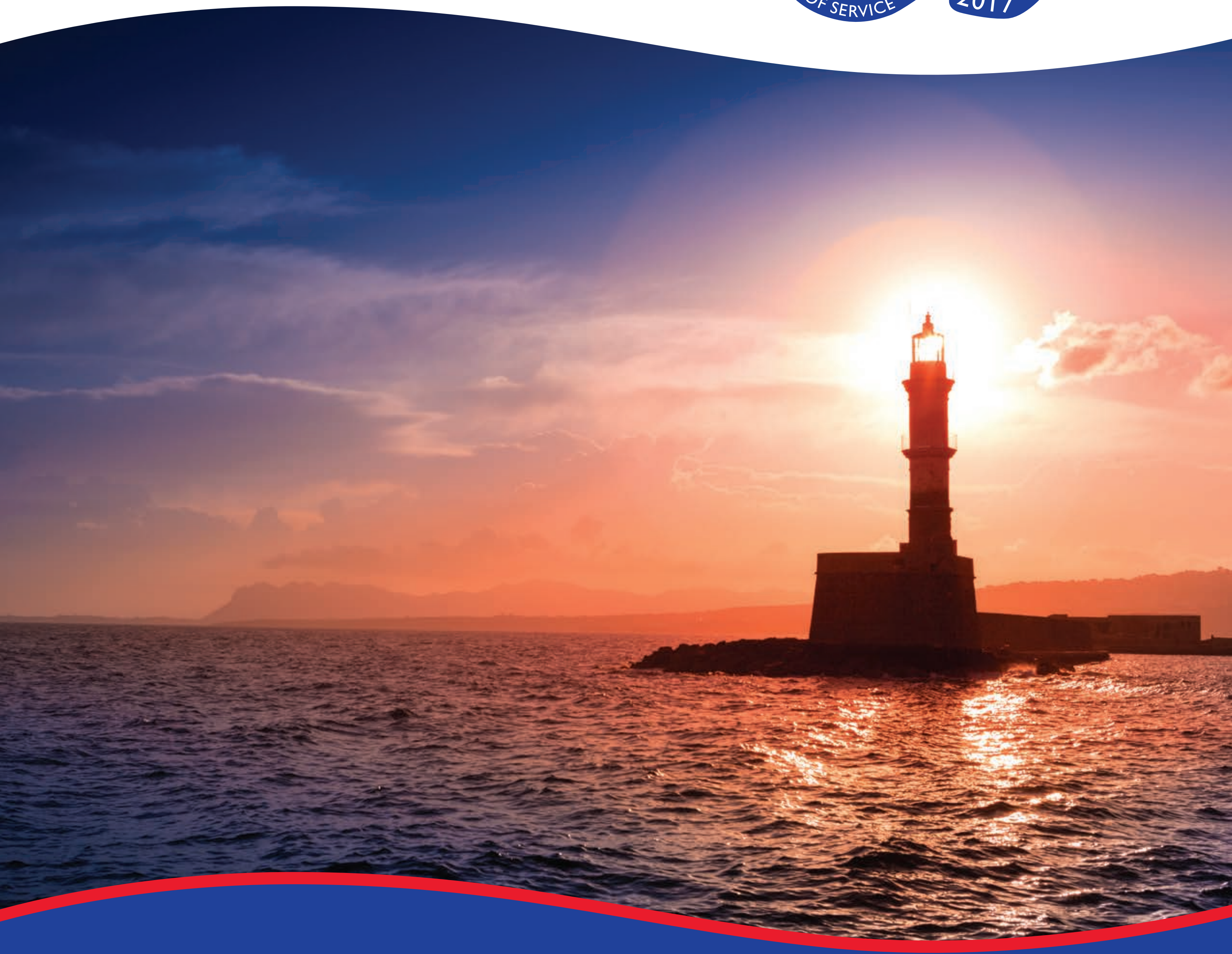
THE AMERICAN CLUB

100 YEARS OF SERVICE 1917 2017



2017 Annual Report

2017 was a year to remember for the American Club. The celebration of its centennial proved to be an auspicious backdrop to the notable progress it made in many areas of its business. Tonnage increased substantially. Premium remained flat, but financial year incurred claims fell markedly. Pool exposures grew moderately. Investment returns achieved a multi-year high. Eagle Ocean Marine continued to prosper. GAAP and statutory surpluses grew significantly. Loss prevention initiatives multiplied. Service capabilities were augmented. American Hellenic Hull grew its business steadily. Industry awards were won. The American Club has commenced its second century of service better placed than ever to exploit the opportunities of the future.

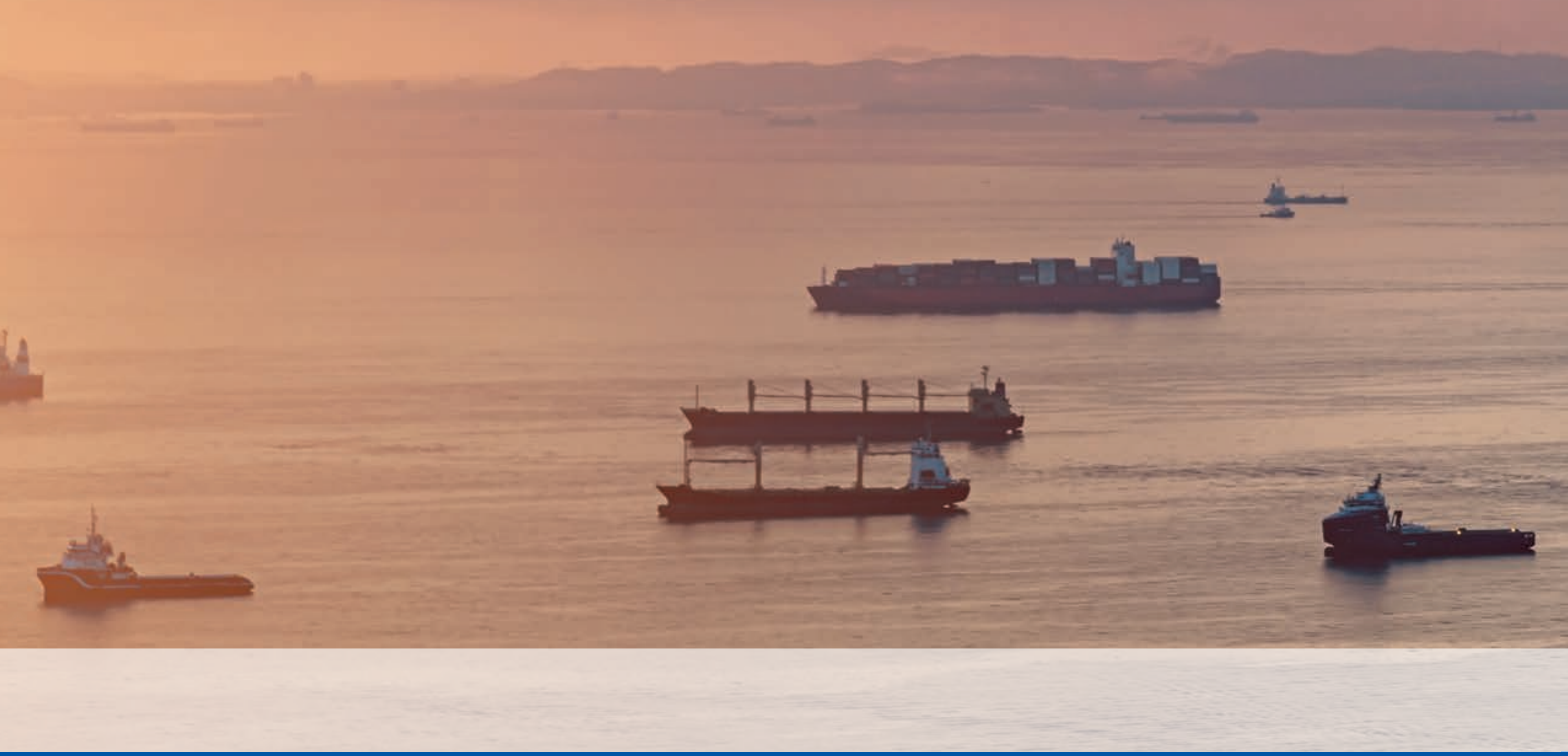
Table of Contents

HIGHLIGHTS

The celebration of the Club's centennial proved to be an auspicious backdrop to the notable progress it made in many areas in 2017.

2017 Highlights

- 2017 renewal sees year-on-year growth: tonnage up 16% for P&I and 19% for FD&D.
- Freight rates begin to rise: outlook improves across several sectors of global shipping.
- 2014 policy year closed without call in excess of original forecast.
- Investments generate an 8.1% return: best for nearly a decade.
- New reinsurance of Club's retention strengthens protection of aggregate exposures.
- Attritional claims develop favorably: second-best year in a decade.
- Pool claims continue to emerge moderately, but tempo and size of losses increase.
- Eagle Ocean Marine continues to expand revenue and market share with solid profitability.
- Standard and Poor's affirms investment grade counterparty rating.
- American Club wins ***Seatrade*** Investment in People Award in July: Managers' CCO wins ***Lloyd's List*** Next Generation of Shipping Award in September.
- American Hellenic Hull increases global presence with encouraging business results.
- Loss prevention initiatives continue vigorously.
- Club celebrates centennial year in major shipping centers: outreach expands through social media and other initiatives.
- Zero increase in premium across all classes of business for 2018: individual club retention maintained: Pool modestly restructured: Group reinsurance costs decline.
- P&I tonnage grows by 8% year-on-year into 2018, FD&D entries by 6%.
- Club's surplus increases significantly at year-end 2017: GAAP reserves by over 12%, statutory by about 13%.
- Claims emergence for current policy year develops favorably at early stage.
- Positive risk profile of continuing membership 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, 2017.

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 one-hundredth Annual Meeting of the Club's Members took place in New York City on June 22, 2017. 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, Ms. Judy L. Collins of Patriot Contract Services, LLC and Mr. Gary K. Cutler of Poling and Cutler Marine Transportation, LLC were elected as new Directors of the American Club for the forthcoming year. Both Ms. Collins and Mr. Cutler were warmly welcomed to the Board in the anticipation that they would make valuable contributions to the Club's affairs in the future.

At the same meeting, Mr. James P. Corcoran, an independent member of the Board (being a former Superintendent of Insurance for the State of New York), retired from the directorship he had held since June, 2008. The Directors joined in thanking Mr. Corcoran for his sterling contribution to the affairs of the Club during his period of service.

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.

2017 being the American Club's centennial year, a gala dinner was held in New York following the Annual Meeting of the Members. Some five hundred guests, representing the Club's many constituencies throughout the world, were present to celebrate this important milestone. Celebrations of the centennial year were also held in other centers of the Club's international community of Members and other friends, notably in Athens, Hong Kong, London and Shanghai.

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 2017. All of these meetings took place in New York.

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.

At their Annual Meeting in June, the Members passed a resolution instructing the Board to investigate and take action as might be required in regard to the appointment of new auditors for the Club. This arose from the Club's continuing need to keep its auditing requirements under regular review, given the costs and heavy engagement of resources entailed in providing audit services to the Club, and their importance to the Club's interface with the New York regulator.

In pursuance of that resolution, and having undertaken an extensive analysis of current and future needs, the Board subsequently appointed Mazars USA LLP as the Club's auditors for the 2017 financial year. This was in succession to Deloitte and Touche, LLC. The Board was impressed by Mazars USA LLP's expertise in the insurance industry, and was also mindful of the cost efficiencies to be gained by their appointment, all of which would inure to the future benefit of Members.

Following the retirement of the Club's previously appointed actuary toward the end of 2017, Mr. Phillip A. Clancey, ACAS MAAA, an employee of the Managers, was appointed as the Club's actuary. Mr. Clancey will be assisted in his commission by Mr. David Otto of Willis

DIRECTORS' REPORT

Your Directors will continue to work to ensure that Members' expectations are always fulfilled, and frequently exceeded, over the years ahead.

Towers Watson for purposes of peer review. This new arrangement will also benefit Members in the future in view of its efficiencies, and in terms of cost. The New York State Department of Financial Services was informed of both developments in compliance with statutory imperatives, and Members were told by circular of the change of auditors.

The period under review saw the closing of the 2014 policy year, without contribution in excess of originally estimated total premium, as of March 31, 2017. The modest deficit for the year was covered by a transfer from the Club's contingency fund.

As foreshadowed in the Directors' Report twelve months ago, the Club's investment in American Hellenic Hull Insurance Company, Ltd., a Solvency II–accredited underwriter based in Cyprus, continued to develop in a positive direction during 2017. Having commenced underwriting in July, 2016, American Hellenic has exceeded in the interim most of the business development benchmarks originally projected for attainment over its first two years. The Report of the Managers provides further commentary on this important subject.

Circular No. 37/16 of November 21, 2016, informed Members of the Club's premium policy for 2017. It communicated the Board's decision to apply a zero general increase to the Club's Class I (P&I) business, together with increases in certain deductibles. Continuing entries in the Club's Class II (FD&D) portfolio were to attract similar treatment as to rating, but no standard variation of deductibles.

For 2018, a zero general increase was ordered across all classes of the Club's business. This was notified to Members in Circular No. 29/17 of November 17, 2017. Unlike the previous year, no standard changes of deductible for any class of business were proposed.

Premium on renewing mutual business declined somewhat as of February 20, 2018, a function of the "churn" effect which has characterized the market for several years, a reduction in Group reinsurance costs affecting topline revenue, and the pricing implications of a benign loss experience for most Members over the recent past. However, annualized premium for charterers' business exhibited an encouraging upturn for 2018, as did that relating to the American Club's Eagle Ocean Marine facility, which continues to grow its market footprint with solid profitability.

Year-on-year tonnage growth as of February 20, 2018 was just over 8% for P&I entries and nearly 6% in regard to FD&D. This followed a 16% increase during 2016 for the P&I class and 19% for FD&D. These figures exceed global industry growth over the period, and reflect well on the Club's successful coordination of business development and underwriting activity over the last few years.

As to the Club's reinsurances, the International Group's arrangements remain broadly similar for the 2018 policy year, while the Club's whole-account reinsurances – having been remarketed twelve months earlier – remain essentially the same as those which applied during 2017. Further details of these arrangements are described in the Report of the Managers.

In November, 2017, Members were informed that the release call for 2015 would be reduced from 10% to 5% of estimated total premium in view of the continuingly positive development of the policy year in question. At the same time, the release call margin for 2016 was reduced from 20% to 15% of estimated total premium, while that for 2017 – the year being highly immature at that stage – was to remain, as originally mandated, at 20%.

The Club's funds under investment generated a healthy return of 8.1% in 2017. This was the best result for nearly a decade, despite considerable market volatility, reflecting well on the Club's policy in this respect during the period.

The Club's year-end GAAP Members' equity for 2017 increased by more than 12% over year-end 2016 to $57.6 million, while the year-end statutory surplus of $74.8 million was about 13% higher than that of twelve months earlier. This is an encouraging result, driven

mainly by continuingly positive claims trends during 2017 for both closed and open policy years. The Club's contingency fund grew by approximately $2.9 million during the period under review, and open years' surplus improved by approximately $3.3 million.

As to claims, the Club's experience for 2017 was – as of December of that year – developing at a pace even more favorable than that of 2015 at the same point of emergence. However, owing to certain larger claims which occurred in the final weeks of the policy year, the latest projected outturns for 2017 are rather higher than those for 2015, although they are still significantly better than 2016 and, indeed, for any other year, apart from 2015, during the past decade.

The increase in attritional exposures in recent months has been paralleled by a rising incidence of Pool claims for 2017 by comparison with its immediate predecessor years. This does not at present give cause for concern, 2017 being a more "normal" pooling year by reference to its overall level of losses than those from 2013 onward.

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 focus during 2017. Its chief activities in this area comprised the surveying of vessels, pre-employment medical examinations and the dissemination of e-learning and other material for a variety of purposes more extensively described in the Managers' Report.

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 respectable profits for the Club's membership as a whole. In July, 2017 the Club increased its quota-share proportion of underlying exposure up to $10 million per claim from 50% to 55%, the remainder of this first tranche being supported by co-insurance placed at Lloyd's. The maximum limit of coverage available for P&I risks under the facility remains at $500 million, although individual fleet limits tend to be significantly lower than this. The steady growth of EOM's income in recent years continues and, as mentioned above, was amplified by additional business over the February 20, 2018 renewal.

Having won the ***Lloyd's List*** North American Maritime Services Award in May, 2016, the American Club won the ***Seatrade*** Investment in People Award, in conjunction with IDESS Interactive Technologies, in July, 2017. The award was given in recognition of the Club's e-learning systems for managing crew competence, considered essential to maritime safety, security and environmental protection. In September, Ms. Dorothea Ioannou, the Managers' Chief Commercial Officer, won the ***Lloyd's List*** Global Next Generation in Shipping Award at a gala event in London. This was testament not only to Dorothea's excellence in performing her role at the Club, but also reflects with distinction on the commitment of all those who so energetically promote the Club's business development endeavors.

The Club's Centennial History – published toward the end of 2016 and widely distributed during the subsequent fifteen months – gained its own recognition during the year. It won the Pinnacle Award in the hardcover book category from the Printing Industries of New England and also won gold honors in the Hermes Creative Awards administered by the Association of Marketing and Communication Professionals. It is to hoped that, when the sesquicentennial history is published in 2067, the intervening fifty years will have proved to have been as rich as the first one hundred!

2017 was a very special year for the Club as it celebrated its centennial and moved forward into the next century of service to the global maritime community. This it does with its characteristic optimism and energy. Having surmounted the many challenges of its first century – not least those of the last twenty-five years – the Club looks forward, now in its one hundred-and-second year, to further achievement in the future.

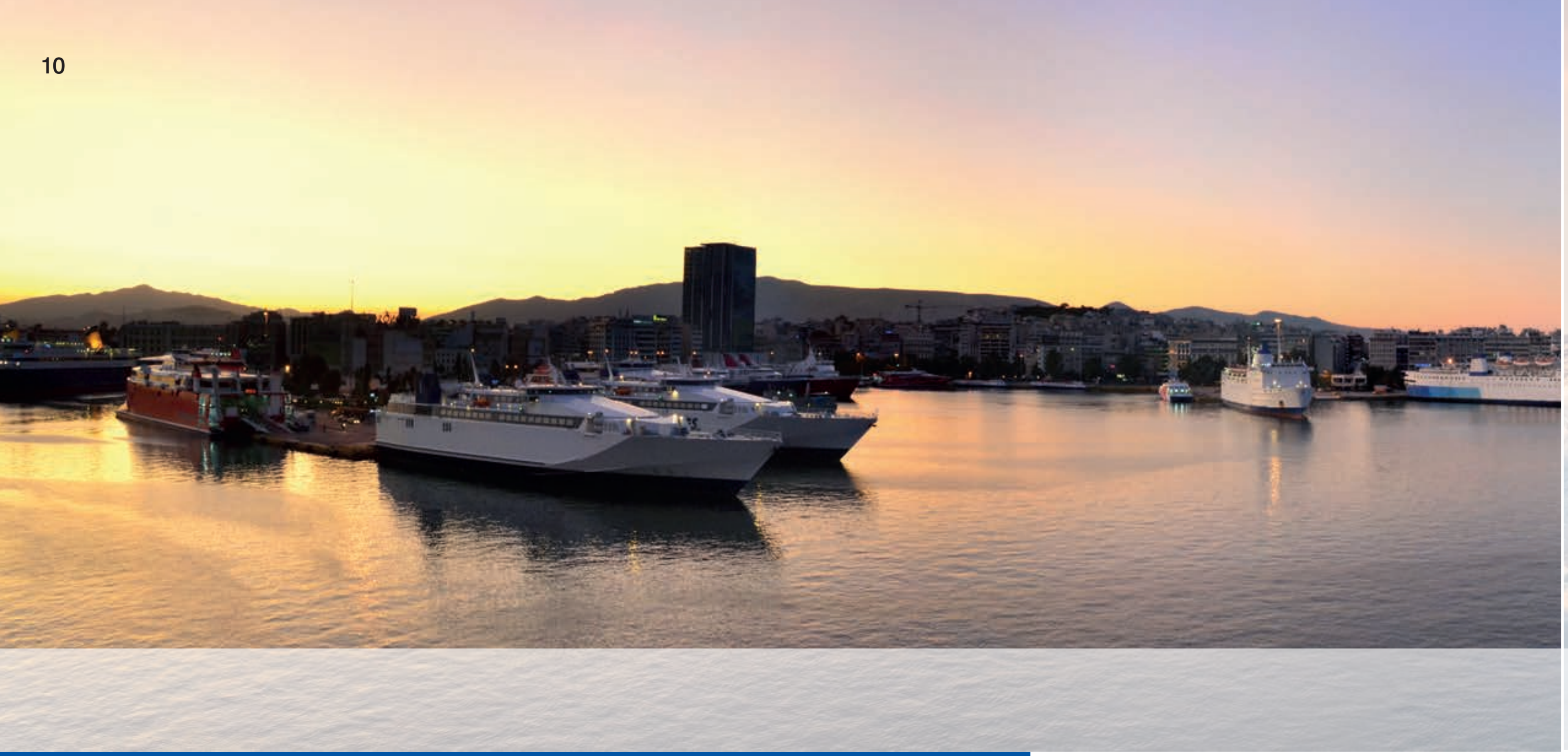
In closing, your Directors thank all Members for their enduring support of the American Club, support which is not taken for granted but which must continue to be earned. Your Directors will continue to work to ensure, in close cooperation with the Club's Managers, that Members' expectations are always fulfilled, and frequently exceeded, in the Club's continuing pursuit of excellence over the years ahead.

REPORT OF THE MANAGERS

The American Club observed its one-hundredth anniversary in 2017. A cause for celebration in itself, the Club’s centennial year was also distinguished by notable progress in many areas of its more everyday business.

2017 began with fears that growing populism in several of the world’s major economies, and its protectionist impulses, would cast a shadow over the future direction of international commerce. In the result, both global GDP and international trade grew markedly during the year, the former by 3.9%, the latter by 3.8%, compared with 2.3% and 1.7% respectively for 2016.

For shipping, these trends were more encouraging than those which had characterized the market twelve months earlier. In certain sectors there was a welcome increase in earnings as the balance between ship supply and demand moved toward greater equilibrium. The American Club’s fortunes were assisted by these trends as the year unfolded.



Entered Tonnage, Underwriting and Reinsurance

The freight market background against which the 2017 renewals were negotiated was better than it had been for some time. However, although shipping revenues had started to improve, there was no sign of this translating into greater pricing power for marine insurers, a reality also driven by continuingly moderate claims emergence across the market as a whole.

The American Club's Board had ordered a zero general premium increase on renewing P&I business for 2017, by comparison with a 2.5% increase for the previous year. As in the case of 2016, there were also to be increases in certain deductibles. Continuing entries in the Club's FD&D portfolio were to attract similar treatment as to rating, but no standard variation of deductibles. 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.

In the result, while year-on-year tonnage grew by 16% for P&I and 19% for FD&D entries, overall premium for the former class of business was down by approximately 4%, and up just over 1% in relation to the latter. Part of the downturn in top-line revenue for P&I was attributable to a further reduction in the International Group's excess of loss reinsurance costs in addition to the enduring effect of "churn", as older, higher-rated vessels were replaced by newer, lower-rated ships.

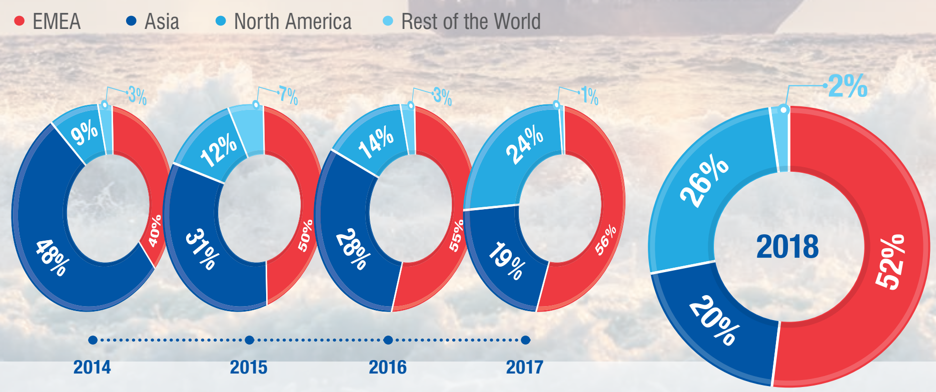
At the 2018 renewal, year-on-year growth in tonnage was just over 8% for P&I entries and nearly 6% in regard to FD&D. As to premium, there was again a small reduction in net revenue of about 2% overall. Again, this was to some extent driven by lower reinsurance costs and the continuing effect of "churn". However, the business renewed into the 2018 policy year brings with it a trailing five-year gross loss ratio of only 48%, a figure which augurs well for the future and, notwithstanding the law of diminishing returns, represents a further improvement on that recorded in 2017 (51%).

The distribution of Club membership for 2018 has changed slightly over the last twelve months. Weighted by reference to tonnage and premium, 52% of the Club's portfolio comprises ship operators domiciled in Europe, the Middle East and Africa (EMEA), 26% in North America, 20% in Asia and 2% in the rest of the world. By reference to vessel type, 39% of the Club's entries for 2018 are represented by tankers and tanker-types, 31% by bulk carriers, 18% by general cargo, container, passenger and RoRo vessels, and 12% by tugs, barges and small craft. These statistics are represented graphically on pages 11 and 12 respectively.

The American Club's reinsurance arrangements during 2017 underwent some significant changes. In regard to the International Group of P&I Club's program, while the individual Club retention remained at $10 million, the Pool ceiling increased from $80 million to $100 million. There were also changes to the participation of Hydra – the Group's Bermuda-based, segregated-cell captive – in the first layer of the excess cover. The objective of these changes was to simplify the arrangements through the introduction of a flat attachment point for the market program and separate private placements, initially arranged several years ago.

For 2018, following a detailed review of Pool structure undertaken by the International Group's Reinsurance Sub-Committee, the Pool layer has undergone some further changes. The lower Pool ceiling has been raised from $45 million to $50 million, and the layer from $80 million to the market reinsurance attachment point of $100 million has

MEMBERS' TONNAGE BY MANAGEMENT DOMICILE



* As of March 1 in each year. Statistics weighted by reference to both tonnage and premium for 2017 and 2018, tonnage-based for earlier years.

UNDERWRITING

The Club has enjoyed success in the development of new business as its strategy in this regard has gained increasing momentum.

been absorbed into the Pool and merged with the upper Pool layer. This now covers the tranche between $50 million and $100 million with an individual Club retention of 7.5% across the layer.

As to the participation of Hydra, the reinsurance within the upper Pool layer of $50 million to $100 million has been reduced to 92.5%, with the remaining 7.5% comprising an individual club retention. The Hydra co-insurance of the first layer of the market program ($100 million to $600 million) remains unchanged for 2018. A schematic of the International Group's reinsurance program is set out on page 17.

In early 2018 the International Group launched a tender process for the role of broker for its reinsurance program going forward. The appointment is intended to be for the placement of the program for the year commencing February 20, 2019. It is expected that a decision will be reached toward the middle of the year.

In 2017, improvements were made to the reinsurance of the American Club's net retained exposures following a re-marketing of the program at that renewal. The cover, which continues into the current policy year, provides reinsurance within multiple layers of the Club's retention with different aggregate attachment points, but subject to an overall annual aggregate deductible. At the same time, the Club's reinsurance of its exposures within the lower Pool was also changed somewhat for the 2017 policy year, those arrangements remaining in place for 2018. The combined program provides the Club with excellent protection for its retained exposures and will continue to fortify the reliability of its forecasting of retained claims absorption in the future.

In the middle of 2017, the American Club renewed its participation in the Eagle Ocean Marine (EOM) facility which provides fixed premium 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 increased its absorption of the first $10 million tranche of exposure from 50% to 55% for the then incepting 2017/18 facility year. As has been the case for several years, the overall limit of cover available under the facility remains at $500 million. The facility continued to make excellent progress in 2017, and into the early part of 2018, and remains profitable for both the Club and its co-venturers at Lloyd's, with a cumulative combined ratio of a little over 70% since it commenced.

On the ratings front, Standard and Poor's reaffirmed in 2017 the American Club's BBB- investment grade financial strength rating with a stable outlook. This followed, as had been the case for several years, an extensive review of the Club's current and prospective circumstances. The process continues.

As will be seen from the growth of tonnage over the past two renewals, the Club has enjoyed success in the development of new business as its strategy in this regard, originally implemented in 2014, has gained increasing momentum. The careful coordination of activity on the underwriting, claims, loss prevention and business development fronts has continued to enhance the delivery of service to Members and their intermediaries.

The practical results of the Club's business development efforts are kept under continuous review. Over the period from 2015 to 2017, the number of inquiries for both the Club's mutual and its EOM business grew by over 30% year-on-year. The strategic engagement

of the Managers' personnel in industry events across the world has also grown, but with a close eye to cost effectiveness and other market efficiencies.

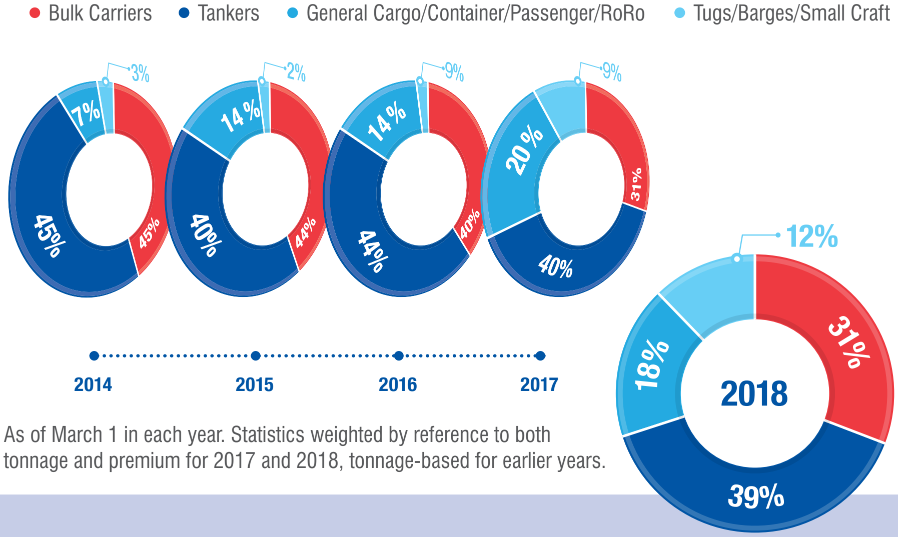
In April 2017, the Club began to participate in the social media promotion of its activity and capabilities through ***LinkedIn, Twitter*** and ***Instagram*** accounts. As might be expected in this modern age, the number of followers of the Club on social media has grown exponentially over recent months.

The importance of the Club's enterprise risk management (ERM) capabilities continued to be recognized during the period under review. Specifically, the Managers maintained their implementation of a formal, senior level ERM oversight protocol into the Club's decision-making processes. The ultimate supervision of these processes remained the province of the Board, to whom the Managers made regular reports

The necessity of effective ERM has acquired a renewed focus through recent initiatives in cyber security, notably compliance with the General Data Protection Regulation (GDPR) in the European Union, and a similar regime which applies to the Club's activities under the purview of the New York regulator.

During 2017 the Club commenced implementation of a new IT system, in the architecture of which cyber security has been given a special emphasis. As a component of the ERM function of the Club, this will continue to engage the close attention of the Managers and the Board over the months and years ahead.

MEMBERS' TONNAGE BY VESSEL TYPE*



* As of March 1 in each year. Statistics weighted by reference to both tonnage and premium for 2017 and 2018, tonnage-based for earlier years.

Supplementary and Release Calls

2017 saw the closing of the 2014 policy year, without call in excess of the original forecast, as of March 31, 2017. The deficit for the year – of approximately $5 million – was absorbed by the Club's contingency fund.

So far as release calls on open years are concerned, Members were informed in November 2017 that the margin for the 2015 policy year would be reduced from 10% to 5% of estimated total premium in view of the continuingly positive development of the year. At the same time, the release call margin for 2016 was reduced from 20% to 15% of estimated total premium, while that for 2017 – the year being highly immature at that stage – was to remain, as originally prescribed, at 20%.

All these years remain under review. It is intended that the 2015 policy year be closed within the first half of 2018. At that time, release call margins for remaining open years will be reconsidered, as they will later in 2018 at the time the Club publishes its premium policy determinations for the 2019 year.

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

In conformity with this policy, in November 2017, 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

The American Club enjoyed an 8.1% return on its investment portfolio during 2017, the best result in nearly a decade.

Finance and Investments

If 2016 was a contrarian year in economic and political terms, 2017 was a period of greater normality.

Notwithstanding the surprise election of Donald Trump as US president in November, 2016, and the unexpected "Brexit" vote in the United Kingdom earlier that year, global financial markets began 2017 with optimism. Both world GDP and international trade were on the rise following a sluggish performance in 2016, while rising corporate profitability, particularly in the United States and the Eurozone, augured well for a range of asset classes.

Stocks performed strongly in 2017. In the United States, the S&P 500 was up by nearly 22%, while the DJIA rose a little over 25% during the year. Part of this reflected profit growth across many industries, especially in the tech sector, and part the Trump administration's stated intention significantly to lower tax rates, particularly for corporations. The latter policy was in fact implemented by year-end 2017.

In the fixed income space, the gradual normalization of central bank monetary policy began to take shape during the year. In the United States, the Fed started to unwind its balance sheet and to raise interest rates at a moderate, but steady, pace. In Europe, the ECB adopted a similar posture, although local economic conditions inhibited its ability to adopt a more conservative interest rate policy.

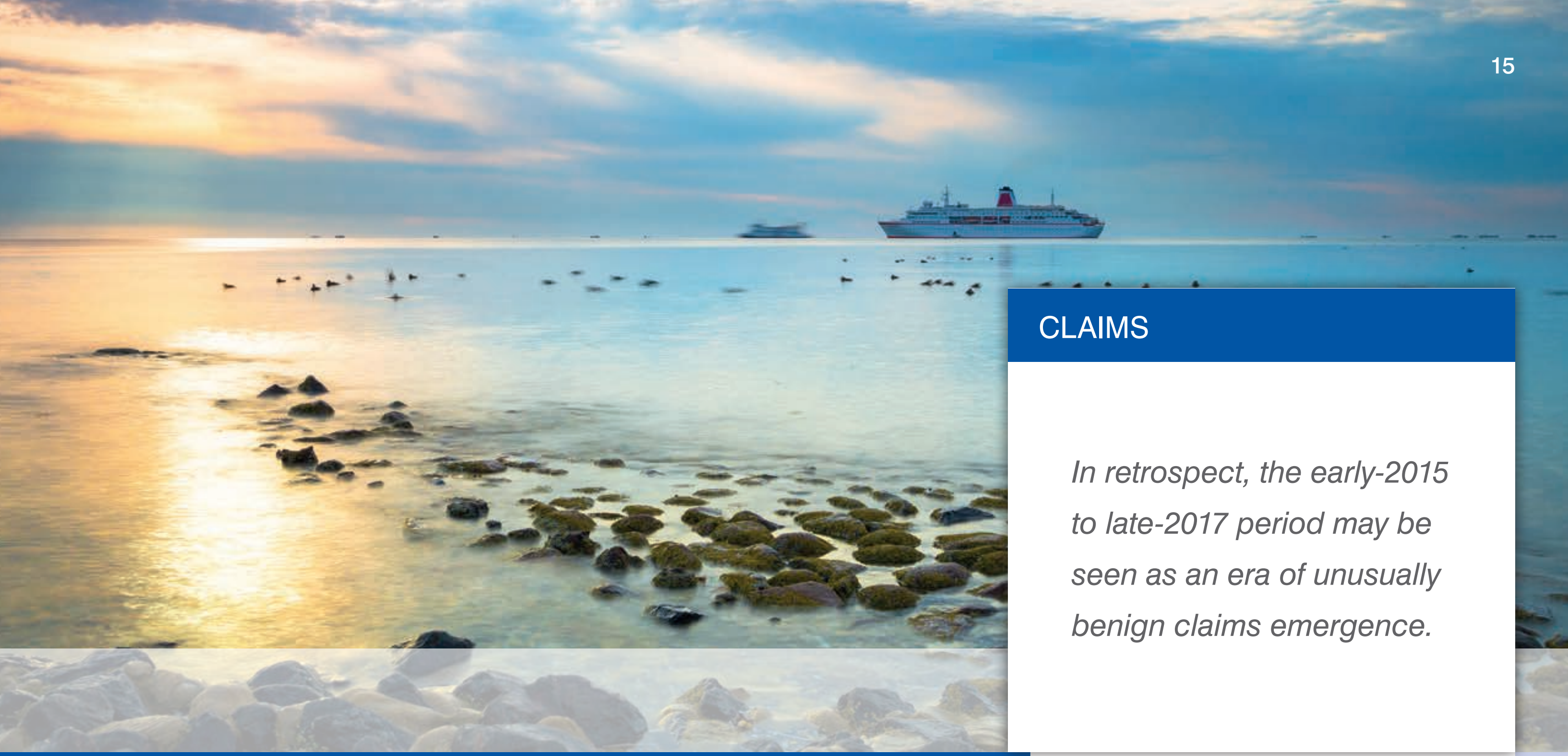
Inflation in the major global economies, despite a tight labor market in the United States in particular, remained rather subdued during 2017. This has continued into the opening months of 2018. Nevertheless, the Fed is expected to press ahead with rate increases during the year, animated to some extent by a desire to avoid excessive growth on the demand side of the economy in view of recent tax cuts.

Volatility in equities and rising rates at the shorter end of the fixed income yield curve have so far characterized the economic landscape in 2018. Some of the recent turbulence in stocks speaks to investor apprehension about a potential trade war between the United States and China, some simply to the dynamics of market correction.

The American Club enjoyed an 8.1% return on its investment portfolio during 2017. This was the best result in nearly a decade. At year-end, 2017 the Club had a little under 28% of its portfolio invested in equities and alternative strategy funds, the remaining 72% being committed to fixed income securities – mainly municipal bonds – and cash.

As to asset allocation generally, the Club continued its policy of gradually reducing the equities proportion of its portfolio during 2017, but not in a way to expose it to undue interest rate risk. This policy continues, and has proved to be successful in generating above-average earnings in recent years.

However, the outlook for 2018 suggests that the exceptional stock market returns of the last twelve months are unlikely to remain an enduring feature of the financial landscape over the years ahead. In counterpoint to upside sentiment that the world continues to experience a period of synchronized economic expansion, unrelenting geopolitical uncertainties remain concerns to the downside for the global economy.



CLAIMS

In retrospect, the early-2015 to late-2017 period may be seen as an era of unusually benign claims emergence.

Claims

Early on, losses for 2017 appeared to be developing more favorably than those for 2015. Even at calendar year-end, attritional claims for 2017 were emerging at a rate better than those for 2015 at the same stage. However, a number of larger claims which occurred in the final months of the 2017 policy year are likely to generate an ultimate outturn somewhat higher than that of 2015, but still significantly better than most earlier years, and 27% better than 2016 at the same point.

As to the Club's exposure to other clubs' losses under the Pooling Agreement, 2017 is developing at a level rather higher than the previous year – which was an exceptionally positive period for the Pool – but at a rate similar to 2014 and 2015, both being more "normal" years by comparison with the very high exposures experienced in 2011 and 2012. In short, the 2017 policy year promises to be another favorable period of claims exposure for the American Club, if not at the exceptionally positive level it enjoyed during 2015.

The recent, moderate upturn in losses described above appears to feature in the experience of most Group clubs at present. In retrospect, the early-2015 to late-2017 period may ultimately be seen as an era of unusually benign claims emergence, with a gradual reversion to the mean possible over the longer-term.

As is typically the case, 98% of the cases recorded for 2017 fell in the layer below $250,000 per claim. Personal injury, illness and death claims formed the largest category of aggregate exposure – at approximately 28% of the total – followed by cargo claims, representing a further 22%. This balance of exposure between these two categories of risk is much in line with the experience of most years.

In regard to other losses, claims in respect of pollution were rather higher in 2017 by comparison with the norms of more recent years, while those in respect of damage to third party property were also higher. With 70 incidents in 2017, by comparison with only 25 such cases in 2016, these claims figured more prominently than in the recent past although, in the aggregate, they accounted for only 7% of total losses.

It is pleasing to note that only four claims exceeded $1 million by way of individual incident value during 2017, and that the Club had no claim falling within the International Group Pool over the period.

The emergence of Freight, Demurrage and Defense (FD&D) matters in 2017 was significantly lower than that of the previous year. Activity in 2016 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.

As foreshadowed in last year's Managers' Report, the prediction that these problems would abate once the freight market gained a firmer footing, would appear to have been realized. Total aggregate exposure for the FD&D class for 2017 is less than half that of 2016 at the same point of development.

2017 also saw the first claims arising from commitments made by International Group clubs some years ago in regard to the payment of abandoned seafarers' wages and repatriation costs as per Guideline B2.5 of Regulation 2.5 of the Maritime Labor Convention, 2006.

A small number of claims arising from the bankruptcy of former Members arose during the year and, in accordance with the Rule change implemented pursuant to the Group's initiative, have been handled with speed and efficiency, in sometimes difficult circumstances. Other clubs within the International Group have had similar experiences, which are being monitored by the Group as they develop over time.

Activity within the International Group of P&I Clubs

For the past several years the International Group of P&I Clubs has produced an annual review of its activities. The latest edition was published in early June, 2017. As in previous years, it spoke to the very broad range of matters with which the Group concerns itself on behalf of global shipping.

Many of the subjects discussed in earlier reviews featured in the most recent document. The implications of Brexit remained a source of discussion not only for clubs domiciled in the United Kingdom but also in relation to the London insurance market generally. A number of clubs have taken steps to protect their regulatory position post-Brexit by redomiciling part of their operations to such centers as Dublin, Rotterdam and Luxembourg.

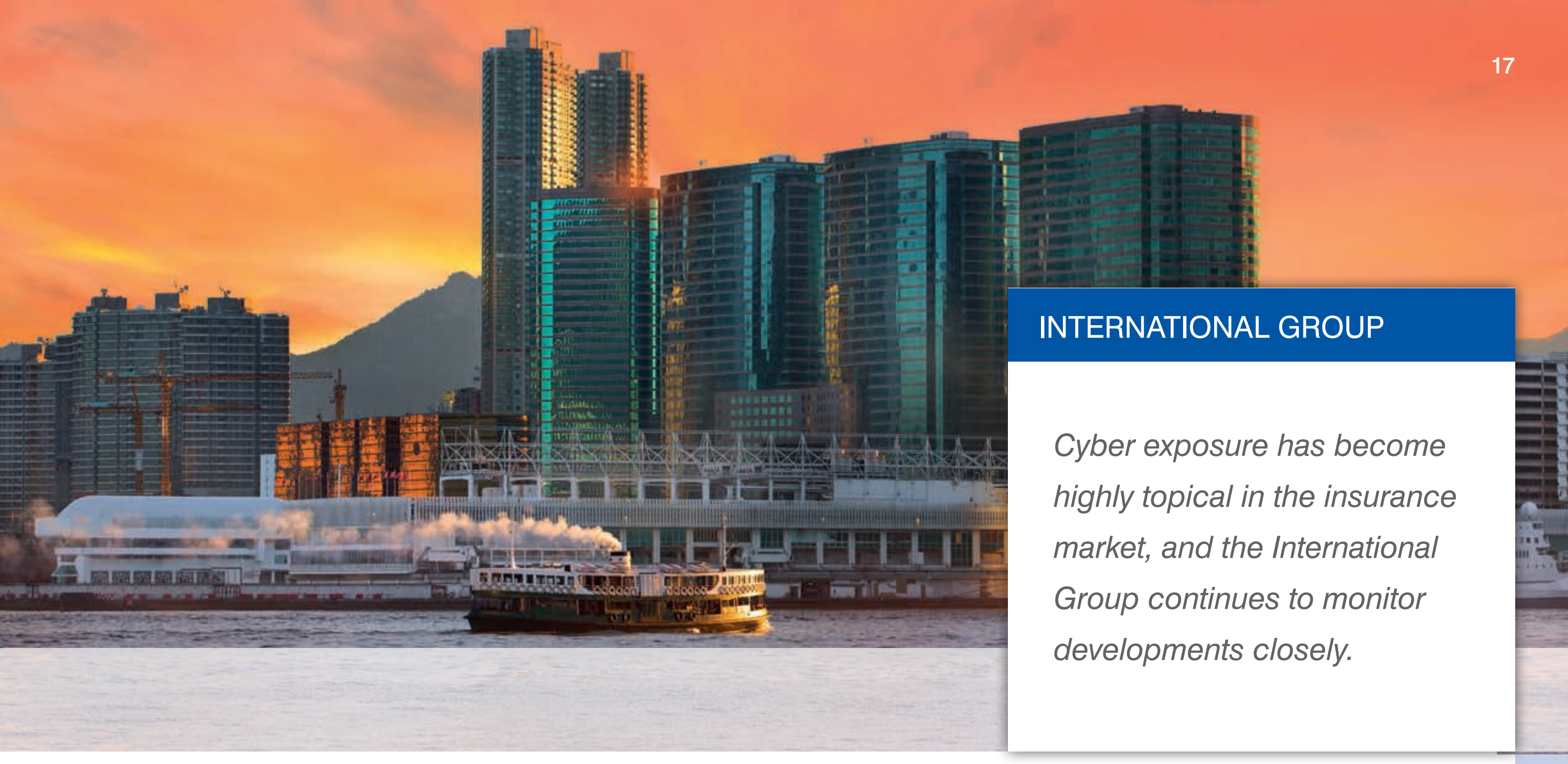
The application of sanctions in regard to certain countries, notably Iran, has continued to exercise the interest of the International Group. The implementation of the JCPOA in January, 2016 clarified the landscape to some degree, although the recent withdrawal of the United States from this multipartite agreement will have disruptive implications for both shipping and insurance activity going forward. The tightening of sanctions against North Korea was also an issue of collective interest, although the impact of those sanctions on global trade is rather less than those pertaining to Iran, and may diminish further if current diplomatic efforts bear fruit.

Cyber exposure has become highly topical in the insurance market. Although the general view of the shipping industry is that the risk of cyber interference is relatively low, the Group continues to monitor developments, from an operational and insurance perspective, and through engaging with the broader marine insurance and reinsurance markets. Autonomous shipping is another area in respect of which the Group maintains a watching brief.

Toward the end of June, 2017, Group Managers met in Oslo to consider the results of a market research initiative which had been commissioned to identify areas where efforts could be made to raise levels of understanding among all maritime industry stakeholders of the role and functions of the International Group, and ways in which the Group might enhance the services it provides, and the benefits it delivers, on behalf of the shipowning community.

Following extensive discussion of these issues at the Oslo meeting, a series of working groups was established to consider, inter alia, issues of governance, outreach and branding and communications. These working groups have been active in each of their mandated domains. The American Club is represented on the branding and communications working group which aims, among other things, to create new vision and mission statements on behalf of the Group, as well as the refreshment of the Group's logo.

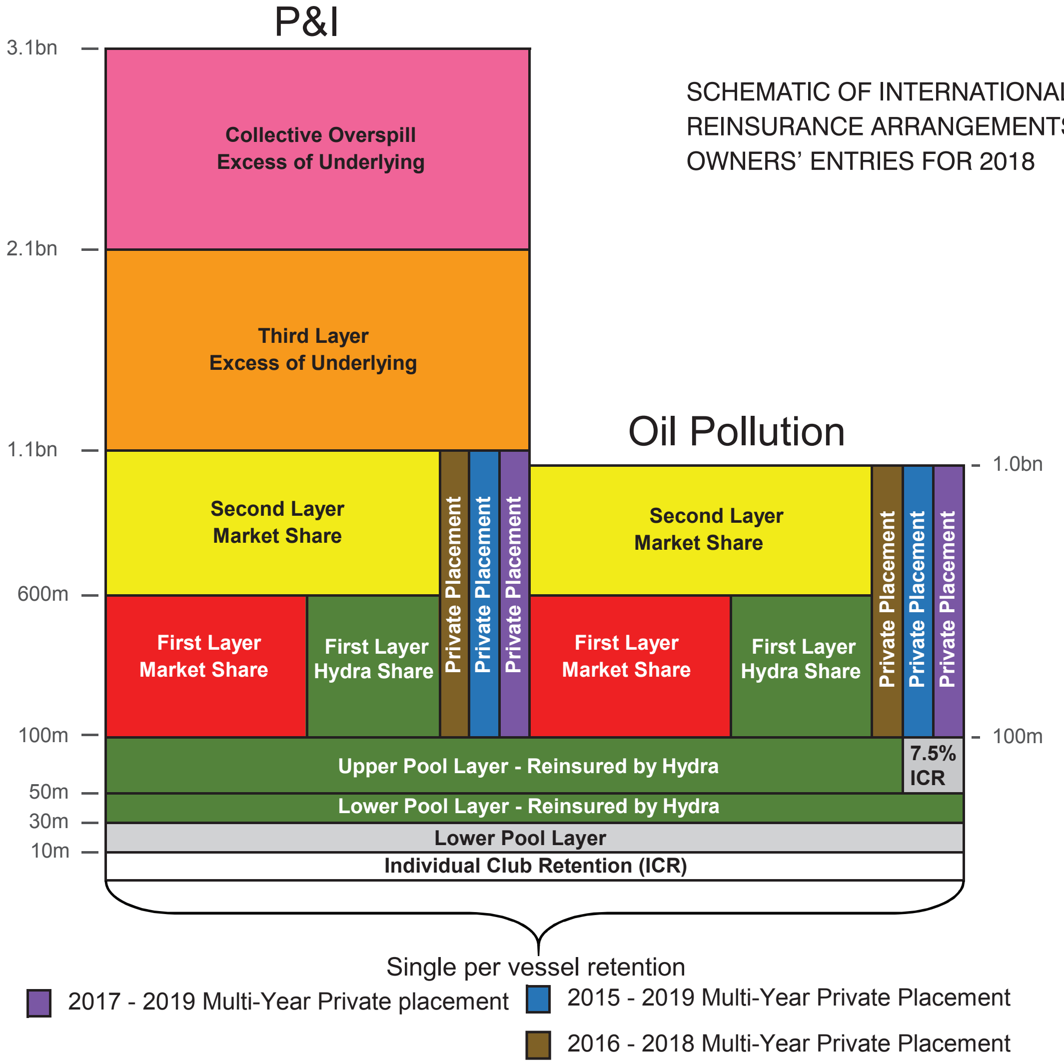
The recommendations of the working groups will be considered by Group Managers in June, 2018 and further communications from the Group – via its constituent clubs – can be expected over the months ahead.



INTERNATIONAL GROUP

Cyber exposure has become highly topical in the insurance market, and the International Group continues to monitor developments closely.

SCHEMATIC OF INTERNATIONAL GROUP REINSURANCE ARRANGEMENTS FOR OWNERS' ENTRIES FOR 2018



Safety and Loss Prevention

The development of loss prevention initiatives continued to be a cornerstone of the American Club's service outreach during the period under review.

The Club's condition survey program remained an important focus of its activity. 122 condition surveys were performed during 2017 on vessels entered for Class I mutual risks, a 15% increase over 2016. This reflected the introduction of the Club's "10+3" inspection regime under which all vessels ten years of age or older are inspected both on initial entry and thereafter every three years.

The Club's Pre-Employment Medical Examination (PEME) program, now more than a decade old, continued to add loss prevention value. The program was enhanced during 2017 through the introduction of a medical declaration protocol aimed at ensuring that a seafarer's physical condition, medications and recommended life style changes are both properly noted and prospectively addressed prior to engagement.

The development of loss prevention literature continued energetically throughout the year. Two pocket guides were produced. One, ***Good Housekeeping***, advised on the basics of vessel husbandry. The other, ***Signing Bills of Lading***, provided guidance on documentary procedures. The subject of seafarer mental health was also addressed. A guidance entitled ***What's on Your Mind?*** was published, and further literature on the subject will follow.

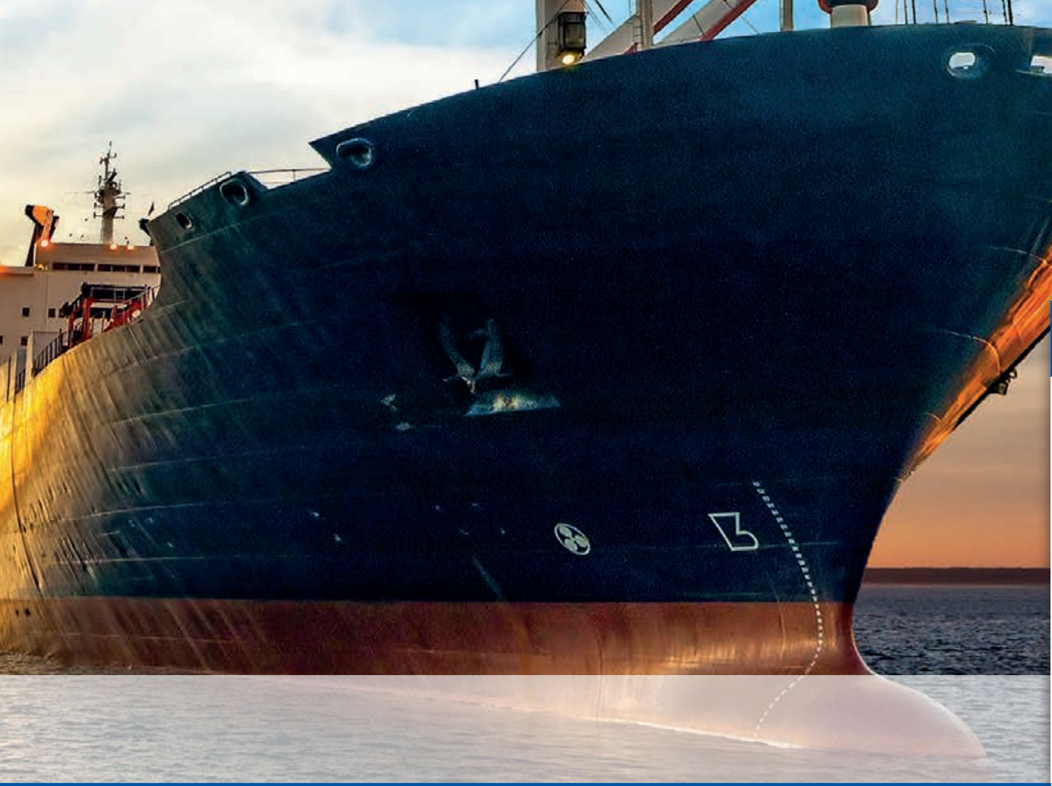
Other publications included a comic pamphlet, ***Safety Management Systems***. It aims to assist both seafarers and shoreside personnel in understanding and implementing the various – and increasingly complex – systems required in the management of safety and loss prevention both ashore and afloat. Another safety poster, ***Keep Your Eyes on Safety!***, was also issued during 2017.

The Club has recently launched a joint initiative with the American Bureau of Shipping and Lamar University of Texas to identify, assess and disseminate near-miss and casualty information relevant to two key areas of exposure within that province of risk often described as the human element. These concern slips, trips and falls, and injuries associated with the operation of shipboard machinery and equipment. The initiative is at an early stage, but promises much over the months ahead.

The Club's practice of conducting workshops and training seminars continued during 2017. Circulars, Member Alerts and the Club's in-house publication, ***Currents***, were also used to disseminate important loss prevention messages across a wide range of relevant subjects.

In July, 2017 the American Club and IDESS Interactive Technologies were joint recipients of the ***Seatrade*** Award for Investment in People. This recognized the long collaboration between the two in the production of e-learning systems for managing crew competence, considered essential to maritime safety, security and environmental protection.

Further initiatives between the Club and IDESS IT are underway. As in the case of the Club's other loss prevention material, they will likely be translated into several languages. This will ensure their availability to the widest audience of seafaring and shoreside personnel.



The business synergies between the American Club and American Hellenic Hull maintained steady progress during 2017.

American Hellenic Hull Insurance Company, Ltd.

Recent Annual Reports have referred to the initiative – which began in late 2015 – to develop a presence for the Club in the hull sector through its cooperation with Hellenic Hull Mutual and, thereafter, through the establishment of American Hellenic Hull Insurance Company, Ltd. (American Hellenic Hull) in Cyprus. This was accomplished through the licensing, in June 2016, of the new insurer which thereafter commenced operations on July 1 of that year.

Many advantages have flowed to the American Club in consequence of its investment in American Hellenic Hull. 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. Moreover, the Club has benefited from the cross-selling opportunities for its P&I business which have arisen from its involvement with an internationally respected insurer of hull risks.

Over the last eighteen months, American Hellenic Hull has made excellent progress, largely exceeding its original business targets. As of March, 2018, some 2,800 vessels were insured by American Hellenic Hull – significantly more than projected. Gross written premium for the Company is also ahead of plan – by about 20% – despite a hull market which continues to struggle with low pricing levels. It is also pleasing to note that the loss ratio for American Hellenic Hull's business on a gross written basis is better than originally expected, auguring well for its contribution to the Club's future results.

In a competitive market, American Hellenic Hull adopts a prudent approach to risk selection and pricing. Its underwriting results speak to continuing success in this regard, its focus being on high-quality fleets navigating under superior flags, and managed by the most reputable operators in well-established maritime domiciles.

The business synergies between the American Club and American Hellenic Hull maintained steady progress during 2017. The combined networks of the Club and American Hellenic Hull are exceptionally broad, and it is certain that the common cause to which both are committed will continue to provide benefits to each over the months and years ahead.

CENTENNIAL CELEBRATIONS

The successes of the Club's first one hundred years can be attributed to two overarching motivational dynamics - pride and perseverance.

Welcoming the American Club's Second Century of Service to Global Shipping

The American Club turned one-hundred-and-one on February 14, 2018. For a centenarian, the Club had proved itself to be preternaturally energetic during the preceding twelve months.

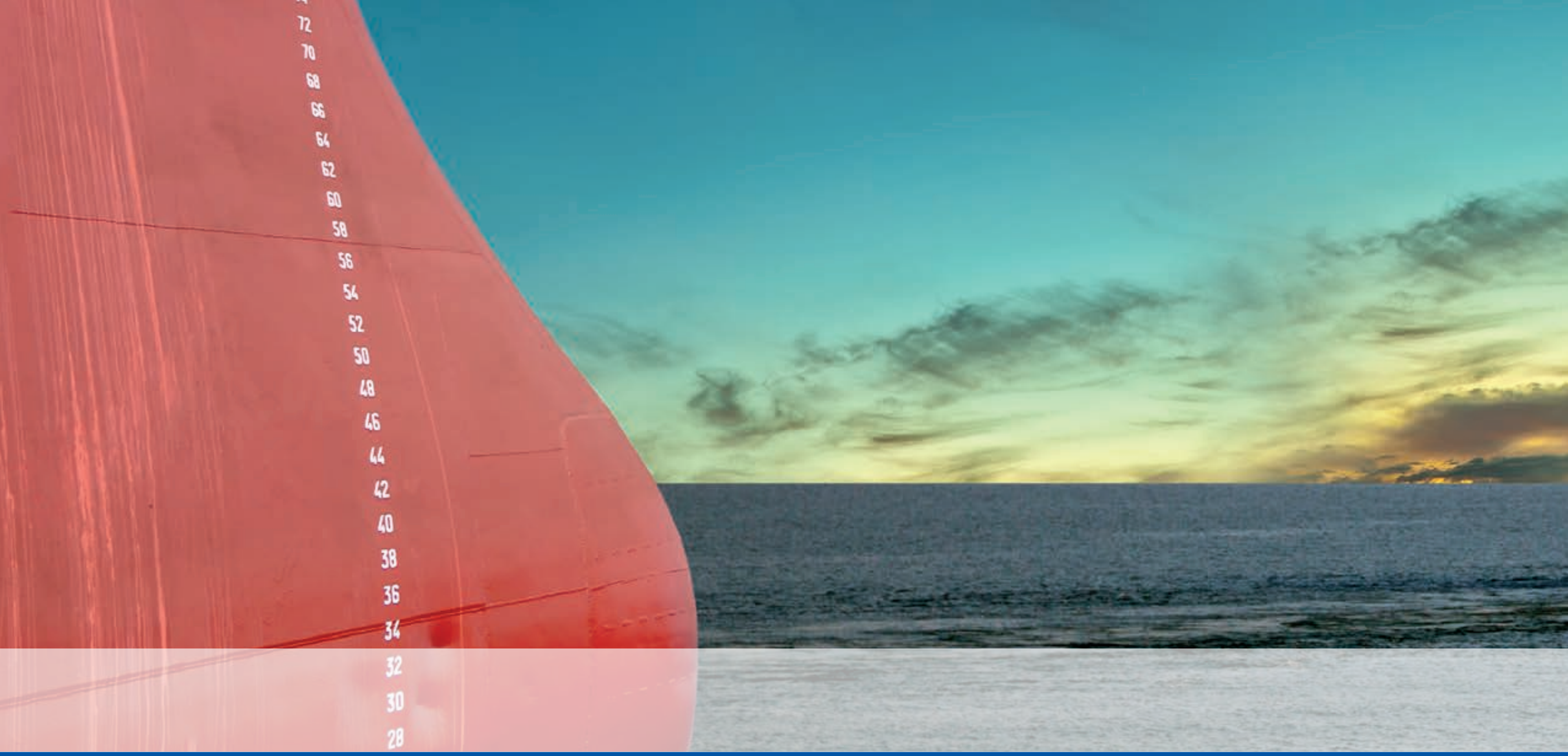
As mentioned in the Report of the Directors, the Club commemorated its centennial year in several shipping centers throughout the world. The largest event took place in New York following the Annual Meeting of the Members in June. Five hundred guests were present to celebrate the Club's achievement in reaching this important milestone.

Twenty-five years ago, there were some who were skeptical that the Club would make it to one hundred. The fact that it did can be attributed to two overarching motivational dynamics – pride and perseverance. Pride derives from the legacy of the American Club, upon which it has been able to build its success in recent years. Perseverance has defined the efforts of everyone whose combined energies have brought the American Club to where it is today.

These are worthy contemplations as the Club enters its second century of service to the international shipping community. Countless are those who have contributed so much to the Club over the years: its Members, its Directors, its coventurers within the International Group, its reinsurers, the Club's supporters from the broking community, its financial advisors and legal counsel, its bankers, its correspondents, its consultants and surveyors, representatives from the press and everyone who has done, and continues to do, their part in advancing its cause in so many different ways.

As the Club moves on from the celebration of its centennial year, its Managers thank all whom they are privileged to serve for their enduring support of the Club as it welcomes its second century, building on the traditions and successes of its first.


MEREDITH C. REINAUER


72
70
68
66
64
62
60
58
56
54
52
50
48
46
44
42
40
38
36
34
32
30
28

2017 FINANCIAL REPORT

Contents

MAZARS

INDEPENDENT AUDITORS' REPORT

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 sheet as of December 31, 2017, and the related consolidated statements of operations and comprehensive income, changes in members' equity, and cash flows for the year 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 audit. We conducted our audit 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 presents fairly, in all material respects, the financial position of the Association as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements
The consolidated financial statements of the Association as of December 31, 2016 were audited by other auditors whose report dated June 22, 2017, expressed an unmodified opinion on those statements.

Disclaimer of Opinion on Supplemental Schedules
Our audit was 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 38-41 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These schedules are the responsibility of the Association's management. Such schedules have not been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, accordingly it is inappropriate to and we do not express an opinion or provide any assurance on the supplemental schedules referred to above.

Mazars USA LLP

June 13, 2018

Mazars USA LLP
501 Office Center Drive, Suite 300 – Fort Washington, Pennsylvania – 19034
Tel: 215.259.1000 – Fax: 215.259.1010 – www.mazarsusa.com

Consolidated Balance Sheets

IN THOUSANDS	NOTE	DECEMBER 31 2017	2016
ASSETS			
Investments	3	$ 194,242	$ 204,520
Cash and cash equivalents		26,393	16,445
Members' balances receivable		14,422	21,862
Reinsurance recoverable	6	50,342	54,160
Advances to Hellenic Hull Mutual	1	7,575	11,169
Unbilled assessments	7	14,797	13,064
Other assets	4	14,457	13,776
Total Assets		$ 322,228	$ 334,996
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES:			
Unpaid losses and allocated loss adjustment expenses	6	$ 149,114	$ 178,442
Unreported losses	6	44,379	43,772
Unearned premiums		20,062	17,962
Reinsurance payable		4,924	3,186
Surplus note payable	5	19,500	19,500
Demand promissory note payable	5	20,051	16,532
Other liabilities	4	6,584	4,184
Total Liabilities		$ 264,614	$ 283,578
COMMITMENTS AND CONTINGENCIES			
MEMBERS' EQUITY:			
Retained earnings		$ 54,086	$ 48,415
Accumulated other comprehensive income		3,528	3,003
Total Members' Equity		$ 57,614	$ 51,418
Total Liabilities and Members' Equity		$ 322,228	$ 334,996

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Income

IN THOUSANDS	NOTE	DECEMBER 31 2017	2016
INCOME			
Net premiums and assessments earned	7	$ 74,195	$ 95,325
Net investment income		4,586	3,817
Net realized investment gains		3,463	3,134
Net recovery from US Oil Spill Liability Trust Fund		—	4,264
Total Income		82,244	106,540
EXPENSES			
Losses and loss adjustment expenses incurred	6	36,302	70,761
Other operating expenses	8	40,300	37,744
Total Expenses		76,602	108,505
Income (Loss) Before Income Taxes		5,642	(1,965)
Income tax provision		29	(79)
Net Income (Loss)		5,671	(2,044)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES			
Unrealized gains (losses) on investments		525	(2,948)
Other Comprehensive Gain (Loss)		525	(2,948)
Comprehensive Income (Loss)		$ 6,196	$ (4,992)

Consolidated Statements of Changes in Members' Equity

IN THOUSANDS	NOTE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL MEMBERS' EQUITY
Balance, January 1, 2016		$ 50,459	$ 5,951	$ 56,410
Net loss		(2,044)	—	(2,044)
Unrealized investment losses		—	(2,948)	(2,948)
Balance, December 31, 2016		48,415	3,003	51,418
Net income		5,671	—	5,671
Unrealized investment gains		—	525	525
Balance, December 31, 2017		$ 54,086	$ 3,528	$ 57,614

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IN THOUSANDS	DECEMBER 31 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 5,671	$ (2,044)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of bond premiums	1,953	2,377
Net realized investment gains	(3,463)	(3,134)
Depreciation	47	60
	(1,463)	(697)
Changes in operating assets and liabilities:		
Members' balances receivable	7,441	(12,186)
Reinsurance recoverable	3,818	(13,768)
Unbilled assessments	(1,734)	(7,475)
Other assets	(666)	(1,604)
Unpaid and unreported losses and allocated loss adjustment expenses	(28,722)	9,954
Unearned premiums	2,100	2,992
Reinsurance payable	1,738	(2,082)
Other liabilities	2,420	(1,764)
	(13,605)	(25,933)
Net cash used in operating activities	(9,397)	(28,674)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales/maturities of investments	106,093	112,947
Purchases of investments	(89,911)	(92,637)
Loan to Hellenic Hull Mutual	(275)	(5,169)
Purchases of fixed assets	(62)	(94)
Net cash provided by (used in) investment activities	15,845	15,047
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) of demand promissory note	3,500	16,500
Net cash provided by (used in) financing activities	3,500	16,500
Net change in cash and cash equivalents	9,948	2,873
Cash and cash equivalents, beginning of year	16,445	13,572
Cash and Cash Equivalents, End of Year	$ 26,393	$ 16,445
Supplemental Information:		
Income taxes paid	$ 105	$ 625
Interest paid	$ 367	$ 187

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 ("P&I") insurance to maritime organizations. Pursuant to the terms of the agreements between the Association and its Member-insureds, the Members are charged premiums and subsequent 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 2017 and 2016 policy years, at December 31, 2017 and December 31, 2016, the gross tonnage insured was 16,626,954 and 16,452,551, 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, AHHIC, Inc. advanced funds to Hellenic Hull Mutual so they could continue to fund operations while AHHIC Ltd. obtained its license to operate. As of December 31, 2016, the outstanding advances due to AHHIC, Inc. was $11.2 million, of which $7.3 million was collateralized by Hellenic Hull Mutual's existing premium receivables and assessments. The remaining $3.9 million was unsecured. This $11.2 million advance was payable in full by December 31, 2017.

On December 22, 2017, the Association instructed AHHIC, Inc., through their managers SCB, Inc., to extend the repayment date to September 30, 2018. They also instructed AHHIC, Inc. to capitalize the $3.9 million unsecured additional funding. The outstanding amount as of December 31, 2017 is $7.6 million.

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 Significant Accounting Policies

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

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

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

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.

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

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

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

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

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

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

Premiums and 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.

For the years ended December 31, 2017 and 2016, no Member accounted for 10% or more of total revenue.

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

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

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 was effective for annual periods beginning after December 15, 2016 and is to be applied retrospectively. The new guidance affects disclosures only and has 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 for 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, 2017 and 2016 were as follows:

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2017				
US Treasury and obligations of other US government corporations and agencies	$ 9,906	$ 2	$ 74	$ 9,834
Obligations of states and political subdivisions	84,318	481	482	84,317
Industrial and miscellaneous bonds	7,540	3	27	7,516
Common stocks	76,912	10,542	1,426	86,028
Other invested assets	8,168	116	1,737	6,547
Total	**$ 186,844**	**$ 11,144**	**$ 3,746**	**$ 194,242**

	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**

The following summarizes unrealized investment losses by class of investment at December 31, 2017 and 2016. The Association considers these investments to be only temporarily impaired.

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2017						
Government obligations	$ 4,393	$ 13	$ 3,460	$ 61	$ 7,853	$ 74
Obligations of states and political subdivisions	40,103	305	9,168	176	49,271	481
Industrial and miscellaneous bonds	2,004	14	815	13	2,819	27
Common stocks	8,101	180	18,133	1,246	26,235	1,426
Other invested assets	3,653	462	1,735	1,276	5,388	1,738
Total	**$ 58,254**	**$ 974**	**$ 33,311**	**$ 2,772**	**$ 91,565**	**$ 3,746**

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2016						
Government obligations	$ 3,803	$ 52	$ —	$ —	$ 3,803	$ 52
Obligations of states and political subdivisions	60,861	1,181	2,478	21	63,339	1,202
Industrial and miscellaneous bonds	1,223	17	413	5	1,636	22
Common stocks	27,484	1,060	17,277	1,673	44,761	2,733
Other invested assets	580	45	1,721	754	2,301	799
Total	**$ 93,951**	**$ 2,355**	**$ 21,889**	**$ 2,453**	**$ 115,840**	**$ 4,808**

The fair value and amortized cost of available-for-sale debt securities at December 31, 2017 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	$ 15,005	$ 14,986
Due after one year through five years	31,591	31,487
Due after five years through ten years	35,273	35,221
Due after ten years	19,895	19,973
Total	**$ 101,764**	**$ 101,667**

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

	2017	2016
Proceeds from sales of investments	$ 89,890	$ 92,457
Gross realized gains	4,936	6,098
Gross realized losses	1,473	3,055

There were no other-than-temporary impairments recorded in 2017 or 2016.

At December 31, 2017 and 2016, United States Government Treasury notes in the amount of $310 par value, respectively, were deposited with regulatory authorities as required by The New York Insurance Law.

Fair Value Hierarchy

IIn 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 a result of the Association's adoption of ASU 2015-07, the below tables exclude other invested assets valued at NAV. 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, 2017:

		FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2017		
	TOTAL FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS				
US Treasury and obligations of other US government corporations and agencies	$ 9,834	$ 9,834	$ —	$ —
Obligations of states and political subdivisions	84,318	—	84,318	—
Industrial and miscellaneous bonds	7,515	—	7,515	—
Common stocks	86,029	86,009	—	20
Total	**$ 187,696**	**$ 95,843**	**$ 91,833**	**$ 20**

	Total Fair Value		Level 1		Level 2		Level 3	
	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2016							
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**

During the years ended December 31, 2017 and 2016, 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, 2017 and 2016.

	Fair Value (in millions)		Unfunded Commitments		Redemption Frequency (if currently eligible)		Redemption Notice Period	
Private equity funds	$	6,546	$	3,955	$	—	$	—

This class includes several private equity funds that invest primarily in real estate, energy infrastructure, and other private equity funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 3 to 8 years, subject to 2 to 4 one-year extensions. However, as of December 31, 2017, it is probable that all of the investments in this class will be sold at an amount different from the net asset value of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments. As of December 31, 2017, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve of the buyer before the sale of the investments can be completed.

4. Other Assets and Liabilities

		2017		2016
Other Assets				
Computer equipment and software - net of accumulated depreciation of $6,426 and $6,379, respectively	$	188	$	173
Receivable for securities sold		340		378
Accrued interest receivable		998		1,192
Income tax recoverable		500		352
Prepaid reinsurance premiums		3,334		2,885
Management fee receivable		1,727		1,783
Net recovery US Oil Spill Liability Trust Fund		1,944		4,264
Other assets		5,426		2,749
	$	**14,457**	**$**	**13,776**
Other Liabilities				
Accrued expenses	$	6,492	$	4,044
Liability for securities purchased		91		140
Income tax payable		1		—
	$	**6,584**	**$**	**4,184**

A recovery in the amount of $1.9 million and $4.3 million at December 31, 2017 and 2016 respectively, 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, 2017 and 2016 the Association owed $20 million and $16.5 million, respectively, on a demand promissory note from Deutsche Bank Trust Company America ("demand promissory note). Interest on the demand promissory note was calculated using a rate of 3-month LIBOR plus 1 percent. Interest accrued at December 31, 2017 and 2016 was $51 and $32, respectively. Borrowings totaling $5.0 million, $3.5 million, and $6.5 million have been extended and are due August 2018, and an additional $5.0 million is due September 2018.

During 2015, a surplus note with an interest rate of 8% and a date of maturity of December 20, 2040, in the amount of $19.5 million was issued in exchange for cash as a private placement issue by the Association. No payment of principal or interest shall be permitted on the surplus note without the prior approval of the Superintendent of the New York State Department of Financial Services and shall only be made out of free or divisible surplus of the Association. In the event of the liquidation of the Association, the claims under this surplus note shall be paid out of any assets remaining after the payment of all policy obligations and all other liabilities, but before distribution of assets to members. Interest accrued on the note at December 31, 2017 was $3.1 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:

		2017		2016
Gross balance at January 1	$	222,214	$	212,260
Less reinsurance recoverable on unpaid losses		50,508		39,688
Net Balance at January 1		**171,706**		**172,572**
Incurred related to:				
Current year		39,069		55,933
Prior years		(2,767)		14,828
Total Net Incurred		**36,302**		**70,761**
Paid related to:				
Current year		7,575		12,046
Prior years		54,968		59,581
Total Net Paid		**62,543**		**71,627**
Net balance at December 31		**145,465**		**171,706**
Plus reinsurance recoverable on unpaid losses		48,028		50,508
Gross Balance at December 31	**$**	**193,493**	**$**	**222,214**

In 2017, favorable development for prior years was $2.7 million. The favorable development was the result of $4.9 million expected emergence for the 2016 policy year, which was offset by a favorable emergence of $7.7 million for policy years 2015 and prior. An increase or decrease due to re-estimation of prior years' losses is generally a result of ongoing analysis of recent loss development trends as well as claim reviews on specific files.

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.

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, 2017 is not expected to materially impact surplus.

The following tables present information about incurred and paid claims development as of December 31, 2017, net of reinsurance, as well as cumulative claims frequency. The table includes unaudited information about incurred and paid claims development for the years ended December 31, 2008 through 2016, which the Association presents as supplementary information.

Incurred Claims and Allocated Claims Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31, 2017

Accident Year	Unaudited 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR 2017	at Dec 31, 2017 Cumulative Number of Reported Claims
2008	$ 77,879	$ 78,063	$ 76,909	$ 76,070	$ 80,676	$ 79,097	$ 79,441	$ 78,744	$ 79,353	$ 79,336	$ 56	2,078
2009		80,376	78,622	77,904	79,229	81,625	81,433	83,097	82,597	81,763	192	1,797
2010			72,234	67,817	67,271	64,298	63,492	63,330	63,233	62,244	375	2,046
2011				74,353	74,842	67,861	69,520	69,778	69,026	66,279	483	1,856
2012					74,409	69,348	65,895	64,766	67,837	65,615	875	1,747
2013						77,992	71,244	66,232	72,860	73,504	1,958	1,776
2014							71,946	68,966	67,533	67,578	3,012	1,856
2015								55,047	47,232	44,471	3,637	1,564
2016									61,890	58,586	3,941	1,563
2017										46,539	9,759	1,542
									Total	$ 645,915	$ 24,288	

Paid Claims and Allocated Claims Adjustment Expenses, Net of Reinsurance
For the Years Ended December 31, 2017

Accident Year	Unaudited 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Claims Duration
2008	$ 18,768	$ 33,723	$ 48,836	$ 20,833	$ 62,730	$ 70,544	$73,199	$ 74,072	$ 77,078	$ 77,183	0.1%
2009		16,734	28,510	33,975	50,044	60,567	69,881	74,336	76,460	79,406	3.7%
2010			9,612	34,443	40,531	49,421	54,150	56,472	58,604	59,357	1.6%
2011				37,074	32,097	47,317	52,194	56,673	58,832	62,948	4.6%
2012					10,486	35,955	50,843	58,807	55,700	61,395	7.4%
2013						17,860	25,743	37,780	53,536	60,493	14.1%
2014							12,707	28,385	50,292	56,336	6.9%
2015								7,678	18,576	25,390	18.2%
2016									13,911	29,903	21.1%
2017										10,828	23.9%
									Total	$ 523,239	
									All outstanding liabilities prior to 2008, net of reinsurance	$ 22,788	
									Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 145,465	

	2017	2016
Reinsurance recoverable on unpaid losses	$ 48,028	$ 50,508
Reinsurance recoverable on paid losses	2,314	3,652
Total reinsurance recoverable	**$ 50,342**	**$ 54,160**

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:

	2017	2016
Direct	$ 45,642	$ 84,364
Assumed	8,354	13,089
Ceded	(17,694)	(26,692)
Total losses and loss adjustment expenses incurred	**$ 36,302**	**$ 70,761**

7. Premiums and Assessments

	2017	2016
Premiums written and billed assessments	$ 98,673	$ 104,183
Change in unbilled assessments	1,734	7,475
Return premiums	(822)	(755)
Reinsurance premiums ceded	(24,194)	(14,168)
Net premiums and assessments written	**75,391**	**96,735**
(Increase) decrease in net unearned premiums	(1,196)	(1,410)
Net Premiums and Assessments Earned	**$ 74,195**	**$ 95,325**

At December 31, 2017 and 2016, an unbilled assessment in the amount of $14.8 million and $13.0 million respectively, 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

	2017	2016
Management fee	$ 16,881	$ 17,850
Bad debts	4,089	2,315
Brokerage	9,515	8,545
Other	9,815	9,034
Total Other Operating Expenses	**$ 40,300**	**$ 37,744**

9. Commitments and Contingencies

Letters of Credit – At December 31, 2017 and 2016, the Association had outstanding letters of credit for $6.0 million and $7.6 million, respectively. The bond investment accounts, held by Deutsche Bank Trust Company America as custodian, are pledged as collateral for the Letters of Credit.

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

	2017	2016
Asbestos-Related Claims		
Aggregate gross losses paid to date at December 31	$ 14,436	$ 13,636
Loss reserves - reported	5,755	5,568
Loss reserves - unreported	8,696	7,496

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, 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, 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 $74.8 million and $66.3 million as of December 31, 2017 and December 31, 2016, 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, 2017.

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, 2017 the ratio of 27.9% has been calculated in accordance with the schedule mentioned above and the guidelines issued by the International Group. This compares with a ratio of 25.7% recorded for the five years ended December 31, 2016.

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, 2017 is 21.5%. This compares with a ratio of 19.3% calculated for the five years ended December 31, 2016.

13. Subsequent Events

Subsequent events have been considered through June 13, 2018 for the audited financial statements were available to be issued. No other events occurred subsequent to December 31, 2017, through June 20, 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, 2017 and 2016

IN THOUSANDS	P&I 2017	P&I 2016	FD&D 2017	FD&D 2016
INCOME				
Net premiums and assessments earned	$ 68,582	$ 91,379	$ 3,807	$ 3,571
Net investment income	4,345	3,672	241	144
Net realized investment gains	3,281	3,016	179	118
Net recovery from US Oil Spill Liability Trust Fund	—	4,264	—	—
Total Income	76,208	102,331	4,227	3,833
EXPENSES				
Losses and loss adjustment expenses incurred	31,382	66,633	1,764	2,591
Other operating expenses	36,230	34,963	2,011	1,366
Total Expenses	67,612	101,596	3,775	3,957
Income (Loss) Before Income Taxes	8,596	735	452	(124)
Income tax provision	27	(76)	1	(3)
Net Income (Loss)	8,623	659	453	(127)
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized losses on investments	461	(2,843)	26	(111)
Other Comprehensive Gain (Loss)	461	(2,843)	26	(111)
Comprehensive Income (Loss)	$ 9,084	$ (2,184)	$ 479	$ (238)

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, 2017 and 2016

IN THOUSANDS	2017	2016
NET CLAIMS PAID		
Gross claims paid:		
Members' claims	$ 73,347	$ 77,706
Other Clubs' Pool claims	5,450	9,793
	78,797	87,499
Recoveries on claims paid:		
From the Group excess of loss reinsurance	5	—
From the Pool	13,606	10,694
Other reinsurers	4,655	5,094
	18,266	15,788
Net Claims Paid	$ 60,531	$ 71,711
CHANGE IN NET PROVISION FOR CLAIMS		
Claims outstanding:		
Members' claims	138,889	$ 175,379
Other Clubs' Pool claims	49,738	46,835
	188,627	222,214
Reinsurance recoverables:		
From the Group excess of loss reinsurance	118	120
From the Pool	18,071	26,317
Other reinsurers	27,472	23,104
	45,661	49,541
Net claims outstanding at December 31	142,966	172,673
Net claims outstanding at January 1	172,673	172,572
Change in Net Provision for Claims	$ (29,707)	$ 101

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 2014/15 policy year was closed on March 31, 2017, without further calls.

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

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

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

DEVELOPMENT OF OPEN POLICY YEARS

	2015–16	2016–17	2017–18
INCOME			
Calls and premiums – net	$ 87,132	$ 89,831	$ 65,626
Investment income	4,715	3,065	1,862
Total Income	**91,847**	**92,896**	**67,488**
EXPENSES			
Net paid losses	20,300	29,859	5,185
Net pending losses	16,722	25,642	21,533
Unreported losses	3,907	3,890	8,817
Reinsurance premiums	15,498	15,280	16,033
Other operating expenses	25,336	25,165	21,957
Total Expenses	**81,763**	**99,836**	**73,525**
RETAINED EARNINGS (DEFICIT)	**10,084**	**(6,940)**	**(6,037)**
MEMBERS' EQUITY (DEFICIT): OPEN YEARS	**$ 10,084**	**$ (6,940)**	**$ (6,037)**

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

2015/16	$6,459
2016/17	$6,502
2017/18	$6,856

For the 2017/18 policy years calls and premiums are stated on an earned basis to December 31, 2017. Expenses are stated on an accrued basis for the same period.

CLAIMS OUTSTANDING (INCLUDING UNREPORTED LOSSES) - OPEN YEARS

	2015-16	2016–17	2017–18
Gross outstanding claims			
Members' claims	$ 14,663	$ 36,115	$ 29,098
Other Club's Pool claims	10,842	6,018	9,742
	25,505	**42,133**	**38,840**
Pending reinsurance recovery			
From the Group excess of loss reinsurance	—	—	—
From the Pool	1	9,319	—
Other reinsurers	4,875	3,282	8,488
	4,876	12,601	8,488
Net Outstanding Claims	**$ 20,629**	**$ 29,532**	**$ 30,350**

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

	2017	2016
Closed Years' Balance, January 1	$ —	$ —
Total income earned	2,528	14,766
Net paid losses	29,164	23,799
Net pending losses	(29,096)	(6,784)
Unreported losses	(1,818)	1,191
Reinsurance premiums	(490)	(1,367)
Other operating expenses	2,586	2,915
Total expenses incurred	346	19,754
Unrealized investment gains (losses)	526	(2,855)
Transfer from closed policy year 2014/15	(5,001)	—
Transfer from closed policy year 2013/14	—	(6,047)
Net change	(2,293)	(13,890)
Transfer from (to) contingency fund	2,293	13,890
Closed Years' Balance, December 31	$ —	$ —
Contingency Fund Balance, January 1	$ 62,800	$ 76,690
Transfer from (to) closed policy years	(2,293)	(13,890)
Contingency Fund Balance, December 31	$ 60,507	$ 62,800
Open Policy Years' Equity		
2014/15	$ —	$ (5,213)
2015/16	10,084	5,954
2016/17	(6,940)	(12,123)
2017/18	(6,037)	—
Total Members' Equity	$ 57,614	$ 51,418
Claims Outstanding (including IBNR) – Closed Years		
Gross pending losses		
Members' claims	$ 59,204	$ 92,308
Other Clubs' Pool claims	23,136	23,462
	82,340	115,770
Pending reinsurance recovery		
From the Group excess of loss reinsurance	118	120
From the Pool	8,750	7,404
Other reinsurers	10,826	7,576
	19,694	15,100
Net Pending Losses	$ 62,646	$ 100,670

(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.

Board of Directors

J. Arnold Witte, Chairman, DONJON MARINE CO., INC.

Markos K. Marinakis, Deputy Chairman, MARINAKIS CHARTERING INC.

Robert D. Bondurant, MARTIN RESOURCE MGMT. CORP.

Richard H. Brown, Jr., INDEPENDENT BOARD MEMBER

Panagiotis J. Christodoulatos, IKAROS SHIPPING & BROKERAGE CO., LTD.

Judy L. Collins, PATRIOT CONTRACT SERVICES, LLC

John E. Couloucoundis, DELTA NAVIGATION, INC.

Gary K. Cutler, POLING & CUTLER TRANSPORTATION, INC.

Kenneth T. Engstrom, CRUISE MANAGEMENT INTERNATIONAL, INC.

Elias Gotsis, EUROTANKERS INC.

George D. Gourdomichalis, PHOENIX SHIPPING & TRADING S.A.

Chih-Chien Hsu, EDDIE STEAMSHIP COMPANY, LTD.

Angelos D. Kostakos, OCEANSTAR MANAGEMENT INC.

Cliffe F. Laborde, LABORDE MARINE, LLC

Martin C. Recchuite, INDEPENDENT BOARD MEMBER

Craig Reinauer, REINAUER TRANSPORTATION COMPANIES

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

Joseph E. M. Hughes

As of June 1, 2018

AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION, INC.

SHIPOWNERS CLAIMS BUREAU, INC., MANAGER
One Battery Park Plaza, 31st Floor
New York, New York 10004 U.S.A
TEL +1 212 847 4500
FAX +1 212 847 4599
WEB www.american-club.com
EMAIL info@american-club.com

2100 West Loop South, Suite 1525
Houston, Texas 77027 U.S.A
TEL +1 346 223 9900
EMAIL claims@american-club.com

SHIPOWNERS CLAIMS BUREAU (UK) LTD.
78-79 Leadenhall Street
London EC3A 3DH U.K.
TEL +44 20 7709 1390
FAX +44 20 7709 1399
EMAIL claims@scb-uk.com

SHIPOWNERS CLAIMS BUREAU (HELLAS), INC.
51 Akti Miaouli – 4th Floor
Piraeus 185 36 Greece
TEL +30 210 429 4990 1 2 3
FAX +30 210 429 4187 8
EMAIL claims@scb-hellas.com

SCB MANAGEMENT CONSULTING (CHINA) CO., LTD.
Room 1803 – Hongyi Plaza
288 Jiujiang Road
Shanghai 200001 People's Republic of China
TEL +86 21 3366 5000
FAX +86 21 3366 6100
EMAIL claims@scbmcs.com

SCB MANAGEMENT CONSULTING SERVICES, LTD.
The Workstation, 28th Floor
43 Lyndhurst Terrace
Central, Hong Kong, SAR People's Republic of China
TEL +852 3523 0580
FAX +852 3602 3111
EMAIL hkinfo@scbmcs.com