carefully measured fashion, into fixed income investments, was maintained during 2014. The return on the Club's historic position in equities, despite regular rebalancing in pursuance of this policy, has inured greatly to the Club's benefit over recent years. Nevertheless, limiting the proportion of such securities to no more than 30% of the overall portfolio over time remains a guiding investment principle.

The Club's year-end GAAP equity for 2014 increased by just over 1% over year-end 2013 to \$58.6 million, while the year-end unaudited statutory surplus for 2014 of \$64.8 million also showed an increase of about 1% over the position twelve months earlier.

Much has been written about the "churn effect" and the attenuation of global P&I premium it has caused in recent years. However, American Club premium income for the 2014 policy year was, at calendar year-end, about 6% greater than that for 2013 twelve months earlier.

Although the 2015 policy year started with a decline in gross premium as of February 20, there are grounds for optimism that, given the experience of 2014 as described above, a substantial part of this will be recovered as the year develops.

The Club's retained claims for 2014 are developing in the subdued manner which characterized its two predecessor years. In addition, Pool claims for both 2013 and 2014 are lower than those for 2011 and 2012. It is hoped that this trend will continue into the current year, although such claims are apt to be volatile.

The Club continued to benefit from meetings of the Finance and Audit, Claims and Risk Management, and Safety and Environmental Protection Committees during the year. Each engaged in a variety of initiatives in order, respectively, to ensure the careful monitoring of the Club's funds under investment and generally oversee the financial dimensions of its business; to examine claims trends in detail with the aim of minimizing risk; and to implement the lessons learned from

those trends in the form of user-friendly loss prevention tools and other means of enhancing safety both ashore and afloat.

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

The facility has continued to make excellent progress. The Club's participation, supported by a quota-share reinsurance placed at Lloyd's, has added to the range of services available from the American Club. Most recently, the limit of cover available for P&I risks under the facility has been increased to \$500 million, increasing its competitiveness and enhancing its market presence.

As in previous years, the Directors thank the Members, and all those who act on their behalf, for their continuing support of the Club. Many challenges lie ahead. Although recent commodity price trends have created a positive backdrop for some trades – notably in the liquid bulk sector – the difficult state of the dry markets continues to cause concern. It is to be hoped that freight rates will rise decently, at least over the medium term, as the global economy continues to gain momentum.

Your Directors are committed, in close cooperation with the Managers, to add growing impetus to the Club's fulfillment of its mission. The prospects for the American Club remain bright, highlighted, as they are, by its approaching centennial. Now less than two years away, your Directors look forward to celebrating this important milestone in the company of a vibrant and expanding family of Members from every part of the world.





REPORT OF THE MANAGERS

The American Club made solid progress in 2014. But global freight markets, notwithstanding positive trends in certain sectors, remained largely in the doldrums, afflicted by a continuing imbalance of vessel supply and demand, particularly in the dry bulk trades.

However, despite a difficult business environment, exacerbated by an edgy investment climate and elevated geopolitical sensitivities, the American Club experienced many positive developments during a characteristically busy year.



Entered Tonnage, Underwriting and Reinsurance

The shipping climate in which the 2014 renewal took place was similar to that of twelve months earlier. A continuing freight market slump inhibited any industry appetite for higher insurance costs.

The Board had ordered that a general increase of 10% apply to premium for all classes of business, the release call for both P&I and FD&D being set at a margin of 20% over and above estimated total premium. There were also minimum deductibles to apply to certain types of claims.

In the result, the cash increase in premium for P&I was slightly under 8%, and nearly 6% for the Club's FD&D entries. However, when the money value of deductible increases and other adjustments was taken into account, the target of 10% for 2014 was broadly achieved.

At the commencement of the 2014 policy year, entries gained exceeded entries lost by just under a million gross tons. Annualized P&I premium grew by 5% over the equivalent figure for 2013. This was a respectable result given the continuing effect of "churn". Indeed, the average net premium rate per gross ton for 2014, at \$5.44, was only 1% less than the average for 2013, a metric which compares very favorably with market benchmarks.

As mentioned in the Report of the Directors, total premium for 2014 at calendar year-end was greater than for 2013 at the same stage, a gratifying result given anemic pricing within the industry at large.

For the 2015 policy year, in view of broadly stable premium and claims development over the previous two years, the Board decided to apply a lower general increase. This was set at 4.5% for all classes, the release call for both P&I and FD&D being, once again, set at a margin of 20% over and above estimated total premium and, again, with prescribed minimum deductibles for certain types of claims.

The secular decline of earnings in the dry bulk sector in recent years, and a concomitant erosion of this core Club constituency, contributed to a reduction of tonnage and premium over the 2015 renewal. However, some of this has already been recouped by both new business and organic expansion since February 20, while growth prospects for the remainder of the year are good.

As to premium rating, the overall increase on renewing business at February 20 was about 4% for P&I and 2% for FD&D against the 4.5% target for each. However, the historic loss ratio of business which was not renewed was 73%. This compares with a trailing five year average for the Club's continuing portfolio of 53%. Accordingly, there is cause for optimism that the performance of renewing business will be a positive for the overall results of the Club over the years ahead.

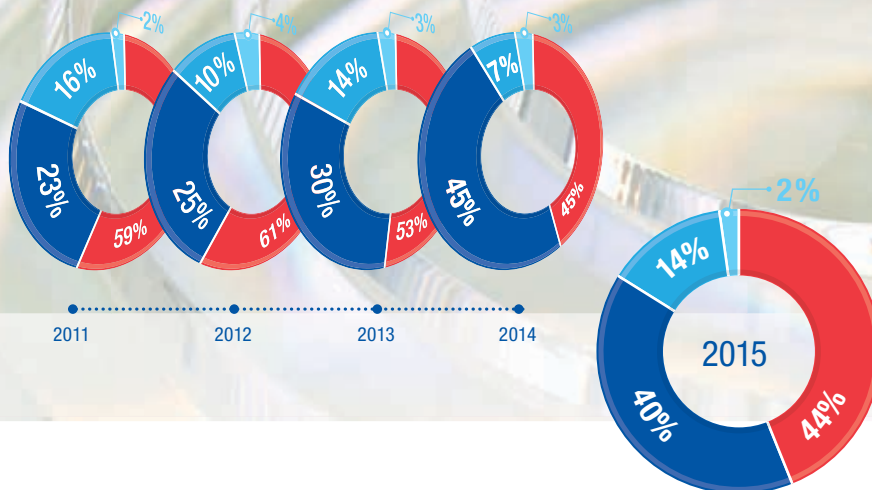
The distribution of membership for 2015 is somewhat different from that of 2014. By vessel type, bulk carriers and tankers continue to represent the largest sectors in tonnage terms, being respectively 44% and 40% of the total (45% for each category last year). General cargo, container, passenger and RoRo vessels account for 14% of the total (7% a year earlier). The remaining 2% is made up of tugs, barges and small craft (3% at the beginning of 2014).

The latter sector, however, continues to be larger in premium terms, being 17% of the Club total. As to the balance, 29% of premium is generated by bulk carriers, 29% by tankers and 25% by general cargo, container, passenger and RoRo vessels.

By reference to domicile of management, Europe is the largest region by tonnage for 2015 at 50% of the total. However, the proportion of tonnage entered by Asian members continues to be significant at 31%. The entry of Members from North America – predominantly

MEMBERS' TONNAGE BY VESSEL TYPE

● Bulk Carriers ● Tankers ● General Cargo/Container/Passenger/RoRo ● Tugs/Barges/Small Craft



UNDERWRITING

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from the United States – is 12%, with entries from the rest of the world accounting for a further 7%. Breakdowns of the Club's tonnage by reference to vessel type and membership domicile are set out above and on page 12 respectively.

In premium terms, the three main constituencies of the Club's business are somewhat more closely aligned. Members domiciled in Europe contribute about 39% of total premium, those from Asia about 23% and those headquartered in North America about 30%.

On the International Group reinsurance front, the arrangements for 2014 were broadly the same as those of the previous year. However, 2014 saw a step-up in the attachment point of the Group's market reinsurance from \$70 million to \$80 million. The new, extended tranche of 20 million excess of \$60 million was subject to an individual club retention of 5% and, for the remaining part, was reinsured – on a tonnage basis – by Hydra.

As will be recalled, Hydra is a segregated cell captive which reinsures the Group's exposure to claims in the upper, and upper-upper, layer of the Pool in addition to a coinsurance of the first layer of the Group's market placement. Each Hydra cell reinsures its respective club for these purposes.

For 2015, the Pool attachment point remains at \$9 million. Clubs' contributions to claims in the lower pool layer from \$9 million to \$45 million are calculated according to 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 \$45 million to \$60 million, 10% is retained by the Club bringing the claim and 90% is shared by all on a tonnage-weighted basis. For claims between \$60 million and \$80 million, 5% is retained by the club bringing the claim and 95% shared by all on a tonnage-weighted basis.

Hydra's co-reinsurance of the Group's market placements has increased for 2015. Its 2014 30% share of the first layer of the Group's general excess of loss program (\$500 million excess \$80 million) has been expanded to include an additional 30% of the layer from \$80 million to \$120 million (Hydra therefore effectively reinsuring 60% of the layer \$80 million to \$120 million), and 10% of the layer from \$80 million to \$100 million.

Also, in addition to the 5%, 36 month private placement of the \$1 billion excess \$100 million cover which inceptioned at the 2014 renewal, a further 5%, 36 month private placement of \$1 million excess \$100 million has also been arranged. A schematic of the International Group's arrangements is set out on page 17.

As to pricing, the 2015 renewal negotiations and program restructuring resulted in a reduction in reinsurance cost of just over 8% for clean and dirty tankers, about 6% from dry cargo vessels and no increase (or reduction) for passenger vessels.

For 2015, the Club continues to reinsure its lower Pool and sub-Pool retention with Hannover Re. These arrangements have provisions in regard to cancellation, commutation and profit commission which provide flexibility for the Club in managing the contract, the purpose of which is to smooth the Club's exposure over time, given the unpredictable spikes to which it is prone.

In the middle of 2014 the Club renewed its participation in the Eagle Ocean Marine (EOM) facility – a fixed premium program for the insurance of P&I and FD&D risks for smaller vessels in local and regional trades, principally in East Asia, Europe, Africa and other areas outside the United States.



The Club maintained its 20% participation in the underlying \$25 million quota share reinsurance of the facility, the remainder being shared with Lloyd's underwriters. During 2014, EOM increased its reinsurance protection so as to provide cover up to \$100 million per claim. This has recently been further increased to \$500 million, strengthening EOM's competitiveness and market footprint. The facility made excellent progress in 2014 and, despite increasing competition, remains solidly in surplus, auguring well for its future development.

On the ratings front, Standard & Poor's Ratings Services reaffirmed in 2014 the American Club's BBB- investment grade financial strength rating with a stable outlook. This followed a comprehensive review of the Club's current and prospective circumstances, a review which has continued into the early part of 2015.

The Club's year-end GAAP surplus for 2014 increased by about 1% over year-end 2013 to over \$58 million, while the year-end unaudited

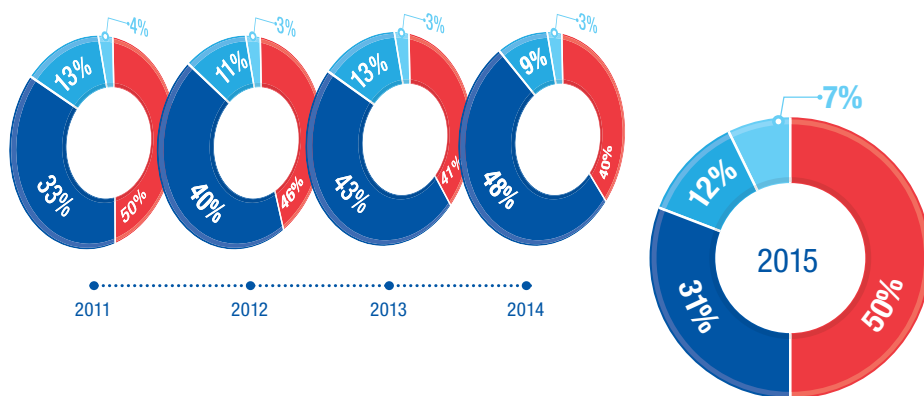
statutory surplus for 2014, at just under \$65 million, was also about 1% higher. Given recent premium trends, this remains a creditable result. It was also supported by healthy investment returns on which further comment is made below.

Last year, the Managers reported on changes to the Club's underwriting and business development capabilities which had been made to enhance the delivery of service to Members and their intermediaries. The implementation of these changes was pursued with energy during 2014, the aim being to move the Club's risk assessment, technical underwriting and business development activities much closer to the local needs of Members and their brokers.

The goal has been to sharpen the Club's focus on the special characteristics and expectations of regional shipping communities and, thereby, to strengthen the overall delivery of service. This decentralization of the insurance function continues to work well.

MEMBERS' TONNAGE BY MANAGEMENT DOMICILE

● Europe ● Asia ● North America ● Rest of the World





Supplementary and Release Calls

The period under review saw the closing of the 2011 policy year, without call in excess of the original forecast, as of March 31, 2014. The surplus for the year of some \$4.2 million was transferred to the Club's contingency fund. As has been the case for several years, no unforecast additional calls were levied for any year during 2014.

So far as release calls on open years are concerned, the margin for 2012 was reduced from 20% to 10% of estimated total premium in November, 2014, and notified to the Members by circular. Members were also informed of the intention to close the 2012 policy year in mid-2015. Release call margins for 2013, 2014 and 2015 remain at 20% of estimated total premium.

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

In conformity with this policy, in November 2014, being the same time at which individual open years' release call margins were notified to Members, the Club's Board explained the factors which it had taken into account in calibrating the figures in question.

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





FINANCE AND INVESTMENTS

The American Club enjoyed an above benchmark return of just under 4% on its invested funds in 2014.

Finance and Investments

Most of the macroeconomic and geopolitical features which have formed the investment landscape in recent years continued in evidence during 2014. Strengthening US economic fundamentals were a positive, although concerns about a slowdown in China and persistent sluggishness in the Eurozone combined to generate uncertainty about the overall direction of the global economy.

World GDP grew by about 3.4% in 2014 led by China (at a comparatively modest 7.4%), and other major, non-Eurozone economies (India, 7.3%, the US 2.4%, Canada 2.4% and the UK 2.6%). The Eurozone grew by just under 1% in 2014, although an improvement to 1.6% is forecast for 2015, aided by European Central Bank quantitative easing.

The US Federal Reserve's exceptionally accommodative posture of recent years has been imitated in other major economies, notably the UK and Japan. While this has depressed yields in the fixed income sector, central bank policies have continued to provide a tailwind for the equity markets.

The American Club enjoyed an above benchmark return of just under 4% on its invested funds in 2014. Although this was less than the 6.7% achieved during the previous financial year, it was still a creditable result, supported by an uplift in earnings from the Club's fixed income portfolio (3.25%) by comparison with those of the previous year which were essentially flat. Stocks also performed well, returning 6.25% in a rather less exuberant climate than that of 2013 where a return of nearly 28% was achieved.

There are grounds for optimism that the global economy will gain further traction over the year ahead. However, countervailing financial trends in different parts of the world, together with persistent geopolitical tensions, are likely to result in continuing market volatility.

During 2014, the Club continued to move part of the growing profits from its equity portfolio into fixed income securities. The regular rebalancing of funds is in accordance with the Club's investment guidelines, being broadly to limit the proportion of equities to no more than about 30% of the Club's portfolio over time.

The guidelines also allow for flexibility in the deployment of assets to other market sectors when attractive opportunities present themselves. In this respect, and generally, investment decisions in accordance with the guidelines are overseen by the Board and the Finance and Audit Committee which itself closely monitors the Club's investment advisors who provide regular reports on the development of the funds under their supervision.



CLAIMS

During 2014, the American Club's aggregate exposure to claims for its own account developed in a manner similar to that of the two preceding years.

Claims

During 2014, the American Club's aggregate exposure to claims for its own account developed in a manner similar to that of the two preceding years. This continued the moderating trend in Club's retained losses which began in 2010.

The beginning of the policy year was marked by one of its largest claims, being in relation to an oil spill in Texas, but the remainder of 2014 emerged more favorably. Only seven claims exceeded \$1 million during the period, 98% of all incidents by number falling within the attritional layer of up to \$250,000 per case. However, the seven claims in question collectively accounted for about 40% of the Club's overall losses for the year. Within this sub-set, collision incidents formed the dominant category of exposure.

Cargo claims were comparatively modest in 2014. The number of incidents (201) was the lowest of the last six years, although the average cost per claim rose to just over \$41,000 in 2014, somewhat higher than that for the two preceding years, being \$25,000 and \$34,000 respectively. Illness, injury or death claims involving crew, stevedores, passengers or other persons also developed modestly. Here the average cost per claim declined to just under \$19,000 in 2014 by comparison with \$25,000 in 2012 and 2013.

In both of these two key areas of exposure, there are grounds for optimism that these favorable trends will continue, not least because of Members' growing implementation of the loss prevention initiatives which the Club has promoted in recent years, and which continue to be a focus of its engagement with the industry.

As to the American Club's Class II (Freight, Demurrage and Defense) cover, 2014 continued to reflect the fortunes of a chronically weak freight market, particularly in the dry bulk sector. Disputes regarding unpaid freight or hire formed the largest category of claims, but there

was a spike in bunker-related matters largely as a consequence of the OW Bunkers bankruptcy.

The development of International Group Pool claims was, as in the case of 2013, comparatively modest at policy year end, with only ten incidents reported and an overall exposure for the Club's account of just under \$5 million. This figure was the lowest since 2008.

On the regulatory front, the Club warned Members during 2014 of a yet more stringent pollution regime under MARPOL Annex XI concerning emission controls. In particular, new North American Emission Control Area (ECA) rules imposed a reduction in the permitted maximum fuel sulfur content from 1% to .01%, effective January 1, 2015. The new rules will increase the costs of trading to North America, regardless of the penalties regime they contain.

The Nairobi International Convention on the Removal of Wrecks comes into effect in 2015. It entails additional documentary requirements for vessels trading to states signatory to the regime. The Club notified Members of these requirements and assisted them with compliance through the issuing of relevant blue cards coordinated by the Managers' underwriting department.

The increasingly complex international regime concerning sanctions also played a large part in the Club's outreach to Members during 2014. The claims implications of these sanctions – variously imposed by the US Treasury Department's Office of Foreign Assets Control (OFAC), the European Union and the United Nations – were brought to Members' attention as they unfolded during the year. Their enforcement, particularly in regard to Iran, has required both Members and the Club to increase and strengthen their due diligence efforts to comply with this constantly changing regulatory landscape.



Activity within the International Group of P&I Clubs

The International Group continued to be engaged in a wide variety of issues in which it represents a compelling voice on behalf of the shipowning community. For its part, the American Club maintained its active role in the development of Group policy.

It was noted last year that extensive discussion had taken place within the Group as to whether the long-standing policy of Group clubs not providing certificates of financial responsibility (COFRs) under the United States Oil Pollution Act of 1990 (OPA) should be changed. This discussion had resulted from the announcement by one club that it was minded to provide such certification in the future, notwithstanding settled Group policy to the contrary.

After the matter had been referred to club boards, there was a clear majority in favor of maintaining the status quo. Subsequently, the club in question resiled from its earlier position out of respect for this general consensus.

Further developments in sanctions legislation, at both national and supranational levels, continued to command the engagement of the Group. Circumstances became more complex following the Russian annexation of Crimea which prompted a series of sanctions from both the United States and the European Union.

The International Group was also involved in organizing the provision of blue cards in regard to the Nairobi International Convention on the Removal of Wrecks scheduled to come into force in April, 2015. The work of the Group Secretariat in this respect was, as in so many other cases, of vital importance in coordinating the collective efforts of the clubs.

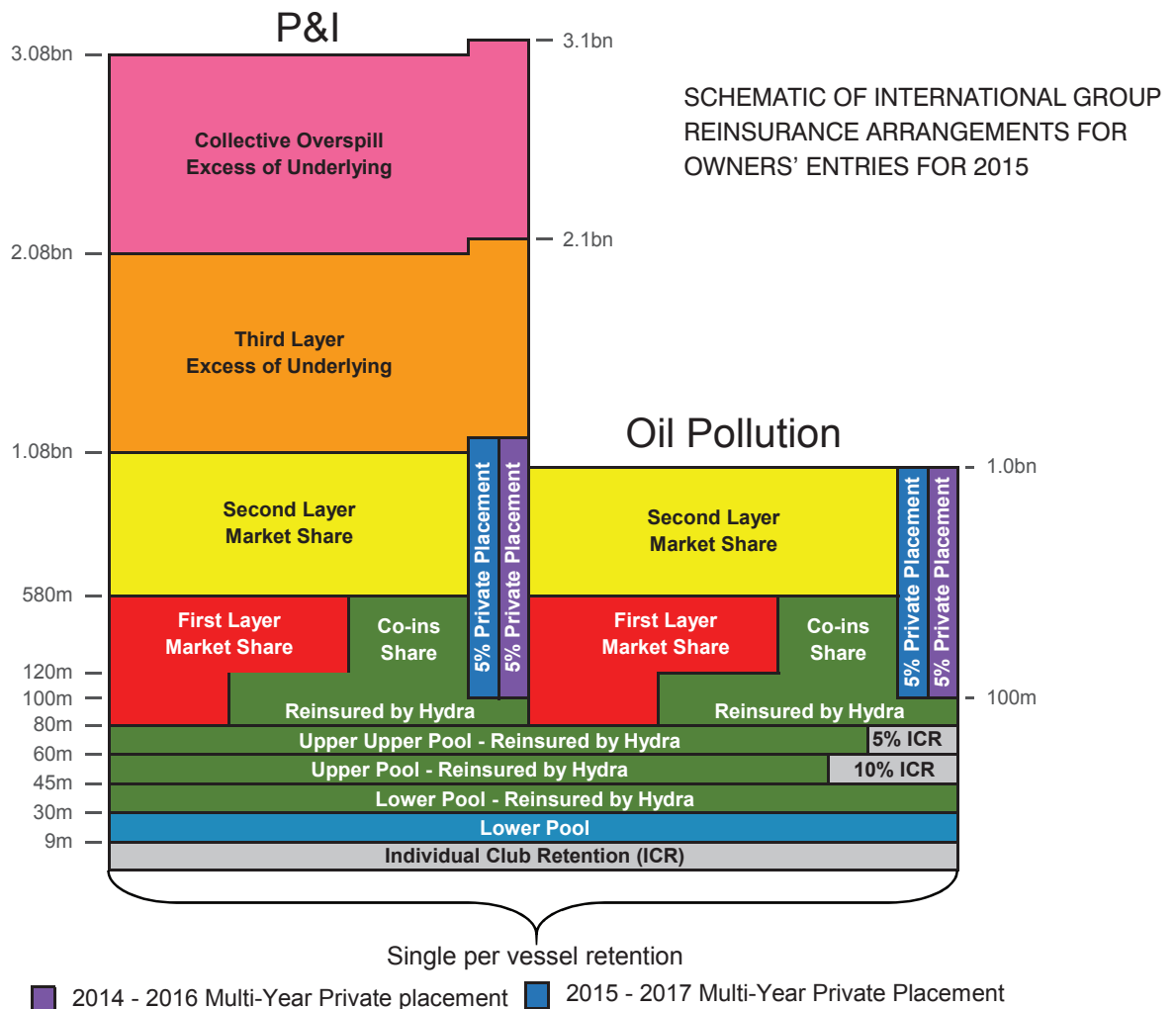
Other issues on the Group's regulatory radar include the 51% increase in liability limits under the LLMC 1996 Protocol to take effect in June, 2015; the continuing CMI review of the York Antwerp Rules, 2004; EU guidelines on places of refuge; and the EU Environmental Liability Directive. All will be subject to further comment by the clubs collectively over the months ahead.

As will be seen, the number of subjects considered at International Group level continues to grow. For the past several years the International Group has issued its own annual review. This highlights the remarkable range of technical expertise within the clubs, representing an unsurpassed strength of the Group as a whole. This stands in conjunction with, and reinforces, the exceptional financial security provided in the Pooling Agreement and the Group's market reinsurance arrangements. Together, they represent a unique asset of immeasurable value to the shipping industry at large.



INTERNATIONAL GROUP

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Safety and Loss Prevention

The further development of its already substantial loss prevention program continued to be an American Club focus during 2014.

On the survey front, the emphasis of activity was on newly-entered vessels over ten years of age, and on all vessels of a similar age not having been surveyed with the previous three years. During 2014 some 167 such surveys were conducted, a figure rather lower than that of previous years.

The management review initiated in 2013 in regard to US tug and barge operators involved in the transportation of persistent oils was completed in 2014. The overall results of the exercise were highly positive, indicating a strong commitment in this sector of the membership to safety and environmental protection.

Having last year celebrated its tenth anniversary, the Club's Pre-Employment Medical Examination (PEME) program saw further expansion in 2014 through the addition of new clinics in India, the Philippines and the Russian Federation.

During 2014 the Club added a new section to its web site under the rubric **Best Practices and Guidance**. Through this channel, Members were able to access information on an large range of matters. These included updates on Ebola disease, piracy and the use of armed guards aboard ship, best practices for the prevention of seafarers falling overboard, and guidance for shipowners trading to the United States and US territories in the publication **Welcome to the USA! A Shipowner's Guide to Regulatory Compliance**.

On e-learning specifically, and in cooperation with IDESS Interactive Technologies, Inc., the Club continues to work on several fronts. These include the third and fourth installments of its five part bulk carrier safety material scheduled for delivery later in 2015: the **International Code for the Safe Carriage of Grain in Bulk** and the **Code of Safe Practice for Ships Carrying Timber Deck Cargoes**.

The Club undertook various training initiatives during 2014 both with Members individually and at larger industry presentations. Subjects covered included bulk cargo liquefaction, human error in shipping, steel cargo claims, the carriage of dangerous goods, chemical tanker claims, SCOPIC issues and other matters of interest.

Bespoke presentations were also made by the Managers to the Annual Meeting of the International Union of Marine Insurers in September, 2014 and, in March 2015, to the Executive Committee of INTERCARGO, the latter on behalf of the International Group. Both presentations took place in Hong Kong involving, and facilitated by, the Managers' office there.

The Club also continued its outreach to Members on matters of loss prevention through Alerts and Circulars. A wide range of subjects was covered including US economic sanctions, guidance on piracy, dealing with the Ebola disease outbreak in West Africa, Himalaya Clauses for bills of lading, and the requirement for the use of low sulfur fuels within the North American ECA.

ENTERPRISE RISK MANAGEMENT

The American Club's regulator regards ERM as a key part of its risk-focused surveillance of insurance providers.

Enterprise Risk Management

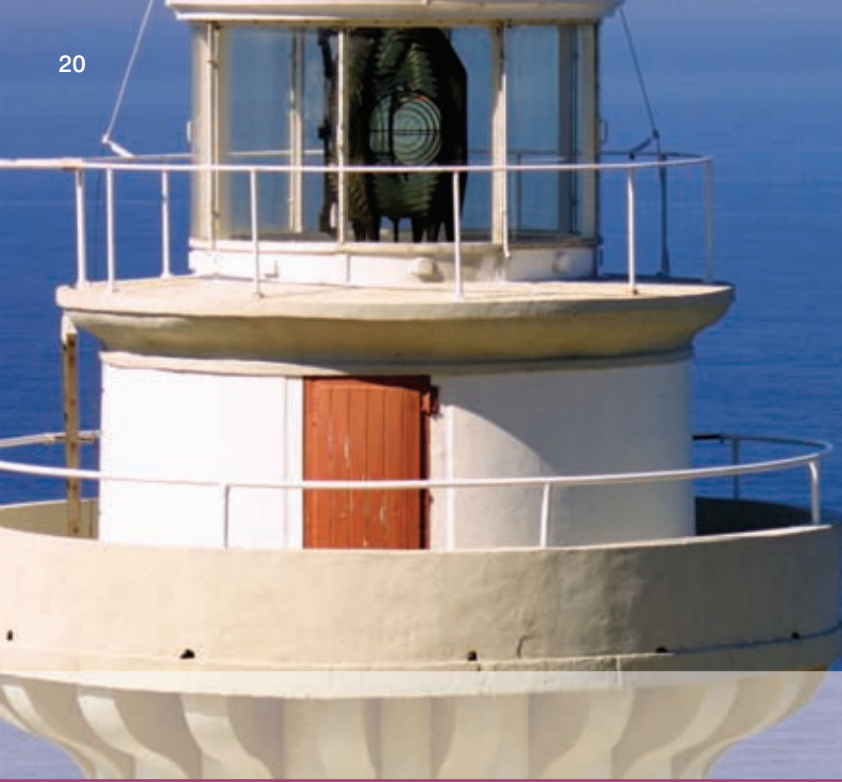
Enterprise risk management (ERM) has assumed a progressively greater role in structuring the governance of corporations and informing the manner in which they operate. The holistic, analytics-based imperatives of a formalized ERM program are now universally recognized as essential components of modern business processes.

The American Club's regulator, the New York State Department of Financial Services, regards ERM as a key part of its risk-focused surveillance of insurance providers. Specifically, it expects the Club to have a formal ERM function which identifies, measures, aggregates and manages risk exposures within predetermined tolerance levels. Similar scrutiny is also applied by Standard & Poor's and other rating agencies.

The American Club devoted further resources to its ERM capabilities during 2014. Specifically, the Managers have embedded a formal, senior level ERM Committee into its decision making protocols. The Committee meets regularly to consider a broad agenda which includes, inter alia, primary risk identification, compliance procedures, risk management training, and own risk and solvency assessments (ORSA).

Oversight of the Club's ERM activity is the province of the Board to whom the Managers make regular reports. The Club's mission is to fulfil – and ideally exceed – regulatory and rating agency expectations of its ERM functions, and to ensure that Members obtain the measurable benefits from the best business practices which the Club's adherence to ERM is designed to secure.





SECURITY AND SERVICE

As the Club draws nearer to its centennial, it both reaffirms its historic values and stands ready to embrace the challenges of a changing world of growing competitive pressures.

Security and service in a world of unrelenting challenges

The shipping industry confronts a world of unrelenting challenges. The range of these challenges – economic, operational, regulatory and political – grows broader by the year. In overcoming them, the uniqueness of the mutual club ethos confers singular benefits on the maritime community in such difficult times.

There are several reasons for this. The not-for-profit principle permits flexible insurance pricing when shipowner earnings are depressed. An unsurpassed service ethic encourages a steadfastness of Member support whatever the broader economic climate. The exceptional strength of the International Group's collective reinsurances, together with its global influence and reach, provide an overarching canopy of unmatched security.

These are generic strengths of the mutual system exemplified by the International Group of which the American Club is proud to be part. It remains fully dedicated to each and every ethic of that system. At the same time, the American Club has to compete – not only with its International Group peers, but increasingly with other marine insurers, particularly those from the fixed premium sector.

With this in mind, the Club recently produced a new corporate profile. Among other things, the profile seeks to answer the question – *why choose the American Club?* Its foreword contains ten points which argue a compelling case to do so. They are worth reading. The profile can be found on the Club's website.

As the Club draws nearer to its centennial, now less than two years away, it both reaffirms its historical values, particularly those attendant upon traditional mutuality, and stands ready to embrace the challenges of a changing world of growing competitive pressures. Your Managers are certain that the Club will more than fulfill the demands made upon it.

In doing so, it will rely upon the continuing support of its Members, their brokers and the Club's many other friends across the world. In closing, the Managers extend their warmest thanks to all who have helped the Club with their support in concluding yet another year of thoroughly encouraging progress.







2014 FINANCIAL REPORT

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Independent Auditors' Report



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

We have audited the accompanying consolidated financial statements of the American Steamship Owners Mutual Protection and Indemnity Association, Inc. and its subsidiary (the "Association"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Disclaimer of Opinion on Supplemental Schedules

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

June 17, 2015

Consolidated Balance Sheets

DECEMBER 31

IN THOUSANDS	NOTE	2014	2013
ASSETS			
Investments	3	\$ 239,547	\$ 238,825
Cash and cash equivalents		14,983	19,805
Members' balances receivable		11,972	8,061
Reinsurance recoverable	5	45,959	44,411
Derivative assets		–	2,584
Other assets	4	14,436	15,026
Total Assets		\$ 326,897	\$ 328,712
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES:			
Unpaid losses and allocated loss adjustment expenses	5	\$ 184,297	\$ 183,948
Unreported losses	5	44,160	41,597
Unearned premiums		16,778	17,261
Reinsurance payable		6,076	6,412
Derivative liabilities		–	1,218
Other liabilities	4	16,986	20,932
Total Liabilities		\$ 268,297	\$ 271,368
COMMITMENTS AND CONTINGENCIES			
MEMBERS' EQUITY:			
Retained earnings		46,830	45,663
Accumulated other comprehensive income		11,770	11,681
Total Members' Equity	9, 10	58,600	57,344
Total Liabilities and Members' Equity		\$ 326,897	\$ 328,712

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Income

IN THOUSANDS	NOTE	DECEMBER 31	
		2014	2013
INCOME			
Net premiums and assessments earned	6	\$ 94,245	\$ 89,378
Net investment income		4,177	3,693
Net realized investment gains		3,378	9,165
Net realized and unrealized gains on derivatives		558	970
Total Income		102,358	103,206
EXPENSES			
Losses and loss adjustment expenses incurred	5	65,962	65,064
Other operating expenses	7	34,795	32,250
Total Expenses		100,757	100,314
Income Before Income Taxes		1,601	2,892
Income tax provision		(434)	(239)
Net Income		1,167	2,653
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized gain on investments		89	462
Other comprehensive income		89	462
Comprehensive Income		\$ 1,256	\$ 3,115

Consolidated Statements of Changes in Members' Equity

IN THOUSANDS	NOTE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL MEMBERS' EQUITY
Balance, January 1, 2013		\$ 43,010	\$ 11,219	\$ 54,229
Net income		2,653	—	2,653
Unrealized investment gains		—	462	462
Balance, December 31, 2013	9, 10	45,663	11,681	57,344
Net income		1,167	—	1,167
Unrealized investment gains		—	89	89
Balance, December 31, 2014	9, 10	\$ 46,830	\$ 11,770	\$ 58,600

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

DECEMBER 31

IN THOUSANDS	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	\$ 1,167	\$ 2,653
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of bond premiums	2,277	2,079
Net realized investment gains	(3,378)	(9,165)
Net realized and unrealized gain on derivatives	(558)	(970)
Depreciation	83	99
	(1,576)	(7,957)
Changes in operating assets and liabilities:		
Members' balances receivable	(3,911)	18,189
Reinsurance recoverable	(1,548)	11,582
Other assets	525	6,324
Unpaid and unreported losses and allocated loss adjustment expenses	2,912	(38,018)
Unearned premiums	(482)	119
Reinsurance payable	(337)	(1,508)
Other liabilities	1,060	(329)
	(1,781)	(3,641)
Net cash used in operating activities	(2,190)	(8,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales/maturities of investments	89,387	147,665
Purchases of investments	(87,000)	(145,931)
Purchases of fixed assets	(19)	(82)
Net cash provided by investment activities	2,368	1,652
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	—	5,000
Payment of note payable	(5,000)	—
Net cash (used in) provided by financing activities	(5,000)	5,000
Net change in cash and cash equivalents	(4,822)	(2,293)
Cash and cash equivalents, beginning of year	19,805	22,098
Cash and Cash Equivalents, End of Year	\$ 14,983	\$ 19,805
Supplemental Information:		
Income taxes paid	\$ 311	\$ 315
Interest paid	\$ 212	\$ 203

See Notes to Consolidated Financial Statements.

2014 Notes to Consolidated Financial Statements (\$ in thousands)

1. Organization

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

Members are charged premiums based on the tonnage of their insured vessels. For the 2014 and 2013 policy years, at December 31, 2014 and December 31, 2013, the gross tonnage insured was 16,022,491 and 15,770,520, 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.

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

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

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

2. Summary of Accounting Policies

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

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

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

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

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

With respect to equity securities, this review involves consideration of several factors including: (i) the significance of the decline in value and the resulting unrealized loss position; (ii) the time period for which there has been a significant decline in value; (iii) an analysis of the issuer of the investment, including its liquidity, business prospects and overall financial position; and (iv) the Association’s intent and ability to hold the investment for a sufficient period of the time for the value to recover. The Association uses Investment portfolio managers to manage the investment portfolio. Such portfolio managers are supervised by the Association and its managers. The identification of potentially impaired investments involves significant management judgment that includes the determination of their fair value and the assessment of whether any decline in value is other than temporary. If the decline in value is determined to be other than temporary, then the Association records a realized loss in the consolidated statement of operations and comprehensive income in the period that is determined, and the cost basis of that investment is reduced.

Valuation Techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Investments

The cost or amortized cost, gross unrealized gains and losses and fair value of investments in securities classified as available-for-sale at December 31, 2014 and 2013 were as follows:

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

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2013				
US Treasury and obligations of other				
US government corporations and agencies	\$ 6,673	\$ 24	\$ 10	\$ 6,687
Obligations of states and political subdivisions	121,139	1,003	1,955	120,187
Industrial and miscellaneous bonds	4,167	31	15	4,183
Common stocks	92,908	14,820	2,644	105,084
Other invested assets	2,349	379	44	2,684
Total	\$ 227,236	\$ 16,257	\$ 4,668	\$ 238,825

Derivatives

The Association may be exposed to various risks related to its ongoing business operations, including interest rate, credit risk and equity market risk. The Association uses different strategies to manage these risks. In 2013, with guidance from the Association’s investment advisor and the Board of Directors, the Association purchased exchange-traded equity market derivatives to as part of this strategy to mitigate these risks.

Exchange-traded equity index options were used by the Association to hedge certain invested assets against adverse changes in the equity indices. In an equity index option transaction, the Association enters into contracts to buy and sell the equity index within a limited time at a contracted price. The contracts are net settled in cash, based on differentials in the indices at the time of exercise and the strike price. In certain instances, the Association may enter into a combination of transactions to hedge adverse changes in equity indices within a predetermined range through the purchase and sale of options. These hedging activities were not designated as specific hedges for financial reporting purposes. The Association’s derivatives instruments were disposed of in the second quarter of 2014.

The table below provides a summary of the notional amount estimated fair value and primary underlying risk exposure by type of derivative held at December 31, 2013.

PRIMARY UNDERLYING RISK EXPOSURE	INSTRUMENT INDEX	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE
Equity market	Equity index options - purchased	\$ 22,888	\$ 2,584
Equity market	Equity index options - written	\$ (27,106)	\$ (1,218)

The following summarizes unrealized investment losses by class of investment at December 31, 2014 and 2013. The Association considers these investments to be only temporarily impaired.

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

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES
December 31, 2013						
Government obligation	\$ 742	\$ 10	\$ —	\$ —	\$ 742	\$ 10
Obligations of states and political subdivisions	48,899	1,877	1,868	78	50,767	1,955
Industrial and miscellaneous bonds	872	15	—	—	872	15
Common stocks	26,468	757	8,137	1,887	34,605	2,644
Other invested assets	420	44	—	—	420	44
	\$ 77,401	\$ 2,703	\$ 10,005	\$ 1,965	\$ 87,406	\$ 4,668

The fair value and amortized cost of available-for-sale debt securities at December 31, 2014 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	\$ 14,103	\$ 14,138
Due after one year through five years	55,843	56,310
Due after five years through ten years	47,322	48,417
Due after ten years	14,409	14,470
Total	\$ 131,677	\$ 133,335

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

	2014		2013	
Proceeds from sales of investments	\$	81,235	\$	145,962
Gross realized gains		5,508		11,362
Gross realized losses		2,130		2,197

There were realized losses in the amount of approximately \$56 thousand and \$151 thousand recorded at December 31, 2014 and 2013, respectively, that were a result of an investment being other-than-temporarily impaired.

At December 31, 2014 and 2013, United States Government Treasury notes in the amount of \$310 thousand par value, respectively, were deposited with regulatory authorities as required by The New York Insurance Law.

Fair Value Hierarchy

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

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

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

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- 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 and long-dated equity derivatives.

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

The following table presents the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2014:

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

FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2013

	TOTAL FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS				
US Treasury and obligations of other US government corporations and agencies	\$ 6,687	\$ 6,687	\$ —	\$ —
Obligations of states and political subdivisions	120,187	194	119,993	—
Industrial and miscellaneous bonds	4,183	—	4,183	—
Common stocks	105,084	105,064	—	20
Derivatives	2,584	2,584	—	—
Other invested assets	2,684	—	—	2,684
Total	\$ 241,409	\$ 114,529	\$ 124,176	\$ 2,704
LIABILITIES				
Derivatives	\$ 1,218	\$ 1,218	\$ —	\$ —

During the years ended December 31, 2014 and 2013, there were no transfers into (out of) Levels 1, 2 or 3.

The following is a reconciliation of the beginning and ending balance of financial instruments using significant unobservable inputs (Level 3) for the year ended December 31, 2014 and 2013.

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

	YEAR ENDED DECEMBER 31, 2013		
	COMMON STOCKS	OTHER INVESTED ASSETS	TOTAL
Opening balance January 1, 2013	\$ 20	\$ 1,348	\$ 1,368
Total gain or losses included in earnings: (realized/unrealized)			
Realized gains	—	70	70
Change in fair value of other invested assets	—	139	139
Purchases or (sales):			
Purchases	—	1,350	1,350
Sales	—	(223)	(223)
Transfer in (out) of Level 3	—	—	—
Ending balance, December 31, 2013	\$ 20	\$ 2,684	\$ 2,704

The following table provides information on the valuation techniques, significant unobservable inputs and ranges for each major category of Level 3 assets measured at fair value on a recurring basis at December 31, 2014:

YEAR ENDED DECEMBER 31, 2014

	FAIR VALUE	PRINCIPAL VALUATION TECHNIQUES	UNOBSERVABLE INPUT
Other Investments:			
Other invested assets	\$ 4,396	Market approach	Estimated net asset value multiple which incorporates estimated market value of underlying holding
Common stock	20	Cost approach	Investment is not actively traded, value is listed at cost

4. Other Assets and Liabilities

	2014	2013
Other Assets		
Computer equipment and software - net of accumulated depreciation of \$6,242 and \$6,159, respectively	\$ 194	\$ 258
Receivable for securities sold	513	214
Accrued interest receivable	1,493	2,339
Income tax recoverable	2	105
Prepaid reinsurance premiums	3,625	3,902
Management fee receivable	1,718	1,365
Other assets	6,891	6,843
	\$ 14,436	\$ 15,026
Other Liabilities		
Accrued expenses	1,119	692
Liability for securities purchased	827	214
Note payable, including accrued interest	15,020	20,026
Income tax payable	20	—
	\$ 16,986	\$ 20,932

An unbilled assessment in the amount of \$ 5.4 million and \$6.1 million at December 31, 2014 and 2013, respectively, included in other assets in the table above, was recorded as a result of the Association's asbestos-related claims settlement agreement as described in Note 8.

At December 31, 2014 and 2013 the Association owed \$15 million and \$20 million, respectively, on a demand line of credit from Deutsche Bank Trust Company America ("credit facility"). During 2014, the Association paid back an additional \$5 million. Interest on the credit facility is calculated using a 3 month LIBOR plus 1 percent, which was stated at a rate of 1.23 at December 31, 2014. Interest accrued at December 31, 2014 and 2013 was \$21 thousand and \$26 thousand, respectively. Interest expense paid for the years ended December 31, 2014 and 2013 was \$212 thousand and \$203 thousand, respectively.

5. Unpaid Losses and Reinsurance Recoverable

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

	2014	2013
Gross balance at January 1	\$ 225,545	\$ 263,563
Less reinsurance recoverable on unpaid losses	41,954	49,358
Net Balance at January 1	183,591	214,205
Incurred related to:		
Current year	61,898	68,287
Prior years	4,064	(3,223)
Total Net Incurred	65,962	65,064
Paid related to:		
Current year	9,721	13,086
Prior years	55,030	82,592
Total Net Paid	64,751	95,678
Net balance at December 31	184,856	183,591
Plus reinsurance recoverable on unpaid losses	43,601	41,954
Gross Balance at December 31	\$ 228,457	\$ 225,545

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

In 2013, favorable development for prior years was \$3.2 million. The favorable development was reduced by an emergence of \$5.7 million for the 2012 policy year, of which 10.3 million was expected emergence based on the earned premium of the 2012 policy year ended February 20, 2013. However, there was favorable emergence of \$8.9 million for policy years 2011 and prior. A 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, 2014 could materially impact members' equity. There are points within this loss reserve range which, if carried at the liability, may reduce members' equity by approximately 13% at the mid-point of the range.

	2014	2013
Reinsurance recoverable on unpaid losses	\$ 43,601	\$ 41,954
Reinsurance recoverable on paid losses	2,358	2,457
	\$ 45,959	\$ 44,411

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:

	2014	2013
Direct	\$ 69,250	\$ 58,560
Assumed	21,025	14,353
Ceded	(24,313)	(7,849)
	\$ 65,962	\$ 65,064

6. Premiums and Assessments

	2014	2013
Premiums written and billed assessments	\$ 115,977	\$ 110,598
Change in unbilled assessments	(693)	(735)
Return premiums	(691)	(1,421)
Reinsurance premiums ceded	(20,553)	(18,581)
Net premiums and assessments written	94,040	89,861
(Increase) decrease in net unearned premiums	205	(483)
Net Premiums and Assessments Earned	\$ 94,245	\$ 89,378

As of December 31, 2014, an unbilled assessment in the amount of \$5.4 million was recorded as a result of the Association's asbestos-related claims settlement agreement as described in Note 8.

7. Other Operating Expenses

	2014	2013
Management fee	\$ 16,986	\$ 15,475
Bad debts	945	3,697
Brokerage	9,430	10,142
Other	7,434	5,936
Total Other Operating Expenses	\$ 34,795	\$ 35,250

8. Commitments and Contingencies

Letters of Credit – At December 31, 2014 and 2013, the Association had outstanding letters of credit for \$12.6 million and \$12.3 million, respectively.

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

	2014	2013
Asbestos-Related Claims		
Aggregate gross losses paid to date at December 31	\$ 12,409	\$ 11,609
Loss reserves - reported	897	1,590
Loss reserves - unreported	4,496	4,496

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

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

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

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

As a result of the Settlement Agreement, the Association recorded additional reserves of approximately \$7 million at December 31, 2007. Pursuant with the terms of the Settlement Agreement, the Association has made \$6.5 million in payments as of December 31, 2014. This represents a one-time \$900 thousand payment related to 2006 as well as seven payments of \$800 thousand related to the 2007 through 2013 years. Additionally, the Association has made another \$778 thousand payment in January 2015 related to 2014.

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.

9. Statutory Filings

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

The principal differences affecting the Association are described below:

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

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

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

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

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

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

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

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

	2014	2013
Statutory surplus, as reported	\$ 64,807	\$ 63,621
Future assessments receivable up to difference between ultimate and present value of losses	(19,146)	(19,783)
Unbilled assessments, net	5,392	6,086
Nonadmitted assets and other reconciling items	2,228	1,393
Carrying value of applications software and consultants' fees	79	120
Provision for unauthorized reinsurance	155	231
Reinsurance Premium: Ceded recovery	746	1,182
Allowance for doubtful accounts	(743)	(743)
Unrealized gains (losses) on available-for-sale securities	8,048	6,566
Statutory ULAE Adjustment	2,935	3,570
Hydra consolidation adjustment	(6,490)	(7,517)
Statutory audit adjustment	589	2,618
Members' Equity on the Basis of Accounting Principles Generally Accepted in the United States of America	\$ 58,600	\$ 57,344

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.

During 2013, the Association received an examination report from the Department relating to the five year examination ended December 31, 2010. Based upon the results of the examination, the Department asserted that the Association's loss and loss adjustment expense reserves were understated at December 31, 2010 by \$11.9 million using the Schedule P development patterns from the statutory annual statement filed with the Department. While the Association's booked statutory loss and loss adjustment expense reserves were within its independent actuary's ultimate loss development range, the statutory adjustment was accepted by the Association to finalize the report. The final net examination adjustment accepted by the Association reduced the December 31, 2010 statutory surplus by \$11.1 million from \$71.4 million to \$60.3 million. The adjusted examination surplus remained substantially above the required minimum statutory surplus of \$7.5 million, and well above the Risk Based Capital Company Action Level of \$40.8 million.

The Association believes that the statutory reserves adjustment does not have an impact on the GAAP financial statements for the year ended December 31, 2010. The loss reserves reported were within the independent actuarial range at the time and moved further into the range when reviewed through the statutory examination report filed in the 3rd quarter, 2013.

10. Leases

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

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

11. Subsequent Events

Subsequent events have been considered through June 17, 2015 for the audited financial statements were available to be issued. No other events occurred subsequent to December 31, 2014, through June 17, 2015, which would have a material effect on the financial position, results of operations or cash flows of the Association.

* * * * *

Unaudited Supplemental Schedules

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, 2014.

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, 2014 the ratio of 21.6% has been calculated in accordance with the schedule mentioned above and the guidelines issued by the International Group. This compares with a ratio of 19.3% recorded for the five years ended December 31, 2013.

However, when considering brokerage expense netted against calls and premiums earned rather than including in operating costs as shown in the Accounts, the calculated ratio for the five year ended December 31, 2014 is 15.1%. This compares to a ratio of 12.8% calculated for the five years ended December 31, 2013.

Unaudited Supplemental Schedules

Statement of Operations and Comprehensive Income Years Ended December 31, 2014 and 2013

IN THOUSANDS	P&I		FD&D	
	2014	2013	2014	2013
INCOME				
Net premiums and assessments earned	\$ 89,418	\$ 85,283	\$ 4,827	\$ 4,095
Net investment income	3,963	3,524	214	169
Net realized investment gains	3,205	8,745	173	420
Net realized and unrealized gains on derivatives	529	926	29	44
Total Income	97,115	98,478	5,243	4,728
EXPENSES				
Losses and loss adjustment expenses incurred	62,756	61,596	3,206	3,468
Other operating expenses	33,013	33,635	1,782	1,615
Total Expenses	95,769	95,231	4,988	5,083
Income (loss) Before Income Taxes	1,346	3,247	255	(355)
Income tax provision	(412)	(228)	(22)	(11)
Net Income (loss)	934	3,019	233	(366)
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized (losses) gains on investments	84	441	5	21
Other comprehensive income (loss)	84	441	5	21
Comprehensive (loss) Income	\$ 1,018	\$ 3,460	\$ 238	\$ (345)

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

Unaudited Supplemental Schedules

Losses and Reinsurance Recoverable Years Ended December 31, 2014 and 2013

IN THOUSANDS	2014	2013
NET CLAIMS PAID		
Gross claims paid:		
Members' claims	\$ 72,703	\$ 93,220
Other Clubs' Pool claims	14,715	17,712
	87,418	110,932
Recoveries on claims paid:		
From the Group excess of loss reinsurance	51	23
From the Pool	15,107	(1,364)
Other reinsurers	7,509	16,596
	22,667	15,255
Net Claims Paid	\$ 64,751	\$ 95,677
CHANGE IN NET PROVISION FOR CLAIMS		
Claims outstanding:		
Members' claims	\$ 178,198	\$ 181,597
Other Clubs' Pool claims	50,259	43,948
	228,457	225,545
Reinsurance recoverables:		
From the Group excess of loss reinsurance	383	401
From the Pool	19,319	18,633
Other reinsurers	23,899	22,920
	43,601	41,954
Net claims outstanding at December 31	184,856	183,591
Net claims outstanding at January 1	183,591	214,205
Change in Net Provision for Claims	\$ 1,265	\$ (30,614)

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 2011/2012 policy year was closed on March 31, 2014, without further calls.

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

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

DEVELOPMENT OF OPEN POLICY YEARS

	2012-13	2013-14	2014-15
INCOME			
Calls and premiums – net	\$ 97,655	\$ 98,965	\$ 85,080
Investment income	4,697	3,464	1,697
Total Income	102,352	102,429	86,777
EXPENSES			
Net paid losses	50,592	21,581	9,403
Net pending losses	8,050	42,448	38,764
Unreported losses	6,408	8,094	13,413
Reinsurance premiums	17,554	19,402	16,304
Other operating expenses	24,954	22,723	22,086
Total Expenses	107,558	114,248	99,970
RETAINED EARNINGS (DEFICIT)	(5,206)	(11,819)	(13,193)
MEMBERS' EQUITY (DEFICIT): OPEN YEARS	\$ (5,206)	\$ (11,819)	\$ (13,193)

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

2012/13	\$6,111
2013/14	\$6,999
2014/15	\$7,644

(b) For the 2014/2015 policy year calls and premiums are stated on an earned basis to December 31, 2014. Expenses are stated on an accrued basis for the same period.

CLAIMS OUTSTANDING (INCLUDING UNREPORTED LOSSES) - OPEN YEARS

	2012-13	2013-14	2014-15
Gross outstanding claims			
Members' claims	\$ 8,332	\$ 45,331	\$ 46,752
Other Club's Pool claims	11,068	11,938	12,149
	19,400	57,269	58,901
Pending reinsurance recovery			
From the Group excess of loss reinsurance	—	—	—
From the Pool	2,099	2,092	887
Other reinsurers	2,843	4,634	5,838
	4,942	6,726	6,725
Net Outstanding Claims	\$ 14,458	\$ 50,543	\$ 52,176

DEVELOPMENT OF CLOSED POLICY YEARS AND CONTINGENCY FUND

	2014	2013
Closed Years' Balance, January 1	\$ —	\$ —
Total income earned	2,323	8,509
Net paid losses	27,439	35,935
Net pending losses	(19,896)	(33,135)
Unreported losses	(2,853)	(1,782)
Reinsurance premiums	(110)	(370)
Other operating expenses	3	(581)
Total expenses incurred	4,583	67
Unrealized investment gains	89	462
Transfer from closed policy year 2011/12	4,235	—
Transfer from closed policy year 2010/11	—	16,303
Net change	2,064	25,208
Transfer (to) from contingency fund	(2,064)	(25,208)
Closed Years' Balance, December 31	\$ —	\$ —
Contingency Fund Balance, January 1	\$ 86,754	\$ 61,546
Transfer from (to) closed policy years	2,064	25,208
Contingency Fund Balance, December 31	\$ 88,818	\$ 86,754
Open Policy Years' Equity (Deficit)		
2011/12	\$ —	\$ 3,485
2012/13	(5,206)	(11,948)
2013/14	(11,819)	(20,947)
2014/15	(13,193)	—
Total Members' Equity	\$ 58,600	\$ 57,344
Claims Outstanding (including IBNR) – Closed Years		
Gross pending losses		
Members' claims	\$ 77,783	\$ 81,037
Other Clubs' Pool claims	15,104	15,897
	92,887	96,934
Pending reinsurance recovery		
From the Group excess of loss reinsurance	383	401
From the Pool	10,877	11,954
Other reinsurers	9,308	13,162
	20,568	25,517
Net Pending Losses	\$ 72,319	\$ 71,417

(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, 2015



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