THE AMERICAN CLUB 1917

2021 Annual Report

Although COVID-19 maintained its morbid grip as 2021 began, conditions improved as the year progressed. Despite operational constraints, service capabilities remained robust. Club tonnage and premium grew respectably, but retained losses and International Group Pool claims continued to rise. Investment returns outperformed those of 2020. Eagle Ocean Marine increased its revenue and market share. Supplementary calls were levied to fortify Club finances. American Club (Europe) added P&I lines for EU operators to existing American Hellenic Hull business. 2022 renewal saw a 20% year-on-year revenue increase, but rising reinsurance overhead. The implementation of a senior management succession plan commenced as the new policy year began. Although economic and geopolitical turbulence cloud the outlook for 2022 and beyond, the American Club and EOM remain energized and dedicated to the fulfillment of their service mission.

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HIGHLIGHTS

The implementation of a senior management succession plan commenced in early 2022.

2021 Highlights

- 2021 begins in the hope that COVID-19 might soon abate; reality proves otherwise and operational challenges remain.
- Club and EOM maintain strong service capabilities despite enduring pandemic restrictions.
- International trade marks time as supply chains struggle to recover; geopolitical and economic uncertainties darken outlook toward year-end.
- Retained losses in 2021 develop unfavorably as social inflation and other factors bite.
- 2021 International Group Pool exposures continue relentlessly upward trend of recent years.
- Investments generate a 7.1% return in a volatile market.
- 2018 policy year closed with a 15% supplementary call. 2019 and 2020 also designated for call requirements.
- Eagle Ocean Marine grows revenues and enlarges profitable market presence.
- Standard & Poor's affirms investment grade counterparty rating.
- American Hellenic Hull adds license to write P&I in addition to existing hull business. Renamed American Club (Europe).
- Loss prevention initiatives continue energetically.
- 2022 renewal features 12.5% minimum premium increase; rising reinsurance costs also characterize run-up to new policy year.
- Renewing P&I tonnage for 2022 13% greater than 2021; average P&I rates per ton increase by 20% year-on-year.
- Implementation of senior management succession plan commences in early 2022.

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, 2021.

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 Club also continued to provide P&I and FD&D insurance to the operators of smaller vessels through its fixed premium facility, Eagle Ocean Marine. In addition, through its wholly-owned investment in American Hellenic Hull Insurance Company, Ltd. in Cyprus, the Club also participated in the insurance of hull and machinery and war risks.

As was the case during the previous twelve months, the Club's activities continued to be overshadowed by the effects of the COVID-19 pandemic. Accordingly, the one-hundred-fourth Annual Meeting of the Club's Members, on June 17, 2021, was conducted remotely from its headquarters in New York City.

At that meeting, all the Directors who had presented themselves for re-election were duly re-elected to serve for a further twelve months.

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

Ms. Dorothea Ioannou, Deputy Chief Operating Officer of the Club's Managers, was re-elected as Secretary. In addition, Mr. Lawrence J. Bowles was re-appointed as General Counsel. In accepting his re-appointment, Mr. Bowles informed the Board that, having served as General Counsel since 2002, he intended to retire in 2022. In anticipation of Mr. Bowles' retirement, Mr. LeRoy Lambert was appointed as Assistant General Counsel to the Club with a view to his succeeding Mr. Bowles in due course.

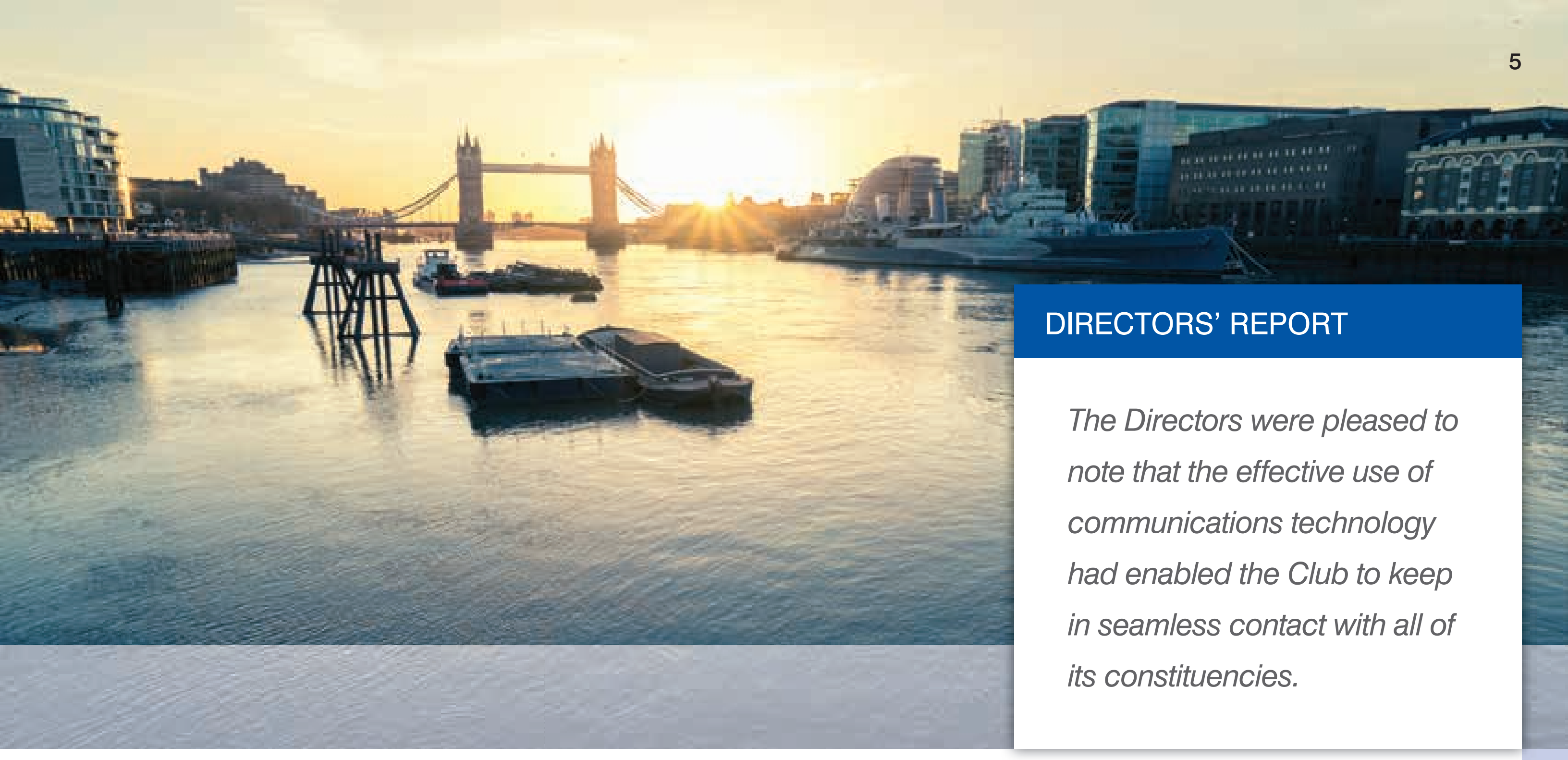
In addition to the Annual Meeting, in conjunction with which a regular meeting of the Board was also held, the Directors met on three further occasions in 2021. All of these meetings took place in a virtual format, coordinated from the Managers' offices in New York and across the globe.

At each of the Board meetings, a wide variety of matters was reviewed. They included policy year accounts and the closing of relevant years; the settlement of claims of the Club's Members; matters relevant to the Club's membership in the International Group of P&I Clubs, including the development of Pool claims; reinsurance; investment policy; the outcome of renewal negotiations; marketing and business development; the evolution of global regulation affecting shipping, and the implementation of other political initiatives, including those in relation to sanctions, an increasingly momentous subject within the industry; and many other issues pertinent to the Club's affairs.

As was the case in 2020, the Club's and its Managers' efforts to supply uninterrupted service in light of pandemic restrictions was regularly discussed. The Directors were pleased to note that the effective use of communications technology had enabled the Club to keep in seamless contact with all of its constituencies.

The Board also gave regular attention to the development of the Club's Eagle Ocean Marine fixed premium business as well as that of its wholly-owned subsidiary, American Hellenic Hull Insurance Company, Ltd. In addition to the commentary set out below, further detail in regard to both is provided in the Report of the Managers.

Owing to the deterioration of claims for the Club's own account, together with relentlessly increasing Pool claims, the closure of the 2018 policy year, as announced in Circular No. 24/21 of November 19, 2021, entailed the levying of a supplementary call of 15% of estimated total premium for that policy year.



DIRECTORS' REPORT

The Directors were pleased to note that the effective use of communications technology had enabled the Club to keep in seamless contact with all of its constituencies.

The Circular also signaled the need for a 35% supplementary call for the 2019 policy year, due for payment in May and October of 2022. It was expected that the year would be closed without further call in the first half of 2022. Members were also informed that the 2020 policy year would require a supplementary call at a level similar to that of 2019, a decision to be deferred into 2022 with payment prospectively scheduled into 2023.

Toward the end of 2021 the Club's wholly-owned subsidiary, American Hellenic Hull Insurance Company Limited, was renamed American Steamship Owners Marine Insurance Company (Europe) Limited, or the American Club (Europe) for short. This was done as part of an application to extend its license to include P&I and related risks. The required authorization was obtained from the Cypriot authorities in early 2022.

The American Club (Europe) provides shipowners and operators trading under EU/EEA flags, or with another qualifying nexus to the EU/EEA, with primary P&I and related insurance as a locally-domiciled carrier. It is reinsured by the American Club, and enjoys affiliated status under the International Group's Pooling Agreement.

The hull and machinery and war risks business of American Hellenic Hull remains authorized under the original license granted in 2016, and any hull and machinery of American Hellenic Hull is now insured by the American Club (Europe) under the trade name of American Hellenic Hull. Further details are contained in the Report of the Managers.

Circular No. 41/20 of November 20, 2020, informed Members of the Club's premium policy for 2021. It communicated the Board's decision to apply a 5% general increase to premium relating to the Club's Class I (P&I) business. Continuing entries in the Club's Class II (FD&D) and Class III (charterers' insurance) portfolios were to attract similar treatment.

For the 2022 renewal, a minimum premium increase of 12.5% was mandated by the Board. Increases in the cost of the Club's reinsurances, and by reference to Members' own particular circumstances, were also to be taken into consideration. A full report on the outcome of the 2022 renewal is contained in the Report of the Managers, but it is notable that annualized P&I premium for 2022 is projected to be over 20% greater than that for 2021.

The Club's reinsurances for 2022, both those relating to its membership of the International Group and those it arranges for its own account, were renewed on broadly similar terms to those of the previous year, but at a substantial increase in cost. Member were informed of the new Group arrangements in Circular No. 25/21 of December 21, 2021.

The Club's fixed premium brand, Eagle Ocean Marine (EOM), enjoyed a successful 2021. New broking arrangements took effect at the July reinsurance renewal. Although there has recently been a rise in claims, EOM's premium has also increased. Total income written to the facility, since inception, has now exceeded $100 million, with a year-on-year compound annual revenue growth in excess of 10% over the recent past. EOM continues to make a solid contribution to the Club's mutuality.

The overall return on the Club's investment portfolio for 2021 was 7.1%. This was higher than the previous year's earnings of 5.4%, and a creditable result in view of market uncertainties generated by persistent supply chain difficulties, incipient inflation and growing geopolitical concerns.

As to claims, the escalation of International Group Pool exposures which began in 2018 continued relentlessly into 2021, despite the Club itself not having had a claim on the Pool since 2016. The Club's retained losses also increased during the year. The effects of COVID-19 continued, notably in relation to crew and passenger claims, and the impact of larger losses, influenced by social inflation in the United States and elsewhere, also negatively affected results.

Last year, it was noted that the Club's financial statements as of December 31, 2020, had been subject to a change in the earlier accounting treatment, and presentation, of premium earned but unbilled (EBUB). This accounting treatment has been maintained for the period under review, and further details are contained in the notes appended to the financial statements.

The Club continued to benefit from meetings of the Finance and Audit, Claims and Risk Management, and Safety and Environmental Protection Committees during the year. Each engaged in a variety of initiatives in order, respectively, to ensure the careful monitoring of the Club's funds under investment and generally to oversee the financial dimensions of its business; to examine claims trends in detail with the aim of minimizing risk; and to implement the lessons learned from those trends in the form of user-friendly loss prevention tools and other means of enhancing safety both ashore and afloat.

The development of safety and loss prevention initiatives continued to be a major American Club focus during 2021. Its chief activities in this area comprised the surveying of vessels, pre-employment medical examinations and the dissemination of e-learning and other material for a variety of purposes more extensively described in the Managers' Report.

The fact that the Club and its Managers were able to function as normally as they did during 2021 is testament to the capabilities of the Club's IT and other systems, and the agility of its Managers in responding to the new environment. The period under review saw the further development of the Club's IT systems to replace its current capabilities.

The hybridization of work as between conventional office conditions and those which exist at home will be a feature of business for years to come. The Managers implemented a limited return to normal office attendance at the beginning of April, 2022. The introduction of more normal working has been well received throughout the Managers' offices, although operating conditions in the Peoples' Republic of China, and its Hong Kong SAR, have remained challenging.

Important management changes were announced in March, April and May of the current year. Toward the end of March it was announced that, on August 1, 2022, Mr. Joseph E.M. (Joe) Hughes would be relinquishing his position as Chief Executive Officer of the Managers of the Club after 27 years' service in that role. Mr. Vincent J. (Vince) Solarino would at the same time be stepping back from his role as Chief Operating Officer of SCB after a similar length of service.

Ms. Dorothea Ioannou would take over from Mr. Hughes as CEO while Mr. Dan Tadros would become the new COO. Messrs. Arpad Kadi and Tom Hamilton would continue to discharge their current duties as Chief Financial Officer and Chief Underwriting Officer respectively, and other senior members of the management team would remain in place. Messrs. Hughes and Solarino would also remain, respectively, as Chairman and President of the management company to focus on the transitioning of their day-to-day operational roles to their senior colleagues.

Your Board notes that Ms. Ioannou will be the first female CEO of an International Group management company in the 167 years since the first mutuals of the current collective were founded. It takes pride in having been involved in the making of history in this regard.

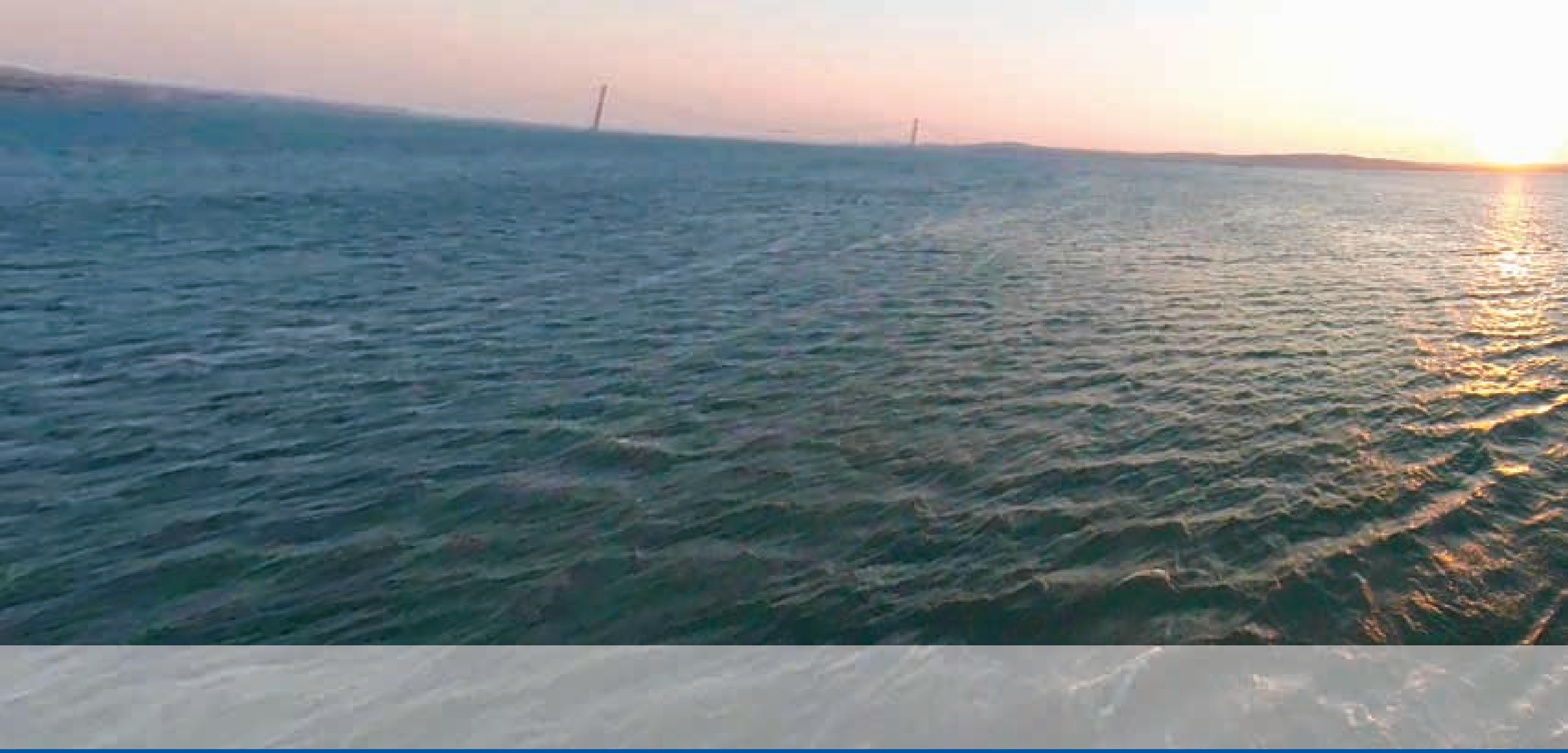
In April, it was announced that Mr. Donald R. (Don) Moore would be retiring at the end of June, 2022 from his position as the Managers' Global Claims Director. Given the expanding ambit of service needs to the Club's growing constituencies across the world, the Managers decided that, following Don's retirement, the global claims supervisory role would be re-shaped into a binary position in which Ms. Joanna Koukouli, the Managers' Deputy Global Claims Director, and Ms. Molly McCafferty, currently the Managers' Director of Claims for the Americas, would jointly serve as Co-Global Claims Directors.

Changes at the Managers' London office were announced in May. Mr. Simon Collins, having for several years served as Lead Market Liaison in that office, would be retiring at the end of June. Messrs. Richard Linacre and Chris Lowe would be assuming the roles of Managing Director and Deputy Managing Director respectively from that time, in addition to maintaining their current market liaison roles.

Your Board wishes to thank Messrs. Hughes and Solarino for their efforts in making the American Club and Eagle Ocean Marine, from modest beginnings in the mid-1990s, the respected global organizations they are today. It also extends its great thanks to Mr. Moore for his own work as Global Claims Director over recent years, and to Mr. Collins for his contribution to the affairs of the Club and Eagle Ocean Marine in London. It congratulates Ms. Ioannou and Mr. Tadros on their new roles and Mmes. Koukouli and McCafferty, and Messrs. Linacre and Lowe, on their own new positions.

In closing, as always is the case, the Directors thank the Members, and all those who work on their behalf, for their enduring support of the American Club, particularly during the difficult conditions which have prevailed over the last two years. There are signs that the worst exigencies of the pandemic may be at an end. However, other geopolitical concerns, have recently emerged, notably the current hostilities in Ukraine, darkening the outlook for the future.

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



REPORT OF THE MANAGERS

COVID-19 continued to challenge global commerce in 2021. Although economic growth gained momentum during the year, the emergence of new variants of the disease, as well as mounting economic and geopolitical concerns, clouded the horizon as the year progressed.

Among P&I insurers, a relentless increase in claims, particularly those within the International Group Pool, and the attenuation of income attributable to inadequate pricing, highlighted the need to ensure careful risk selection and sensible premium rating as 2021 unfolded. These trends converged in creating a need for all clubs to seek comparatively large increases for renewing business for 2022, on which further commentary is contained below.

Underwriting, Reinsurance and Business Development

The conditions which had characterized the last half of 2020 continued into the early part of 2021. For the 2021 renewal, the Board of the American Club had ordered that a general increase of 5% should apply to premium ratings for all classes of business, together with uplifts in certain deductibles. An overarching policy expectation was that prices for 2021 should properly reflect exposure, a principle to which other International Group clubs had committed themselves.

In the result, year-on-year annualized premium for the Club's mutual P&I class grew by a little under 8% at February 20, 2021, while revenue for its Freight, Demurrage and Defense (Class II) portfolio increased by over 10%. Taking into account growth in the Club's charterers' book (Class III), total income on renewal was projected to be about 8% higher for 2021 by comparison with the previous year.

The Club's reinsurance arrangements for 2021 remained essentially the same as those of the previous year. In 2020 the International Group's market reinsurances had been renewed for two years, betokening only small changes to the program as 2021 commenced. This was welcome news, particularly as it enabled stability of rating against a background of continuing uncertainty, not least in relation to the longer-term effects of the pandemic.

The American Club continued to reinsure its retained exposures in 2021 in much the same way as it had during the previous year. The overall design of the cover was broadly similar, although elements of it became more expensive owing to market hardening over the renewal period.

The renewal of the Club's business as of February 20, 2022 proceeded in an encouraging manner. In November, 2021, the Board had mandated a minimum uplift of 12.5% to all expiring premiums for the 2022 policy year. Further increases by reference to the rising cost of the Club's reinsurance programs were also to be applied, as were other changes made necessary by an individual Member's record, or as might be required in relation to deductibles and other conditions of cover.

Although tonnage entered for Class I (P&I) risks diminished slightly over the renewal period (by about 3%), the average rate per ton on renewing business, excluding the effect of the substantial rise in the International Group's market reinsurance costs, grew by about 3.5% above the Club's minimum requirement of 12.5%.

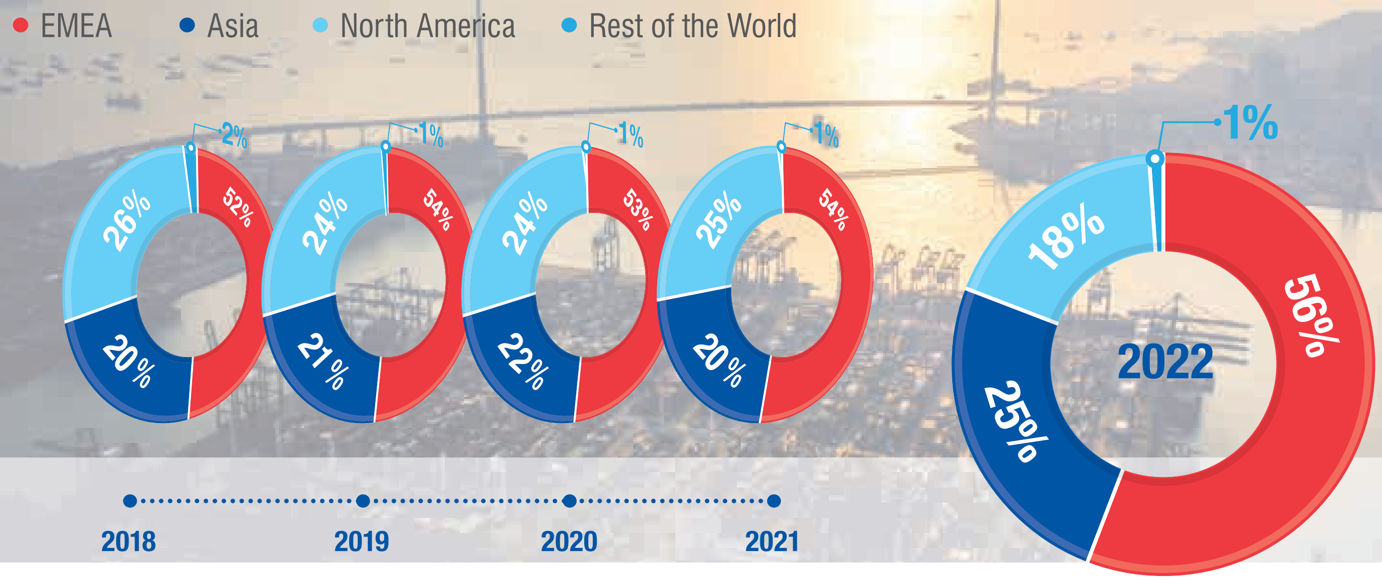
Taking this into account, in conjunction with a 13% growth in P&I tonnage over the previous twelve months, to over 20 million gt, the Club began the 2022 policy year with projected income about 20% higher than the previous year. Moreover, increases in deductibles, and the variation of other terms of cover, provided additional value to these rises.

Class II (FD&D) tonnage remained, at 12.4 million gt for 2022, largely the same as it had been twelve months earlier, but net premium grew by approximately 11% year-on-year. Similar growth is expected to emerge during the year in relation to the Club's Class III (Charterers' Insurance) portfolio.

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

A number of challenges attended the renewal of the International Group's market reinsurance arrangements for 2022. The Group's deteriorating claims performance, together with the fact that the business had been renewed on February 20, 2021 without significant adjustment to premium or terms, formed an

MEMBERS' TONNAGE BY MANAGEMENT DOMICILE



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

unpromising background to negotiations with reinsurers. In the result, the renewal of the Group's program for 2022 was concluded on favorable terms.

The main general excess of loss (GXL) placement (being layers 1, 2 and 3, for $2 billion excess of $100 million) was split for 2022 into four layers, with the collective overspill renewed excess of the GXL, and the three private placements also maintained in place. A diagram of the 2022 arrangements is set out on page 13.

The main GXL contract was renewed with unamended, free and unlimited coverage for all risks except malicious cyber, COVID-19 and pandemic exposures. For these categories, free and unlimited cover applies for claims up to $450 million excess of $100 million, covering almost all Group clubs' certificated risks. Excess of $550 million there is up to $2.15 billion of annual aggregate cover in respect of these exposures. Above that, the Group has decided to pool unreinsured risks, an expedient which has resulted in no practical change to Members' cover for 2022.

Given the uncertainties which prevailed in negotiating the relevant coverages, this was a creditable result. Equally, the collective overspill ($1 billion excess of $2.1 billion) and all ancillary covers were renewed with premiums included within the overall rate per gross ton. This was notified to Members in Circular No. 25/21 of December 21, 2021.

The International Group's Bermudan-based reinsurance captive, Hydra, continues to support the Group through its risk retention within the lower layers of the Group's reinsurance structure for 2022. The Group's strategy of placing a share of the reinsurance program on a stand-alone basis through the use of private placements also contributes to stability of cover, despite market sentiment created by the impact of the COVID-19 pandemic, the increased severity of Pool claims and coverage issues.

Nevertheless, there were significant premium increases in regard to the Group's GXL cover for 2022. Rates rose by an average of 33% year-on-year, but the effect was spread over different vessel categories with persistent oil tankers and passenger vessels attracting lower-than-average increases, while fully cellular container vessels experienced the largest increase (of 55%).

The Maritime Labor Convention (MLC) market reinsurance cover was renewed for 2022 on competitive terms, with the premium included in the overall reinsurance rates charged to shipowners. The same is true of the International Group's excess war risks P&I cover, the details of which were, as usual, independently communicated by circular to Members at the beginning of the year.

In the middle of 2020, changes were made to the structure of the Club's reinsurance of its Eagle Ocean Marine (EOM) facility. This provides fixed premium insurance for P&I and FD&D risks for the operators of smaller vessels in local and regional trades, with an overall limit of cover of $500 million. The reinsurance was renewed as of July 1, 2021. This followed the tendering of the program for broker proposals, the successful outcome of which – involving a change of intermediary – facilitated a positive result.

EOM continued to make good progress in 2021. Although claims have recently increased, the business continues to record a cumulative combined ratio in the 80% range and, since inception some ten years ago, has generated over $100 million in total premium, making a solid contribution to the Club's mutuality. EOM remains committed

to providing the gold standard of service in its field, the industry recognition of which has underpinned its success over the years.

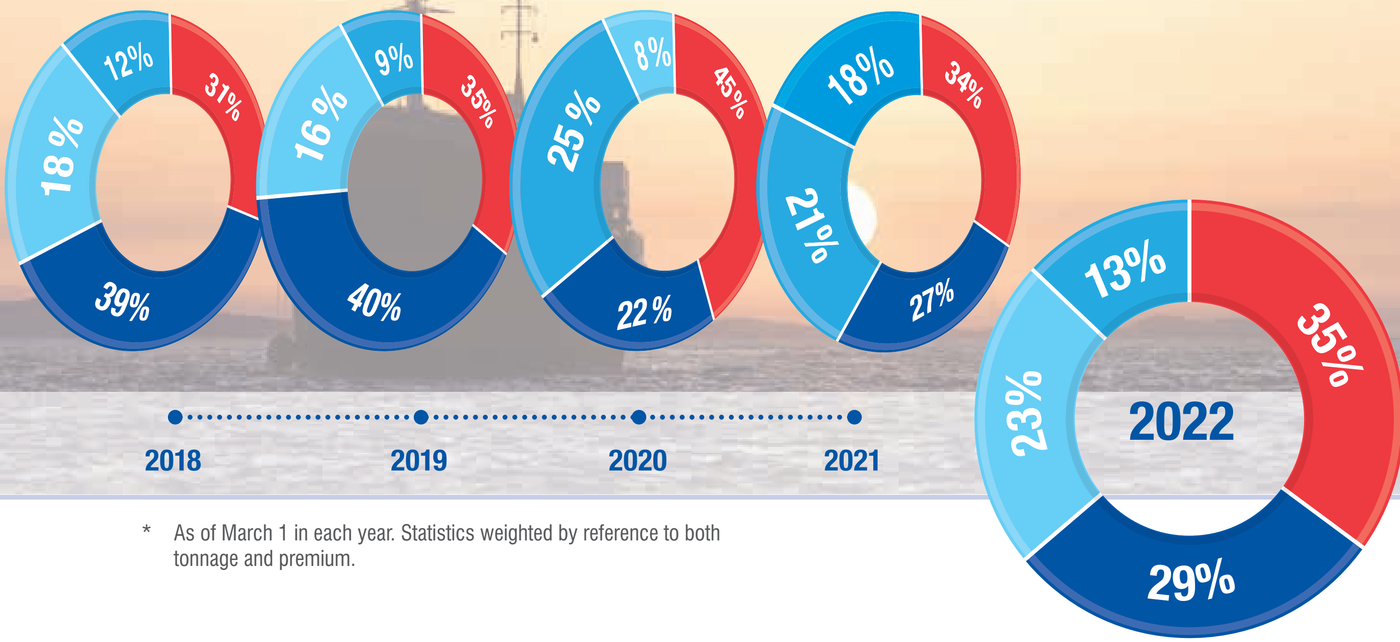
On the ratings front, Standard and Poor's reaffirmed in 2021 the American Club's BBB-/Stable investment grade financial strength rating. This followed, as has been the case for several years, an extensive review of the Club's current and prospective circumstances. However, in 2022, much in conformity with the view which Standard and Poor's has taken of the mutual P&I domain for several years, the agency adjusted its outlook for the Club from stable to negative. Nevertheless, positive trends within the overall profile of the Club's interface with the market were explicitly recognized by S&P, and these augur well for the Club's business over the years ahead.

The Club dedicated increasing resources to its business development initiatives throughout 2021. These initiatives continue in a focused and energetic manner. The use of social media on various platforms is an important part of this. The Club also makes regular contributions to the maritime trade press, and participates extensively in industry conferences throughout the world.

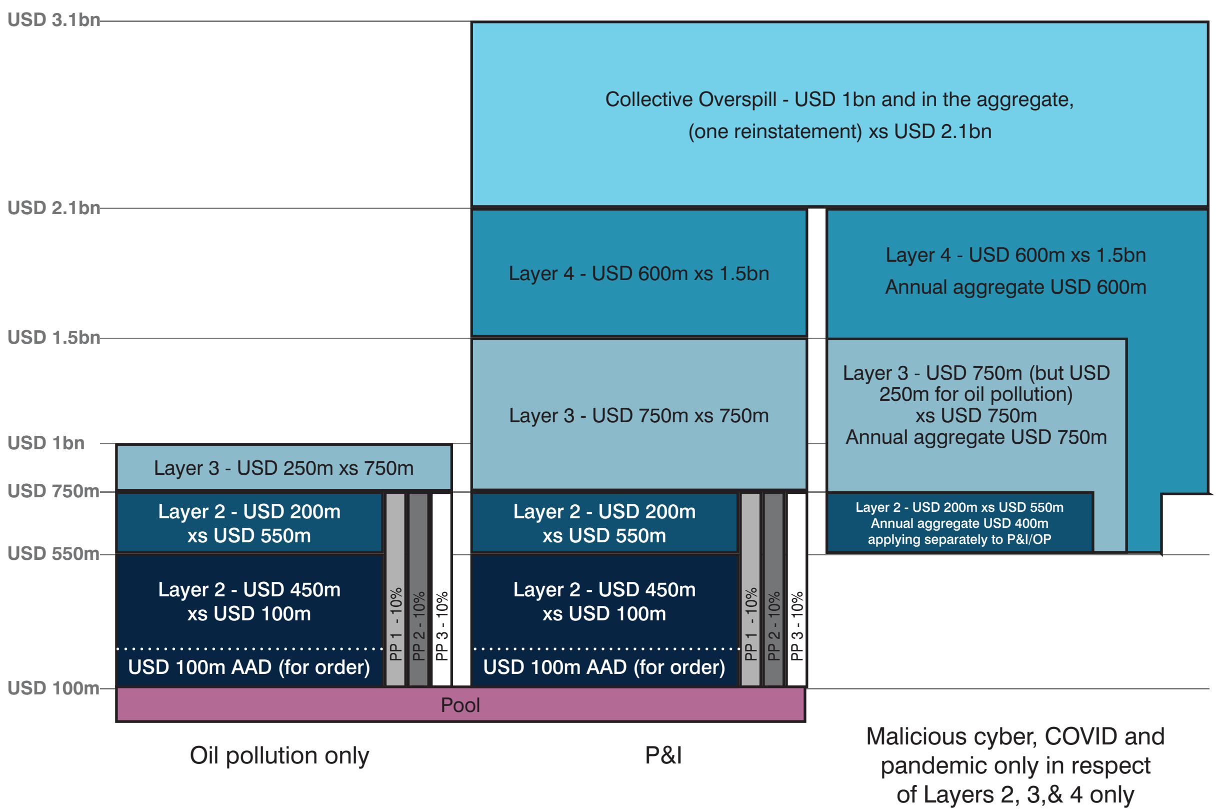
Social media provides an instantaneous avenue of global exposure to Members and all others with whom the American Club and EOM are engaged. The Club re-strategized its approach during 2021 to embrace the broadest subject matter and modes of communication to maintain the closest and most immediate connections with the Club's many constituencies and friends.

MEMBERS' TONNAGE BY VESSEL TYPE*

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



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



2022/23 International Group Pool
and GXL Reinsurance contract structure

Supplementary and Release Calls

The 2018 policy year, as notified to the membership in Circular No. 24/21 of November 19, 2021, was closed with a supplementary call of 15% of estimated total premium as of September 30, 2021.

2019 was, again as notified in the Circular, made subject to a supplementary call of 35% of estimated total premium due for payment in two equal instalments in May and October, 2022. No further calls for the 2019 year were expected prior to formal closure in the first half of 2022. In the interim, the release call margin for 2019 (i.e., over and above the 35% supplementary call) was set at 5% of originally estimated total premium for P&I (Class I) entries, i.e. 40% in total.

2020 has seen considerable deterioration in both retained exposures and those of the International Group Pool. Members have been notified that, although the year might be expected to improve over time as further investment income accrues to it, a supplementary call for 2020 will likely be required at a similar level to that of 2019. In the meantime, the release call for that year has been increased to 40% of originally estimated total premium in regard to the Club's P&I (Class I) entries, but will remain at 20% for its FD&D (Class II) business.

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

In conformity with this policy, and as noted above, the Club's Board of Directors explained in Circular 24/21 of November 19, 2021, the factors which it had taken into account in assessing the figures in question. Specifically, these were premium risk, catastrophe risk, reserve risk, market risk and counterparty default risk, as well as the exposure of the Club generally to the wide variety of operational risks which, over time, it is required to consider in determining both its basic premium and, more particularly, release call margins in regard to all open policy years.

The outlook for the markets during the remainder of 2022 is, by common consensus, highly uncertain.

Finance and Investments

The American Club's investment portfolio generated a respectable 7.1% return during the financial year to December 31, 2021. This compares with a benchmark return of 4.8% based on the Club's asset class distribution over the period. The return on the Club's equities portfolio was over 20%, while alternatives recorded earnings of nearly 30%. By contrast, the Club's fixed income securities and cash generated less than 1% between them.

Although 2020 had proved positive for most investment classes, as 2021 progressed signs of rising inflation generated a downturn in sentiment for bonds. However, despite persistent supply chain problems, labor shortages, and the unrelenting challenges of the pandemic, equity returns maintained their momentum to the upside during the year.

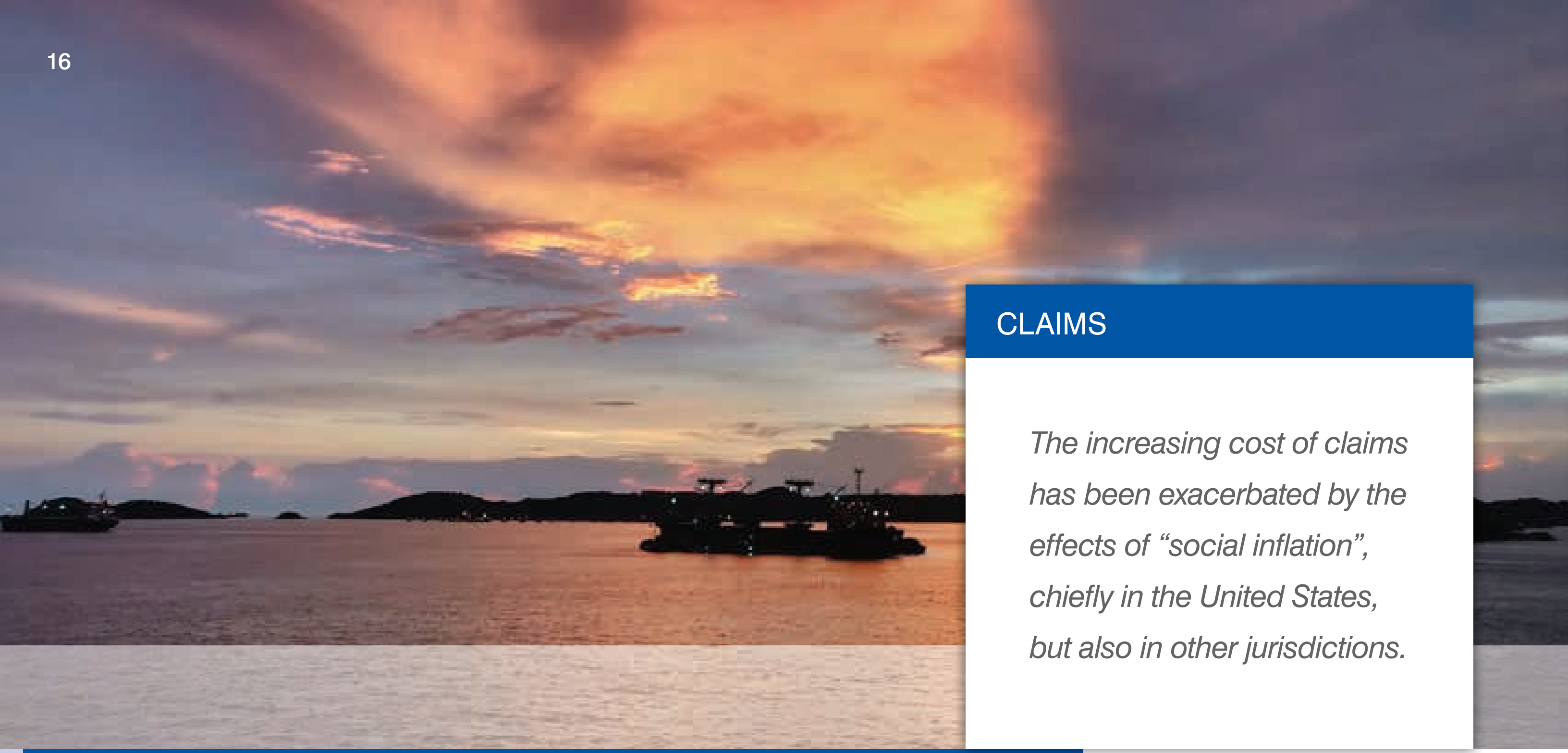
In the United States, the S&P 500 rose by nearly 27% during 2021 with the Dow and the NASDAQ gaining nearly 19%, and over 21%, respectively. The MSCI World Index rose by nearly 22% over the period. The fixed income sector experienced volatility in 2021, associated with rising inflation, a changing economic outlook, and new coronavirus variants. Although the 10-year Treasury yield rose significantly over the first quarter of 2021, it had declined to 1.52% by year-end.

The Club ended 2021 with an asset allocation of 36% in equities and 64% in fixed income and cash. This overweight in equities was largely due to a continuing outperformance in that space by comparison with the fixed income sector.

The US Federal Reserve characterized inflation as being transitory for much of 2021 but, as core price inflation continued to rise, has recently adopted a more hawkish posture. This has engendered a significant downturn in the equity markets, exacerbated by the economic fallout from hostilities in Ukraine, and other problems.

The outlook for the markets during the remainder of 2022 is, by common consensus, highly uncertain. Although elements of the major world economies remain comparatively strong, rising inflation, supply-side challenges and growing geopolitical tensions are generating fears of an impending recession.

Much will depend on whether a settlement of the Ukrainian crisis can be achieved, and what lies in geopolitical and economic terms beyond it. But even if there were positive developments in that direction over the months ahead, other concerns continue to impair a broad-based recovery, compounding uncertainty in the global markets.



CLAIMS

The increasing cost of claims has been exacerbated by the effects of "social inflation", chiefly in the United States, but also in other jurisdictions.

Claims

Claims developed unfavorably during 2021. Retained losses continued at elevated levels, while the performance of the International Group's Pool emerged along similarly negative lines.

The cost of claims for the Club's own account in 2021 was the worst for a decade. Inflationary trends affecting retained losses began to assert themselves in 2018, continued to develop in both severity and frequency in 2019, abated somewhat in 2020, but reasserted themselves strongly during 2021.

Some of this was attributable to COVID-19. Early pandemic-related claims attaching to the 2019 policy year reached nearly $5 million, reduced to less than half that figure for 2020 but increased to nearly $6.3 million during 2021. In addition to this – to some extent reflecting recent commodity price inflation – the cost of the average cargo claim on the Club had increased from $25,000 in 2020 to nearly $70,000 twelve months later.

The development of claims in the final quarter of 2021 was particularly unusual. Although results for 2017 and 2018 improved during that period, and those for 2019 and 2020 deteriorated by approximately $5 million in the aggregate, there were a further 651 additional claims notified for the 2021 year itself, and an increase in the total incurred for the year of $26 million.

The rising cost of Group Pool claims has been the subject of extensive discussion over recent years. In that regard, the three years 2018 through 2020 have experienced an average yearly aggregate value of Pool claims nearly 90% higher than that sustained for the years 2015 to 2017 inclusive. For 2021, the first six months of the year were the highest recorded for any previous year, suggesting little respite in the Pool's upward trajectory. It is worth noting that the American Club had no claims on the Pool during the year, nor has had since 2016. However, its contribution to pooling the losses of other clubs continues to form a large part of its overall exposure.

Happily, the gross figures for the Club's retained and Pool claims have benefited over recent years from its significant reinsurance protections, notably stop loss arrangements on its aggregate exposures within the first $10 million of losses, and in regard to its share of the lower Pool. This has had a positive effect on the Club's net liabilities. But even taking this into account, 2021 remains a year of uncommonly high claims.

The increasing cost of claims has been exacerbated by the effects of "social inflation". Although definitions of the expression vary, it might broadly be defined as the manner in which claims costs rise over and above general economic inflation, impelled by developments in legislation and litigation which inflate liabilities, and attendant expense. It has been most clearly visible in the United States but has also taken root in other jurisdictions.

The practical effect of social inflation can be seen by reference to certain Club statistics. Its own experience from 2011 to 2018 shows that the average cost per claim for US personal injury cases rose by 143% above the cumulative rate of general economic inflation over the same period.

Inflation in the cost of personal injury claims has also occurred elsewhere. Outside the United States, the average cost per claim in regard to personal injury incidents increased by 51% above the rate of general economic inflation between 2011 and 2018. While this figure is a source of concern itself, it is still only one-third of the excess inflation rate exhibited in the case of US claims over that time.

Activity within the International Group of P&I Clubs

The International Group continued to represent a compelling voice on behalf of the shipowning community during 2021. The activity of its specialist committees of subject-matter experts continued with vigor. This "brains trust" adds exceptional value to the services of the Group as a whole and, by extension, to those of individual clubs. The work of the Group's Secretariat in this regard has never been more important.

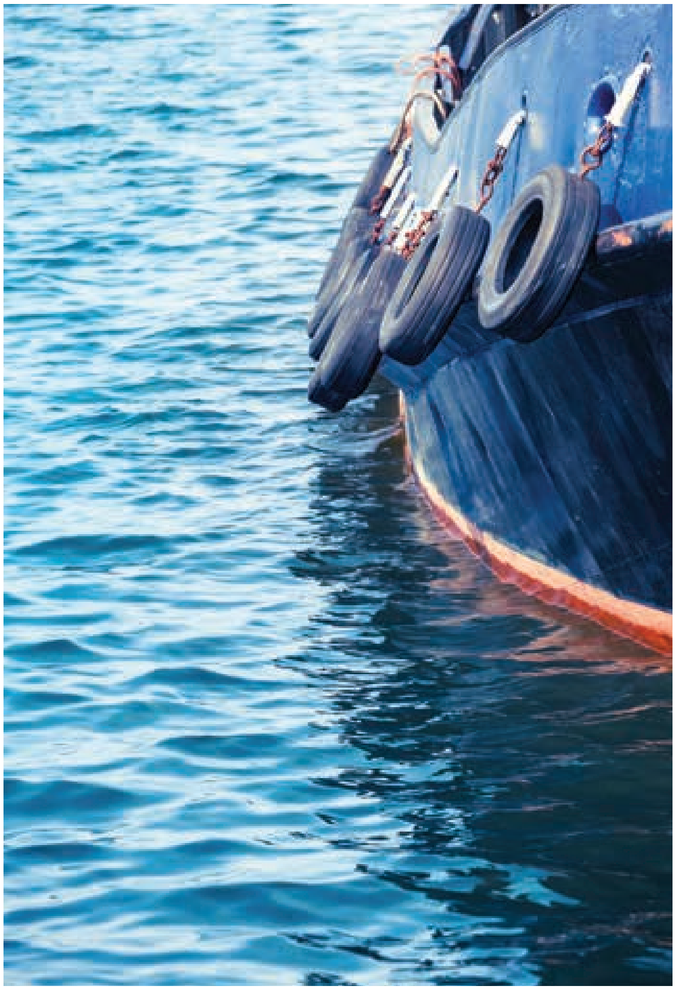
Sanctions continued to form a major focus during 2021. The Group's Sanctions Committee was particularly active in this regard, the more so over recent months in respect of the conflict in Ukraine and the sanctions imposed on Russia by many countries.

The implications of COVID-19 also continued to exercise the Group. The intensity of the pandemic – despite variations from region to region – appears to have subsided over recent months and some of the problems encountered at the height of the pandemic became less concerning as 2021 unfolded.

Sustainability remained an important theme of Group discussions. The Group commenced in 2021 the preparation of a dedicated Sustainability Report aimed for publication in 2022. The Report seeks to indicate how the International Group's core activities are aligned with UN Sustainability Goals, particularly in regard to response to maritime casualties, the clean-up of pollution in the marine environment, seafarer safety, education in the maritime industry and partnering with the IMO, ITOPF and other industry groups.

In this connection, and generally, there has also been growing discussion on the use of new fuels and the decarbonization of the maritime environment. The Group sees its role as supporting shipowners through the transition to new fuels and in regard to the wider sustainability agenda, of which decarbonization is one part.

As to new fuels specifically, the Group participates with IACS and other industry participants, with a particular emphasis on understanding the risks associated with new fuels and new technologies in order to take an inclusive approach to providing cover under the Group's pooling arrangements.



Sustainability

Sustainability as a key component in the anatomy of the shipping industry in general was first reviewed as an important element of management activity in last year's report. Over the intervening period, and as mentioned in the report of activity within the International Group of P&I Clubs, the subject has gained further momentum.

This pertains both to the increasing focus on ESG (Environmental, Social, Governance) principles as well as – in regard to environmental matters in particular – the increasing drive to decarbonize the shipping industry. The latter gained further currency as a subject of discussion within the maritime community as a result of the COP26 event in Glasgow in November, 2021.

The American Club has embraced this subject with thoughtfulness and sincerity. The Club continued during 2021 to develop its own sustainability program in line with industry and societal expectations. Indeed, the Managers have played an important role in the development of the International Group's own initiatives on the subject.

Sanctions

While sanctions on trade with some countries, notably Cuba, Iran and North Korea, have existed for many years, the recent Russian invasion of Ukraine has generated further impositions in regard to an already complicated sanctions landscape.

Dozens of foreign countries, led by the European Union, the United Kingdom, and the United States, have enacted a wide variety of sanctions on a broad range of Russian entities, and on the Russian economy in general. This has had a real impact on global shipping.

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

The expanding requirements of needing to "know your client" and "know your client's client" have placed burdens on otherwise routine commercial activity. In responding to Members' needs – in addition to securing the Club's own sanctions compliance – the Managers have established various new protocols to facilitate investigations.

Most recently, this has included a user-friendly, due diligence questionnaire for Members to ensure proper oversight of proposed fixtures and voyages. The Managers set a goal of being able to issue answers to Member enquiries within 24 to 48 hours after an initial inquiry. The need for sanctions compliance has never been greater than at present and, given the state of current geopolitics, is unlikely to decline any time soon.

Safety and Loss Prevention

While the exigencies – particularly in regard to the surveying of ships – created by the COVID-19 pandemic relaxed somewhat during 2021, inhibitions in promoting the Club's safety and loss prevention initiatives persisted. Nevertheless, safety and loss prevention continued to be a central focus of the American Club's service outreach.

Despite problems in gaining access to vessels for purposes of survey, 202 surveys were completed in 2021, more than double the number for 2020. The ability to deal with issues arising from surveys had the benign consequence of reducing the American Club's port state control detention rate. This fell to 5.5% in 2021 by comparison with 6.6% for the previous year. This may also infer that owners were better able to carry out repairs to their ships than they were in 2020 when accessibility was more limited.

There was a significant reduction in the number of seafarers examined at clinics within the Club's Pre-Employment Medical Examination (PEME) global network in 2020. This trend was reversed in 2021, with a dramatic rise in the number of examinations despite continuing difficulties in regard to crew changes. The Club continued to work closely with Members to ensure that seafarers were medically fit and ready to face the enduringly difficult conditions of working at sea.

A highlight of the year was the launching by the Club of its ***Good Catch*** initiative, a multi-lingual loss prevention program combining alerts and animations on safety-related issues in a focused format aimed principally at seafarers themselves. ***Good Catch*** was designed to recognize that, although there may be differences in detail between individual safety management systems, all have a common purpose in emphasizing seafarers' responsibility for their own safety, that of their shipmates, the marine environment, and the many other interests involved in their service at sea.

Bearing in mind its considerable constituency of Members who trade along rivers and inland waterways, 2021 saw the publication by the Club of guidance relating to such activity. One concerned best practice for vessels anchoring and mooring in high water conditions and the other reviewed best practices for barge fleeting. Both were well received.

Wishing to maintain contact with Members and other friends and associates, despite the pandemic, the Club conducted and participated in several webinars on loss prevention issues. They included the avoidance of collisions, the preservation of evidence, cyber security and resilience, and the importance of seafarer mental and physical wellness.

The American Club has always taken the view that loss prevention initiatives gain added momentum through joint venturing with other industry stakeholders. This informed several relationships which the Club enjoyed during 2021, notably with INTERTANKO and the United States National Academy of Sciences, Engineering and Medicine.

AMERICAN HELLENIC HULL

The hull and war risks business of the American Club (Europe) has continued to operate under the trading name of American Hellenic Hull.

American Hellenic Hull Insurance Company, Ltd.

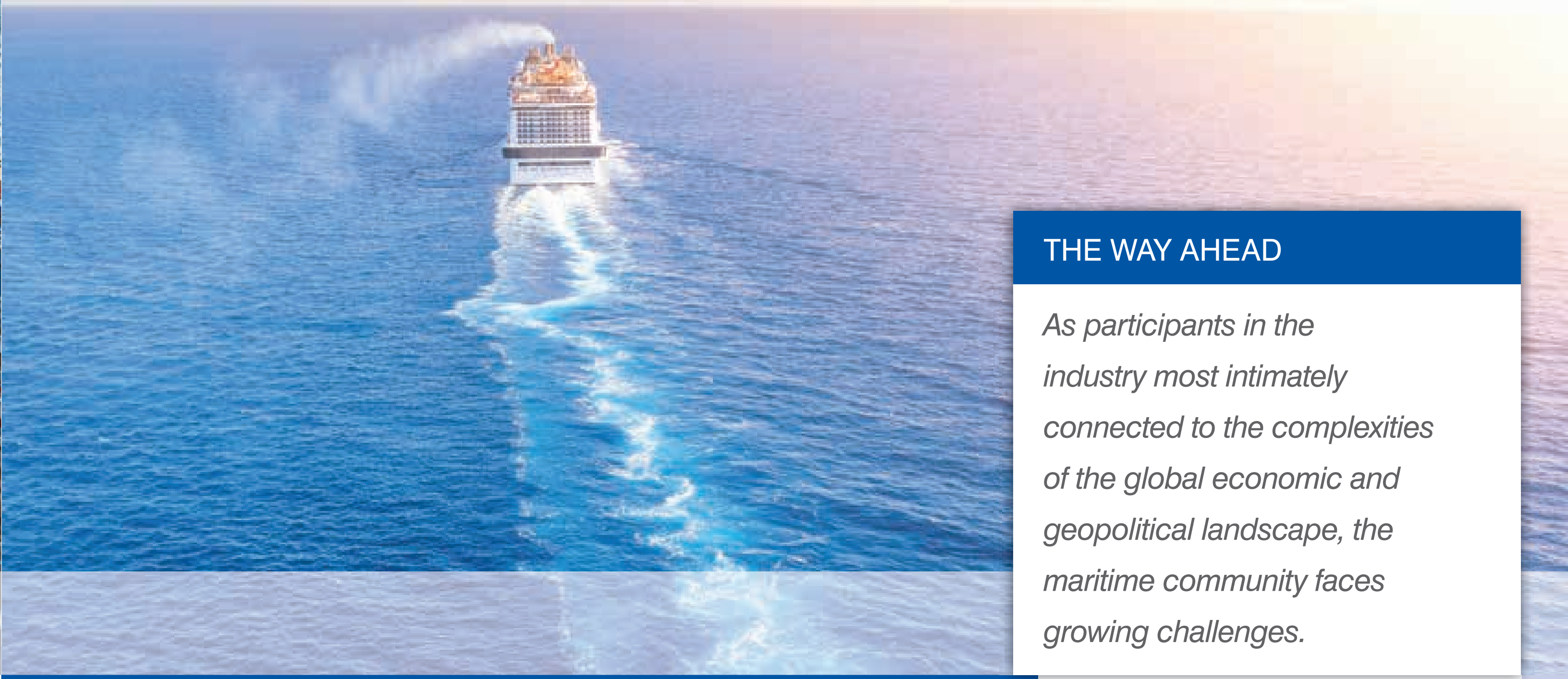
It became clear during the course of 2021 that the interests of shipowners and operators trading under EU/EEA flags, or with another qualifying nexus to the EU/EEA, were best served by the provision of primary P&I and related insurance from a locally-domiciled carrier, supplying cover as a wholly-owned subsidiary of the American Club with which the local company would have an extensive reinsurance relationship.

Accordingly, on February 7, 2022, in Circular No. 05/22, it was announced that American Steamship Owners Marine Insurance Company (Europe) Ltd. had completed the licensing procedures required by the authorities in Cyprus to underwrite P&I and related business for EU/EEA operators qualifying for such coverage with effect from February 20, 2022.

American Steamship Owners Marine Insurance Company (Europe) Ltd. – or the American Club (Europe) for short – is the renamed American Hellenic Hull Insurance Company Ltd. (AHHICL), originally established in Cyprus in mid-2016 as a wholly-owned subsidiary of the American Club to underwrite hull and machinery risks. The ability of the American Club (Europe) to underwrite P&I and related risks derived from an extension of AHHICL's original license to do so

The existing presence of a Club underwriting subsidiary in Cyprus – as American Hellenic Hull – proved of incalculable value in facilitating the extension of its original authorization to include the insurance of P&I and related risks from February 20, 2022. It has also facilitated the ongoing underwriting, accounting and regulatory imperatives of the newly-commenced P&I and related business of the American Club (Europe).

The hull and war risks business of the American Club (Europe) has continued to operate under the trading name of American Hellenic Hull. During 2021, that business encountered challenges as greater underwriting capacity entered the market, placing pressure on rates. Accordingly, the hull and war risks portfolio recorded an operational loss as of December 31, 2021, in consequence of which the business is being restrategized for the future as part of the overall direction for the Club's newly expanded involvement in the European Union.



THE WAY AHEAD

As participants in the industry most intimately connected to the complexities of the global economic and geopolitical landscape, the maritime community faces growing challenges.

The way ahead

2021 was a difficult year. Although elements of normality returned in many quarters, COVID-19 continued to assert its baleful influence on the world, while other geopolitical and economic problems emerged.

Some of these problems, and their impact upon the fortunes of both the Club and EOM, have already been reviewed. At the time of writing, hostilities in Ukraine – and the challenges they present to world order – dominate the global outlook. The turmoil and suffering engendered by these hostilities, together with the trauma they have transmitted to the rules-based system of international governance, will continue to darken the horizon for months and probably years to come.

As participants in the industry most intimately connected to the complexities of the global economic and geopolitical landscape, the maritime community faces growing challenges. Some of these challenges are already with us, some are clearly in sight, and some have yet to be perceived, much less identified and confronted.

They share, however, a common consequence: the need to ensure that those who provide services to the shipping industry, particularly P&I providers, who are traditionally so close to the constituencies they serve, have the wherewithal and dedication to meet the challenges of the future.

The Managers of the American Club and Eagle Ocean Marine are aware of these challenges and the need to deliver unsurpassed service at the times of greatest need. In promising to provide this support for the future, they thank all those who have supported the American Club and EOM in the past.

2021 FINANCIAL REPORT

Contents

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Independent Auditors' Report

To the Members of

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

Opinion

We have audited the accompanying consolidated financial statements of the American Steamship Owners Mutual Protection and Indemnity Association, Inc. and its subsidiary (the "Association"), which comprise the consolidated balance sheets as of December 31, 2021, and 2020, and the related consolidated statements of operations and comprehensive loss, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of the Association as of December 31, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Associations' ability to continue as a going concern for a reasonable period of time.

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

Disclaimer of Opinion on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules listed in the table of contents on pages 19-23 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 audit of the consolidated financial statements and, accordingly we do not express an opinion or provide any assurance on it.

Mazars USA LLP

Fort Washington, PA | June 21, 2022

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Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Consolidated Balance Sheets

IN THOUSANDS	NOTE	DECEMBER 31 2021	2020
ASSETS:			
Investments	3	$ 157,925	$ 168,970
Cash and cash equivalents		19,467	17,830
Members' balances receivable		62,561	52,135
Reinsurance recoverable	6	78,037	67,111
Advances to Hellenic Hull Mutual	1	4,846	7,233
Unbilled premiums and calls	2	65,505	39,628
Other assets	4	13,795	12,862
Total Assets		$ 402,136	$ 365,769
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES:			
Unpaid losses and allocated loss adjustment expenses	6	$ 199,333	$ 171,493
Unreported losses	6	54,465	43,947
Unearned premiums		18,115	14,638
Reinsurance payable		10,315	12,942
Surplus note payable	5	19,500	19,500
Demand promissory note payable	5	20,034	20,040
Other liabilities	4	16,703	11,209
Total Liabilities		$ 338,465	$ 293,769
COMMITMENTS AND CONTINGENCIES			
MEMBERS' EQUITY:			
Retained earnings		$ 62,342	$ 69,011
Accumulated other comprehensive income		1,329	2,989
Total Members' Equity		$ 63,671	$ 72,000
Total Liabilities and Members' Equity		$ 402,136	$ 365,769

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Loss

IN THOUSANDS	NOTE	DECEMBER 31 2021	2020
INCOME			
Net premiums and calls earned	7	$ 143,237	$ 90,628
Net investment income		2,531	2,394
Unrealized gains on investments		1,672	1,383
Net realized investment gains		5,794	2,156
Total Income		153,234	96,561
EXPENSES			
Losses and loss adjustment expenses incurred	6	111,402	59,033
Other operating expenses	8	48,501	42,502
Total Expenses		159,903	101,535
Loss Before Income Taxes		(6,669)	(4,974)
Income tax provision		—	(3)
Net Loss		(6,669)	(4,977)
OTHER COMPREHENSIVE LOSS, NET OF TAXES			
Unrealized losses on investments		(7,454)	(928)
Reclassification adjustments for net realized capital gains		5,794	2,156
Other Comprehensive (Loss) Income		(1,660)	1,228
Comprehensive Loss		$ (8,329)	$ (3,749)

Consolidated Statements of Changes in Members' Equity

IN THOUSANDS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL MEMBERS' EQUITY
Balance, January 1, 2020	$ 73,988	$ 1,761	$ 75,749
Cumulative-effect adjustment for unrealized loss on available-for-sale equity securities	(4,977)	—	(4,977)
Other comprehensive income	—	1,228	1,228
Balance, December 31, 2020	69,001	2,989	72,000
Net loss	(6,669)	—	(6,669)
Other comprehensive loss	—	(1,660)	(1,660)
Balance, December 31, 2021	$ 62,342	$ 1,329	$ 63,671

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IN THOUSANDS	DECEMBER 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (6,669)	$ (4,977)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of bond premiums	1,506	1,421
Unrealized gains on investments	(1,672)	(1,383)
Net realized investment gains	(5,794)	(2,156)
Loan receivable provision	2,387	—
Depreciation	34	36
	(3,539)	(2,082)
Changes in operating assets and liabilities:		
Members' balances receivable	(10,424)	(5,841)
Reinsurance recoverable	(10,926)	(5,986)
Unbilled premiums and calls	(25,878)	(3,093)
Other assets	(1,070)	17,000
Unpaid and unreported losses and allocated loss adjustment expenses	38,358	(187)
Unearned premiums	3,476	(10,227)
Reinsurance payable	(2,074)	(11)
Other liabilities	5,488	(5,768)
	(3,050)	(14,113)
Net cash used in operating activities	(13,258)	(21,172)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales/maturities of investments	150,953	87,355
Purchases of investments	(135,608)	(75,555)
Purchases of fixed assets	(450)	(600)
Net cash provided by investing activities	14,895	11,200
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from demand promissory note	—	12,500
Repayment of demand promissory note	—	—
Net cash used in financing activities	—	12,500
Net change in cash and cash equivalents	1,637	2,528
Cash and cash equivalents, beginning of year	17,830	15,302
Cash and cash equivalents, end of year	$ 19,467	$ 17,830
Supplemental Information:		
Income taxes paid	$ —	$ —
Interest paid	$ 283	$ 375

See Notes to Consolidated Financial Statements.

2021 Notes to Consolidated Financial Statements ($ in thousands, unless otherwise specified)

1. Organization

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

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

Members are charged premiums based on the tonnage of their insured vessels. For the 2021 and 2020 policy years, at December 31, 2021 and December 31, 2020, the gross tonnage insured was 25,039,340 and 22,833,918, respectively.

During 2005, the members of the International Group of P&I Clubs (the “International Group”), of which the Association is a member, created a segregated cell captive insurance company, Hydra Insurance Co. Ltd (“Hydra”). The Association is a minority owner of the general cell and owns 100% of its segregated cell. The results of the Association’s segregated cell of Hydra are consolidated with the results of the Association in the consolidated financial statements.

During 2015, the Association established two wholly-owned subsidiaries, AHHIC, Inc., a U.S. domiciled holding company, and American Hellenic Hull Insurance Company, Ltd. (AHHIC, Ltd.), a Cyprus based insurer. During 2016, AHHIC, Ltd. obtained its license to operate and began writing business on July 1, 2016. The business written by Hellenic Hull Mutual, an unrelated insurer based in Cyprus, novated to AHHIC, Ltd. on a pro-rata basis on July 1, 2016. In November 2021, AHHIC, Ltd was renamed American Steamship Owners Marine Insurance Company (Europe) Ltd (“ASOMIC”). Effective February 20, 2022, ASOMIC expanded its license to include P&I and related business for EU/EEA operators.

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

On September 17, 2021, AHHIC, Inc., as instructed by SCB, extended the loan repayment date, without accruing interest, until December 31, 2022. As of December 31, 2021, the Company recorded a reserve amounting to $2.4 million in relation to this loan. The balance of the loan receivable as of December 31, 2021 and 2020 stands at $4.8 million (net of $2.4 million reserve) and $7.2 million (net of zero reserve), respectively.

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

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

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP).

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

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

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

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

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

The Association uses investment portfolio managers to manage the investment portfolio. Such portfolio managers are supervised by the Association and its managers. The identification of potentially impaired fixed maturity investments involves significant management judgment that includes the determination of their fair value and the assessment of whether any decline in value is other than temporary. If the decline in value is determined to be other than temporary, then the Association records a realized loss in the consolidated statement of operations and comprehensive loss in the period that is determined, and the cost basis of that fixed maturity investment is reduced.

Valuation Techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the years ended December 31, 2021 and 2020, no Member accounted for 10% or more of total revenue.

Income Taxes -The Association is exempt from income taxes except for Federal and New York State taxes on taxable interest and dividends received. The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to net investment income primarily due to tax-exempt interest income included in investment income. Deferred income tax relating to accrued taxable interest and dividends is recorded. The Company has no uncertain tax positions as of December 31, 2021.

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

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

The total sum of all open policy years deficiencies as of any reporting date are fully assessable and earned, representing the shortfall of initial premium calculation based on Estimated Total Cost (ETC) known or predicted at the beginning of the policy year. The DJA pre-1989 asbestos claims liability at any reporting period end date is allocable evenly to each open policy year and is made part of that policy years ETC. This is the reinsurance responsibility assigned to open years on a rolling forward basis so that the three most recent open policy years are held accountable for the full outstanding DJA claims liability, however limited by agreement to payment of no more than $800 thousand per calendar year allowing for the above- mentioned rolling forward basis. The total of all open years' deficiencies, which includes the allocation of the DJA pre-1989 asbestos claims liability, is representative of, and includable in the calculation of unearned premiums and calls. The estimated gross earned but unbilled premium and calls as of December 31, 2021 and 2020 amounted to $65.5 million and $39.6 million, respectively.

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

3. Investments

The cost or amortized cost, gross unrealized gains and losses and fair value of investments in equity securities and debt securities classified as available-for-sale at December 31, 2021 and 2020 were as follows:

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

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2020				
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 32,163	$ 297	$ —	$ 32,460
Obligations of states and political subdivisions	55,838	2,539	6	58,371
Industrial and miscellaneous bonds	4,489	161	—	4,650
Common stocks	56,194	12,278	458	68,014
Other invested assets	9,773	—	4,298	5,475
Total	**$ 158,457**	**$ 15,275**	**$ 4,762**	**$ 168,970**

The following summarizes unrealized investment losses by class of investment at December 31, 2021 and 2020. The Association considers these investments to be only temporarily impaired.

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2021						
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 17,118	$ 93	$ —	$ —	$ 17,118	$ 93
Obligations of states and political subdivisions	13,738	119	—	—	13,738	119
Industrial and miscellaneous bonds	11,920	146	—	—	11,920	146
Common stocks	3,173	406	128	53	3,301	459
Other invested assets	—	—	3,953	3,877	3,953	3,877
Total	**$ 45,949**	**$ 764**	**$ 4,081**	**$ 3,930**	**$ 50,030**	**$ 4,694**

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2020						
Government obligations	$ 1,540	$ —	$ —	$ —	$ 1,540	$ —
Obligations of states and political subdivisions	2,160	6	—	—	2,160	6
Industrial and miscellaneous bonds	—	—	—	—	—	—
Common stocks	2,901	188	5,117	270	8,018	458
Other invested assets	3,647	965	1,827	3,333	5,474	4,298
Total	**$ 10,248**	**$ 1,159**	**$ 6,944**	**$ 3,603**	**$ 17,192**	**$ 4,762**

The fair value and amortized cost of available-for-sale debt securities at December 31, 2021 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	$ 27,632	$ 27,699
Due after one year through five years	52,903	53,668
Due after five years through ten years	19,022	19,394
Due after ten years	11,367	11,495
Total	**$ 110,924**	**$ 112,256**

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

	2021	2020
Proceeds from sales of investments	$ 68,317	$ 69,674
Gross realized gains	6,276	5,040
Gross realized losses	482	2,884

There were no other-than-temporary impairments recorded in 2021 or 2020.

At December 31, 2021 and 2020, United States Government Treasury notes in the amount of $305 par value, respectively, were deposited with regulatory authorities as required by The New York Insurance Law.

Fair Value Hierarchy

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

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

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

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

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets or liabilities in non-active markets;

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and

d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table presents the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020:

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

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2020				
	TOTAL FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	VALUED AT NAV
ASSETS					
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 33,925	$ 33,925	$ —	$ —	$ —
Obligations of states and political subdivisions	56,906	—	56,906	—	—
Industrial and miscellaneous bonds	4,649	—	4,649	—	—
Common stocks	68,015	67,995	—	20	—
Other invested assets	5,475	—	—	—	5,475
Total	**$ 168,970**	**$ 101,920**	**$ 61,555**	**$ 20**	**$ 5,475**

During the years ended December 31, 2021, and 2020, there were no transfers into (out of) Levels 1, 2 or 3. There were no purchases or sales of assets classified as Level 3 during the years ended December 31, 2021 and 2020.

This class includes several private equity funds that invest primarily in real estate, energy infrastructure, and other private equity funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 3 to 8 years, subject to 2 to 4 one-year extensions. However, as of December 31, 2021, it is probable that all of the investments in this class will be sold at an amount different from the net asset value of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments. As of December 31, 2021, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve of the buyer before the sale of the investments can be completed. As of December 31, 2021, there are $1.8 million in unfunded commitments.

4. Other Assets and Liabilities

	2021	2020
Other Assets		
Computer equipment and software - net of accumulated depreciation of $6.6 million and $6.5 million, respectively	$ 2,432	$ 2,016
Receivable for securities sold	—	149
Accrued interest receivable	877	827
Income tax recoverable	252	245
Management fee receivable	3,213	2,561
Other receivable	237	2,599
Other assets	6,784	4,465
	$ 13,795	**$ 12,862**
Other Liabilities		
Accrued expenses	$ 16,702	$ 11,084
Liability for securities purchased	—	124
Income tax payable	1	1
	$ 16,703	**$ 11,209**

5. Debt

At December 2021 the Association owed $20 million on a demand promissory note from Deutsche Bank Trust Company America ("demand promissory note). Interest on the demand promissory note was calculated using a rate of 3-month LIBOR plus 1 percent. Interest accrued at December 31, 2021 amounted to $34 thousand. At December 31, 2020 the Association owed $20.0 million on a demand promissory note from Deutsche Bank Trust Company America ("demand promissory note). Interest on the demand promissory note was calculated using a rate of 12-month LIBOR plus 1 percent. Interest accrued at December 31, 2020 amounted to $40 thousand.

During 2015, a surplus note with an interest rate of 8% and a date of maturity of December 20, 2040, in the amount of $19.5 million was issued in exchange for cash as a private placement issue by the Association. No payment of principal or interest shall be permitted on the surplus note without the prior approval of the Superintendent of the New York State Department of Financial Services and shall only be made out of free or divisible surplus of the Association. In the event of the liquidation of the Association, the claims under this surplus note shall be paid out of any assets remaining after the payment of all policy obligations and all other liabilities, but before distribution of assets to members. Interest accrued on the note at December 31, 2021 and 2020 was $9.3 million and $7.8 million, respectively, and is recorded under "Other liabilities" on the balance sheet.

6. Unpaid Losses and Reinsurance Recoverable

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

		2021		2020
Gross balance at January 1	$	215,440	$	215,503
Less reinsurance recoverable on unpaid losses		61,011		57,380
Net Balance at January 1	**$**	**154,429**	**$**	**158,123**
Incurred related to:				
Current year	$	76,202	$	45,601
Prior years		35,200		13,432
Total Net Incurred	**$**	**111,402**	**$**	**59,033**
Paid related to:				
Current year	$	17,579	$	9,457
Prior years		66,021		53,270
Total Net Paid	**$**	**83,600**	**$**	**62,727**
Net balance at December 31	**$**	**182,231**	**$**	**154,429**
Plus reinsurance recoverable on unpaid losses		71,567		61,011
Gross Balance at December 31	**$**	**253,798**	**$**	**215,440**

In 2021, unfavorable development for prior years was $35.2 million. The unfavorable development was the result of $6.5 million expected emergence for the 2020 policy year along with additional emergence of $18 million, and unfavorable emergence of $10.7 million for policy years 2019 and prior. An increase or decrease due to re-estimation of prior year's losses is generally a result of ongoing analysis of recent loss development trends as well as claim reviews on specific files.

In 2020, unfavorable development for prior years was $13.4 million. The unfavorable development was the result of $8.1 million expected emergence for the 2019 policy year along with additional emergence of $3 million, and unfavorable emergence of $2.3 million for policy years 2018 and prior. An increase or decrease due to re-estimation of prior year's losses is generally a result of ongoing analysis of recent loss development trends as well as claim reviews on specific files.

Original estimates are increased or decreased as additional information becomes known regarding individual claims. A fluctuation in reserves within a reasonable actuarially calculated range of those carried by the Association at December 31, 2021 is not expected to materially impact surplus.

The following tables present information about incurred and paid claims development on Ocean Marine business as of December 31, 2021, net of reinsurance, as well as cumulative claims frequency. The table includes unaudited information about incurred and paid claims development for the years ended December 31, 2012 through 2016, which the Association presents as supplementary information. The number of reported claims is measured by claim event and an individual claim event may result in more than one reported claim. The Association considers a claim that does not result in a liability as a claim closed without payment. All the claim count information is disclosed on a per claimant basis.

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

Accident Year	Unaudited 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	IBNR 2021	at Dec 31, 2021 Cumulative Number of Reported Claims
2012	74,409	69,348	65,895	64,766	67,837	65,615	65,273	64,382	63,204	63,135	448	1,748
2013		77,992	71,244	66,232	72,860	73,504	74,850	74,462	73,984	73,521	610	1,780
2014			71,946	68,966	67,533	67,578	66,662	65,743	64,615	64,786	1,012	1,861
2015				55,047	47,232	44,471	43,635	41,784	39,623	39,372	985	1,579
2016					61,890	58,586	57,791	56,705	57,086	57,213	768	1,608
2017						46,539	51,749	55,240	58,654	62,925	940	2,363
2018							44,906	55,159	58,656	60,112	1,196	2,600
2019								62,101	68,998	67,886	839	2,865
2020									54,783	69,675	3,327	2,396
2021										84,338	16,904	2,019
									Total	$642,963	$27,019	

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

Accident Year	Unaudited 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2012	10,486	35,955	50,843	58,807	55,700	61,395	61,455	62,292	62,683	62,758
2013		17,860	25,743	37,780	53,536	60,493	62,599	65,821	71,809	72,162
2014			12,707	28,385	50,292	56,336	59,113	60,583	61,994	62,209
2015				7,678	18,576	25,390	28,631	30,894	32,692	33,814
2016					13,911	29,903	41,865	46,357	49,980	53,952
2017						10,828	27,900	41,733	47,324	52,384
2018							10,221	27,825	39,048	49,189
2019								11,446	31,180	55,078
2020									13,412	29,342
2021										19,674
									Total	$ 490,562

All outstanding liabilities prior to 2012, net of reinsurance	$ 29,830
Liabilities for claims and claim adjustment expenses, net of reinsurance	$182,231

Years	1	2	3	4	5	6	7	8	9	10
Accident	19.8%	26.6%	23.5%	12.2%	4.8%	5.1%	2.4%	3.3%	0.5%	0.1%

	2021	2020
Reinsurance recoverable on unpaid losses	$ 71,567	$ 61,011
Reinsurance recoverable on paid losses	6,470	6,100
Total reinsurance recoverable	**$ 78,037**	**$ 67,111**

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:

	2021	2020
Direct	$ 132,759	$ 73,948
Assumed	24,147	24,143
Ceded	(49,504)	(39,058)
Total losses and loss adjustment expenses incurred	**$ 111,402**	**$ 59,033**

7. Premiums and Calls

	2021	2020
Premiums and calls written and billed	$ 151,347	$ 91,401
Change in unbilled premiums and calls	25,878	24,650
Return premiums	(1,620)	(2,140)
Reinsurance premiums ceded	(29,866)	(23,306)
Net premiums and calls written	**$ 145,739**	**$ 90,605**
Decrease (increase) in net unearned premiums	(2,502)	23
Net Premiums and Calls Earned	**$ 143,237**	**$ 90,628**

8. Other Operating Expenses

	2021	2020
Management fee	$ 20,801	$ 18,364
Bad debts	328	1,872
Brokerage	15,940	12,245
Other	11,432	10,021
Total Other Operating Expenses	**$ 48,501**	**$ 42,502**

9. Commitments and Contingencies

Letters of Credit – At December 31, 2021 and 2020, the Association had outstanding letters of credit for $4.0 million and $6.2 million, respectively. The bond investment accounts, held by Deutsche Bank Trust Company America as custodian, are pledged as collateral for the Letters of Credit.

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

	2021	2020
Asbestos-Related Claims		
Aggregate gross losses paid to date at December 31	$ 19,761	$ 18,377
Loss reserves - reported	6,457	4,737
Loss reserves - unreported	14,521	9,521

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

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

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

On February 5, 2008, the Association entered into a Settlement Agreement with its former members/defendants ending the Declaratory Judgment action. The Settlement Agreement resolved all of the disputed factual and legal issues raised in the l itigation. While the Association will now provide coverage to its former members for their Closed Year Claims, the Association's payment of those claims is subject to an annual limit of $800 thousand, regardless of the aggregate value of the former members' Closed Year Claims, and the former members have agreed to continue to absorb multiple deductibles in calculating the value of their indemnity claims.

With respect to environmental liability, the Association's only exposure arises out of sudden and accidental pollution caused by the escape of polluting substances (primarily oil) from oceangoing or inland river vessels which are capable of navigation.

Other Contingencies – From time to time, asserted and unasserted claims are made against the Association in the ordinary course of business. Management of the Association does not believe that the outcome of any such proceedings will have a material adverse effect on the Association's financial position or result of operations.

10. Statutory Filings

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

State insurance statutes require the Association to maintain a minimum statutory surplus of $250 thousand and permit the Department to specify a higher amount at its discretion. The Department has specified $7.5 million as the minimum surplus to be maintained by the Association. The Association reported statutory surplus of $51.0 million and $63.0 million as of December 31, 2021 and December 31, 2020, respectively.

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

11. Leases

The Association's managers have a lease in which they are the named tenant, which commenced on March 1, 2014 and expires September 30, 2029. The Association is the guarantor of this lease agreement. The potential obligation of the guarantee over the term of the lease is approximately $18.3 million.

12. Average Expense Ratio

In accordance with Schedule 3 of the International Group Agreement 1999, the Association is required to disclose its Average Expense Ratio, being the ratio of operating expenses to income, including premium and investment income, averaged over the five years ended December 31, 2021.

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, 2021 the 5 Year Average Expense ratio calculated using net of brokerage premiums is 15.1%, and the 5 Year Average Expense Ratio calculated on Gross Premium with brokerage included in Operating Costs is 21.3%.

This compares with the 5 Year Average Expense ratio calculated using net of brokerage premiums of 16.0%, and the 5 Year Average Expense Ratio calculated on Gross Premium with brokerage included in Operating Costs of 22.2% recorded for the five years ended December 31, 2020.

These calculations reflect all known information through December 31, 2021.

13. Subsequent Events

Subsequent events have been considered through June 21, 2022, the date these audited financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Association. The duration of these uncertainties and ultimate financial effects cannot be reasonably estimated at this time.

* * * * *

Unaudited Supplemental Schedules

Statement of Operations and Comprehensive Loss for the Years Ended December 31, 2021 and 2020

	P&I		FD&D	
IN THOUSANDS	2021	2020	2021	2020
INCOME				
Net premiums and calls earned	$ 126,688	$ 73,215	$ 5,076	$ 4,343
Net investment income	2,433	2,260	80	50
Unrealized gains on equity investments	1,608	1,306	64	77
Net realized investment gains	5,571	2,035	218	5
Total Income	136,300	78,816	5,438	4,475
EXPENSES				
Losses and loss adjustment expenses incurred	96,385	46,548	3,795	2,713
Other operating expenses	41,954	36,683	1,681	2,176
Total Expenses	138,339	83,231	5,476	4,889
Loss Before Income Taxes	(2,039)	(4,415)	(37)	(415)
Income tax provision	—	—	—	—
Net Loss	(2,039)	(4,415)	(37)	(415)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX				
Unrealized (losses) gains on investments	(1,611)	1,084	(65)	64
Other Comprehensive (Loss) Income	(1,611)	1,084	(65)	64
Comprehensive Loss	$ (3,650)	$ (3,331)	$ (102)	$ (351)

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

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

Unaudited Supplemental Schedules

Losses and Reinsurance Recoverable for the Years Ended December 31, 2021 and 2020

IN THOUSANDS	2021	2020
NET CLAIMS PAID		
Gross claims paid:		
Members' claims	$ 88,578	$ 73,649
Other Clubs' Pool claims	15,514	16,606
	104,092	90,255
Recoveries on claims paid:		
From the Group excess of loss reinsurance	1	59
From the Pool	9,078	12,586
Other reinsurers	24,024	18,559
	33,103	31,204
Net Claims Paid	$ 70,989	$ 59,051
CHANGE IN NET PROVISION FOR CLAIMS		
Claims outstanding:		
Members' claims	$ 162,758	$ 134,053
Other Clubs' Pool claims	83,393	70,761
	246,151	204,814
Reinsurance recoverables:		
From the Group excess of loss reinsurance	98	98
From the Pool	11,889	17,905
Other reinsurers	58,875	39,468
	70,862	57,471
Net claims outstanding at December 31	175,289	147,343
Net claims outstanding at January 1	147,343	152,562
Change in Net Provision for Claims	$ 27,946	$ (5,219)

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

Unaudited Supplemental Schedules

Open and Closed Years and Contingency Fund

The Association maintains separate accounting for each policy year, which runs from February 20 through February 20, and keeps policy years open until the Board of Directors resolve to close the year. Years are closed after the ultimate liabilities for that year are known with a high degree of probability. The 2018/19 policy year was closed on September 30, 2021, without further calls.

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

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

DEVELOPMENT OF OPEN POLICY YEARS

	POLICY YEARS 2019–20	2020–21	2021–22
INCOME			
Premiums and calls – net	$ 109,661	$ 90,731	$ 85,470
Premiums and calls – earned but unbilled	350	18,977	26,164
Investment income	3,940	1,936	1,161
Total Income	**113,951**	**111,644**	**112,795**
EXPENSES			
Net paid losses	46,390	15,160	13,738
Net pending losses	12,083	39,733	39,521
Unreported losses	680	3,498	14,457
Reinsurance premiums	29,118	30,819	25,673
Other operating expenses	25,718	24,543	22,313
Total Expenses	**113,989**	**113,753**	**115,702**
ACCUMULATED DEFICIT	**(38)**	**(2,109)**	**(2,907)**
MEMBERS' DEFICIT: OPEN YEARS	**$ (38)**	**$ (2,109)**	**$ (2,907)**

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

2019/20	$5,745
2020/21	$6,070
2021/22	$7,288

For the 2021/22 policy years premiums and calls are stated on an earned basis to December 31, 2021. Expenses are stated on an accrued basis for the same period.

CLAIMS OUTSTANDING (INCLUDING UNREPORTED LOSSES) - OPEN YEARS

	POLICY YEARS 2019–20	2020–21	2021–22
Gross outstanding claims			
Members' claims	$ 20,540	$ 37,640	$ 45,148
Other Club's Pool claims	11,312	18,887	18,867
	31,852	**56,527**	**64,015**
Pending reinsurance recovery			
From the Group excess of loss reinsurance	—	—	—
From the Pool	1,956	1,295	—
Other reinsurers	17,133	12,002	10,037
	19,089	13,297	10,037
Net Outstanding Claims	**$ 12,763**	**$ 43,230**	**$ 53,978**

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

DEVELOPMENT OF CLOSED POLICY YEARS AND CONTINGENCY FUND

	2021	2020
Closed Years' Balance, January 1	$ —	$ —
Total income earned	10,503	(511)
Net paid losses	26,951	28,293
Net pending losses	(7,850)	(18,847)
Unreported losses	3,683	(3,849)
Reinsurance premiums	(13,004)	(12,747)
Other operating expenses	6,282	4,800
Total expenses incurred	16,062	(2,350)
Unrealized investment losses	(12)	(2,583)
Transfer from closed policy year 2018/19	(691)	—
Transfer from closed policy year 2017/18	—	(2,413)
Net change	(6,262)	(3,157)
Transfer from (to) contingency fund	6,262	3,157
Closed Years' Balance, December 31	$ —	$ —
Contingency Fund Balance, January 1	$ 74,987	$ 99,701
Effect of correction of an error related to EBUB	—	(21,557)
Transfer from (to) closed policy years	(6,262)	3,157
Contingency Fund Balance, December 31	$ 68,725	$ 74,987
Open Policy Years' Equity		
2018/19	$ —	$ (563)
2019/20	(38)	(1,897)
2020/21	(2,109)	(527)
2021/22	(2,907)	—
Total Members' Equity	$ 63,671	$ 72,000
Claims Outstanding (including unreported losses) – Closed Years		
Gross pending losses		
Members' claims	$ 59,429	$ 58,058
Other Clubs' Pool claims	34,327	29,040
	93,756	87,098
Pending reinsurance recovery		
From the Group excess of loss reinsurance	98	98
From the Pool	8,638	12,150
Other reinsurers	19,703	17,930
	28,439	30,178
Net Pending Losses	$ 65,317	$ 56,920

(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, 2022

THE AMERICAN CLUB 1917

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