THE AMERICAN CLUB

100 YEARS OF SERVICE

1917 2017

2016

Annual Report

Despite a difficult climate for shipping, and rising geopolitical concerns, 2016 was a solid year for the American Club. P & I tonnage grew by 16%, FD & D by 19%. Premium income remained flat, but reinsurance outgo declined. Attritional claims were subdued. Pool exposures remained modest. Investment returns increased. Eagle Ocean Marine grew both premium and profits. American Hellenic Hull commenced operations with vigor. A Houston office was opened, extending capabilities into the US Gulf and beyond. The Club won the 2016 Lloyd's List North American Maritime Services Award. A centennial history was published. The Club celebrates its hundredth year reflecting on the achievements of its first century, and energized by the exciting prospects of its second.

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HIGHLIGHTS

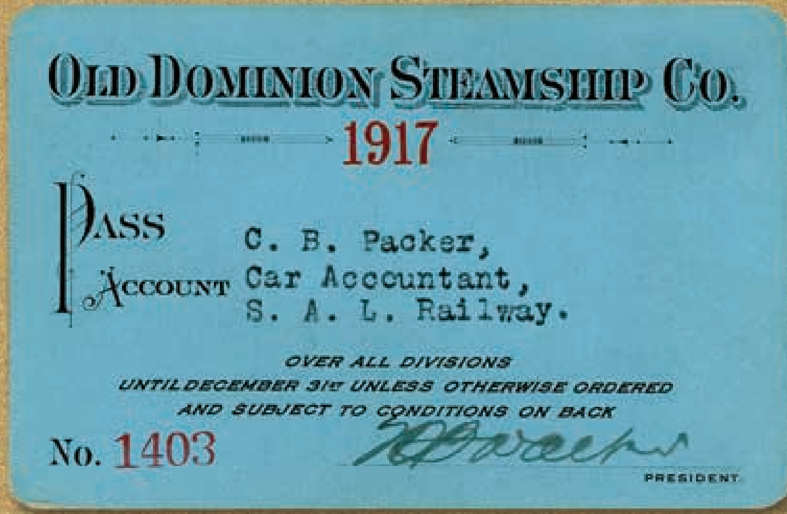
2016 was the closing year of the American Club's first century of service to the global shipping community.

2016 Highlights

- 2016 renewal sees modest expansion of tonnage, but limited revenue growth.
- Dry bulk recession persists, begins to spread to tanker trades.
- 2013 policy year closed without call in excess of original forecast.
- Investments produce better return than 2015, despite political and financial uncertainties.
- Attritional claims develop very favorably, despite two early losses of unusual severity.
- Pool claims emergence prolongs moderate trend of recent years.
- Standard and Poor's affirms investment grade counterparty rating.
- Eagle Ocean Marine continues to grow market share with increased profitability.
- American Club wins Lloyd's List North American Maritime Services Award.
- American Hellenic Hull gains Solvency II approval: commences operations: enjoys excellent early development.
- Houston office opened in July 2016 extending capabilities in US Gulf and beyond.
- Loss prevention initiatives continue vigorously.
- Club publishes widely acclaimed centennial history toward end of 2016.
- Zero increase in premium ordered across all classes of businesses for 2017: individual club retention maintained: Pool ceiling increased: Group reinsurance costs decline.
- P & I entries grow by 16% year-on-year into 2017, FD & D business by 19%.
- New reinsurance of Club's retained claims augments protection of aggregate exposures.
- Club's surplus grows strongly over first quarter of 2017: claims emergence for current policy year develops favorably at early stage.
- Positive risk profile of continuing business encourages bright outlook for future.

REPORT OF THE DIRECTORS

The Directors of American Steamship Owners Mutual Protection and Indemnity Association, Inc. (the American Club) are pleased to present the Club's Annual Report and Accounts for the year ended December 31, 2016.



The Year in Review

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

The Annual Meeting of the Club's Members took place in New York City on June 23, 2016. At that meeting, all the Directors who had presented themselves for re-election were duly re-elected to serve for a further twelve months. In addition, Mr. Panagiotis Christodoulatos of Ikaros Shipping & Brokerage Co., Ltd. was elected as a new Director. Mr. Christodoulatos was welcomed to the Board in the expectation that he would make a significant contribution to the Club over the years ahead.

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

It was with great sadness that the Directors learned of the sudden death, on September 8, 2016, of Mr. Michael L. Murley, a member of the Board since September, 2003 and Chairman of its Claims and Risk Management Committee since June, 2006.

Mike Murley served the Club with great distinction over the years. His outstanding professionalism and great personal charm will be sorely missed. On a happier note, the Directors were pleased to welcome Mr. Robert D. Bondurant, also of Martin Resource Management Corp., as a member of the Board later in the year. The Board is sure that Mr. Bondurant will provide an equally distinguished contribution to the Club's affairs over the months and years ahead.

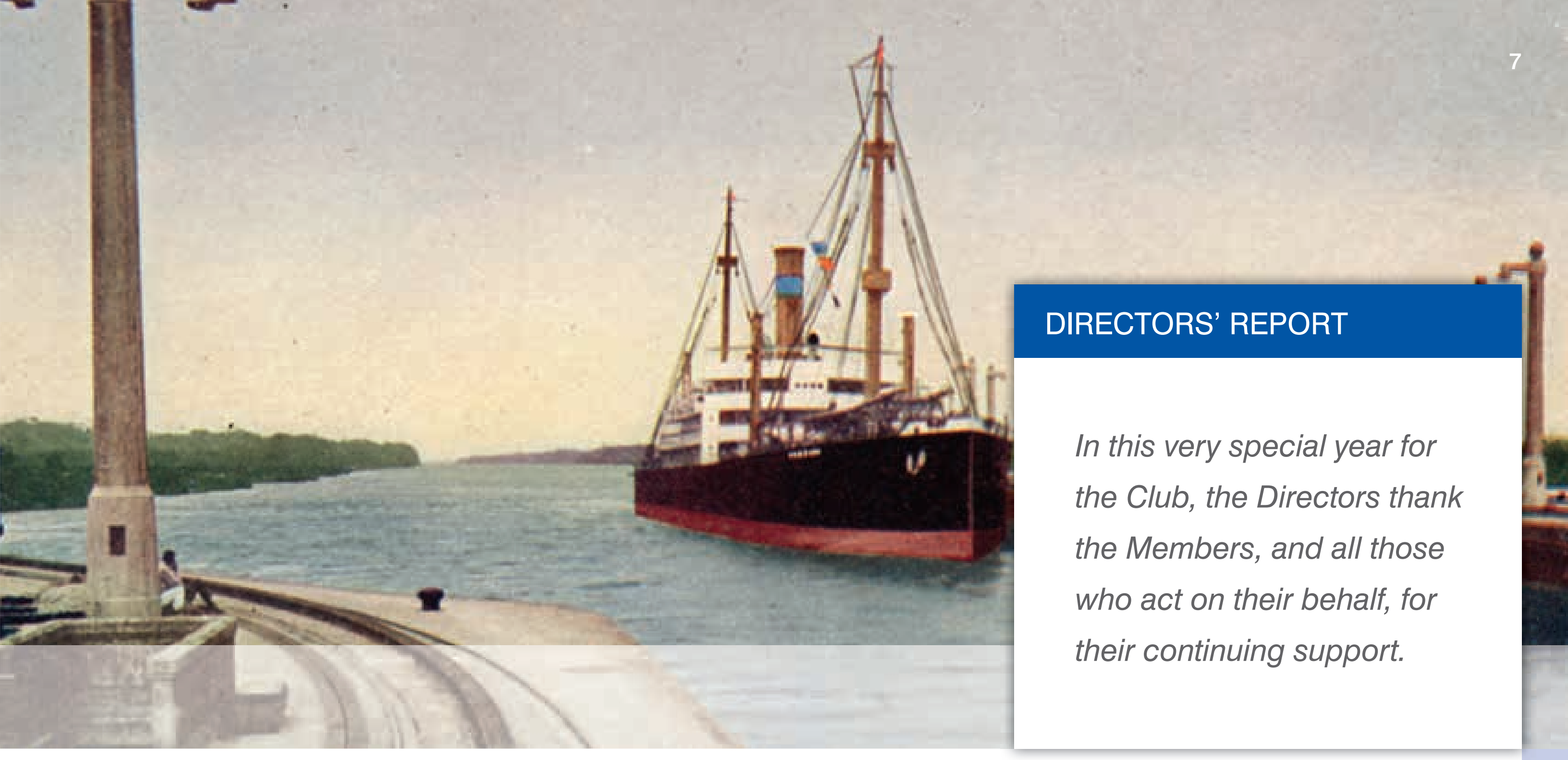
In addition to the Annual Meeting, in conjunction with which a regular meeting of the Board was also held, the Directors met on three further occasions in 2016. Two of these meetings took place in New York, and one in Houston where, in addition to their regular duties, the Directors had the pleasure of hosting a reception for local members, and the Club's many other friends, from the US Gulf.

The Houston meeting also celebrated the recent opening of the Managers' local office in that important maritime center. The office became operative in July, 2016 and has added considerably to the Club's service capabilities in the region.

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

A particular highlight of 2016, and one to which the Directors devoted considerable attention during the year, was the fulfillment of an initiative – which began in April, 2015 – to develop a presence for the American Club in the hull and machinery market. This entailed an investment in a new company in Cyprus, American Hellenic Hull Insurance Company, Ltd.

American Hellenic gained its licensing from the Cypriot authorities on June 24, 2016. It began underwriting a broad range of hull, war and related covers from July 1, 2016. Fully capitalized and compliant under the Solvency II insurance regulations of the European Union, American Hellenic has made great progress since it commenced operations, and represents a new force of growing energy within the marine insurance markets across the world. The Report of the Managers provides further commentary on this important subject.



DIRECTORS' REPORT

In this very special year for the Club, the Directors thank the Members, and all those who act on their behalf, for their continuing support.

The period under review saw the closing of the 2013 policy year, without contribution in excess of originally estimated total premium, as of March 31, 2016. The modest deficit for the year was covered by a transfer from the Club's contingency fund.

Circular No. 41/15 of November 20, 2015, informed Members of the Club's premium policy for 2016. It communicated the Board's decision to apply a 2.5% general increase to the Club's Class I (P&I) business, together with increases in certain deductibles. Continuing entries in the Class II Club's (FD&D) portfolio, however, attracted no increase in premium year-on-year.

For 2017, a zero general increase was ordered across all classes of the Club's business. Overall, premium for renewing business declined somewhat as of February 20, a function of the persistent "churn" effect which continues to characterize the market, together with a reduction in Group reinsurance costs and the implications of a benign loss experience for most Members over recent years. Despite this, it is pleasing to note that P & I tonnage grew by 16% over the year, and FD & D entries by 19%.

The Club's whole-account reinsurances were remarketed for 2017. The protection of its retained exposures was secured on highly favorable terms with underwriters at Lloyd's, the further details of which are described in the Report of the Managers.

In November 2016 Members were informed that the release call for 2014 would be maintained at 12.5% of estimated total premium, having been reduced from the originally mandated figure of 20% in November, 2015. The release call for 2015 was, at the same time, maintained at 15% of estimated total premium having been amended downward from 20% in June, 2016. As to the 2016 policy year itself, it was decided to maintain the release call margin at 20% of estimated total premium, as originally prescribed.

The Club's funds under investment generated an overall return of 2.4% in 2016. This was a creditable result, despite considerable market volatility, reflecting well on the Club's policy during the period which aimed to achieve, in a measured fashion, the moderation of the portfolio's risk profile, particularly in light of an aging bull market for stocks.

The Club's year-end GAAP equity for 2016 reduced by about $5 million over year-end 2015 to $51.4 million, while the year-end statutory surplus of $66.3 million, was also less than that of twelve months earlier. However, a significant part of this unfavorable variance was due to a distortion of expense caused by the investment in American Hellenic over the second half of 2016, together with some unrealized investment losses, and a deterioration of certain claims on closed years.

However, it is pleasing to note that the Club's surpluses had rebounded by March 31, 2017 (being the date closer to the policy year-end of February 20), the Club's GAAP surplus having grown over the quarter by 17% to $60 million (a figure about 9% higher than it was twelve months earlier) and its statutory surplus by nearly 10% to $72.8 million, a little less than it had been on March 31, 2016. This was due to the recognition of the balance of premium income for the 2016 policy year, together with a continuingly benign development of claims, and an improvement in investment earnings over the three months in question.

As to claims, the Club's experience for 2016 broadly replicated the trends of recent years. The 2015 policy year continued to exhibit a very positive result, moving into surplus by the end of 2016. As to the 2016 policy year itself, attritional exposures over the period were largely the same as they were for 2015 at the same stage of development. However, an increase in claims severity experienced at the beginning of the year, and a conservative projection of ultimate losses, have combined to generate a deficit for the year at this early stage. However, this may be expected to reduce over time as investment earnings begin more significantly to contribute to overall results as the year moves toward closure.

Claims development on earlier years have trended much as expected. In this connection, it is pleasing to observe that the International Group's Pool continues to experience relatively subdued development following the difficult 2011 and 2012 policy years.

Although the current policy year is highly immature at this stage, it is encouraging to note that, over the first three months of its development (that is, as of May 20, 2017), it exhibits a level of retained claims emergence very similar to the exceptionally positive figures recorded for 2015 at the same stage.

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

The development of safety and loss prevention initiatives continued to be an American Club priority during 2016. Its chief activities in this area comprised the surveying of vessels, pre-employment medical examinations and the dissemination of e-learning material for a variety of purposes, including compliance with international and US regulatory requirements.

As to the Club's Eagle Ocean Marine (EOM) facility, the year under review saw further strong development and, most importantly, its continuing generation of very respectable profits for the Club's membership as a whole.

The Club continues to take 50% of the underlying exposure up to $10 million per claim, the remainder of this first tranche being supported by quota-share arrangements placed at Lloyd's. The maximum limit of cover available for P&I risks under the facility remains at $500 million, although individual fleet limits tend to be lower than this. The steady growth of EOM's income in recent years continues, and was amplified by additional business over the February 20, 2017 renewal.

In May, 2016 the American Club won the Lloyd's List North American Maritime Services Award. The distinction was bestowed upon the Club by a fourteen-strong judging panel representing many sectors of the shipping industry. It spoke to the high regard in which the American Club is held by the maritime community and represented a fitting tribute to all its Members on the eve of its centennial year.

In anticipation of the Club's one hundredth anniversary in 2017, a centennial history was published toward the end of 2016. It was written by Richard Blodgett, one of America's most celebrated corporate historians. It tells the Club's story against the background of a turbulent century, describing the impact of world affairs on the shipping industry both at home and overseas, and chronicling the Club's development in a constantly changing commercial environment.

In this very special year for the Club, the Directors thank the Members, and all those who act on their behalf, for their continuing support. Thanks are also due to the Club's Managers, Shipowners Claims Bureau, Inc., who themselves celebrate a significant anniversary – their ninetieth - in 2017. Having overcome the many challenges of its first century, the Club looks forward with renewed energy and growing enthusiasm to its next hundred years of service to the global maritime community.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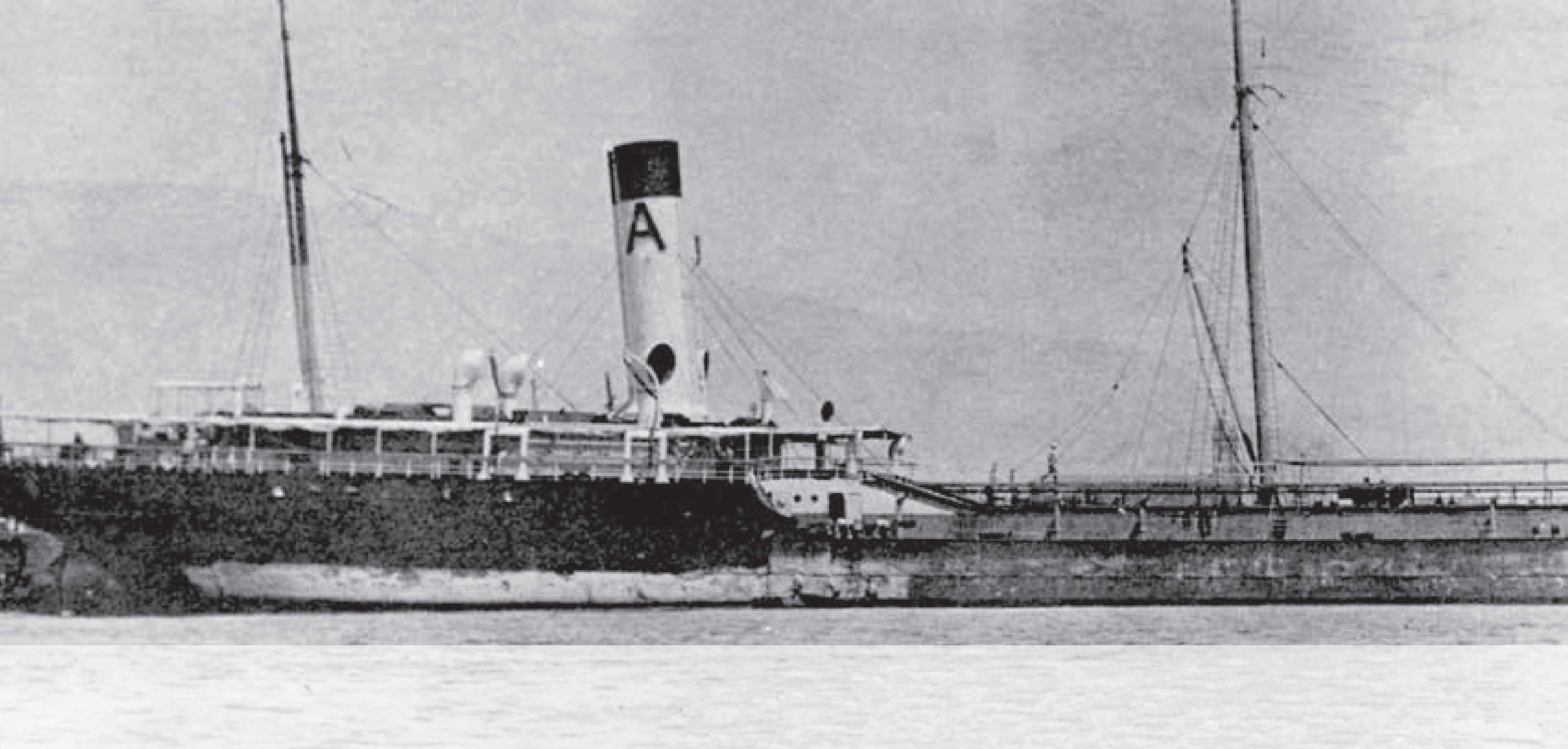
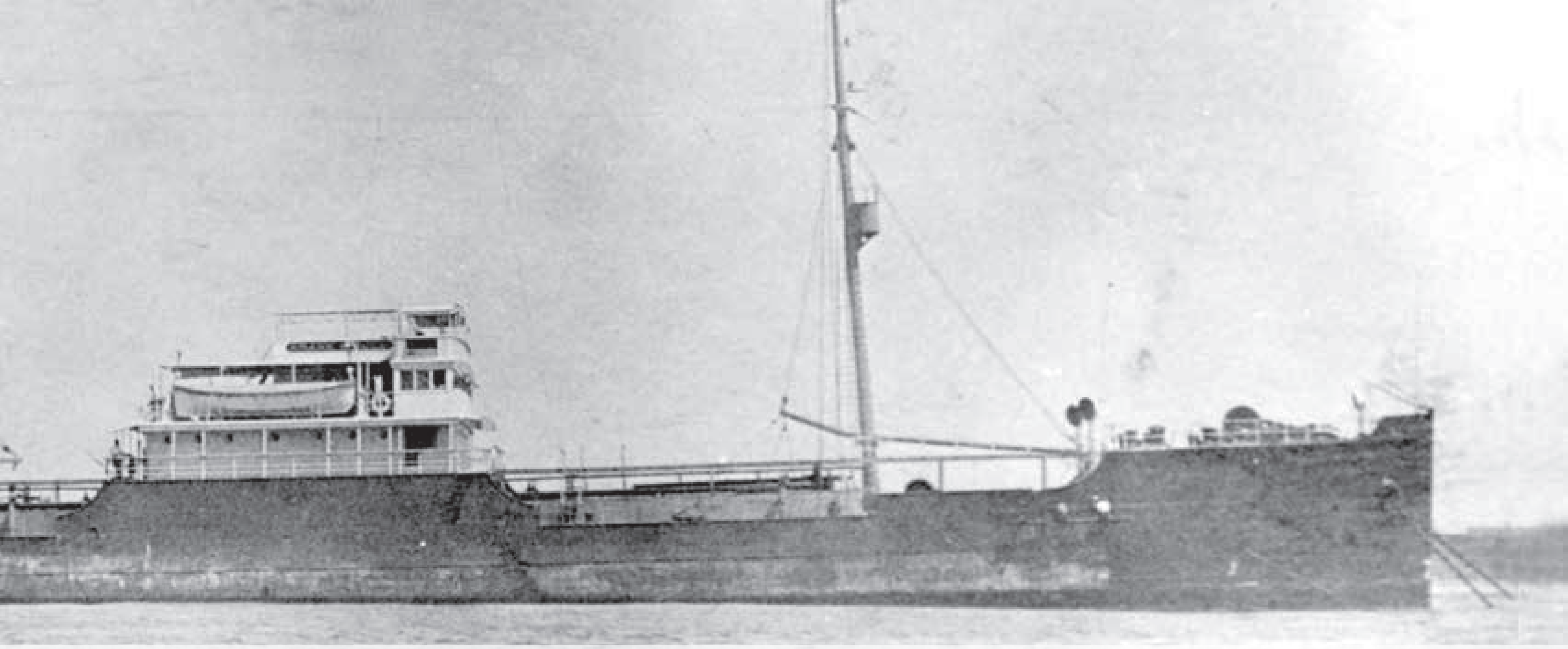




REPORT OF THE MANAGERS

Global trade advanced only modestly in 2016. In the political sphere, growing populism, and its protectionist impulses, cast a shadow over the future direction of international commerce. For shipping, these were not encouraging trends. Shipowners' earnings in any event remained under stress due to a continuing imbalance between the supply and demand for ships. Yet, despite these challenges, the American Club continued to pursue its agenda with energy, advancing its business in many areas as the year unfolded.

Entered Tonnage, Underwriting and Reinsurance

The freight market background against which the 2016 renewal took place was arguably the worst for a generation. Pressure on revenues in the dry bulk and container sectors began to spread to the tanker trades. This difficult environment militated against even a limited recovery of risk pricing in the marine insurance space.

The American Club's Board had ordered a general premium increase of 2.5% on renewing P & I business for 2016, a little lower than that for 2015 (4.5%). FD & D entries were to be renewed with a zero general increase. As in previous years, the release call for both P & I and FD & D was set at a margin of 20% over and above estimated total premium, and minimum deductibles were prescribed for certain types of claims. In the result, premium rating for renewing business was essentially flat year-on-year, but there was a reduction in overall tonnage by comparison with 2015, essentially due to increased levels of scrapping within the Club's dry bulk constituency.

For the 2017 policy year, the Club decided to apply a zero general increase across all classes of business. This calibration of future premium requirements took into account a reduction in the cost of the International Group's market reinsurance for 2017 of some 8%. Moreover, most Members had a benign loss experience, creating in many cases a reason for further accommodation in pricing requirements.

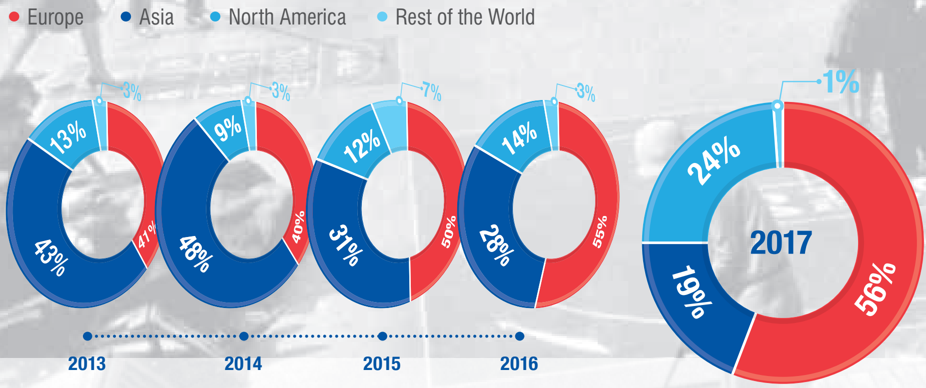
Tonnage grew modestly at the February 20, 2017 renewal but, year-on-year, P & I entries had increased by some 16%, although annualized total premium was slightly lower (by 4%). Tonnage entered for FD & D insurance grew by 19% year-on-year, and also enjoyed a modest increase in overall premium volume.

Encouragingly, the P & I business renewed into the current policy year brings with it a trailing five-year gross loss ratio of only 51%, a figure which augurs well for the future and, despite the law of diminishing returns, represents a further improvement on that recorded in 2016 (52%).

The trends noted last year in regard to the distribution of Club membership continued to assert themselves during 2016 and over the recent renewal. Weighted by reference to both tonnage and premium, 56% of the Club's portfolio comprises ship operators domiciled in Europe, the Middle East and Africa, 24% in North America, 19% in Asia and 1% in the rest of the world. By reference to vessel type, 40% of the Club's entries for 2017 are represented by tankers and tanker-types, 31% by bulk carriers, 20% by general cargo, container, passenger and RoRo vessels and 9% by tugs, barges and small craft. These statistics are represented graphically on pages 13 and 14 respectively.

The American Club's reinsurance arrangements during 2016 were similar to those for the previous year. Participation in the International Group of P & I Clubs' program continued. A major change for 2016 was an increase in the Pool attachment point (being the individual club retention) from $9 million to $10 million. However, the Pool ceiling (being also the attachment point for the Group's general excess of loss reinsurance program) remained unchanged at $80 million. A simplified two layer Pool structure, with a lower Pool layer from $10 million to $45 million, was also implemented for 2016. In addition, the previous upper, and upper-upper Pool layers were replaced with a single upper Pool layer from $45 million to $80 million, with a claiming club retention of 7.5% across the new layer in its entirety.

MEMBERS' TONNAGE BY MANAGEMENT DOMICILE



* Statistics weighted by reference to both tonnage and premium for 2017, tonnage-based for earlier years.

UNDERWRITING

Encouragingly, the P&I business renewed into the current policy year beings with it a trailing five-year gross loss ratio of only 51%.

For 2017, the individual club retention remains at $10 million. However, the attachment point for the Group's market reinsurance program has been increased from $80 million to $100 million. There have also been certain changes to the participation of Hydra in the first layer of the market program. The objective of these changes has been to simplify the current arrangements through the introduction of a flat attachment point for the market program and private placements at $100 million. A schematic of the 2017 International Group reinsurance arrangements is set out on page 19.

As to the reinsurance of the American Club's net retained exposures, certain changes have been made for 2017. The previous policy year was the last in a three-year contract with Hannover Re which protected the Club's aggregate retained exposure on a stop-loss (rather than a conventional, per occurrence, excess-of-loss) basis.

The program was re-marketed for the 2017 renewal. In the result, it proved possible to secure much more competitive terms. The design of the cover for 2017 is rather different from that which applied in previous years. The cover has been placed at Lloyd's and provides reinsurance within different layers of the Club's retention, with different aggregate attachment points, but subject to an overall annual aggregate deductible.

The new arrangements also include several elements of cover (for example, the individual club retention for the upper Pool) which did not apply in earlier years. They will provide the Club with greater protection than that available in the past, and will augment the reliability of its forecasting of retained claims absorption in the future.

The Club's reinsurance of its exposures under the lower Pool have also been renewed for 2017, again on more favorable terms than those which obtained during the previous policy year, and again with a view to enhancing cost reliability.

In the middle of 2016, the American Club renewed its participation in the Eagle Ocean Marine (EOM) facility – a fixed premium program for the insurance of P & I and FD & D risks for smaller vessels in local and regional trades, principally in East Asia, Europe, Africa and other areas outside the United States.

The Club continued to absorb 50% of the first $10 million tranche of exposure in 2016/17. The overall limit of cover available under the facility remains at $500 million and continues to strengthen EOM's competitiveness. The facility made excellent progress in 2016 and remains thoroughly profitable for both the Club and its co-venturers at Lloyd's.

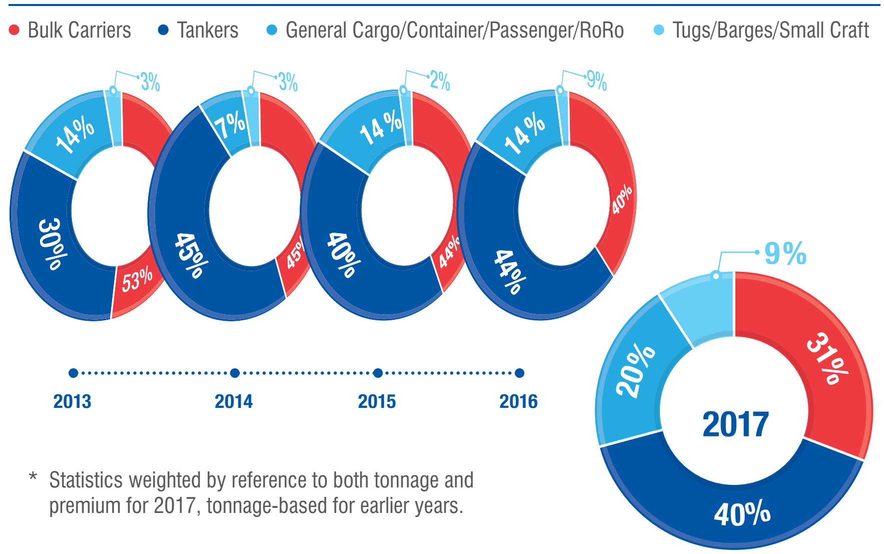
On the ratings front, Standard and Poor's reaffirmed in 2016 the American Club's BBB- investment grade financial strength rating with a stable outlook. This followed a comprehensive review of the Club's current and prospective circumstances, a process which continues.

Reference was made last year to the Club's underwriting capabilities having gained further traction through their increasingly close integration with a new business development strategy originally implemented in 2014. This has continued to enhance the delivery of service to Members and their intermediaries by moving the Club's risk assessment, technical underwriting and business development activities much closer to the local needs of Members and their brokers. Indeed, the 16% growth in P&I entries experienced during the 2016 policy year speaks to the success of these new initiatives.

The American Club devoted growing resources to its enterprise risk management (ERM) capabilities during 2016. Specifically, the Managers continued to implement a formal, senior level ERM oversight protocol into the Club's decision-making processes. The oversight of these processes remained the province of the Board to whom the Managers made regular reports. The Club's mission is to fulfill – and preferably exceed - regulatory and rating agency expectations of its ERM functions, and to ensure that Members obtain the measurable benefits from the best business practices which the Club's adherence to ERM is designed to secure.

Last year's annual report referred to the recent initiative to develop a presence for the Club in the hull sector through its cooperation with Hellenic Hull Mutual and, thereafter, in the establishment of American Hellenic Hull Insurance Company, Limited. This was brought to fruition through the licensing, on June 24, 2016, of the new insurer. It has generated significant benefits for the Club. Further comment to this effect is made later in this Managers' Report.

MEMBERS' TONNAGE BY VESSEL TYPE*



* Statistics weighted by reference to both tonnage and premium for 2017, tonnage-based for earlier years.

Supplementary and Release Calls

The period under review saw the closing of the 2013 policy year, without call in excess of the original forecast, as of March 31, 2016. The deficit for the year – of approximately $6 million - was absorbed by the Club's contingency fund which, as of that date, stood at $72.5 million.

So far as release calls on open years are concerned, Members were informed in November, 2016 that the margin for the 2014 policy year would be maintained at 12.5% of estimated total premium, having been reduced from the originally mandated figure of 20% in November, 2015.

As to the 2015 policy year, Members were told – again in November, 2016 - that the release call margin for this year would remain at 15% of estimated total premium. This represented a reduction on the 20% originally mandated, and had been earlier notified to Members in June, 2016.

So far as the 2016 policy year is concerned, attritional exposures have been broadly the same as they were for 2015 at the same stage of development. However, an increase in claims severity at the beginning of the year, and a continuingly conservative projection of loss development, led the Board to announce, in November 2016, that the release call margin for the year would remain at 20% of estimated total premium, but that the position would be reviewed at a later date.

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

In conformity with this policy, in November 2016, being the same time at which individual open years' release call margins were notified to Members, the Club's Board explained the factors which it had taken into account in 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 needs to consider in determining both its basic premium and, more particularly, release call needs in regard to all open policy years.

FINANCE AND INVESTMENTS

Much of the received political and economic wisdom current at the beginning of 2016 had been upended by year-end.

Finance and Investments

Much of the received political and economic wisdom current at the beginning of 2016 had been upended by year-end.

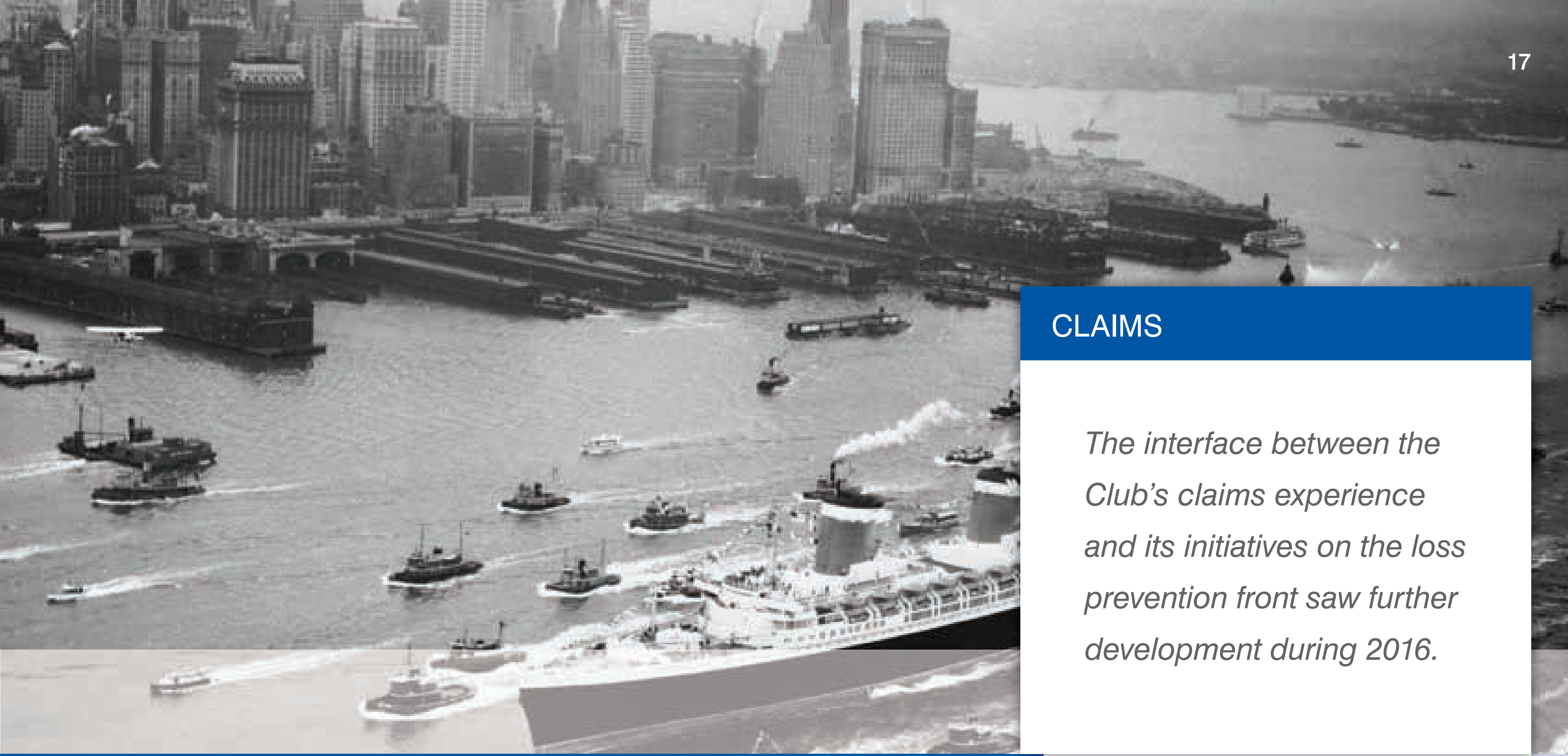
The election of Donald Trump as president of the United States in November was a surprise to the very many who had made predictions to the contrary earlier in the year. The "Brexit" vote in the United Kingdom in June was another unexpected outcome. Both these events had an impact on the financial markets. However, the result of the presidential election in the United States caused the equity markets to rally as 2016 drew to a close, in the expectation of tax reform and other initiatives to stimulate the US economy.

2016 began in a lackluster fashion for equities, amid growing concerns about the direction of the Chinese economy, while the expectation that the US Federal Reserve would implement a policy of steady interest rate increases caused bond yields to rise during the first half. As the presidential campaign became increasingly acrimonious, US markets displayed volatility over the middle of the year, while the more accommodative monetary policy implemented by the European Central Bank led to an incipient recovery in the Eurozone. The economies of smaller emerging nations remained largely in the doldrums for much of the period as a strengthening US dollar raised questions as to the sustainability of their foreign debt obligations.

Against this challenging background, the Club's funds under investment generated an overall return of some 2.4% against a blended benchmark of 2.2%. This was a substantial improvement on the previous year's return of only twenty-eight basis points. It was a creditable result given the market uncertainties which prevailed during most of 2016.

It was noted last year that the Club had benefited substantially over the recent past in maintaining a commitment to equities. This remains the case, as does the modest outperformance of municipal bonds which continued to form a substantial part of the Club's portfolio.

As to asset allocation, the Club maintained its policy of gradually reducing the equities proportion of the total, but not in a way to expose the portfolio to excessive interest rate risk. Accordingly, the proportion of funds allocated to equity and alternative strategies reduced from just over 30% at the commencement of 2016 to just under 28% by the end of the year, the balance of the Club's investments remaining in cash and fixed income securities.



The interface between the Club's claims experience and its initiatives on the loss prevention front saw further development during 2016.

Claims

From a claims perspective, 2016 had an inauspicious start. Two groundings which took place within weeks of the February renewal - one in the Suez Canal and the other off Madagascar – caused an accumulation of exposure within the first quarter of the policy year equivalent to all that for 2015 at the twelve month point of development.

Happily, despite this early spike, the tempo and severity of losses improved significantly as the year progressed. Indeed, excluding the two large claims in question, attritional exposure for 2016 was better than that for 2015, itself a record year. In the result, 2016 has proved to be, so far, the second best year for retained claims since 2011, and better overall than the original budget for the year.

Only two other losses in 2016 exceeded $1 million in total value. And, in a manner consistent with the experience of earlier years, 98% of all cases fell within a layer below $250,000 per claim. Personal injury, illness and death claims formed the largest category of aggregate exposures – at just over 38% of the total– followed by cargo claims, which represented a further 20%.

The frequency of attritional losses also reduced during 2016 by comparison with 2015. For example, there were only 35 collisions in 2016 compared with 47 in its predecessor year, while third party property damage claims also fell - from 42 incidents in 2015 to 24 in 2016.

Although the 2017 policy year is highly immature at this stage, it is encouraging to note that over the first three months of its development, being as of May 20, 2017, it exhibits a level of claims emergence almost identical to the exceptionally positive figures recorded for 2015 at the same point. It is to be hoped that the year continues to develop in this very favorable direction.

As mentioned elsewhere in this report, the development of International Group Pool claims for 2016 has, to date, proved very modest. At year-end, the Club had an aggregate Pool exposure of only $1.6 million for its own account, compared with $4.6 million for the previous year at the same stage of development. The 2016 figure is the lowest recorded since 2008 which was one of the best Pool years in more than a decade. It is to be hoped that this trend continues.

The emergence of Freight, Demurrage and Defense (FD & D) matters in 2016 followed the pattern of the previous two years. Activity reflected the persistence of a weak dry bulk freight market, many of the Club's Members having become embroiled in complex commercial disputes with their charterers who, in several cases, had either defaulted on payments of freight or hire, or failed to discharge their cargoes. There are grounds for optimism that these problems will abate once the freight markets gain a firmer footing over the months ahead.

Increased regulation continued to add to the cost and difficulty of compliance for both the marine community and their insurers. The Club issued several Circulars and Member Alerts covering a wide variety of subjects emerging from a relentlessly expanding regulatory landscape. For example, regulations concerning emissions, and the requirements for low-sulfur fuel, gained continuing traction in jurisdictions such as the United States, the European Union and, more recently, China. In addition, differing ballast water management regimes enforced variously by the IMO and the United States Coast Guard have created great difficulties for vessel owners in fulfilling what are often inconsistent standards and requirements.

On a more positive note, the interface between the Club's claims experience and its initiatives on the loss prevention front saw further development during 2016. In particular, the Club's experience in handling claims in respect of steel cargoes was used as the foundation for its recently issued Transport Guidance for Steel Cargoes. As mentioned elsewhere, the liaison between the Board's Safety and Environmental Protection, and Claims and Risk Management, Committees is key to this important Club service, and has played a large role in expanding the Club's outreach in these areas.

The Club's capabilities were enhanced during 2016 when, in July, the Managers opened a new office in Houston, Texas. It has added considerably to the Club's outreach not only in the US Gulf but also across the regions contiguous to that important center of US and global trade.

Activity within the International Group of P&I Clubs

The International Group has for the last several years produced an annual review of its activities. Typically published around the middle of the year, it contains a summary of several of the most important issues with which the International Group has been collectively engaged over the preceding twelve months.

Members were provided with the Group's 2015/2016 annual review toward the end of July, 2016. As in previous years, the review spoke to the very broad range of matters with which the Group concerns itself on behalf of the shipping community throughout the world.

During 2016, the International Group continued to deal with the implications of the Maritime Labor Convention (MLC) 2006 and, in particular, made arrangements for the provision of certificates of financial responsibility in the manner prescribed under the Convention. The American Club issued circulars dealing with this issue as developments unfolded, and specifically in response to the requirement that shipowners comply with the new arrangements from January 2017.

The Group also addressed the guidelines agreed by the European Parliament, Commission and Council in regard to places of refuge for ships following casualties in European waters. The Group has been at the forefront of industry participation in the development of these guidelines which are fully supported by shipowner and marine insurance associations.

The challenges encountered by shipowners through the liquefaction of cargoes continued to engage the attention of the Group during the year. In addition to concerns in regard to cargoes of nickel ore, problems attendant upon the carriage of bauxite and direct reduced iron (DRI) were also considered, particularly in conjunction with the review which was being undertaken by the IMO Maritime Safety Committee during 2016.

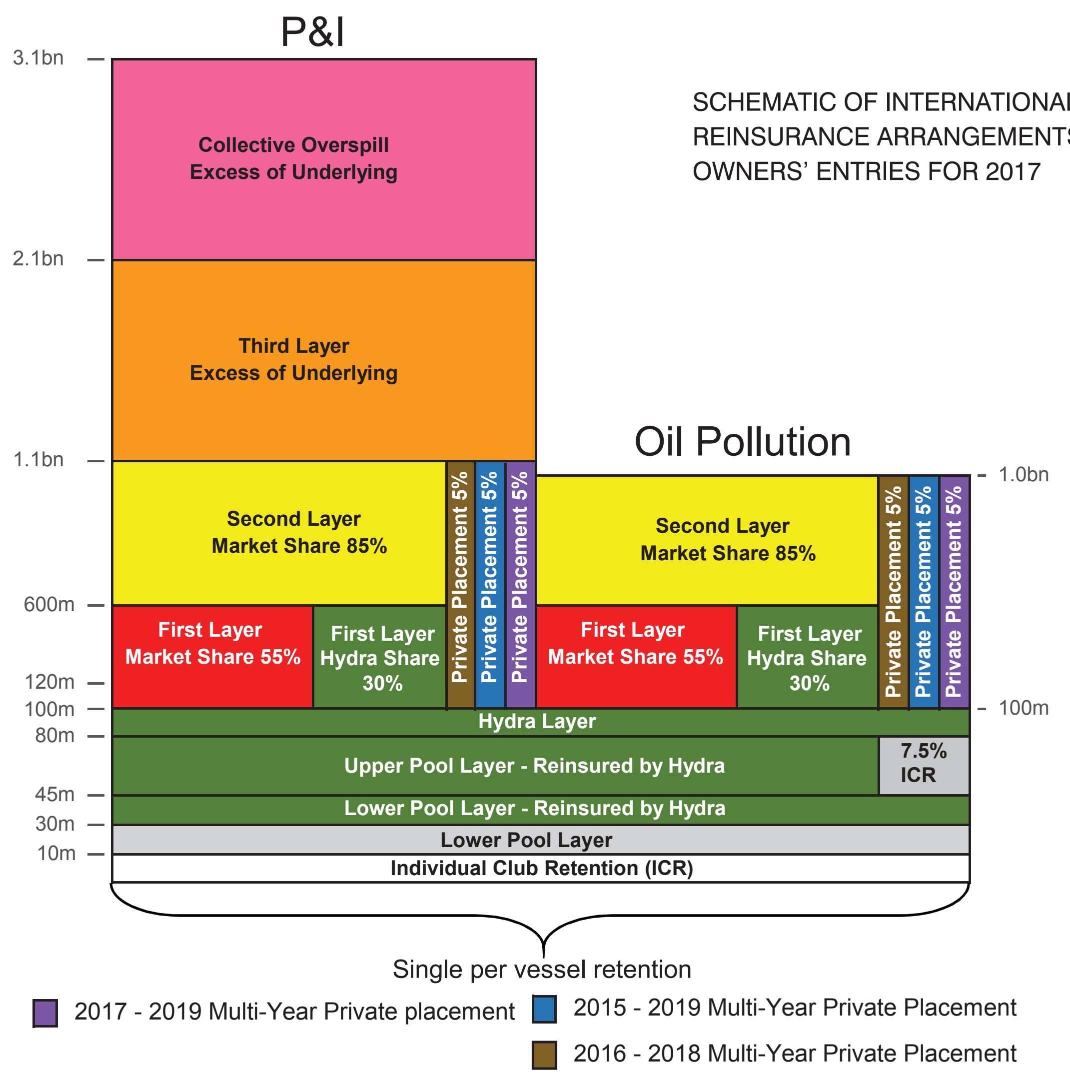
Further developments in sanctions legislation continued to pose challenges to, and command the attention of, the Group. The position regarding Iran changed significantly in January 2016 following the lifting of secondary sanctions against that country. Members were kept fully informed of these developments, both generally and to the extent they had a bearing upon American Club cover, in concert with initiatives and consultations with the Group.

A number of important international regulatory initiatives remain under review and will continue to be monitored by the International Group over the forthcoming period. They include ship recycling, the further development of an international convention regarding the carriage of hazardous and noxious substances (HNS), the CMI's consideration of the legal regime concerning Arctic transportation initiatives, and the Environmental Liability Directive (ELD) of the European Union. As in previous years, further reports on these important matters will be provided to Members as circumstances develop over the months ahead.

INTERNATIONAL GROUP

The International Group maintained its engagement with those many issues on which it speaks with a compelling voice for the shipping industry.

SCHEMATIC OF INTERNATIONAL GROUP REINSURANCE ARRANGEMENTS FOR OWNERS' ENTRIES FOR 2017



Safety and Loss Prevention

The American Club's safety and loss prevention initiatives continued with characteristic energy in 2016. The focus remained on assisting Members to achieve and maintain the highest standards of safety, pollution prevention, cargoworthiness and maritime security.

As in previous years, the Club's vessel survey program formed a large part of its loss prevention agenda. During 2016, one hundred eleven (111) condition surveys were performed. In this context, the Club developed a program to identify, document and analyze deficiencies arising from such surveys in order to inform loss prevention activity for the future. Initial efforts have been focused on machinery-related deficiencies and the lessons learned from this research passed on to the membership accordingly.

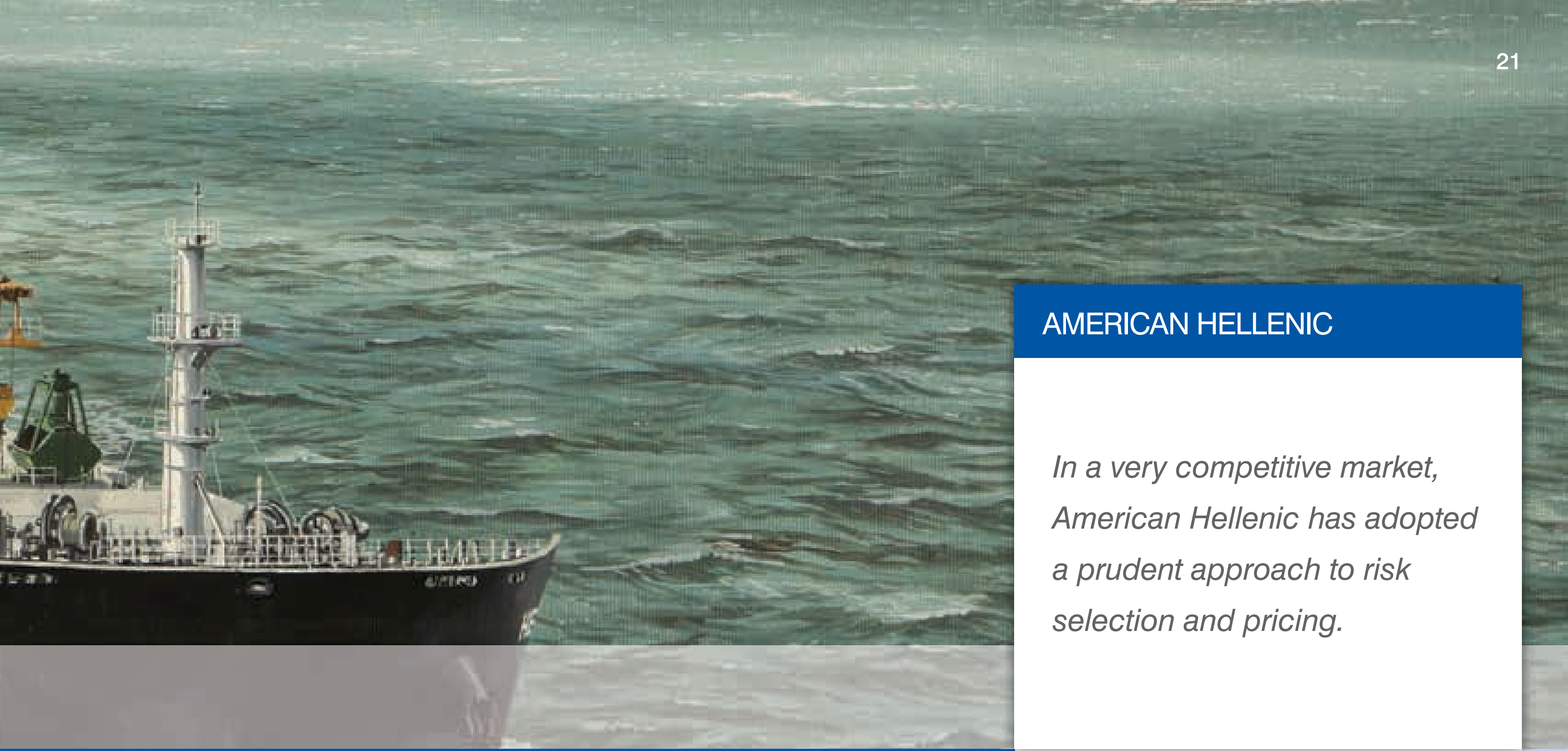
A cornerstone of the Club's loss prevention efforts has, for more than a decade, been the pre-employment medical examination (PEME) program. It underwent an extensive review during the year in cooperation with Club-approved clinics across the world. This review led to improvements to several elements of the program which were communicated to Members in the early part of 2017.

The Club also added new sections to the Best Practices and Guidance resources available on its website. These included guidance on slips, trips and falls, machinery damage and the carriage of nickel ore. The relevance of guidance in regard to these areas of exposure requires no elaboration.

In addition to these initiatives, the Club maintained its direct interaction with Members. To this end, loss prevention seminars were performed in a variety of locations during 2016. Subjects included compliance with the Club's PEME program, the risks associated with the use of low-sulfur fuels, the liquefaction of bulk cargoes, shipboard safety, the prevention of fatigue, problems associated with electronic chart displays and information systems (ECDIS), pilotage, the management of cyber risks, hatch cover testing, ballast water management and many others.

As Members will be aware, the Club has for many years been associated with IDESS Interactive Technologies to develop e-learning tools for Members' shipboard and shoreside personnel. Initiatives in this area continued during 2016. They included a new e-learning module on compliance with the International Regulations for Preventing Collisions at Sea (COLREGS). In addition, a final e-learning module on compliance with Annex VI (Air Pollution) of the MARPOL 73/78 Convention was also completed and disseminated to Members.

Finally, in addition to the initiatives mentioned above, the Club was in regular contact with its Members by way of Circulars and Member Alerts. They remained an important medium of communication with both the membership and the market, not only in relation to loss prevention but also in respect of many other subjects of relevance to Members' day-to-day operations.



AMERICAN HELLENIC

In a very competitive market, American Hellenic has adopted a prudent approach to risk selection and pricing.

American Hellenic Hull Insurance Company, Ltd.

In the early part of 2015, the American Club embarked upon an important new initiative aimed at establishing a presence in the international hull insurance markets. This entailed the establishment of a new company in Cyprus, American Hellenic Hull Insurance Company, Ltd. (American Hellenic), as an investment through a wholly-owned subsidiary of the Club.

Following a lengthy approval process, during which it was successful in establishing compliance with the rigorous financial and operational imperatives of the European Union's Solvency II regime, American Hellenic was granted a license by the Cypriot authorities on June 24, 2016, and commenced operations as of July 1, 2016.

Many benefits have flowed to the American Club as a consequence of its investment in American Hellenic. The transaction has enabled the Club to become involved in the hull sector in a cost-effective manner which exploits existing corporate structures and market platforms.

Since it commenced business, American Hellenic has made excellent progress. As of May, 2017, the company insures approximately 1600 vessels, having enjoyed a business trajectory significantly exceeding original forecasts. Its insured portfolio is about 25% larger than originally projected, its operating expenses nearly 11% lower, while its gross loss ratio is under 50%. In a very competitive market, American Hellenic has adopted a prudent approach to risk selection and pricing, its positive results in the early stages of its development being a testament to this, and auguring well for its future.

American Hellenic will continue to fulfill its mission of providing highly attentive and synergistic hull and machinery insurance to the global shipping industry, motivated by the highest standards of customer care. These aspirations are, of course, shared by the American Club itself. This combination of capabilities will continue to generate a new force of growing energy within the marine insurance markets across the world.

CENTENNIAL CELEBRATIONS

Founded in 1917 as an insurer serving the American steamship industry alone, the Club has successfully recast itself as an insurer serving the global maritime community.

Moving forward into the Club's centennial year

In May, 2016 the American Club won the Lloyd's List North American Maritime Services Award, a suitable overture to the celebration of its centennial in 2017.

Toward the end of 2016, the Club published a centennial history. Copies have been widely distributed to Members and their brokers, and to the Club's many other business associates and friends. The history was written by Richard Blodgett, a former Wall Street Journal reporter, and one of the leading corporate historians of the United States. It has enjoyed widespread acclaim.

It tells the story of the Club from its founding in February, 1917 through to the present. The fortunes of the Club fluctuated greatly over the decades, in response not only to the varying fortunes of the domestic shipping industry but also to global political and economic trends. The Club only admitted its first foreign-flag member in 1980, but it had ambitions of further international growth over the years which followed.

These ambitions gained momentum in 1995 when the Club implemented a major strategy for growth and diversification. Entitled Vision 2000, it called for new leadership, the expansion of the Club's membership internationally, the establishment of overseas offices, the development of new insurance lines and many other initiatives designed to place the Club at the forefront of its industry peers.

In 1998 the American Club became a full member of the International Group of P & I clubs. This enabled the Club to participate to the fullest extent in this alliance of leading insurers which provides outstanding security and technical resources to the maritime community as well as supporting the shipping industry's broader interests as one of its most influential voices.

In more recent years, of course, the Club has not only strengthened and expanded its core business, but also has pioneered entirely new areas of endeavor, Eagle Ocean Marine and American Hellenic Hull being notable cases in point.

Founded in 1917 as an insurer serving the American steamship industry alone, the American Club has successfully recast itself as an insurer serving the global maritime community across a broad spectrum of capability, the elements of which are described elsewhere in this Report, building on the enduring values of its long traditions.

The mission of the American Club is set out at the end of this annual report. Fulfilling that mission will inform the manner in which it approaches its next century of service. As always, the Club looks forward with excitement to many years of further achievement yet to come and, most importantly, consolidating 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.

2

THE AMERICAN CLUB IS AMERICAN-BASED

AMERICAN SHIPOWNERS—AND OWNERS WITH SUBSTANTIAL TRADE TO THE US—WILL APPRECIATE THE EFFICIENCY OF BELONGING TO A CLUB HEADQUARTERED IN NEW YORK CITY.

THE AMERICAN CLUB IS THE ONLY MUTUAL P&I CLUB IN THE UNITED STATES. IN AN ERA WHEN MANY INDUSTRIES HAVE SHIFTED TO OTHER AREAS, WE'RE PROUD TO POINT OUT THE AMERICAN CLUB IS STILL AN AMERICAN ENTERPRISE—AND HAS BEEN SINCE 1917.


NO SMOKING

2016 FINANCIAL REPORT

Contents

Independent Auditors' Report

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Deloitte.

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

We have audited the accompanying consolidated financial statements of the American Steamship Owners Mutual Protection and Indemnity Association, Inc. and its subsidiary (the "Association"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2016 and 2015, 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.

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

Deloitte & Touche LLP

June 22, 2017

Consolidated Balance Sheets

IN THOUSANDS	NOTE	DECEMBER 31 2016	2015
ASSETS			
Investments	3	$ 204,520	$ 227,020
Cash and cash equivalents		16,445	13,572
Members' balances receivable		21,862	9,676
Reinsurance recoverable	6	54,160	40,392
Advances to Hellenic Hull Mutual	2	11,169	6,000
Unbilled assessments	7	13,064	5,589
Other assets	4	13,776	12,138
Total Assets		$ 334,996	$ 314,387
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES:			
Unpaid losses and allocated loss adjustment expenses	6	$ 178,442	$ 169,235
Unreported losses	6	43,772	43,025
Unearned premiums		17,962	14,970
Reinsurance payable		3,186	5,268
Surplus note payable	5	19,500	19,500
Demand promissory note payable	5	16,532	—
Other liabilities	4	4,184	5,979
Total Liabilities		$ 283,578	$ 257,977
COMMITMENTS AND CONTINGENCIES			
MEMBERS' EQUITY:			
Retained earnings		48,415	50,459
Accumulated other comprehensive income		3,003	5,951
Total Members' Equity		51,418	56,410
Total Liabilities and Members' Equity		$ 334,996	$ 314,387

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Loss

IN THOUSANDS	NOTE	DECEMBER 31 2016	2015
INCOME			
Net premiums and assessments earned	7	$ 95,325	$ 81,376
Net investment income		3,817	4,584
Net realized investment gains		3,134	1,614
Net recovery from US Oil Spill Liability Trust Fund		4,264	—
Total Income		106,540	87,574
EXPENSES			
Losses and loss adjustment expenses incurred	6	70,761	49,364
Other operating expenses	8	37,744	33,978
Total Expenses		108,505	83,342
Income (Loss) Before Income Taxes		(1,965)	4,232
Income tax provision		(79)	(603)
Net Income (Loss)		(2,044)	3,629
OTHER COMPREHENSIVE LOSS, NET OF TAXES			
Unrealized (loss) gain on investments		(2,948)	(5,819)
Other comprehensive loss		(2,948)	(5,819)
Comprehensive Loss		$ (4,992)	$ (2,190)

Consolidated Statements of Changes in Members' Equity

IN THOUSANDS	NOTE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL MEMBERS' EQUITY
Balance, January 1, 2015		$ 46,830	$ 11,770	$ 58,600
Net income		3,629	—	3,629
Unrealized investment losses		—	(5,819)	(5,819)
Balance, December 31, 2015		50,459	5,951	56,410
Net income		(2,044)	—	(2,044)
Unrealized investment losses		—	(2,948)	(2,948)
Balance, December 31, 2016		$ 48,415	$ 3,003	$ 51,418

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IN THOUSANDS	DECEMBER 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ (2,044)	$ 3,629
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of bond premiums	2,377	2,441
Net realized investment gains	(3,134)	(1,614)
Depreciation	60	78
	(697)	905
Changes in operating assets and liabilities:		
Members' balances receivable	(12,186)	2,295
Reinsurance recoverable	(13,768)	5,567
Unbilled assessments	(7,475)	(197)
Other assets	(1,604)	(3,105)
Unpaid and unreported losses and allocated loss adjustment expenses	9,954	(16,197)
Unearned premiums	2,992	(1,808)
Reinsurance payable	(2,082)	(808)
Other liabilities	(1,764)	3,969
	(25,933)	(10,284)
Net cash used in operating activities	(28,674)	(5,750)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales/maturities of investments	112,947	110,991
Purchases of investments	(92,637)	(105,109)
Loan to Hellenic Hull Mutual	(5,169)	(6,000)
Purchases of fixed assets	(94)	(43)
Net cash provided by (used in) investment activities	15,047	(161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from surplus note issuance	—	19,500
Proceeds (repayment) of demand promissory note	16,500	(15,000)
Net cash provided by (used in) financing activities	16,500	4,500
Net change in cash and cash equivalents	2,873	(1,411)
Cash and cash equivalents, beginning of year	13,572	14,983
Cash and Cash Equivalents, End of Year	$ 16,445	$ 13,572
Supplemental Information:		
Income taxes paid	$ 625	$ 427
Interest paid	$ 187	$ 271

See Notes to Consolidated Financial Statements.

1. Organization

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

Members are charged premiums based on the tonnage of their insured vessels. For the 2016 and 2015 policy years, at December 31, 2016 and December 31, 2015, the gross tonnage insured was 16,452,551 and 16,093,533, 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 connection with the establishment of these two subsidiaries, the Association advanced $11.2 million to Hellenic Hull Mutual as of December 31, 2016 and $6 million as of December 31, 2015 so Hellenic Hull Mutual could continue to fund operations while AHHIC, Ltd obtained its license to operate. No further advances to Hellenic Hull Mutual are anticipated. The outstanding advances are collateralized by Hellenic Hull Mutual's existing premium receivables and assessments. The $11.2 million advance to Hellenic Hull Mutual is payable in full by December 31, 2017.

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

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

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

2. Summary of Accounting Policies

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP). Intercompany accounts and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to current period classification. Significant accounting policies include the following:

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

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

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

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

Valuation Techniques

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.

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 Lloyd's of London, Munich Re, Swiss Re, and other members of the International Group.

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

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.

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

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

Recent Accounting Pronouncements – Effective January 1, 2016, the Association adopted ASU 2015-02, "Consolidation", which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 modifies the evaluation of whether limited partnerships are variable interest entities and the consolidation analysis of reporting entities that are involved in variable interest entities, particularly those that have fee arrangements and related party relationships. The adoption of this guidance had no impact on the Association's consolidated financial statements.

Effective January 1, 2016 the Association adopted ASU 2015-07, ''Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)'. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient. The Company has applied the net asset value per share practical expedient to all of its hedge funds in determining fair value. As a result, the Association removed the fair value category for its investments that are measured using the net asset value per share practical expedient that is disclosed in Note 3.

In May 2015, the FASB issued guidance requiring expanded disclosures for insurance entities that issue short-duration contracts.

The expanded disclosures are designed to provide additional insight into an insurance entity's significant estimates made in measuring the liability for unpaid claims and claim adjustment expenses. The disclosures include information about incurred and paid claims development by accident year, on a net basis after reinsurance, for the number of years' claims incurred typically remain outstanding, not to exceed ten years. Each period presented in the disclosure about claims development that precedes the current reporting period is considered required supplementary information. The expanded disclosures also include information about significant changes in methodologies and assumptions, a reconciliation of incurred and paid claims development to the carrying amount of the liability for unpaid claims and claim adjustment expenses, the total amount of incurred but not reported liabilities plus expected development, claims frequency information including the methodology used to determine claim frequency and claim duration. The guidance is effective for annual periods beginning after December 15, 2016 and is to be applied retrospectively. The new guidance affects disclosures only and will have no impact on the Company's results of operations or financial position.

In January 2016, the FASB issued Accounting Standards Update 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). ASU 2016-01 changes current U.S. GAAP by requiring the following, among others: (1) equity securities, except those accounted for under the equity method of accounting, to be measured at fair value with changes in fair value recognized in net income; (2) the use of the exit price when measuring fair value of financial instruments for disclosure purposes; (3) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value; and (4) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or notes to the financial statements. ASU 2016-01 is effective for annual periods beginning after January 1, 2019. The Association is currently evaluating the impact the adoption of ASU 2016-01 will have on its future financial statements and disclosures.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases" ("ASU 2016-02"). ASU 2016-02 changes current U.S. GAAP for lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous U.S. GAAP. ASU 2016-02 is effective for annual periods beginning after January 1, 2020. The Association is currently assessing the impact the adoption of ASU 2016-02 will have on future financial statements and disclosures.

In June 2016, the FASB issued Accounting Standards Update 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 modifies U.S. GAAP related to the recognition of credit losses by replacing the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 would apply to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Association has financial assets, such as reinsurance recoverables, that could be impacted by the adoption of ASU 2016-13. ASU 2016-13 is effective for annual periods beginning after January 1, 2021. The Association is currently assessing the impact the adoption of ASU 2016-13 will have on future financial statements and disclosures.

3. Investments

The cost or amortized cost, gross unrealized gains and losses and fair value of investments in securities classified as available-for-sale at December 31, 2016 and 2015 were as follows:

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2016				
US Treasury and obligations of other US government corporations and agencies	$ 9,940	$ 27	$ 52	$ 9,915
Obligations of states and political subdivisions	100,119	398	1,203	99,314
Industrial and miscellaneous bonds	5,837	5	22	5,820
Common stocks	80,031	7,118	2,732	84,417
Other invested assets	5,590	263	799	5,054
Total	**$ 201,517**	**$ 7,811**	**$ 4,808**	**$ 204,520**

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2015				
US Treasury and obligations of other US government corporations and agencies	$ 9,217	$ 19	$ 12	$ 9,224
Obligations of states and political subdivisions	115,491	2,006	90	117,407
Industrial and miscellaneous bonds	8,308	21	10	8,319
Common stocks	83,345	8,035	4,317	87,063
Other invested assets	4,800	623	416	5,007
Total	**$ 221,161**	**$ 10,704**	**$ 4,845**	**$ 227,020**

The following summarizes unrealized investment losses by class of investment at December 31, 2016 and 2015. The Association considers these investments to be only temporarily impaired.

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES
December 31, 2016						
Government obligation	$ 3,855	$ 52	$ —	$ —	$ 3,855	$ 52
Obligations of states and political subdivisions	62,042	1,181	2,499	21	64,541	1,202
Industrial and miscellaneous bonds	1,240	17	418	5	1,658	22
Common stocks	28,544	1,060	18,950	1,673	47,494	2,733
Other invested assets	625	45	2,475	754	3,100	799
	$ 96,306	$ 2,355	$ 24,342	$ 2,453	$ 120,648	$ 4,808

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES	COST OR AMORTIZED COST	UNREALIZED LOSSES
December 31, 2015						
Government obligation	$ 1,367	$ 5	$ 1,242	$ 7	$ 2,609	$ 12
Obligations of states and political subdivisions	21,134	67	1,467	23	22,601	90
Industrial and miscellaneous bonds	2,216	6	847	4	3,063	10
Common stocks	36,374	2,547	11,780	1,770	48,154	4,317
Other invested assets	1,005	75	1,470	341	2,475	416
	$ 62,096	$ 2,700	$ 16,806	$ 2,145	$ 78,902	$ 4,845

The fair value and amortized cost of available-for-sale debt securities at December 31, 2016 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	$	13,948	$	13,964
Due after one year through five years		48.992		48,895
Due after five years through ten years		34,301		33,740
Due after ten years		18,655		18,450
Total	**$**	**115,896**	**$**	**115,049**

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

		2016		2015
Proceeds from sales of investments	$	92,457	$	96,330
Gross realized gains		6.098		7,140
Gross realized losses		3,055		5,526

There were no other-than-temporary impairments recorded in 2016 or 2015.

At December 31, 2016 and 2015, United States Government Treasury notes in the amount of $310 thousand par value, respectively, were deposited with regulatory authorities as required by The New York Insurance Law.

Fair Value Hierarchy

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

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

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

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

As a result of the Association's adoption of ASU 2015-07, the below tables exclude other invested assets valued at NAV. See Note 2 for additional discussion regarding the adoption of ASU 2015-07.

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, 2016:

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2016			
	TOTAL FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS				
US Treasury and obligations of other US government corporations and agencies	$ 9,915	$ 9,915	$ —	$ —
Obligations of states and political subdivisions	99,314	—	99,314	—
Industrial and miscellaneous bonds	5,820	—	5,820	—
Common stocks	84,417	84,397	—	20
Total	**$ 199,466**	**$ 94,312**	**$ 105,134**	**$ 20**

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2015			
	TOTAL FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS				
US Treasury and obligations of other US government corporations and agencies	$ 9,224	$ 9,224	$ —	$ —
Obligations of states and political subdivisions	117,407	—	117,407	—
Industrial and miscellaneous bonds	8,319	—	8,319	—
Common stocks	87,063	87,043	—	20
Total	**$ 222,013**	**$ 96,267**	**$ 125,726**	**$ 20**

During the years ended December 31, 2016 and 2015, there were no transfers into (out of) Level 1, 2 or 3. There were no purchases or sales of assets classified as Level 3 during the years ended December 31, 2016 and 2015.

4. Other Assets and Liabilities

	2016	2015
Other Assets		
Computer equipment and software - net of accumulated depreciation of $6,379 and $6,320, respectively	$ 173	$ 139
Receivable for securities sold	378	4,692
Accrued interest receivable	1,192	1,426
Income tax recoverable	352	20
Prepaid reinsurance premiums	2,885	2,918
Management fee receivable	1,783	1,659
Net recovery US Oil Spill Liability Trust Fund	4,264	—
Other assets	2,749	1,284
	$ 13,776	**$ 12,138**
Other Liabilities		
Accrued expenses	$ 4,044	$ 915
Liability for securities purchased	140	4,850
Income tax payable	—	214
	$ 4,184	**$ 5,979**

An unbilled assessment in the amount of $13 million and $5.6 million at December 31, 2016 and 2015, respectively, included in other assets in the table above, was recorded as a result of the Association’s asbestos-related claims settlement agreement as described in Note 9. A recovery in the amount of $4.3 million at December 31, 2016 from the US Oil Spill Liability Trust Fund is also included in other assets in the table above.

The Oil Spill Liability Trust Fund (OSLTF or Fund) is a fund established as a funding source to pay removal costs and damages resulting from oil spills in waters of the United States. The United States Coast Guard’s National Pollution Funds Center (NPFC), in Arlington, Virginia, manages use of the OSLTF.

5. Debt

At December 31, 2016, the Association owed $16.5 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 on the note at December 31, 2016 was $32 thousand. There were no such borrowings as of December 31, 2015. Borrowings totaling $5 million and $6.5 million are due February 2017, and an additional $5 million is due March 2017.

During 2015, a surplus note with an interest rate of 8% and a date of maturity of December 20, 2040, in the amount of $19,500,000 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, 2016 was $1.6 million and was 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:

	2016	2015
Gross balance at January 1	$ 212,260	$ 228,457
Less reinsurance recoverable on unpaid losses	39,688	43,601
Net Balance at January 1	**172,572**	**184,856**
Incurred related to:		
Current year	55,933	45,349
Prior years	14,828	4,015
Total Net Incurred	**70,761**	**49,364**
Paid related to:		
Current year	12,046	3,838
Prior years	59,581	57,835
Total Net Paid	**71,627**	**61,673**
Net balance at December 31	**171,706**	**172,572**
Plus reinsurance recoverable on unpaid losses	50,508	39,688
Gross Balance at December 31	**$ 222,214**	**$ 212,260**

In 2016, adverse development for prior years was $14.8 million. The unfavorable development was the result of $16 million of unpaid losses for policy years 2014 and prior. Offsetting this amount is a favorable emergence of $1.1 million for the 2015 policy year, of which $7.4 million was expected emergence based on the earned premium of the 2015 policy year. An increase or decrease due to the re-estimation of prior year’s losses is generally a result of the ongoing analysis of recent loss development trends as well as claim reviews on specific files.

In 2015, adverse development for prior years was $4 million. The unfavorable development was mainly due to emergence of $7.4 million for the 2014 policy year, of which $10 million was expected emergence based on the earned premium of the 2014 policy year. However, there was favorable emergence of $3.3 million for policy years 2013 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, 2016 could materially impact members’ equity. If carried at the mid-point of the range, members’ equity would be reduced by approximately 29%.

		2016		2015
Reinsurance recoverable on unpaid losses	$	50,508	$	39,688
Reinsurance recoverable on paid losses		3,652		704
Total reinsurance recoverable	**$**	**54,160**	**$**	**40,392**

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:

		2016		2015
Direct	$	84,364	$	48,471
Assumed		13,089		6,773
Ceded		(26,692)		(5,880)
Total losses and loss adjustment expenses incurred	**$**	**70,761**	**$**	**49,364**

7. Premiums and Assessments

		2016		2015
Premiums written and billed assessments	$	104,183	$	97,088
Change in unbilled assessments		7,475		197
Return premiums		(755)		(882)
Reinsurance premiums ceded		(14,168)		(16,128)
Net premiums and assessments written		**96,735**		**80,275**
(Increase) decrease in net unearned premiums		(1,410)		1,101
Net Premiums and Assessments Earned	**$**	**95,325**	**$**	**$81,376**

As of December 31, 2016, an unbilled assessment in the amount of $13 million was recorded as a result of the Association's asbestos-related claims settlement agreement as described in Note 9. The Association is a fully assessable mutual insurance company. It has the ability to charge subsequent assessments to cover losses and operating expenses. The unbilled assessment represents the amount that would be needed to cover the asbestos reserves.

8. Other Operating Expenses

		2016		2015
Management fee	$	17,850	$	16,975
Bad debts		2,315		1,571
Brokerage		8,545		9,093
Other		9,034		6,339
Total Other Operating Expenses	**$**	**37,744**	**$**	**33,978**

9. Commitments and Contingencies

Letters of Credit – At December 31, 2016 and 2015, the Association had outstanding letters of credit for $7.6 million and $10.8 million, respectively. The bond investment accounts, held by Deutsche Bank Trust Company Americas 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.

		2016		2015
Asbestos-Related Claims				
Aggregate gross losses paid to date at December 31	$	17,214	$	13,305
Loss reserves - reported		5,568		1,093
Loss reserves - unreported		7,496		4,496

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

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

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

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

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 $66 million and $74 million as of December 31, 2016 and December 31, 2015 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 value 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, 2016.

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, 2016 the ratio of 25.7% has been calculated in accordance with the schedule mentioned above and the guidelines issued by the International Group. This compares with a ratio of 24.2% recorded for the five years ended December 31, 2015.

However, when considering brokerage expense netted against calls and premiums earned rather than including in operating costs as shown in the accounts, the calculated ratio for the five years ended December 31, 2016 is 19.3%. This compares with a ratio of 17.7% calculated for the five years ended December 31, 2015.

13. Subsequent Events

Subsequent events have been considered through June 22, 2017 for the audited financial statements to be issued. No other events occurred subsequent to December 31, 2016, through June 22, 2017 which would have a material effect on the financial position, results of operations or cash flows of the Association.

* * * * *

Unaudited Supplemental Schedules

Statement of Operations and Comprehensive Income Years Ended December 31, 2016 and 2015

IN THOUSANDS	P&I 2016	P&I 2015	FD&D 2016	FD&D 2015
INCOME				
Net premiums and assessments earned	**$ 91,379**	$ 77,380	**$ 3,571**	$ 3,996
Net investment income	**3,672**	4,359	**144**	225
Net realized investment gains	**3,016**	1,535	**118**	79
Net recovery from US Oil Spill Liability Trust Fund	**4,264**	—	—	—
Total Income	102,331	83,274	3,833	4,300
EXPENSES				
Losses and loss adjustment expenses incurred	**66,633**	46,916	**2,591**	2,448
Other operating expenses	**34,963**	32,309	**1,366**	1,669
Total Expenses	101,596	79,225	3,957	4,117
Income (Loss) Before Income Taxes	**735**	4,049	**(124)**	183
Income tax provision	**(76)**	(573)	**(3)**	(30)
Net Income	**659**	3,476	**(127)**	153
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized losses on investments	**(2,843)**	(5,533)	**(111)**	(286)
Other comprehensive loss	(2,843)	(5,533)	(111)	(286)
Comprehensive loss	$ (2,184)	$ (2,057)	$ (238)	$ (133)

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 Years Ended December 31, 2016 and 2015

IN THOUSANDS	2016	2015
NET CLAIMS PAID		
Gross claims paid:		
Members' claims	$ 77,706	$ 57,973
Other Clubs' Pool claims	9,793	13,492
	87,499	71,465
Recoveries on claims paid:		
From the Group excess of loss reinsurance	—	14
From the Pool	10,694	3,509
Other reinsurers	5,094	6,269
	15,788	9,792
Net Claims Paid	$ 71,711	$ 61,673
CHANGE IN NET PROVISION FOR CLAIMS		
Claims outstanding:		
Members' claims	$ 175,379	$ 168,721
Other Clubs' Pool claims	46,835	43,539
	222,214	212,260
Reinsurance recoverables:		
From the Group excess of loss reinsurance	120	369
From the Pool	26,317	18,952
Other reinsurers	23,104	20,367
	49,541	39,688
Net claims outstanding at December 31	172,673	172,572
Net claims outstanding at January 1	172,572	184,856
Change in Net Provision for Claims	$ 101	$ (12,284)

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 2013/14 policy year was closed on March 31, 2016, without further calls.

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

In 1996, the Board of Directors resolved to bifurcate the closed policy years' and open policy years' surplus of the Association by establishing the contingency 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.

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

DEVELOPMENT OF OPEN POLICY YEARS

	2014–15	2015–16	2016–17
INCOME			
Calls and premiums – net	$ 101,780	$ 86,919	$ 75,234
Investment income	4,605	3,146	1,401
Total Income	**106,385**	**90,065**	**76,635**
EXPENSES			
Net paid losses	49,790	13,221	11,681
Net pending losses	12,724	24,208	33,187
Unreported losses	3,994	6,387	9,345
Reinsurance premiums	18,924	15,263	11,650
Other operating expenses	26,165	25,032	22,895
Total Expenses	**111,597**	**84,111**	**88,758**
RETAINED EARNINGS (DEFICIT)	**(5,212)**	**5,954**	**(12,123)**
MEMBERS' EQUITY (DEFICIT): OPEN YEARS	**$ (5,212)**	**$ 5,954**	**$ (12,123)**

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

2014/15	$6,826
2015/16	$6,642
2016/17	$6,829

(b) For the 2016/2017 policy year calls and premiums are stated on an earned basis to December 31, 2016. Expenses are stated on an accrued basis for the same period.

CLAIMS OUTSTANDING (INCLUDING UNREPORTED LOSSES) - OPEN YEARS

	2014-15	2015–16	2016–17
Gross outstanding claims			
Members' claims	$ 14,188	$ 23,400	$ 54,720
Other Club's Pool claims	4,405	11,127	7,930
	18,593	**34,527**	**62,650**
Pending reinsurance recovery			
From the Group excess of loss reinsurance	—	—	—
From the Pool	496	1	15,644
Other reinsurers	1,012	3,774	5,146
	1,508	3,775	20,790
Net Outstanding Claims	**$ 17,085**	**$ 30,752**	**$ 41,860**

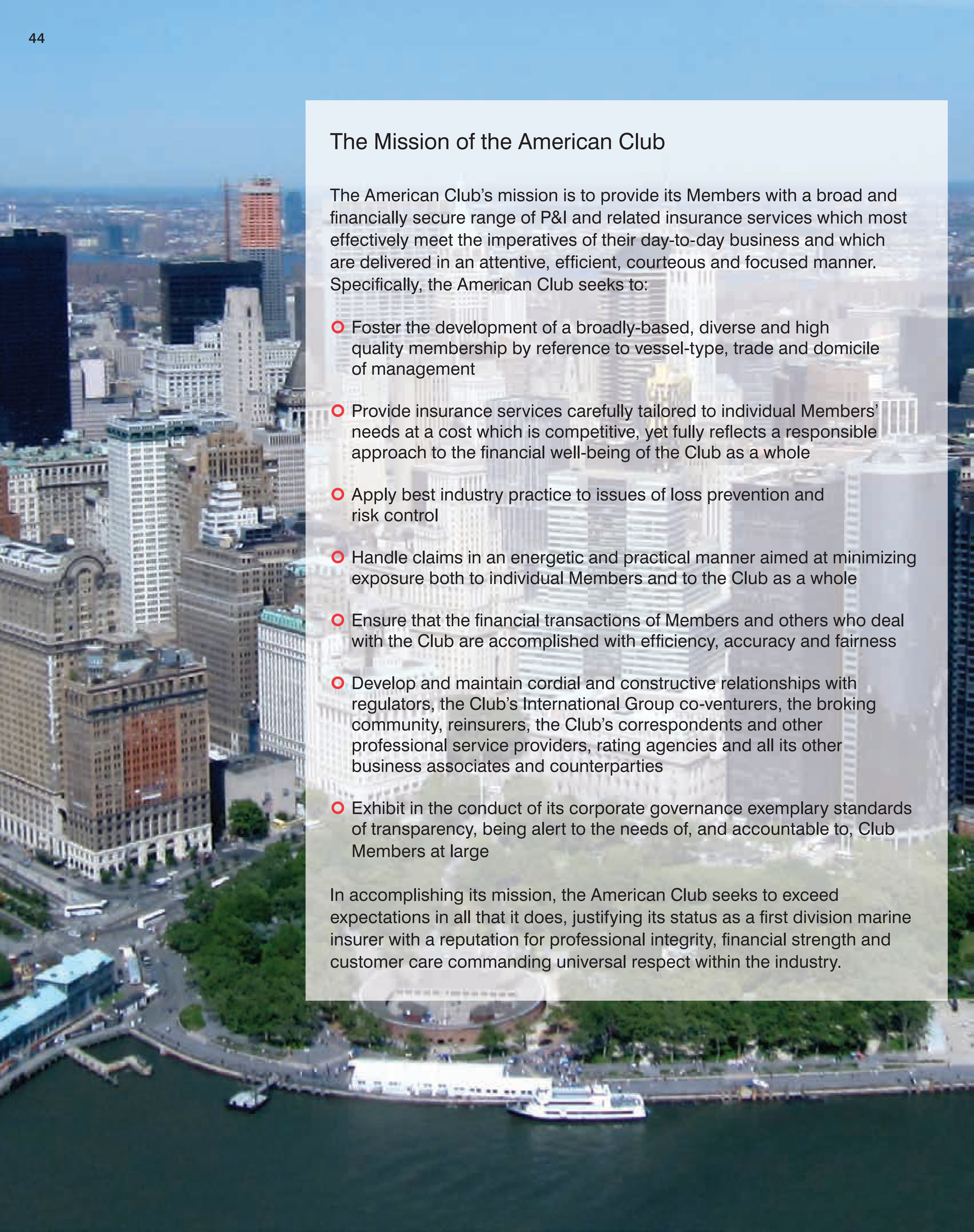
Note: The operations of AHHIC, Inc,. a wholly owned subsidiary, has not been included in this presentation.

DEVELOPMENT OF CLOSED POLICY YEARS AND CONTINGENCY FUND

	2016	2015
Closed Years' Balance, January 1	$ —	$ —
Total income earned	**14,766**	1,102
Net paid losses	**23,799**	25,413
Net pending losses	**(6,784)**	(19,381)
Unreported losses	**1,191**	(2,600)
Reinsurance premiums	**(1,367)**	647
Other operating expenses	**2,915**	94
Total expenses incurred	19,754	4,173
Unrealized investment gains (losses)	**(2,855)**	(5,819)
Transfer from closed policy year 2013/14	**(6,047)**	—
Transfer from closed policy year 2012/13	**—**	(3,238)
Net change	**(13,890)**	(12,128)
Transfer from (to) contingency fund	**13,890**	12,128
Closed Years' Balance, December 31	$ —	$ —
Contingency Fund Balance, January 1	$ 76,690	$ 88,818
Transfer from (to) closed policy years	**(13,890)**	(12,128)
Contingency Fund Balance, December 31	$ 62,800	$ 76,690
Open Policy Years' Equity		
2013/14	$ —	$ (4,300)
2014/15	**(5,213)**	(10,378)
2015/16	**5,954**	(5,602)
2016/17	**(12,123)**	—
Total Members' Equity	$ 51,418	$ 56,410
Claims Outstanding (including IBNR) – Closed Years		
Gross pending losses		
Members' claims	$ **92,308**	$ 60,355
Other Clubs' Pool claims	**23,462**	19,689
	115,770	80,044
Pending reinsurance recovery		
From the Group excess of loss reinsurance	**120**	369
From the Pool	**7,404**	11,654
Other reinsurers	**7,576**	11,206
	15,100	23,229
Net Pending Losses	$ 100,670	$ 56,815

(a) All amounts are reported in nominal dollars and do not give effect to any discounts.

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



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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Katia Restis, ENTERPRISES SHIPPING & TRADING S.A.

Steven T. Scalzo, INDEPENDENT BOARD MEMBER

George Vakirtzis, POLEMBROS SHIPPING LIMITED

Lianyu Zhu, CCCC INTERNATIONAL SHIPPING CORP.

Secretary

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As of June 1, 2017

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