



JANUARY 06, 2016

CIRCULAR NO. 01/16

TO MEMBERS OF THE ASSOCIATION

Dear Member:

THE AMERICAN CLUB: A PROGRESS REPORT – JANUARY 2016

As 2016 begins, and a new policy year draws nearer, Members and their brokers, together with the Club’s other friends, may wish to review the attached presentation on recent Club progress which was made to a number of audiences toward the end of 2015.

Several issues relevant to that progress were covered in [Circular No. 41/15](#) of November 20, 2015 which also explained the Club’s intentions for the 2016 renewal. The attached presentation contains metrics which speak to the comments made in that Circular. Your Managers believe it would be helpful to share some of those metrics in an abridged form, updated to December 20, 2015.

Retained claims

The American Club’s retained claims for 2015 continue to develop favorably. As of December 20, 2015 – the end of the current policy year’s ten month of development – the Club had incurred \$24.2 million in claims for its own account, approximately 44% less than the figure for 2014 at the same point (\$43.1 million). While 2015 remains immature, current trends are encouraging.

Table 1 below sets out the frequency and severity of retained claims, expressed as a number of claims per million gross tons and as a cost per gross ton respectively. They indicate a stable trend over recent years which augurs well for the future.

Table 1: Development of retained claims

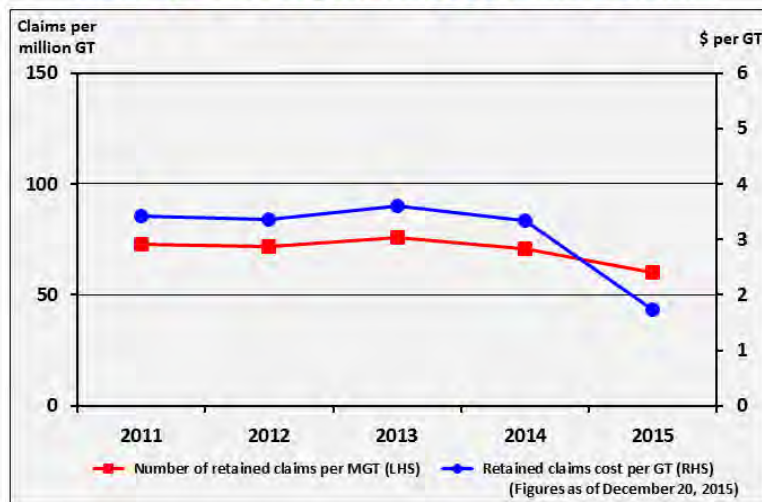
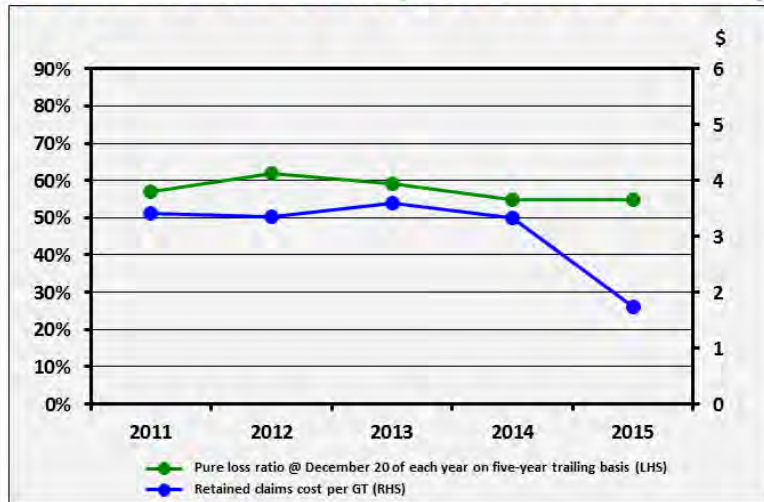


Table 2 sets out the cost of retained claims per gross ton, together with the Club's five year trailing pure loss ratio, since 2011. The loss performance of the Club has continued to improve in recent years as claims costs for its own account have stabilized, and more recently trended downward.

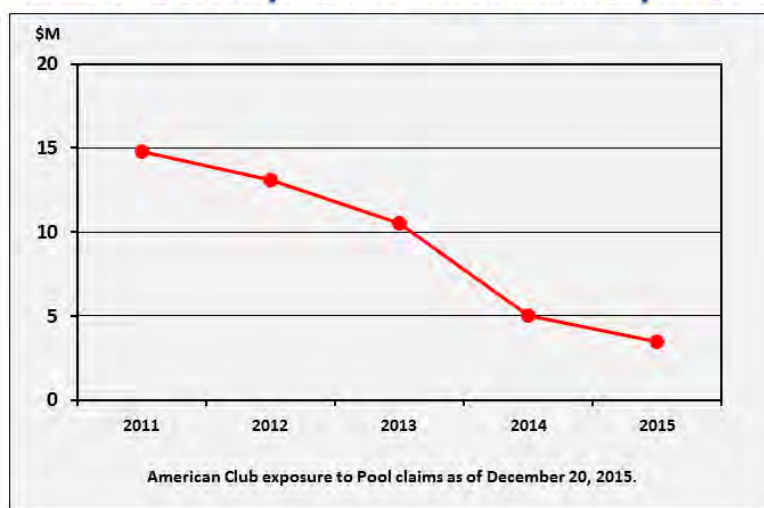
Table 2: Retained claims and pure loss ratio development



Pool claims

As noted in [Circular No. 41/15](#), the three most recent policy years are significantly better from a pooling perspective than 2011 and 2012. This is indicated in Table 3 which tracks the Club's exposure to the Pool over the last five policy years. Although 2015 is developing well within original projections, it is not possible to say whether the current year will ultimately be less costly for pooling purposes than its predecessors, given that large P&I losses are apt to be volatile.

Table 3: Development of Pool claim exposures

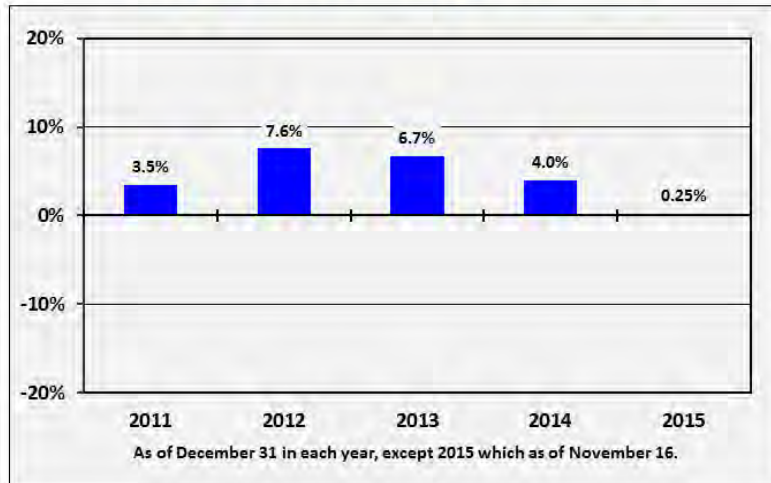


Investment results

Table 4 shows the American Club's annual investment returns since 2011. They indicate a creditable performance, despite heightened market volatility over the recent past.

As of mid-November, 2015, the Club's portfolio had generated a year-to-date return of 24 basis points, only slightly above break-even. This compares with a 4% yield at the same time twelve months previously. Although 2016 may be a better year for certain asset classes by comparison with 2015, reliance upon investment returns to subsidize underwriting losses will be no more sustainable in the coming year than it has been in the past.

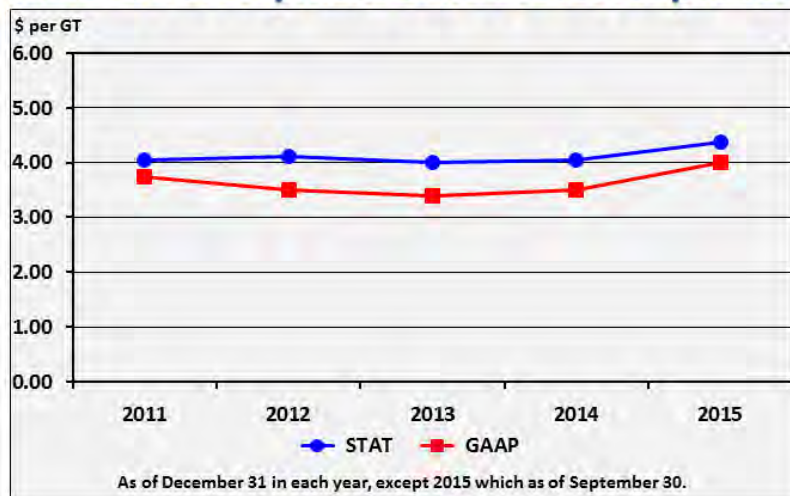
Table 4: Investment performance



Free reserves

By virtue of moderating claims exposures (particularly as they appear to be emerging for 2015), together with sensible pricing and careful cost control, the American Club has been able to achieve solid and sustainable free reserves per gross ton over the recent past. This is illustrated in Table 5 below.

Table 5: Development of free reserves per ton



Free reserves per ton by reference to both GAAP and statutory accounting standards have remained comfortably above \$3.00 per gross ton over the last five policy years and, as at the end of the third



quarter of calendar year 2015 (September 30), had risen in both cases to over \$4.00 per gross ton. This figure compares favorably with global industry benchmarks.

The foregoing will be of interest to Members and their brokers in illustrating that the American Club continues to make excellent progress despite a difficult business climate. The Club remains well-positioned to maintain these positive developments into the 2016 policy year and beyond.

Should Members or their brokers have any questions in regard to the foregoing, or the attached, the Managers will be pleased to answer them.

Yours faithfully,

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

BUILDING ON THE PAST: WELCOMING THE FUTURE

**THE AMERICAN CLUB
and
EAGLE OCEAN MARINE**

**A PROGRESS REPORT
DECEMBER 2015**

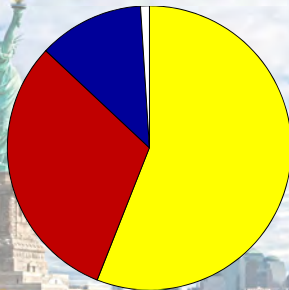


THE AMERICAN CLUB IN PROFILE: DECEMBER 2015



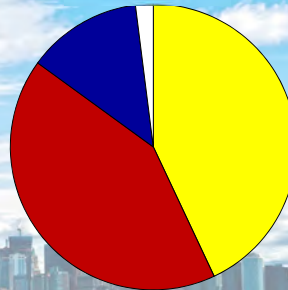
Distribution of membership by tonnage

Management Domicile



- 56% EMEA
- 31% Asia
- 12% North America
- 1% Rest of World

Vessel Type

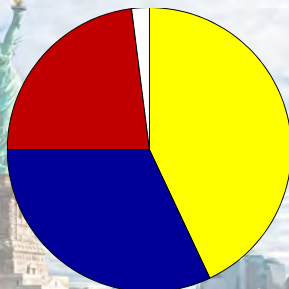


- 43% Tankers
- 42% Bulk Carriers
- 13% General / Container / Pax / RoRo
- 2% Tugs / Barges / Small Craft



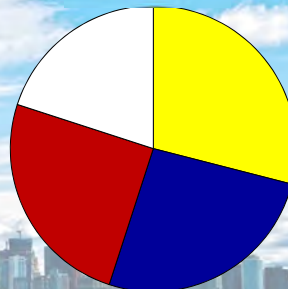
Distribution of membership by premium

Management Domicile



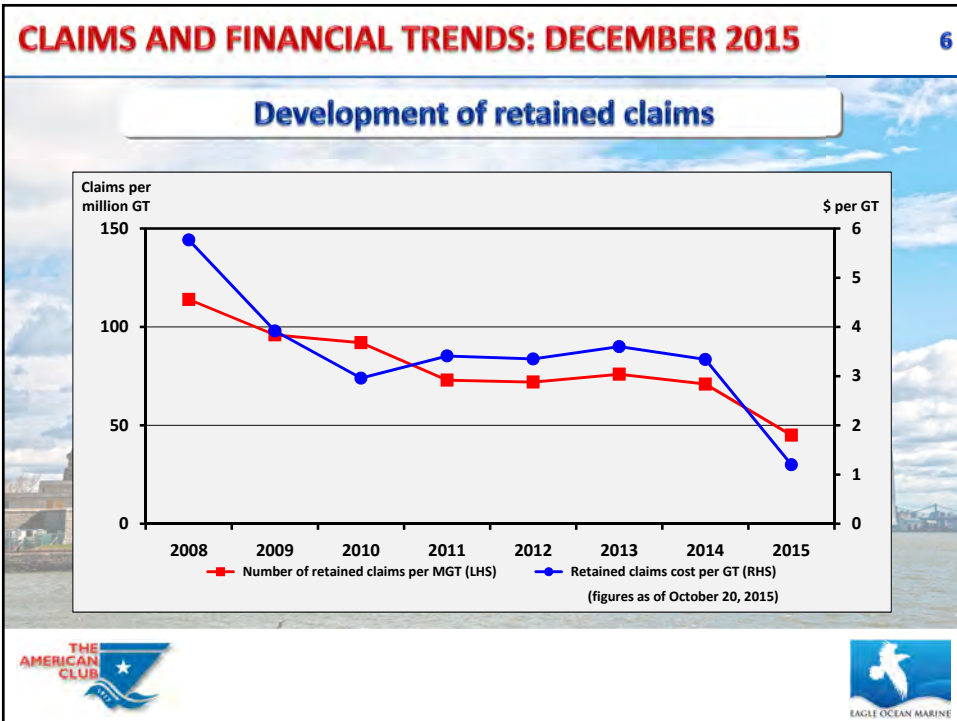
- 43% EMEA
- 32% North America
- 23% Asia
- 2% Rest of World

Vessel Type

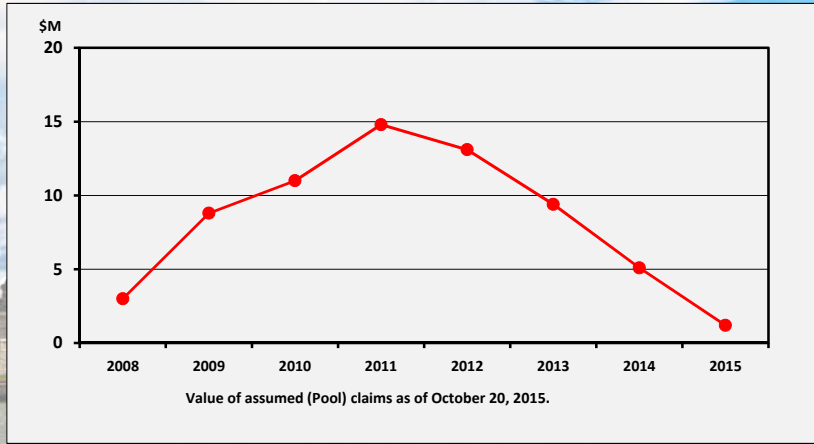


- 29% Tankers
- 26% Bulk Carriers
- 25% General / Container / Pax / RoRo
- 20% Tugs / Barges / Small Craft

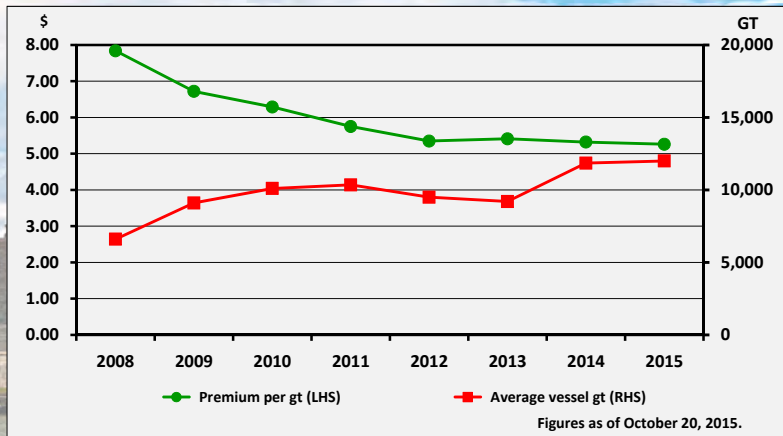




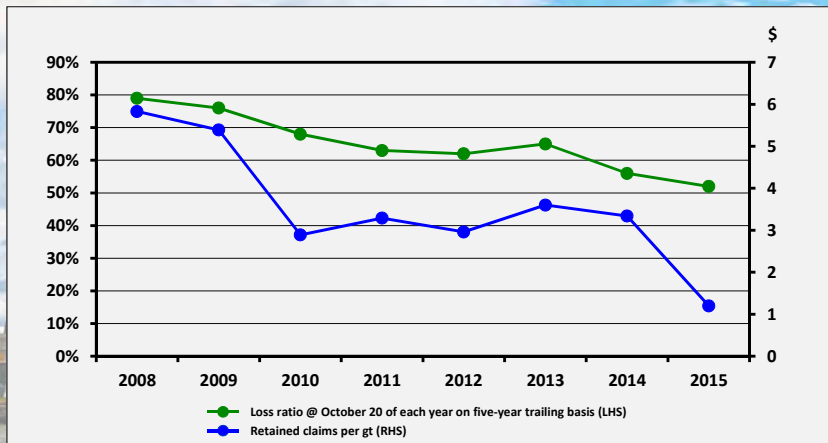
Development of assumed (Pool) claims



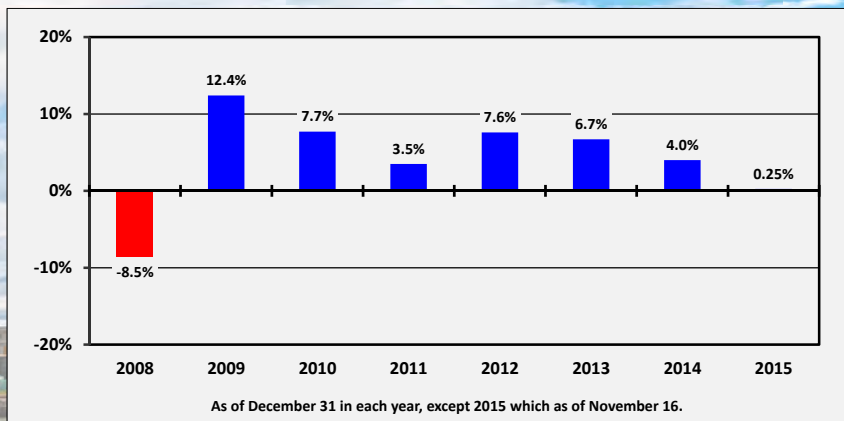
Development of premium per gt / average vessel size



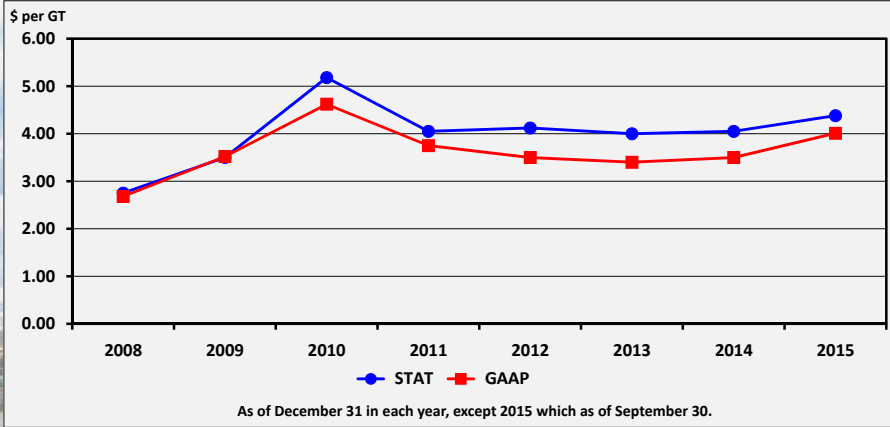
Retained claims and loss ratio development



Investment performance



Development of free reserves per ton



Key features

- ★ **A smaller-ship fixed premium facility**
- ★ **Underwritten by the American Club**
- ★ **Operated by Eagle Ocean Agencies, Inc.**
- ★ **Reinsured by Lloyd's and London market insurers**
- ★ **Cover up to \$500 million per risk**



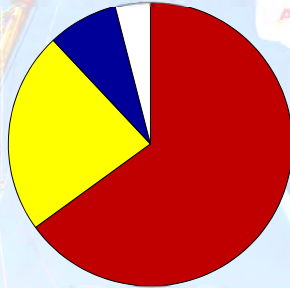
Key features

- ★ **Broad P&I and Defense cover**
- ★ **Aimed at vessels < 12,500 GT.**
- ★ **Average vessel size: c. 2,500 GT**
- ★ **Aimed at non-US, local and regional operators**
- ★ **Focused exclusively on traditional fixed premium sector**
- ★ **Unsurpassed service and global capabilities**
- ★ **Strong market footprint, especially in Asia**
- ★ **Growing volume and profitability**

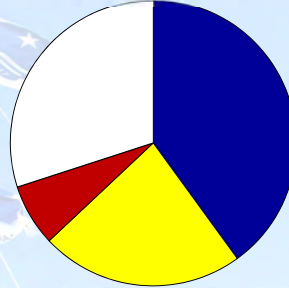


Distribution of business by tonnage

Management Domicile



Vessel Type

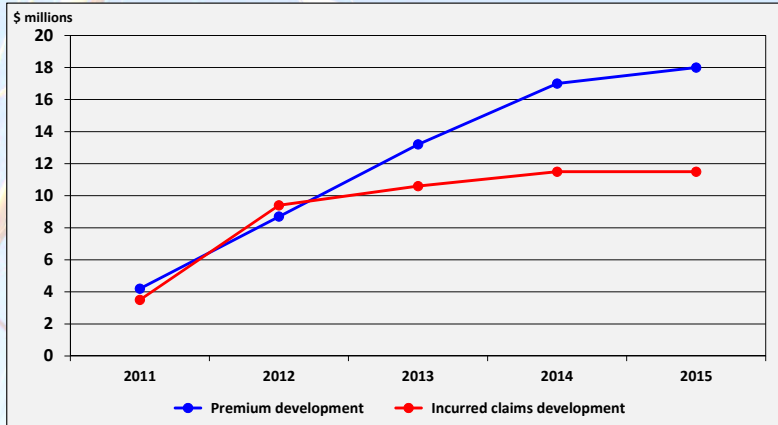


- 65% South East Asia
- 23% North East Asia
- 8% EMEA
- 4% Rest of World

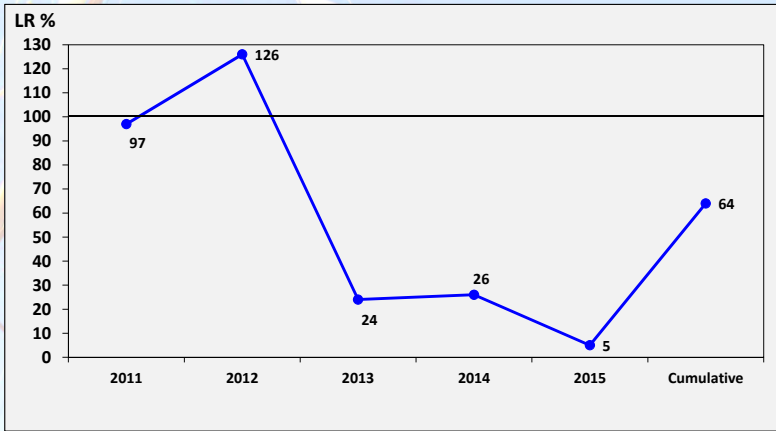
- 40% Tugs / Barges / Small craft
- 23% Tankers
- 7% Bulk Carriers
- 30% General / Container / Pax / RoRo



Cumulative net premium and claims development



Net:net loss ratio analysis



The American Club Now

- ★ Core indicators reflect general market dynamics
- ★ Tonnage/premium stable, balanced sector weightings
- ★ Retained claims emerging favorably, Pool unremarkable to date
- ★ Eagle Ocean Marine progressing well
- ★ Investment performance tracking subdued global trends
- ★ Service capabilities steadily expanding
- ★ American Hellenic Hull initiative gathering momentum
- ★ Continuing diversification of product lines



General outlook

- ★ Global economy moves forward modestly in 2016
- ★ Freight markets lag, but prospects brighten by mid-2016
- ★ Attritional losses begin to trend upward
- ★ Exposure to large claims remains volatile
- ★ Investment outlook suggests only mediocre future returns
- ★ Growing absorption of risk by individual clubs and Group
- ★ Pricing power continues to be challenged, but improving



The way ahead

- ★ **Steady as she goes!**
- ★ **Disciplined approach to risk selection and rating**
- ★ **Continued emphasis on loss prevention and claims control**
- ★ **Prudent, focused diversification into new business sectors**
- ★ **EOM now well established, American Hellenic holds great promise**
- ★ **Uncompromising solidarity with Members in difficult times**
- ★ **Staying ahead of the service curve vitally important**
- ★ **Club centennial in 2017**



BUILDING ON THE PAST: WELCOMING THE FUTURE

THE AMERICAN CLUB
and
EAGLE OCEAN MARINE

A PROGRESS REPORT
DECEMBER 2015

