AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION AND INDEMNITY ASSOCIATION, INC.

THE AMERICAN CLUB 1917

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CIRCULAR NO. 14/21

TO MEMBERS OF THE ASSOCIATION

Dear Member:

THE AMERICAN CLUB'S ANNUAL REPORT AND ACCOUNTS FOR 2020.

Your Managers are pleased to attach the **American Club's Annual Report and Accounts** for the year ended December 31, 2020. As will be seen, they are in an electronic format. They were approved at the one-hundred-fourth Annual Meeting of the Members of the Club which was recently conducted remotely from New York. Hard copies of this document will also be available from the Managers over the forthcoming period.

As will be noted from the Club's latest financial statements, there has been a change in the earlier accounting treatment, and presentation, of premium earned but unbilled (EBUB). Previously, EBUB was used solely as a means of recognizing the unique benefits of the February, 2008 DJA settlement agreement, covering pre-1989 asbestos claims.

In the most recent financial statements, the use of EBUB has been expanded to account for (i) the explicit, pro-rata reinsurance by open policy years of those pre-1989 asbestos claims and (ii) deficits attributable to the development of the open policy years themselves. Both have been balanced by sums designated as EBUB. This properly recognizes the ex post facto, adjustable nature of the premium entitlements of mutual, assessable insurers such as the Club, and both the treatment and presentation of EBUB have been approved by its independent auditors. The approach has also removed certain inefficiencies in the Club's statutory accounting with the New York regulator.

As will also be seen, the financial statements for 2019 have also been restated in accordance with the change in accounting treatment described above. Absent this change, the GAAP Members' Equity (free reserves) as of December 31, 2020 would have been $47.35 million, a reduction of about $6.84 million from the 2019 Members' Equity, recorded on the previous basis, of $54.19 million.

The Club's combined ratio for 2020 was 112% (116% absent the accounting change), a figure which, although within the lower range of recent market results, nonetheless highlights the need for greater sustainability in premium pricing for the future, a subject upon which several International Group clubs have also commented over the recent past.

Members are asked to note their records accordingly. If there are any questions in regard to the foregoing, or generally, your Managers will be pleased to respond to them.

Yours faithfully,

Joseph E.M. Hughes

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

THE AMERICAN CLUB 1917

2020 Annual Report

2020 was a uniquely difficult year. The disruption caused by the COVID-19 pandemic brought unprecedented challenges to global commerce. But the American Club and Eagle Ocean Marine responded with vigor and agility. Human and technical resources were coordinated in new and imaginative ways to secure unimpaired customer service. On the insurance front, retained claims stabilized, largely unaffected by the pandemic, but Pool exposures continued to rise. Premium pricing gained further traction across all insurance lines. Investment returns remained strong. Loss prevention and sustainability initiatives expanded. Eagle Ocean Marine maintained its robust contribution to Club mutuality. American Hellenic Hull experienced further price and balance sheet strengthening. The 2021 renewal saw higher rates and rising tonnage. Despite the stresses of the past twelve months, the Club looks forward with characteristic optimism to a future of continuing opportunity.

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HIGHLIGHTS

The positive risk profile of continuing Club and EOM business encourages a favorable outlook for the future.

2020 Highlights

- 2020 commences in atmosphere of normality: renewal sees tonnage fall slightly, but average P&I rates rise by 10%.
- Rapid onset of COVID-19 pandemic creates uniquely difficult business environment from mid-March onward.
- Club and EOM respond energetically to new operating challenges: IT and other capabilities marshalled to secure unimpaired customer service.
- World economy and global supply chains struggle during first half of the year. Greater stability ensues as months progress.
- Club's retained losses see improvement over previous year, with limited pandemic downside.
- 2020 Pool exposures prolong relentless trajectory upward.
- Investments generate a 5.4% return, a creditable result amid market uncertainty.
- 2017 policy year closed with a 17.5% additional call as earlier notified to membership.
- Eagle Ocean Marine expands revenues and market share with continuing profitability.
- Standard & Poor's affirms investment grade counterparty rating.
- American Hellenic Hull sees further price and balance sheet strengthening. Positive indicators continue into 2021. No pandemic impact.
- Loss Prevention initiatives maintain their focus on improving Members' exposure to operational vulnerabilities.
- Club gains NAMEPA CSR/ESG sustainability accreditation.
- 2021 renewal made subject to 5% general increase and uplift in deductibles.
- Renewing tonnage for 2021 rises by 5%, with a 5% increase in average P&I rates per ton.
- Positive risk profile of continuing Club and Eagle Ocean Marine business encourages a favorable outlook for the future.

REPORT OF THE DIRECTORS

The Directors of American Steamship Owners Mutual Protection and Indemnity Association, Inc. (the American Club) are pleased to present the Club's Annual Report and Accounts for the year ended December 31, 2020.

The Year in Review

The American Club's principal activity continued to be the insurance of marine Protection and Indemnity (P&I) and Freight, Demurrage and Defense (FD&D) risks on behalf of its Members, both owners and charterers. The Club also continued to provide P&I and FD&D insurance to the operators of smaller vessels through its fixed premium facility, Eagle Ocean Marine. In addition, through its wholly-owned, but independently managed, investment in American Hellenic Hull Insurance Company, Ltd. in Cyprus, the Club also participated in the insurance of hull and machinery and war risks.

The Club's activities throughout the year were overshadowed by the wide-ranging effects of the COVID-19 pandemic. Accordingly, the one-hundred-third Annual Meeting of the Club's Members, on June 18, 2020, was conducted remotely from its headquarters in New York City. Despite these historically unique circumstances, the meeting was well attended and proceeded with its customary efficiency and collegiality, albeit in somewhat less companionable circumstances than usual.

At that meeting, all the Directors who had presented themselves for re-election were duly re-elected to serve for a further twelve months. In addition, Mr. Emanuel Michelakakis of Global Maritime Group, Inc. was elected as a new member of the Board for the forthcoming year, as were Mr. Weipeng Chen of CCCC International Shipping Corp. and Mr. Joseph E.M. Hughes of SCB, Inc., the Club's Managers.

At the same meeting, Mr. Nicholas Tragakes of Global Maritime Group, Inc. and Mr. Lianyu Zhu of CCCC International Shipping Corp. resigned from the Board. The Directors took the opportunity of thanking Messrs. Tragakes and Zhu for their sterling contribution to the affairs of the American Club during their respective tenures, and welcomed Messrs. Chen, Hughes and Michelakakis to their new roles.

At the Annual Meeting of the Directors, which took place immediately after that of the Members, Mr. George D. Gourdomichalis of Phoenix Shipping & Trading, S.A. and Mr. Robert D. Bondurant of Martin Resource Management Corporation were re-elected as, respectively, Chairman and Deputy Chairman of the Board. Mr. Lawrence J. Bowles was re-appointed as General Counsel to the Club. Mr. Joseph E.M. Hughes, Chairman & CEO of the Managers, retired as Secretary after twenty years' service in that role. Ms. Dorothea Ioannou, Deputy Chief Operating Officer of the Managers, was appointed to that position in his stead.

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 2020. All of these meetings took place in a virtual format, coordinated from the Managers' offices in New York and across the globe.

At each of the Board meetings, a wide variety of matters was reviewed. They included policy year accounts and the closing of relevant years; the settlement of claims of the Club's Members; matters relevant to the Club's membership 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; the evolution of global regulation affecting shipping, and the implementation of other political initiatives, including those in relation to sanctions; and many other subjects pertinent to the Club's affairs.

The Club's and its Managers' efforts to supply uninterrupted service to Members and the Club's other business associates in light of pandemic restrictions was a regular subject of discussion within the Board. The Directors were pleased to note, throughout the year, that

DIRECTORS' REPORT

The Directors thank the Members, and all those who work on their behalf, for their enduring support of the Club.

the effective use of communications technology had enabled the Club to keep in seamless contact with all of its constituencies.

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

As foreshadowed in Circular No. 36/19 of November 14, 2019, the 2017 policy year – which had earlier been made subject to a supplementary call of 17.5% of estimated total premium – was formally closed, without further call, in 2020. This was communicated to Members in Circular No. 25/20 of June 18, 2020.

The Club's investment in American Hellenic Hull Insurance Company, Ltd., a Solvency II–accredited underwriter based in Cyprus, developed much as planned during 2020. The challenging market conditions which attended the insurer's early stages of development continued to improve. Higher risk pricing gained further momentum in the hull and machinery space during 2020, a trend of which American Hellenic Hull took advantage.

Its market share saw growth during the year and, despite the recording of a small loss at year-end, the insurer nonetheless saw improvement in underwriting ratios and the substantial strengthening of its balance sheet. It is expected that these positive trends will continue through the balance of 2021, lending further impetus to American Hellenic Hull's contribution to the Club's financial performance.

Circular No. 36/19 of November 14, 2019, informed Members of the Club's premium policy for 2020. It communicated the Board's decision to apply a zero general increase to premium relating to the Club's Class I (P&I) business. Continuing entries in the Club's Class II (FD&D) and Class III (charterers insurance) portfolios were also to attract similar treatment as to rating.

For 2021, it was decided that a general increase of 5% should apply to premium ratings for all classes of business together with prescribed uplifts in all deductibles at certain levels. This was notified to Members in Circular No. 41/20 of November 20, 2020. However, as had been the case twelve months earlier, it was also made clear that the Club's Board expected to see a year-on-year increase in the pricing of risk for 2021 of a magnitude properly to reflect future exposure, a principle to which all other International Group clubs had publicly committed themselves at the time, and to which they continue to adhere.

In the result, the average rate per ton on renewing mutual business increased by approximately 5% as of February 20, 2021. However, taking into account both the mandated and other increases in deductibles, in some cases significant, and changes to other insurance conditions, the overall premium increase, as if expiring terms had applied, was closer to 7.5% overall.

As noted twelve months ago, tonnage at the commencement of the 2020 policy year was lower than that of the previous year. However, as of February 20, 2021, tonnage entered in the Club's mutual P&I class increased by about 5% year-on-year, to 18 million gt overall. However, its Freight, Demurrage and Defense (FD&D) tonnage moved higher by nearly 14%, to 12.2 million gt. There was also projected to be an increase of about 10% in regard to Class III charterers' business renewing into the 2021 policy year.

The Club's reinsurances for 2021, both those relating to its membership of the International Group and those it arranges for its own account, were renewed on broadly similar terms to those which applied during the previous year. A more detailed discussion of this subject is contained in the Report of the Managers.

The Club's fixed premium brand, Eagle Ocean Marine (EOM), also saw encouraging growth during 2020. Having made substantial progress the previous year, momentum forward in both tonnage and premium was maintained over the most recent renewal. Topline revenue stands approximately 10% higher than it did twelve months earlier, suggesting that the current facility year, which ends on June 30, 2021, will again experience a substantial increase in premium. In addition, the solid results which attended the development of the 2019/20 insurance period appear to have been sustained into the current facility year, adding to the positive aggregate results for the business since it first became a feature of the American Club's underwriting portfolio some ten years ago.

As to the Club's investment performance during 2020, the overall return for the year of 5.4% was, although not as high as the previous year's earnings of 10.6%, nonetheless a creditable result in view of the market uncertainties which characterized the period, particularly at the beginning of the pandemic in the spring of 2020.

Looking back over 2020 as to claims performance, the escalation of Pool exposures which began in 2018 continued relentlessly as the year unfolded. While 2020 was a better year from the perspective of the Club's retained claims, the 2020 Pool has indications of being the largest in recent memory. Further commentary on this subject is contained in the Report of the Managers.

As will be noted from the Club's financial statements as of December 31, 2020, there has been a change in the earlier accounting treatment, and presentation, of premium earned but unbilled (EBUB). Previously, EBUB was used solely as a means of recognizing the unique benefits of the February, 2008 DJA settlement agreement, covering pre-1989 asbestos claims. In the current financial statements, the use of EBUB has been expanded to account for (i) the explicit, pro-rata reinsurance by open policy years of those pre-1989 asbestos claims, and (ii) deficits attributable to the development of the open policy years themselves. Both have been balanced by sums designated as EBUB. This properly recognizes the ex post facto, adjustable nature of the premium entitlements of mutual, assessable insurers such as the Club, and both the accounting treatment and financial presentation of EBUB have been approved by its independent auditors. Further detail can be found in the notes to the financial statements.

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

As to the latter, the development of safety and loss prevention initiatives continued to be a major American Club focus during 2020. 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.

During the year the Club participated in the sustainability program of the North American Marine Environment Protection Association (NAMEPA) in consequence of which it gained NAMEPA's Corporate Social Responsibility/Environment Social Governance (CSR/ESG) "passport" accreditation. The Club and its Managers underwent

examination by reference to the most modern, and exacting, sustainability standards, such testing generally being of increasing importance within the global maritime community. The subject is more extensively discussed in the Report of the Managers, but in gaining this accreditation the American Club joins other leading industry players including Cargill and Mediterranean Shipping Company (MSC).

The fact that the Club and its Managers were able to function as normally as they did during 2020, notwithstanding the extraordinary dislocation to personal contact which attended the worst of the pandemic, is testament to the capabilities of the Club's IT and other systems and the agility of its Managers in responding to the new environment.

Twelve months ago, the extent to which the Club and its Managers would be able to overcome operational disruptions in the teeth of pandemic restrictions was a matter of uncertainty. In the result, what was then a novel approach to providing service in compromised working conditions has since become something of a "new normal".

The hybridization of work as between conventional office conditions and those which exist at home is likely to be a feature of corporate operational styles for years to come. While conditions in the Managers' local offices throughout the world varied somewhat during the period, the adaptability of the Managers' personnel was a common thread running through a fabric of seamless service even in the most difficult of times.

In closing, and is always the case, the Directors thank the Members, and all those who work on their behalf, for their enduring support of the American Club, particularly during the exceptionally difficult conditions which have prevailed during the pandemic. While it is hoped that conditions will ease over the months ahead, and that more normal business and other contacts will be possible in the future, many challenges nonetheless lie ahead.

In meeting these challenges, the Directors will continue to work to ensure, in close collaboration with the Managers, that Members' expectations are at least fulfilled, and hopefully exceeded, in every dimension of Club service. In this, the Club continues to see the future as bright, holding many exciting prospects both for itself and its many friends at home and abroad.

REPORT OF THE MANAGERS

2020 was a uniquely difficult year. The disruption caused by the COVID-19 pandemic brought unprecedented challenges to global commerce. Many of these were already evident twelve months ago. Although fortunes have fluctuated over the intervening period, the outlook has recently improved as economic activity returns slowly to normal across the world.

From the earliest stages of the pandemic, the American Club and Eagle Ocean Marine (EOM) responded energetically to new operating challenges. IT and other capabilities were marshalled to secure unimpaired customer service. Although the global economy and international supply chains struggled during the first half, greater stability took hold as 2020 unfolded.

Among P&I insurers, continuingly high exposure to larger claims, and the attenuation of premium attributable to the pandemic, highlighted the need to ensure careful risk selection and sensible pricing as 2020 progressed. In confronting this evolving landscape, the American Club and Eagle Ocean Marine pursued their agenda with energy, advancing their business in many areas during the year.

Underwriting, Reinsurance and Business Development

2020 commenced in an atmosphere of normality. Although preliminary reports of a potential pandemic had emerged toward the end of 2019, the opening weeks of the new year saw life continue much as usual.

For the 2020 renewal, the American Club's Board had ordered that there should be no standardized, or general, increase applied to expiring entries. Instead, a more Member-specific approach had been preferred, given the varying risk profiles of different cohorts of the Club's membership, the majority of which enjoyed sustainable levels of rating and conditions of insurance.

In the result, year-on-year premium for the Club's mutual P&I class remained flat, while a small decline in revenue for its FD&D business was matched by a commensurate increase in premium for charterers' entries, so that income for 2020 was projected to develop at a level virtually identical to that for 2019.

Premium attributable to renewing P&I entries for 2020 saw an increase of approximately 1.5%. However, taking into consideration increases in deductibles, in some cases significant, the modification of terms applying to deductibles generally, and changes to other insurance conditions, the overall premium increase, as if expiring terms had prevailed, was closer to 5%.

Tonnage in the Club's mutual P&I class declined by about 9% to approximately 17 million gt overall. Its Freight, Demurrage and Defense (FD&D) entries also moved somewhat lower in tonnage terms, again by about 9% to 10.7 million gt but, as mentioned above, almost all of this was offset by an increase in daily tonnage on risk under the Club's charterers' cover.

However, in consequence of the countervailing trends described above, and despite the Club's decision not to apply a standardized, or general, increase for 2020, average P&I rates per ton on mutual business increased by about 10% year-on-year.

For 2021, the Board decided that a general increase of 5% should apply to premium ratings for all classes of business, together with uplifts in certain deductibles. However, as had been the case twelve months earlier, there was an expectation that year-on-year increases in the pricing of risks for 2021 should be of a magnitude properly to reflect future exposure, a principle to which all other International Group clubs had publicly committed themselves for the 2021 renewal.

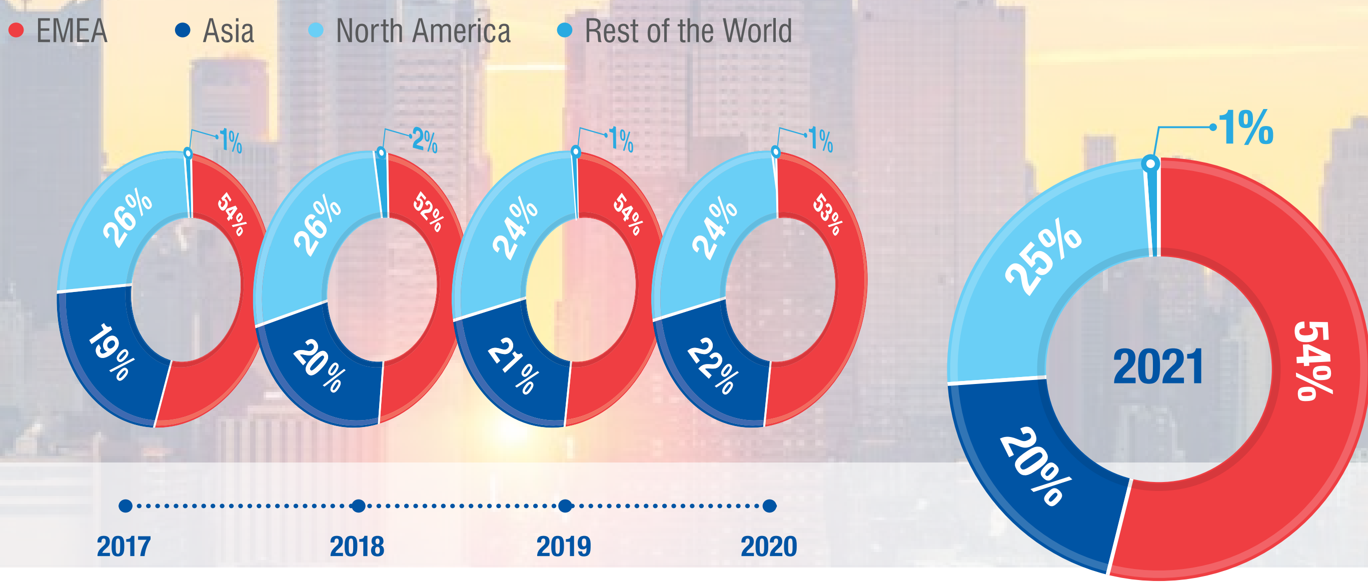
In the result, year-on-year annualized premium for the Club's mutual P&I class grew by a little under 8% at February 20, 2021, while revenue for its Freight, Demurrage and Defense (FD&D) business increased by over 10%. Taking into account growth in the Club's charterers' book, total income on renewal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

Premium attributable to renewing P&I entries for 2021 saw an increase, in cash terms, of approximately 5%, a rise in conformity with that ordered by the Board the previous November. However, with increases in deductibles and changes to other insurance conditions, the overall premium increase, as if expiring terms had applied, was closer to 7.5%.

Tonnage in the Club's mutual P&I class increased by 5% year-on-year to approximately 18 million gt overall. However, its Freight, Demurrage and Defense (FD&D) entries moved substantially higher in tonnage terms, by nearly 14%, to 12.2 million gt. In addition, there was an increase in daily tonnage on risk in regard to charterers' business. Breakdowns of the tonnage entered in the Club at the beginning of the 2021 policy year by reference to management domicile and vessel type are contained in the tables on pages 11 and 13 respectively.

As to the Club's reinsurance arrangements, significant changes to the International Group's program were made in 2019. For 2020, the

MEMBERS' TONNAGE BY MANAGEMENT DOMICILE



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

program was renewed on terms largely unchanged from those of the previous year. The individual Club retention (ICR) remained at $10 million as did the structure of the Pool above that, as well as the attachment point for the Group's market cover ($100 million). In addition, the further ICR of 7.5% on the upper level of the Pool also remained unchanged for 2020.

In regard to the Group's market reinsurance arrangements excess of its $100 million attachment point, a modest adjustment was made for 2020, in that the two expiring 5% private placements in the $1 billion excess of $100 million layer were replaced by two new 10% multi-year private placements in the first layer. This resulted in three 10% private placements for the 2020 policy year, with the 70% balance placed in the market.

Otherwise the $100 million annual aggregate deductible (AAD) – as retained by the Group's Bermudian captive, Hydra Insurance Company, Ltd. (Hydra) – within the 70% market share of the first layer of the program (from $100 million to $750 million) remained. The second layer of the 2020 program covered claims from $750 million to $1.5 billion, and the third layer from $1.5 billion to $2.1 billion. No change was made for 2020 to the collective overspill layer, providing $1 billion of cover in excess of $2.1 billion.

As in previous years, Hydra continued to retain 100% of the Pool layer from $30 million to $50 million, and 92.5% of the Pool layer from $50 million to $100 million. In addition, Hydra retained a $100 million AAD in the 70% market share of the first layer of the Group's excess of loss program, as mentioned above.

Significantly, the International Group secured a two-year placement on layers one to three of its market reinsurance program at February 20, 2020. Accordingly, the main focus for the 2021 renewal was on the Group's collective overspill layer providing cover for claims of $1 billion excess of $2.1 billion. Notwithstanding a hardening market, the Group was able to secure terms only slightly above expiring rates. The two-year placement negotiated in 2020 meant that, at the 2021 renewal, shipowners did not face any restrictions in cover for COVID-19-related claims.

Structurally, the Group's arrangements have remained unchanged for the 2021 policy year. Individual Club retentions remain at $10 million, as does the structure of the Pool and the attachment point for the market program. The three 10% private placements which were made for the 2020 policy year each have at least one more year to run, with the 10% of layer one placed in the reinsurance market. Hydra's participation in the program also remains as it was for 2020, as described above. A schematic of the International Group's reinsurance arrangement is set out on page 13.

As to the pricing of the program, and as part of its annual analysis to ensure the fairness of cost allocation between different vessel types, the Group's Reinsurance Sub-Committee (RISC) looked at vessel categories for 2021. It noted that fully cellular containerships (FCCs) represented approximately 20% of the tonnage entered with Group clubs and had experienced a significant number of large claims in recent years.

Accordingly, the RISC concluded that there should be a fifth category of rating by reference to vessel type, splitting FCCs away from other dry vessels. It also concluded that there should be an adjustment to reflect the improved record of tankers carrying persistent oil. All the foregoing was indicated to the membership by circular toward the end of 2020.

In regard to the special reinsurance arranged by the Group for $200 million excess of $10 million for liabilities arising under the Maritime

Labor Convention (MLC), a shortfall in cover of approximately 23% has recently emerged. This was not anticipated at the time the Group was concluding its reinsurances for 2021. The manner of dealing with the vertical shortfall in cover is, at the time of writing, being reviewed by Group clubs and a further report to Members will be made in due course.

The American Club continued to reinsure its retained exposures in 2020 in much the same way as it had during the previous year. The overall design of the cover has remained broadly the same into 2021, although elements of it have become more expensive in response to significant market hardening over recent months.

In the middle of 2020, the Club made major changes to its reinsurance arrangements for its Eagle Ocean Marine (EOM) facility which provides fixed premium insurance for P&I and FD&D risks for smaller vessels in local and regional trades, with an overall limit of cover of $500 million.

The coinsurance arrangements which had existed since 2011 were replaced by more conventional excess-of-loss reinsurance. This was a reflection both of reduced capacity as well as a desire of the Club to take a larger portion of underlying premium for its own account, given the enhanced profitability for mutual Members such a change would entail. The EOM year runs from July 1 to June 30 and its reinsurances will therefore be undergoing renewal in the middle of 2021.

EOM continued to make excellent progress in 2020. Year-on-year premium grew by about 19% over the previous year. Further premium growth of at least 10% is expected for the year ending June 30, 2021. The cumulative combined ratio for the business since its inception in 2011 continues to track below 80%. EOM complements the Club's mutuality as it grows its footprint throughout the world. As uncertainties continue to characterize the fixed premium P&I market, EOM remains committed to providing the gold standard of service in its field.

On the ratings front, Standard and Poor's reaffirmed in 2020 the American Club's BBB-/Stable investment grade financial strength rating. This followed, as has been the case for several years, an extensive review of the Club's current and prospective circumstances. The process continues.

Notwithstanding the exigencies of the pandemic, and the difficulty of meeting people in person, the Club continued to dedicate substantial resources to its business development initiatives throughout the year, activity which continues in a highly focused and energetic manner.

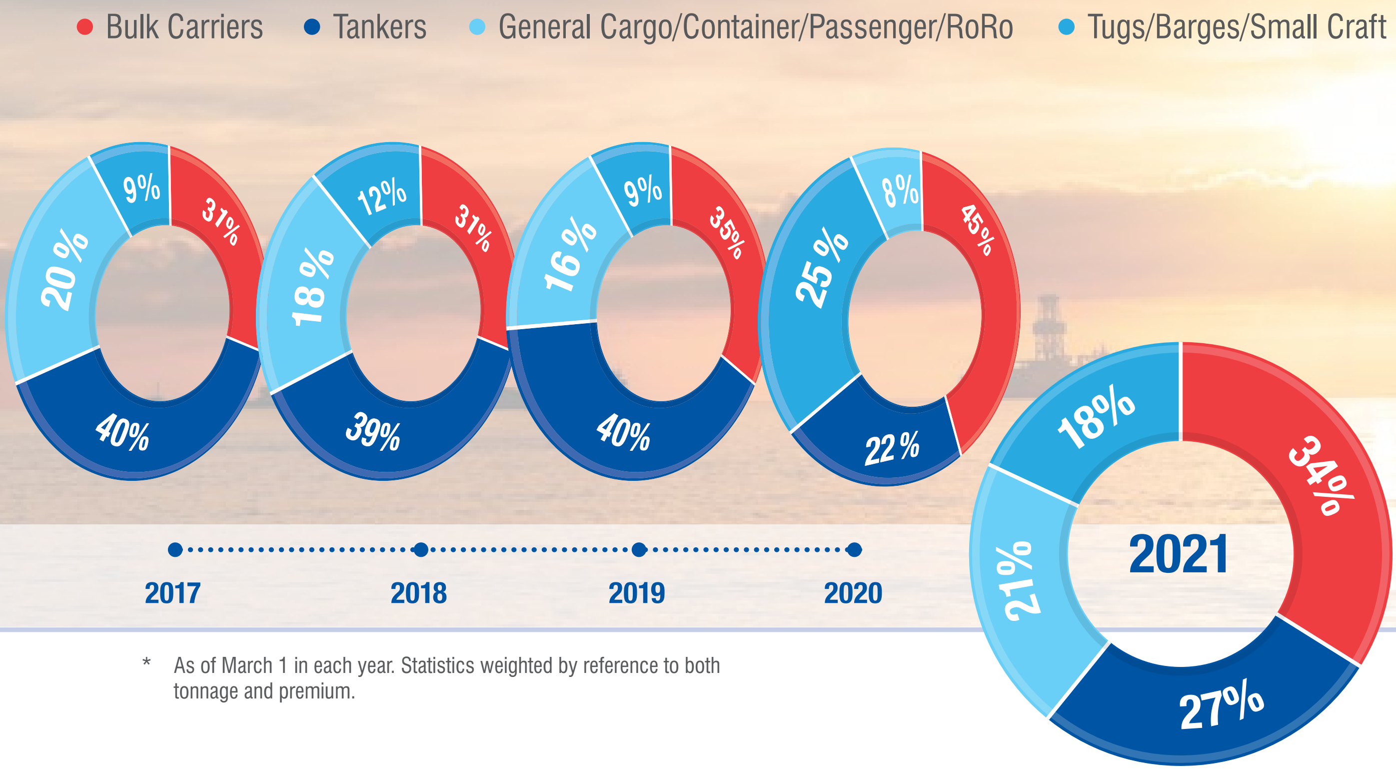
As in previous years, part of these initiatives focused on the use of social media through various platforms. The Club also continued in 2020 to be a regular contributor to the maritime trade press, and participated extensively in industry conferences throughout the world.

The development of the Club's social media presence deserves a special mention. As large parts of the world were increasingly engaged in working remotely, social media as a primary means of interaction between people saw exponential growth. Although the American Club originally saw the benefits of social media in 2016, its capabilities within the digital landscape expanded substantially during 2020 with media presences on some of the larger and most popular platforms across the world including ***LinkedIn***, ***Twitter***, ***Instagram***, ***YouTube*** and ***WeChat***.

Providing an instantaneous avenue of global exposure, the use of social media by the Club has been strategized to embrace the broadest subject matter and modes of communication to maintain the closest and most immediate connections with the Club's many constituencies and friends.

This has been of special significance during the pandemic where content of all kinds has been made available by, among other means,

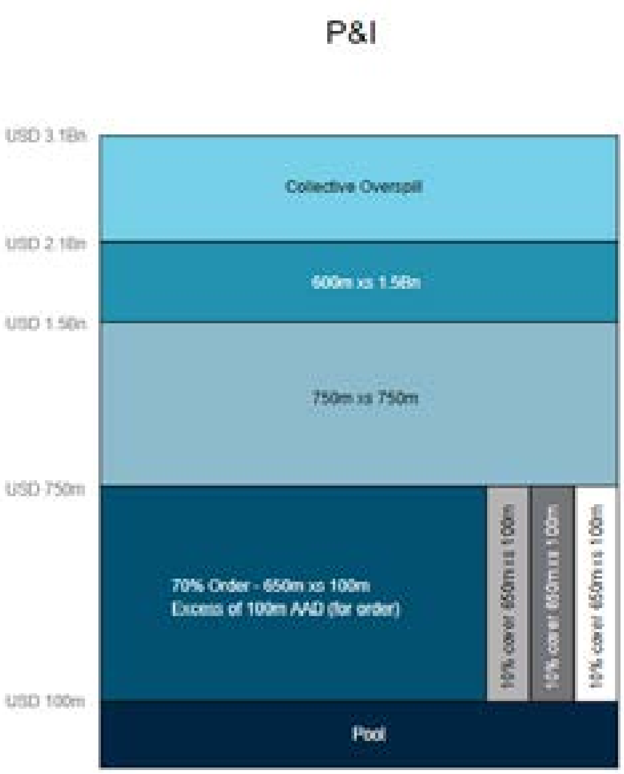
MEMBERS' TONNAGE BY VESSEL TYPE*



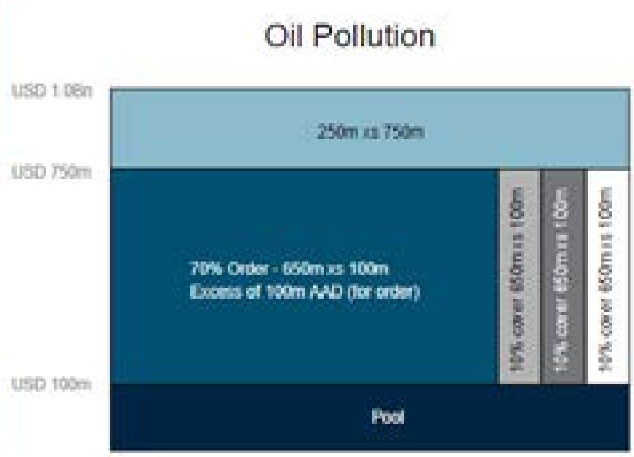
* As of March 1 in each year. Statistics weighted by reference to both tonnage and premium.

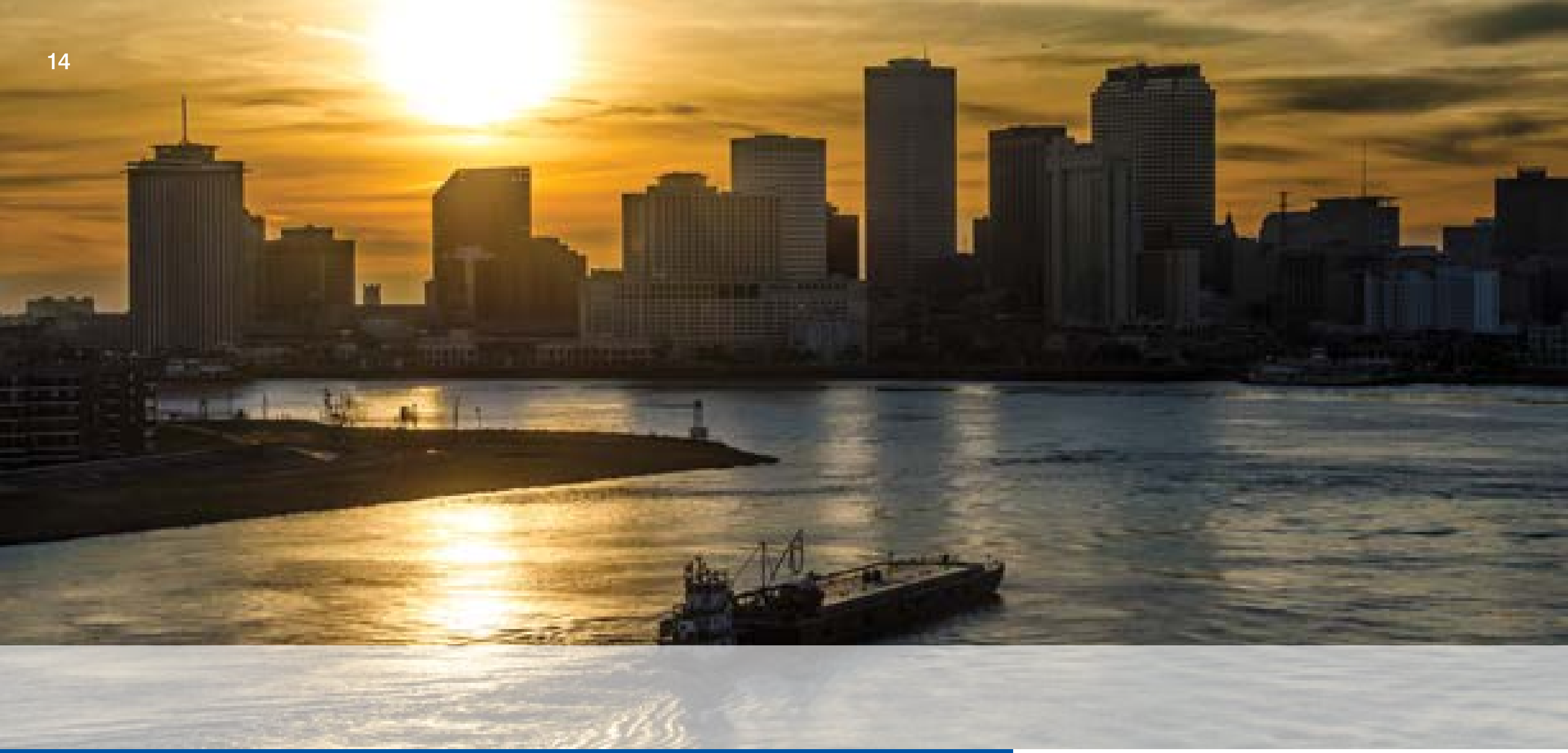
video logs and presentations (now on *YouTube*) on subjects of particular relevance to the maritime community, together with the distribution through social media of more traditional communications such as Club circulars and member alerts. In addition, given the severe curtailment of travel during the pandemic, webinars have also been a feature of Club activity through digital means of communication, often with the participation of other industry experts.

The American Club's pursuit of its social media strategy has placed it in recent months among the top participants in this form of outreach among all International Group clubs. As the world continues to develop new models of business communication, blending the most productive elements of the old and the new, the American Club is well positioned to leverage every opportunity to share its message and enhance its service capabilities.



SCHEMATIC OF INTERNATIONAL GROUP REINSURANCE ARRANGEMENTS FOR OWNERS' ENTRIES FOR 2021





Supplementary and Release Calls

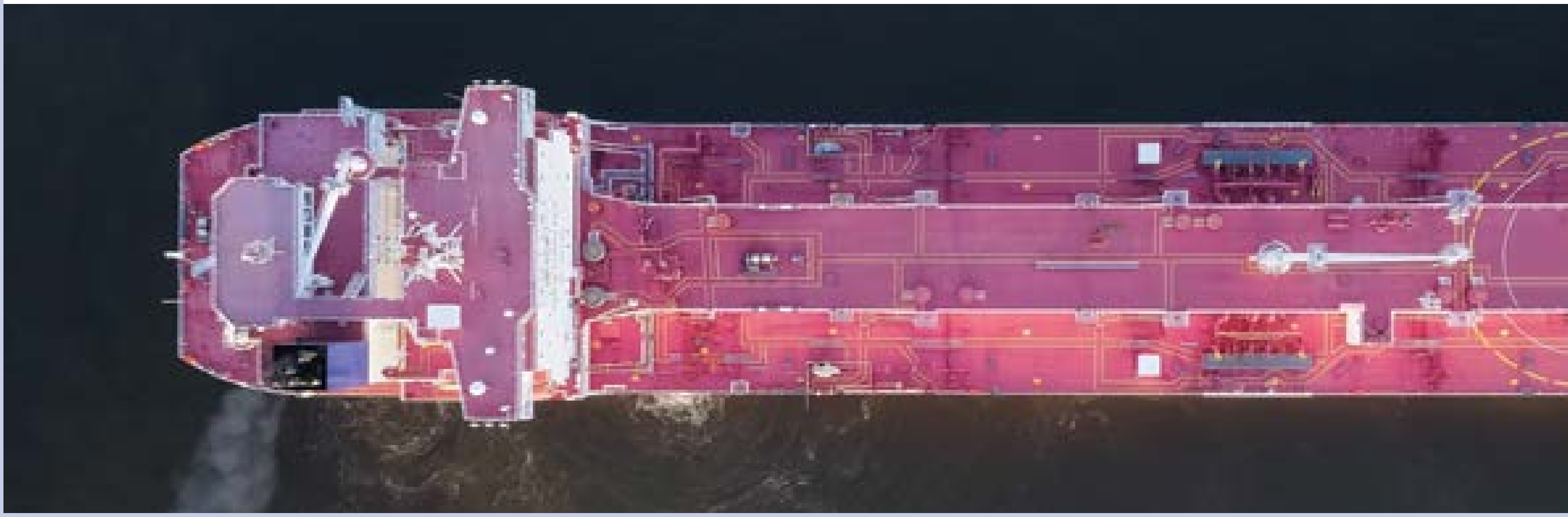
The 2017 policy year was, as notified to the membership at the end of 2019, finally closed in the first half of 2020 without further contribution in excess of the supplementary call levied by reference to that earlier notification.

In regard to currently open years, release call margins have been maintained at 20% of estimated total premium. These margins remained under review throughout 2020 and, importantly, at the time the Club published its premium policy determinations for 2021.

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 their actual assessment for various enterprise and other risks.

In conformity with this policy, in November 2020 – being the same time at which individual open years' release call margins was 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 is required to consider in determining both its basic premium and, more particularly, release call margins in regard to all open policy years.



2020 ended on a rather higher note for the financial markets than many had expected.

Finance and Investments

Having enjoyed a largely benign investment climate in 2019, the rapid onset of the COVID-19 pandemic in the opening months of 2020 roiled the financial markets and darkened the outlook for the remainder of the year.

As lockdowns and other restrictions took effect, economic indicators for the second quarter of 2020 were predictably dire: in countries across the world unemployment rose dramatically, GDP fell, global trade faltered, business confidence plummeted and stock markets tumbled.

Governments were challenged on many fronts. The need to ensure an effective public health response to the pandemic was a paramount motivation, but the need to mitigate its worst economic effects also figured largely in the establishment of policy, particularly in North America and Europe. In the result, the political response was for the most part a mix of social control and financial subvention aimed at softening the impact of the former by creating the availability of the latter through stimulus packages of various kinds.

Given the political and economic stresses which attended the relentless progression of the pandemic in early 2020, made the more vivid by a rancorous presidential election in the United States, the year ended on a rather higher note for the financial markets than many had expected.

As to global equities, the MSC World Index climbed 14% in 2020, despite an early-pandemic fall from late February to mid-April. In the United States the S&P 500 gained about 16%, the NASDAQ nearly 44%, while the DJIA trailed both at a comparatively modest 7% rise. As can be surmised, however, price increases were not broadly-based: major tech stocks outperformed significantly by comparison with the wider market.

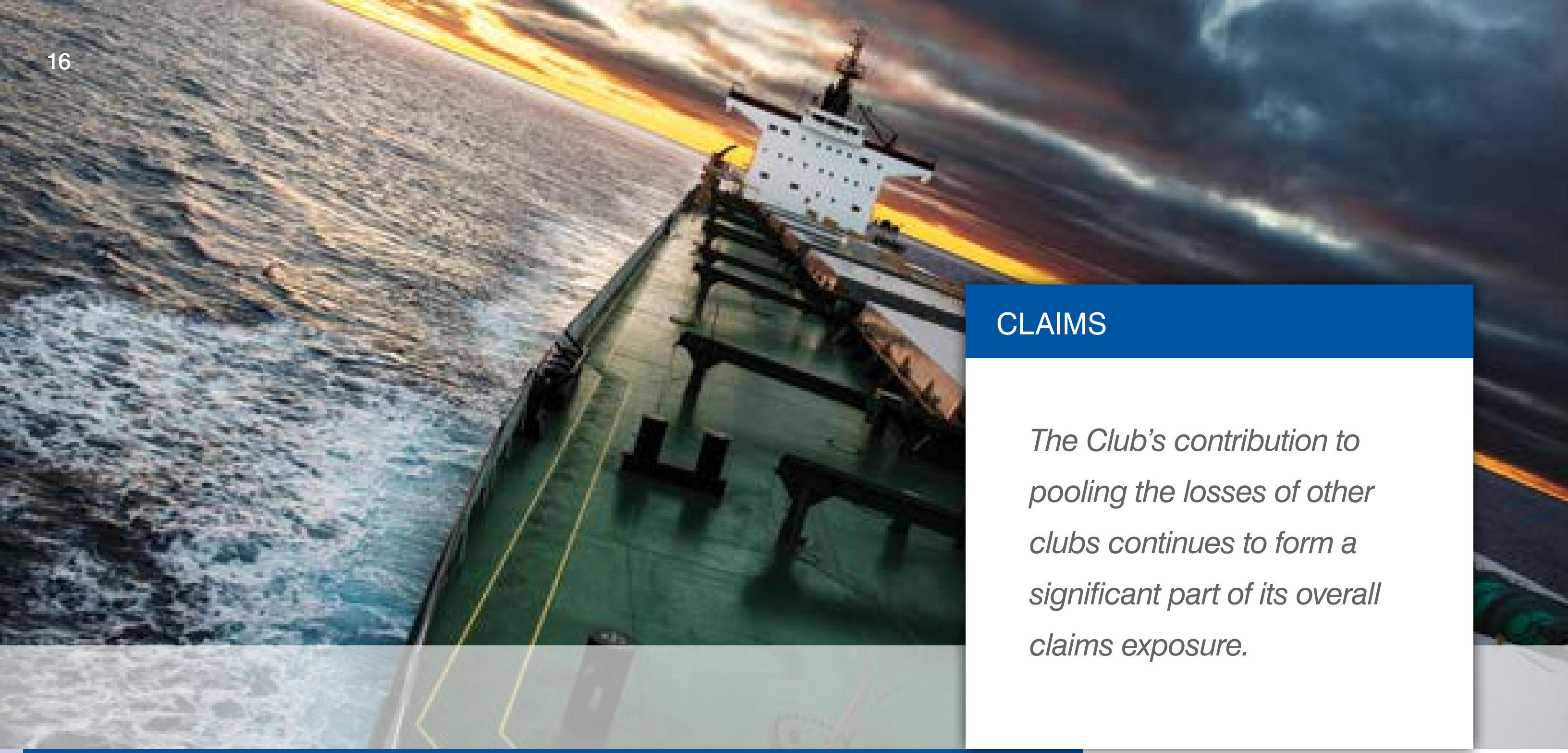
On the fixed income front, market tone and performance were heavily influenced the by response of governments and central bankers to the pandemic. In the US in particular, both the Trump and Biden administrations embarked on large-scale programs of financial support to those most heavily disadvantaged by the pandemic, while the Federal Reserve held firm to its low interest rate policy, together with quantitative easing where required.

The American Club's investment portfolio returned approximately 5.4% during the year to December 31, 2020. Although not as high as that recorded for 2019, the figure represents a creditable performance, particularly given the market's changing complexions during the year.

At year-end, the proportion of the Club's total fund held in equities was just over 26%, the remainder being in fixed income, alternative investments and cash. The structure of the portfolio as between asset classes is kept under regular review by the Finance and Audit Committee in conjunction with Merrill Lynch, the Club's investment advisors, and the Board.

The opening months of 2021 have seen continuing strength in the equity markets in response to expectations of increasing economic activity as government stimulus, particularly in the United States, generates rising demand. This has not, so far, created inflationary pressures which are seen to be other than cosmetic over the short-term, and in the United States the Fed remains dovish on the subject. Nevertheless, after falling in the spring of 2020, bond yields have risen substantially over the past twelve months, the yield on the 10-year Treasury note having increased by about 100 basis points over the year to April 2021.

As of the end of May, the Club's portfolio had recorded a year-to-date return of nearly 3.5%, better than the loss of almost 2% it had sustained at the same point twelve months earlier. Most market commentators believe that the financial markets will remain comparatively strong over the medium-term but, as any wise investor must ensure, the Club's funds – and their distribution as between asset classes – will remain the subject of careful review as the remainder of 2021 unfolds in response to a changing economic and geopolitical landscape.



CLAIMS

The Club's contribution to pooling the losses of other clubs continues to form a significant part of its overall claims exposure.

Claims

As described in last year's annual report, 2019 was not a good year for claims, either in regard to the Club's retained exposures or in regard to its contribution to the Pool claims of other clubs. Accordingly, notwithstanding the shadow the COVID-19 pandemic, it was encouraging to observe an improved emergence, at least in regard to attritional losses, during 2020.

Indeed, claims for the Club's own account for 2020 are developing at a level approximately 20% less than that for the prior year at the twelve months' point. Claims for 2020 within the American Club's retention have remained broadly the same by reference to incident type as 2019, but there has been a welcome reduction in the number of larger claims – i.e. those individually exceeding $3 million – by comparison with the previous year.

As widely reported in the trade press, aggregate exposures on the International Group Pool for 2020 have already reached levels similar to those recorded for the two previous years, and may be expected to go higher. While the American Club itself had no Pool claims during the year, nor has had since 2016, its contribution to pooling the losses of other clubs continues to form a significant part of its overall claims exposure.

As to COVID-19 specifically, and despite the worst prognostications of certain sectors of the market early in the pandemic period, only two Pool claims have so far been recorded in regard to COVID-19 incidents for 2020, although there was another such claim recorded at the end of the 2019 policy year.

Losses arising by reference to the Club's obligations under the Maritime Labor Convention were higher in 2020 than in earlier years. A preponderant part of this exposure concerned a medium-sized cruise operator which went into liquidation in the middle of 2020. However, an aggregate reinsurance stop loss protection had earlier been purchased by the Club for claims of this kind. This resulted in the gross losses in relation to that claim, and a few others, to a net exposure to only $1 million for the year. Nevertheless, the number of MLC claims in 2020 was higher than that experienced in previous years, six more such losses being recorded by comparison with 2019.

As to the effect of the COVID-19 pandemic, there were thirty-four reported claims during the period under review. With the exception of a significant claim on a passenger vessel, as well as the Club's contributions to Pool claims from other clubs as previously mentioned, exposure to COVID-related matters was comparatively modest. In any event, the claim in which the Club was significantly involved was itself subject to a reinsurance recovery and, in net terms, had only a limited impact on the Club's overall claims exposure for the year.

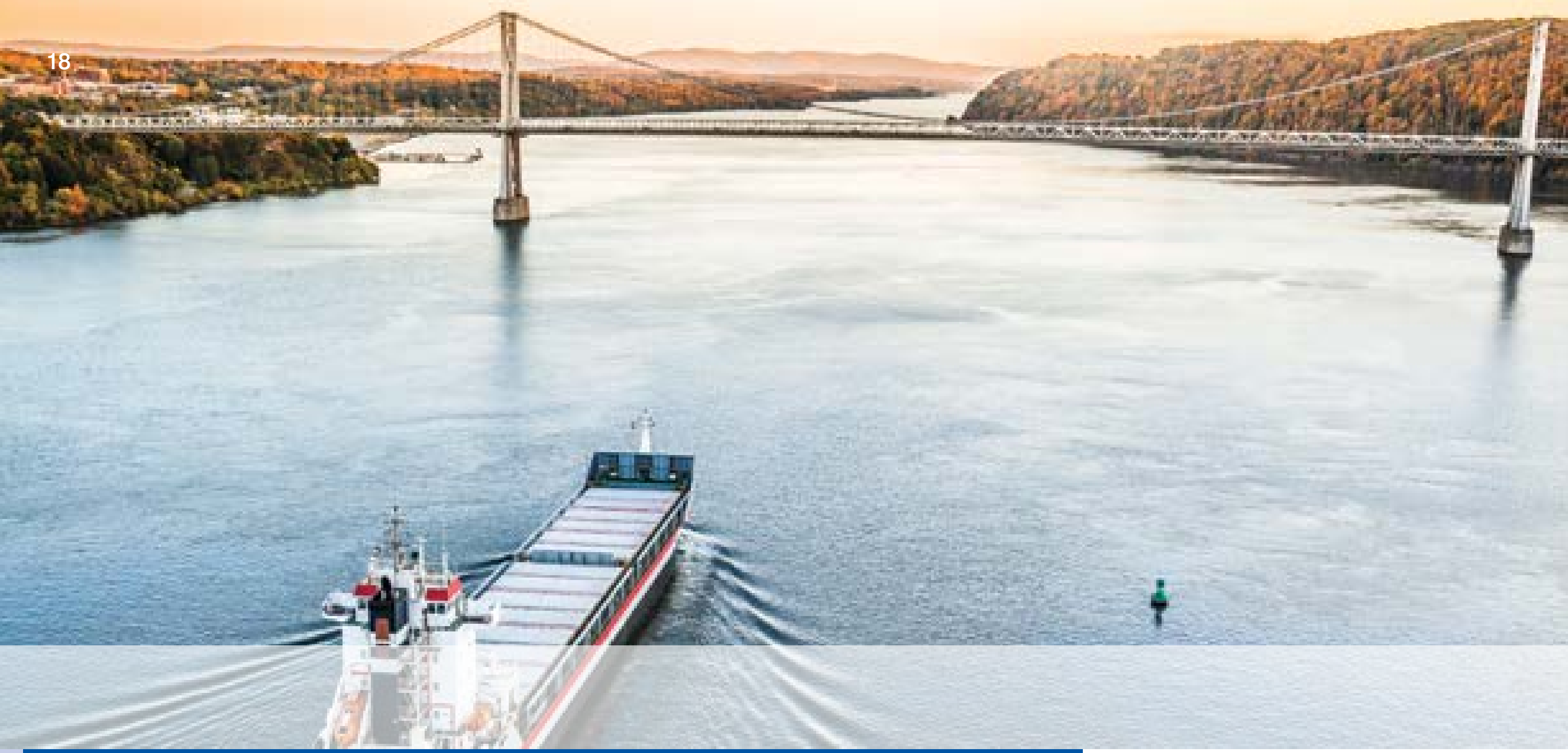
Operationally, the American Club rose to the challenge of claims handling in pandemic conditions through the use of videoconferencing technology, and various initiatives were taken during the year in the form of vlogs, webinars, and participation in larger industry events.

On the regulatory front, increased criminal penalties for oil spills enacted in California during 2020 were a source of concern to all clubs within the International Group – and indeed to other insurers. Consultation took place in regard to an appropriate response. The American Club issued circulars on the subject in conjunction with other International Group clubs.

The Club was much concerned during 2020 with the development of regulations in the United States and elsewhere concerning sanctions. Apart from providing ad hoc advice to Members, and liaising with its colleagues within the International Group, the Club also ensured that the Global Advisory issued by the State Department, Department of Homeland Security and Department of the Treasury, aimed specifically at the maritime sector, was given a high profile within the maritime community. This advisory was intended to preclude

illicit shipping and sanctions evasion with particular reference to the monitoring of automatic identification systems (AIS) and a general entreaty to "know your customer".

In summary, being as they are at the heart of the service which the Club provides its Members, claims continue to exhibit complexities, and entail regulatory and other compliance, in a manner largely unenvisaged in the past. The recent grounding of the EVER GIVEN, although not entered in the American Club, is nevertheless an example of the challenges of handling claims in the modern world. It will be interesting to see where these developments proceed over the years ahead, although the ability of clubs to deal with them will no doubt remain an undiminished strength, among others, of the International Group system.



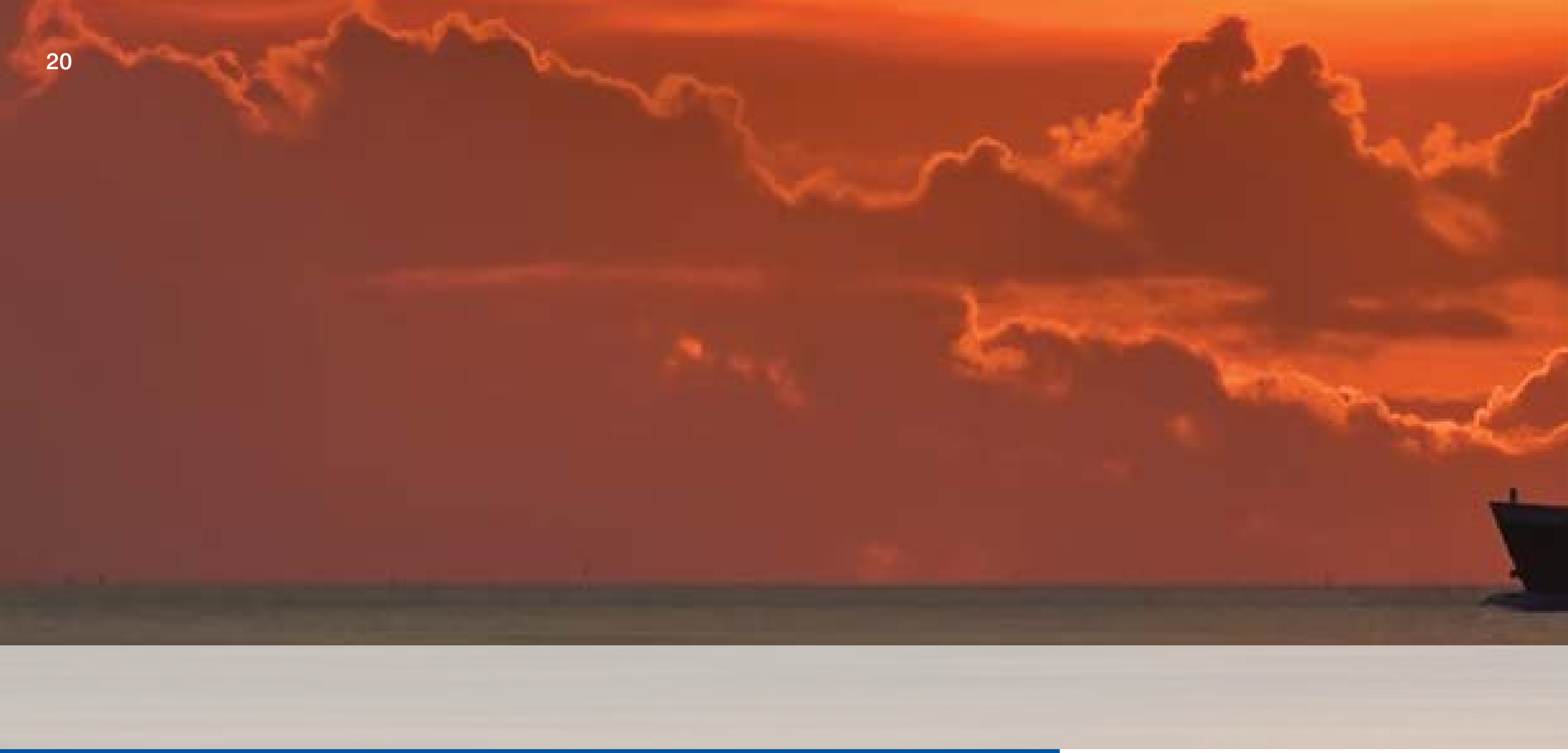
Activity within the International Group of P&I Clubs

Throughout 2020, the International Group continued to be engaged in that wide variety of issues in which it represents a compelling voice on behalf of the ship owning community. Many of the subjects considered by the International Group were those discussed in previous years by, among others, the specialist Sub-Committees within which the Group's "brains trust" is deployed.

The imposition of sanctions on certain countries, particularly as national policies evolved over the period, continued to exercise the interest of the International Group. The field becomes ever more complicated and extreme vigilance continuingly necessary to avoid the potentially severe consequences of a less than fully diligent approach to these issues.

The International Group, as well as the American Club itself, continued in 2020 to be in regular communication with the shipping community through circulars and alerts and also maintained close contact with authorities, chiefly within the United States and Europe, in ensuring that issues of common interest were properly identified and coordinated.

As was mentioned last year, the issue of sustainability – a subject which has gained increasing traction as part of the expanding agenda of corporate responsibility – continued to attract the attention of the International Group. The Group's Sustainability Sub-Committee, on which the American Club is represented, met on several occasions during the year with a view to coordinating policy in this important area which is discussed in greater detail below.



Sustainability

Sustainability as a driver of policy in the maritime industries has become increasingly important in recent years. The impetus for embedding it in the anatomy of the maritime domain was intensified by the adoption, in 2015, of the United Nations sustainable development goals (SDGs). Having been ratified by nearly all member-states, the principles underlying the 17 SDGs have had a growing influence on policy choices facing both governments and businesses across the world. The shipping industry has been no less affected than others, environmental initiatives of the International Maritime Organization (IMO) having also played a major role in recent years.

To some extent, the components of sustainability as it is defined in the current era have always formed part of marine insurance practice in general, and that of the P&I clubs in particular, even though they might not explicitly have been recognized as such in the past.

The calibration of sustainability standards is now generally accomplished by reference to Environmental, Social and Governance (ESG) measuring. The American Club is very conscious of these standards – they are increasingly a part of insurance regulation both in the United States and overseas – and has taken steps to adopt its own guidelines in this respect.

Most recently, the Club and its Managers were pleased to participate in the accreditation tests of the North American Marine Environment Protection Association (NAMEPA) in regard to its own CSR/ESG standards. These were of a very exacting nature. The Club and its Managers gained their maritime sustainability passport (MSP) accordingly, in the company of other major organizations in the field of marine transportation including Cargill and Mediterranean Shipping Company (MSC).

ESG compliance as an integral part of sustainability will continue to form an important component of enterprise analysis, and will continue to inform the manner in which all clubs embrace sustainability over the years ahead. From the P&I perspective, the existing strengths of mutuality represent an excellent point of departure from which those strengths can be enlarged to meet the challenges of the future, a future which is already in sight.

Safety and Loss Prevention

Notwithstanding the exigencies created by the COVID-19 pandemic – and in some cases in response to them – the development of loss prevention initiatives continued to be a cornerstone of the American Club's service during 2020.

The Club's condition survey program remained an important focus of its activity. However, restrictions placed on access to vessels by reason of the pandemic resulted in a 33% decrease, to 98, in the number of condition surveys performed in 2020. Gratifyingly, however, only seven vessels required follow-up survey. Restrictions have been gradually lifted into 2021, so that the accessibility of vessels is likely to increase, with a commensurate increase in the number of surveys actually being performed.

A diminished tempo of survey activity was also reflected in port state control inspections. A 6.6% detention rate for Club-entered vessels in 2020 was rather higher than that which had been the case in 2019, but only 51% of the 2019 inspection volume was actually performed in 2020. Moreover, it would seem that the effects of the pandemic have made it more difficult for owners to carry out repairs when needed, a reality which has likely had a bearing on detention rates.

The inability of owners to perform crew changes around the world has been a major theme of discussion – and complaint – within the maritime community since the pandemic began. In consequence, there was a significant reduction in the number of seafarers examined at clinics within the Club's pre-employment medical examination (PEME) global network in 2020.

Notwithstanding this, the medical standards associated with the program were maintained. The Club further extended the expiration dates of medical certificates for seafarers in light of the difficulty of rotating crews. Encouragingly, developments in this area do not seem to have had a negative impact on levels of crew illness-related claims.

More generally, the COVID-19 pandemic also gave rise to a wide range of loss prevention initiatives by the Club aimed at assisting Members to better manage risks related to it. In addition to a dedicated part of the Club's website, pandemic issues were issued in a wide range of communications with Members as well as two webinars dealing with COVID-related subjects.

In addition to initiatives undertaken on its own behalf, the Club also collaborated with the American Bureau of Shipping (ABS) in several areas. One concerned guidance in regard to the growing risk of cyber security threats to shipowners. Companion webinars were also conducted to address specific technical and cover-related issues.

Another joint venture between the Club and ABS concerned the operation of chemical tankers. In this respect, the Club added to its growing catalog of e-learning modules an item entitled ***Chemical Tank*** which was developed to provide instruction, in compliance with IMO training course standards, in regard to the STCW convention as applied to this particular category of vessel.

AMERICAN HELLENIC HULL

Pricing power in the hull markets continued during 2020 in consequence of contracting insurance supply.

American Hellenic Hull Insurance Company, Ltd.

In the middle of 2016, the American Club made a significant investment in establishing a new company in Cyprus, American Hellenic Hull Insurance Company, Ltd., aimed at developing a presence in the hull and machinery market, an area highly germane to the Club's activity in the P&I sector.

American Hellenic Hull made progress during 2020, building on the success it had already achieved over recent years in becoming a leading player in an area which continues to show promise.

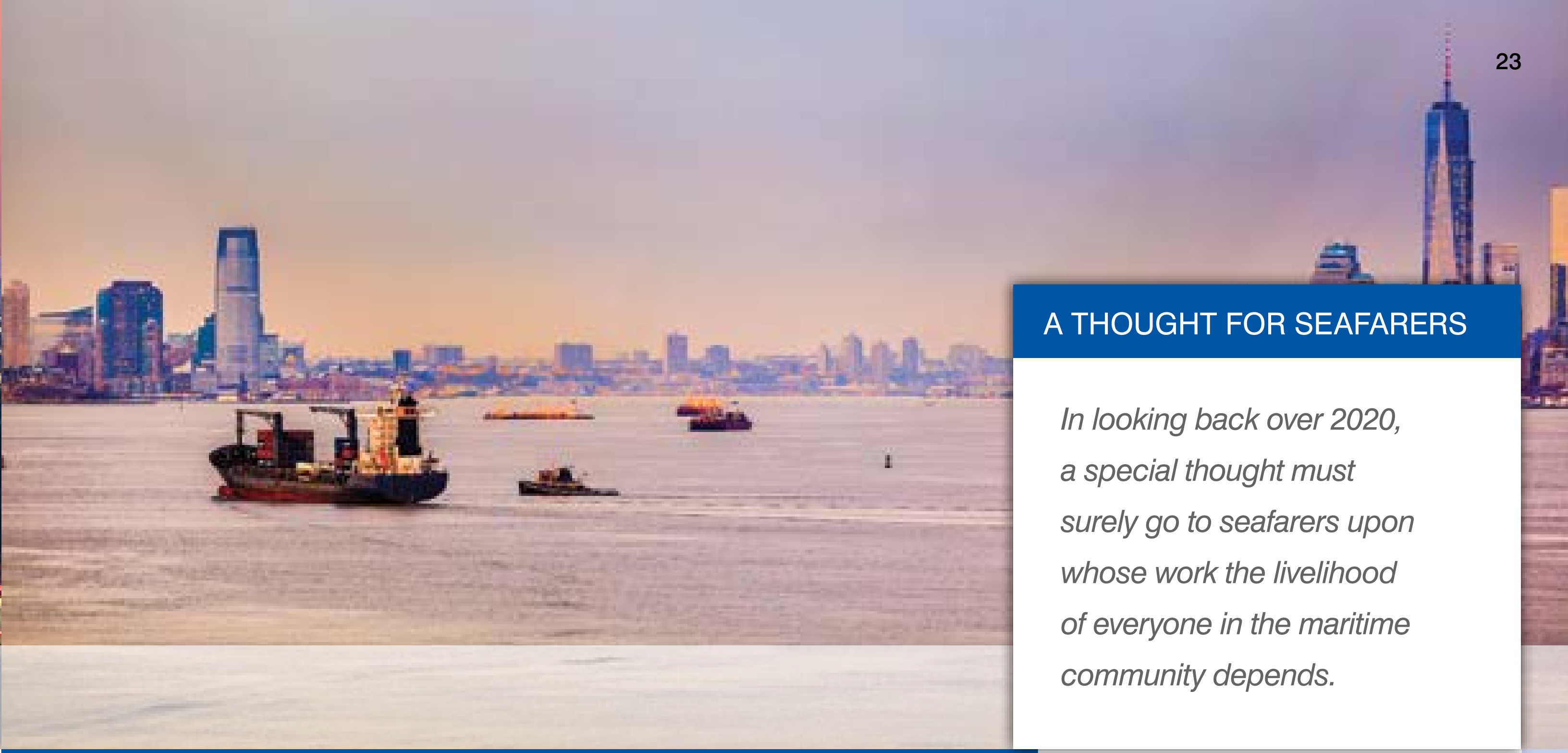
Positive market conditions continued during 2020. The withdrawal from the market of several key players – notably syndicates at Lloyd's – has continued to constrain insurance supply, a trend which has caused premium pricing to rise substantially over the recent past.

Against this background, renewal rates per vessel insured by American Hellenic Hull rose on average by over 25% in 2020. In conjunction with a 12% decrease in the average policy renewal line during the year, the average renewal premium for 2020 increased by nearly 23% overall. These trends have continued into the early part of 2021, where renewal rates per vessel have increased by over 23% since the beginning of the year. Moreover, the technical loss ratio on business renewed into 2021 has averaged a very encouraging 30%.

This, in conjunction with the insurer's growing footprint across the world – more than 3,000 vessels are now insured by American Hellenic Hull – augurs well for the future. Although the 2020 financial year ended with a small deficit, market hardening, together with careful risk selection, continues to enhance technical results. These contributed to a strengthening of American Hellenic Hull's balance sheet during 2020 with an increase in net assets of 29% from 2019 to 2020. Although gross earned premium declined by just under 5% in 2020, the underwriting result remained broadly the same.

The opening months of 2021 have seen further price and balance sheet strengthening. Moreover, American Hellenic Hull has sustained no negative effects of any kind from the COVID-19 pandemic, and lockdown and other restrictions have had a positive effect on operating and related expenses.

In its own right – and in support of its investor, the American Club – American Hellenic Hull looks to a future energized by both its own prospects and the business synergies between itself and the Club. 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.



A THOUGHT FOR SEAFARERS

In looking back over 2020, a special thought must surely go to seafarers upon whose work the livelihood of everyone in the maritime community depends.

A World of the Future Shaped by the Challenges of the Past

2020 was a year many people would prefer to forget. The rapid onset of the COVID-19 pandemic created a uniquely difficult business environment for virtually everyone, everywhere. But, while the world economy and global supply chains struggled during the first half of the year, greater stability has ensued over more recent months.

The toll of the COVID-19 pandemic in human terms has been devastating. This is not just in relation to those who have succumbed to the disease but also by reference to the disruption which the restrictions have forced upon people's lives throughout the world. Nowhere has this been felt more keenly, but unfortunately less obviously to national authorities, than in the plight of seafarers unable to leave their ships and return home. In looking back over 2020, a special thought must surely go to seafarers upon whose work the livelihood of everyone in the maritime community depends.

That the American Club and Eagle Ocean Marine were able to respond energetically to the new operating challenges created by restrictions on normal modes of working is a great credit to those responsible for the Club's and EOM's IT and other capabilities. From an insurance perspective, the American Club and EOM performed solidly during 2020. Moreover, the 2021 renewal emerged positively, and with greater realism applying to the pricing of P&I and related risks, there are grounds for optimism that the chronic pressures on premium income which have been faced by all clubs in recent years will abate over the years ahead.

The increase in economic activity across the world generated by the loosening of COVID-19 restrictions will itself impel a significant boost to the global economy over the months ahead and the shipping industry will no doubt benefit from this. By extension, it is to be hoped that marine underwriters – and in particular P&I clubs – will also be advantaged by improving economic conditions.

As they look back on 2020 as a year of positive trends in many areas despite the shadow cast by the pandemic, your Managers remain committed to providing that service which is at the core of their mission to the Club and its membership. In achieving that mission, the Managers look forward to the continuing support of the Club's Members and its many other friends throughout the world to whom, in closing, they extend their sincere thanks for making 2020, in spite of the pandemic, another successful year of American Club service to the maritime community.

2020 FINANCIAL REPORT

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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 sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive income (loss), changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 2 to the financial statements, certain errors resulting in understatement of amounts previously reported for unbilled premiums and calls and net premiums and calls earned as of December 31, 2019 and prior, were discovered by management of the Association during the current year. Accordingly, amounts reported as unbilled premiums and calls and net premiums and calls earned have been restated in the 2019 financial statements now presented, and an adjustment has been made to retained earnings as of December 31, 2018, to correct the error. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules listed in the table of contents on pages 42-45 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 on the supplemental schedules referred to above.

Mazars USA LLP

June 24, 2021

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 2020	2019
ASSETS:			**RESTATED**
Investments	3	$ 168,970	$ 177,423
Cash and cash equivalents		17,830	15,302
Members' balances receivable		52,135	46,296
Reinsurance recoverable	6	67,111	61,125
Advances to Hellenic Hull Mutual	1	7,233	7,120
Unbilled premiums and calls	7	39,628	36,534
Other assets	4	12,862	18,981
Total Assets		$ 365,769	$ 362,781
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES:			
Unpaid losses and allocated loss adjustment expenses	6	$ 171,493	$ 171,011
Unreported losses	6	43,947	44,492
Unearned premiums		14,638	24,864
Reinsurance payable		12,942	7,648
Surplus note payable	5	19,500	19,500
Demand promissory note payable	5	20,040	7,531
Other liabilities	4	11,209	11,986
Total Liabilities		$ 293,769	$ 287,032
COMMITMENTS AND CONTINGENCIES			
MEMBERS' EQUITY:			
Retained earnings		$ 69,011	$ 73,988
Accumulated other comprehensive income		2,989	1,761
Total Members' Equity		$ 72,000	$ 75,749
Total Liabilities and Members' Equity		$ 365,769	$ 362,781

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Income (Loss)

IN THOUSANDS	NOTE	DECEMBER 31 2020	2019
INCOME			**RESTATED**
Net premiums and calls earned	7	$ 90,628	$ 112,808
Net investment income		2,394	4,544
Unrealized gains on investments		1,383	5,303
Net realized investment gains		2,156	3,327
Total Income		96,561	125,982
EXPENSES			
Losses and loss adjustment expenses incurred	6	59,033	71,443
Other operating expenses	8	42,502	43,545
Total Expenses		101,535	114,988
Income (Loss) Before Income Taxes		(4,974)	10,994
Income tax provision		(3)	(4)
Net (Loss) Income		(4,977)	10,990
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized (losses) gains on investments		(928)	5,438
Reclassification adjustments for net realized capital gains (losses)		2,156	(3,327)
Other Comprehensive Income		1,228	2,111
Comprehensive Income		$ (3,749)	$ 13,101

Consolidated Statements of Changes in Members' Equity

IN THOUSANDS	NOTE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL MEMBERS' EQUITY
Balance, January 1, 2019 – Restated	2	$ 66,031	$ (3,383)	$ 62,648
Cumulative-effect adjustment for unrealized loss on available-for-sale equity securities		(3,033)	3,033	—
Net Income – Restated		10,990	—	10,990
Other comprehensive income		—	2,111	2,111
Balance, December 31, 2019 – Restated	2	73,988	1,761	75,749
Net loss		(4,977)	—	(4,977)
Other comprehensive income		—	1,228	1,228
Balance, December 31, 2020		$ 69,011	$ 2,989	$ 72,000

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IN THOUSANDS	DECEMBER 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		**RESTATED**
Net (loss) income	$ (4,977)	$ 10,990
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Amortization of bond premiums	1,421	1,339
Unrealized gain on investments	(1,383)	(5,303)
Net realized investment gains	(2,156)	(3,327)
Depreciation	36	36
	(2,082)	(7,255)
Changes in operating assets and liabilities:		
Members' balances receivable	(5,841)	(20,999)
Reinsurance recoverable	(5,986)	(10,015)
Unbilled premiums and calls	(3,093)	(3,544)
Other assets	17,000	(416)
Unpaid and unreported losses and allocated loss adjustment expenses	(187)	22,814
Unearned premiums	(10,227)	3,519
Reinsurance payable	(11)	599
Other liabilities	(5,768)	(235)
	(14,113)	(8,277)
Net cash used in operating activities	(21,172)	(4,542)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales/maturities of investments	87,355	95,280
Purchases of investments	(75,555)	(89,788)
Purchases of fixed assets	(600)	(631)
Net cash provided by investing activities	11,200	4,861
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from demand promissory note	12,500	—
Repayment of demand promissory note	—	(2,500)
Net cash used in financing activities	12,500	(2,500)
Net change in cash and cash equivalents	2,528	(2,181)
Cash and cash equivalents, beginning of year	15,302	17,483
Cash and cash equivalents, end of year	$ 17,830	$ 15,302
Supplemental Information:		
Income taxes paid	$ —	$ —
Interest paid	$ 375	$ 400

See Notes to Consolidated Financial Statements.

2020 Notes to Consolidated Financial Statements ($ in thousands, unless otherwise specified)

1. Organization

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

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

Members are charged premiums based on the tonnage of their insured vessels. For the 2020 and 2019 policy years, at December 31, 2020 and December 31, 2019, the gross tonnage insured was 22,833,918 and 22,362,661, 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, to extend the repayment date to September 30, 2019. They also instructed AHHIC, Inc. to capitalize the $3.9 million unsecured additional funding.

On September 17, 2020, the Association instructed AHHIC, Inc., through their managers SCB, to extend the repayment date to December 31, 2020. The outstanding amount as of December 31, 2020 is $7.2 million.

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

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

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

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

Valuation Techniques

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the years ended December 31, 2020 and 2019, no Member accounted for 10% or more of total revenue.

Income Taxes -The Association is exempt from income taxes except for Federal and New York State taxes on taxable interest and dividends received. The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to net investment income primarily due to tax-exempt interest income included in investment income. Deferred income tax relating to accrued taxable interest and dividends is recorded. The Company has no uncertain tax positions as of December 31, 2020.

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.

Adoption of Accounting Standard – On January 5, 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instruments. This standard requires most equity investments to be measured at fair value with changes in fair value recognized in net income instead of other comprehensive income; the standard is effective for non-public companies for years beginning after December 15, 2018. This amendment must be applied by a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The Company adopted this standard on January 1, 2019. Retained earnings and accumulated other comprehensive income were adjusted in the amount of ($3.0) million and $3.0 million, respectively, due to this amendment.

Restatement of previously issued financial statements for correction of an error in accounting for Earned but Unbilled (EBUB) Premium - Effective with the preparation of the Association's annual statutory filing, the Association elected to change its method of calculating its Earned But Unbilled (EBUB) premium to include all curable policy years, where as in prior years' the Association recorded EBUB only equal to the premium needed to cover the estimated total expenditure pertaining to DJA asbestos claims that occurred before February 20, 1989. By changing this calculation on a statutory basis, the Association no longer requires a permitted practice by its regulator to record a statutory-basis Future Assessment Asset.

The Association believes that calculating the EBUB in this manner appropriately takes into consideration the totality of the Association's ability as an assessable Mutual Insurance Company to cure all policy year deficits, including the DJA pre-1989 asbestos claims estimated liability. Under GAAP, this change is considered to be a correction of an error of the application of an accounting principle.

Consequently, the Association has restated its consolidated balance sheet as of December 31, 2019 and its consolidated statement of operations, consolidated statement of comprehensive income and consolidated statement of changes in equity for the year ended December 31, 2019, along with certain related notes to such restated consolidated financial statements. In addition, the Company has restated its consolidated statement of cash flows for the year ended December 31, 2019.

The Association reevaluated the calculation of the EBUB for 2019 and 2018 utilizing the revised method and as set forth in more detail below, the restatement of the Association's consolidated financial statements for the year ended 2019:

- increased net premiums and calls earned on the statement of operations by $4.1 million, from $108.7 million to $112.8 million (as restated) ;
- increased unbilled premiums and calls on the balance sheet by $21.6 million from $14.9 million to $36.5 million (as restated) ;
- increased beginning retained earnings on the statement of members' equity by $17.4 million, from $48.6 million to $66.0 million. This increase is the result of the reevaluation of the 2018 EBUB calculation.

The following table summarizes the effect of the restatement on certain line items of the Association's previously issued consolidated financial statements for the year ended December 31, 2019:

	FOR THE YEAR ENDED DECEMBER 31, 2019		
	AS REPORTED	ADJUSTMENT	**AS RESTATED**
Consolidated Financial position			
Unbilled premiums and calls	$ 14,977	$ 21,557	**$ 36,534**
Total assets	341,224	21,557	**362,781**
Retained Earnings – beginning at January 1, 2019	48,608	17,423	**66,031**
Retained Earnings – ending at December 31, 2019	52,431	21,557	**73,988**
Total Member' Equity	54,192	21,557	**75,759**

	AS REPORTED	ADJUSTMENT	**AS RESTATED**
Consolidated operating results			
Net premiums and calls earned	$ 108,674	$ 4,134	**$ 112,808**
Total Income	121,848	4,134	**125,982**
Net Income	6,856	4,134	**10,990**
Comprehensive Income	8,967	4,134	**13,101**

3. Investments

The cost or amortized cost, gross unrealized gains and losses and fair value of investments in equity securities and debt securities classified as available-for-sale at December 31, 2020 and 2019 were as follows:

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

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2019				
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 29,898	$ 271	$ 6	$ 30,163
Obligations of states and political subdivisions	65,310	1,433	27	66,716
Industrial and miscellaneous bonds	5,076	90	—	5,166
Common stocks	59,465	10,119	1,583	68,001
Other invested assets	9,773	274	2,670	7,377
Total	**$ 169,522**	**$ 12,187**	**$ 4,286**	**$ 177,423**

The following summarizes unrealized investment losses by class of investment at December 31, 2020 and 2019. 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, 2020						
Government obligations	$ 1,540	$ —	$ —	$ —	$ 1,540	$ —
Obligations of states and political subdivisions	2,160	6	—	—	2,160	6
Industrial and miscellaneous bonds	—	—	—	—	—	—
Common stocks	2,901	188	5,117	270	8,018	458
Other invested assets	3,647	965	1,827	3,333	5,474	4,298
Total	**$ 10,248**	**$ 1,159**	**$ 6,944**	**$ 3,603**	**$ 17,192**	**$ 4,762**

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2019						
Government obligations	$ —	$ —	$ 1,491	$ 6	$ 1,491	$ 6
Obligations of states and political subdivisions	5,232	26	463	1	5,695	27
Industrial and miscellaneous bonds	—	—	—	—	—	—
Common stocks	12,577	244	10,140	1,339	22,717	1,583
Other invested assets	61	404	2,429	2,266	2,490	2,670
Total	**$ 17,870**	**$ 674**	**$ 14,523**	**$ 3,612**	**$ 32,393**	**$ 4,286**

The fair value and amortized cost of available-for-sale debt securities at December 31, 2020 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	$ 32,794	$ 32,969
Due after one year through five years	33,631	34,752
Due after five years through ten years	20,735	22,195
Due after ten years	5,329	5,565
Total	**$ 92,489**	**$ 95,481**

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

	2020	2019
Proceeds from sales of investments	$ 69,674	$ 64,097
Gross realized gains	5,040	4,104
Gross realized losses	2,884	777

There were no other-than-temporary impairments recorded in 2020 or 2019.

At December 31, 2020 and 2019, United States Government Treasury notes in the amount of $305 par value, respectively, were deposited with regulatory authorities as required by The New York Insurance Law.

Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

The following table presents the Association's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019:

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

FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2019

		TOTAL FAIR VALUE		LEVEL 1		LEVEL 2		LEVEL 3		VALUED AT NAV
ASSETS										
U.S. Treasury and obligations of other U.S. government corporations and agencies	$	30,163	$	30,163	$	—	$	—	$	—
Obligations of states and political subdivisions		66,717		—		66,717		—		—
Industrial and miscellaneous bonds		5,166		—		5,166		—		—
Common stocks		68,001		67,981		—		20		—
Other invested assets		7,376		—		—		—		7,376
Total	**$**	**177,423**	**$**	**98,144**	**$**	**71,883**	**$**	**20**	**$**	**7,376**

During the years ended December 31, 2020 and 2019, there were no transfers into (out of) Levels 1, 2 or 3. There were no purchases or sales of assets classified as Level 3 during the years ended December 31, 2020 and 2019.

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, 2020, 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, 2020, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve of the buyer before the sale of the investments can be completed. As of December 31, 2020, there are $1.8 million in unfunded commitments.

4. Other Assets and Liabilities

		2020		2019
Other Assets				
Computer equipment and software - net of accumulated depreciation of $6.5 million and $6.5 million, respectively	$	2,016	$	1,452
Receivable for securities sold		149		13
Accrued interest receivable		827		960
Income tax recoverable		245		174
Prepaid reinsurance premiums		—		4,194
Management fee receivable		2,561		2,598
Other receivable		2,599		—
Net recovery US Oil Spill Liability Trust Fund		—		1,944
Other assets		4,465		7,646
	$	**12,862**	**$**	**18,981**
Other Liabilities				
Accrued expenses	$	11,084	$	9,622
Liability for securities purchased		124		2,363
Income tax payable		1		1
	$	**11,209**	**$**	**11,986**

5. Debt

At December 2019 the Association owed $7.5 million on a demand promissory note from Deutsche Bank Trust Company America ("demand promissory note). Interest on the demand promissory note was calculated using a rate of 3-month LIBOR plus 1 percent. Interest accrued at December 31, 2019 amounted to $31 thousand.

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

During 2015, a surplus note with an interest rate of 8% and a date of maturity of December 20, 2040, in the amount of $19.5 million was issued in exchange for cash as a private placement issue by the Association. No payment of principal or interest shall be permitted on the surplus note without the prior approval of the Superintendent of the New York State Department of Financial Services and shall only be made out of free or divisible surplus of the Association. In the event of the liquidation of the Association, the claims under this surplus note shall be paid out of any assets remaining after the payment of all policy obligations and all other liabilities, but before distribution of assets to members. Interest accrued on the note at December 31, 2020 and 2019 was $7.8 million and $6.2 million, respectively, and is recorded under Other liabilities on the balance sheet.

6. Unpaid Losses and Reinsurance Recoverable

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

		2020		2019
Gross balance at January 1	$	215,503	$	192,689
Less reinsurance recoverable on unpaid losses		57,380		49,683
Net Balance at January 1	**$**	**158,123**	**$**	**143,006**
Incurred related to:				
Current year	$	45,601	$	55,566
Prior years		13,432		15,877
Total Net Incurred	**$**	**59,033**		**71,443**
Paid related to:				
Current year	$	9,457	$	8,804
Prior years		53,270		47,522
Total Net Paid	**$**	**62,727**		**56,326**
Net balance at December 31	**$**	**154,429**	**$**	**158,123**
Plus reinsurance recoverable on unpaid losses		61,011		57,380
Gross Balance at December 31	**$**	**215,440**	**$**	**215,503**

In 2020, unfavorable development for prior years was $13.4 million. The unfavorable development was the result of $8.1 million expected emergence for the 2019 policy year along with additional emergence of $3.0 million, and unfavorable emergence of $2.3 million for policy years 2018 and prior. An increase or decrease due to re-estimation of prior year's losses is generally a result of ongoing analysis of recent loss development trends as well as claim reviews on specific files.

In 2019, unfavorable development for prior years was $15.9 million. The unfavorable development was the result of $5.4 million expected emergence for the 2018 policy year along with additional emergence of $10.2 million, and unfavorable emergence of $300 thousand for policy years 2017 and prior. An increase or decrease due to re-estimation of prior year's losses is generally a result of ongoing analysis of recent loss development trends as well as claim reviews on specific files.

Original estimates are increased or decreased as additional information becomes known regarding individual claims. A fluctuation in reserves within a reasonable actuarially calculated range of those carried by the Association at December 31, 2020 is not expected to materially impact surplus.

The following tables present information about incurred and paid claims development on Ocean Marine business as of December 31, 2020, 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, 2011 through 2016, which the Association presents as supplementary information. The number of reported claims is measured by claim event and an individual claim event may result in more than one reported claim. The Association considers a claim that does not result in a liability as a claim closed without payment. All the claim count information is disclosed on a per claimant basis.

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

Accident Year	2011 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2017	2018	2019	2020	IBNR 2020	at Dec 31, 2020 Cumulative Number of Reported Claims
2011	74,353	74,842	67,861	69,520	69,778	69,026	66,279	65,126	64,711	64,410	159	1,856
2012		74,409	69,348	65,895	64,766	67,837	65,615	65,273	64,382	63,204	449	1,748
2013			77,992	71,244	66,232	72,860	73,504	74,850	74,462	73,984	581	1,780
2014				71,946	68,966	67,533	67,578	66,662	65,743	64,615	1,012	1,861
2015					55,047	47,232	44,471	43,635	41,784	39,623	1,070	1,579
2016						61,890	58,586	57,791	56,705	57,086	973	1,607
2017							46,539	51,749	55,240	58,654	1,696	2,360
2018								44,906	55,159	58,656	2,597	2,577
2019									62,101	68,998	2,595	2,729
2020										54,783	14,095	1,632
									Total	$604,013	$25,227	

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

Accident Year	2011 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2017	2018	2019	2020
2011	37,074	32,097	47,317	52,194	56,673	58,832	62,948	63,202	63,300	63,397
2012		10,486	35,955	50,843	58,807	55,700	61,395	61,455	62,292	62,683
2013			17,860	25,743	37,780	53,536	60,493	62,599	65,821	71,809
2014				12,707	28,385	50,292	56,336	59,113	60,583	61,994
2015					7,678	18,576	25,390	28,631	30,894	32,692
2016						13,911	29,903	41,865	46,357	49,980
2017							10,828	27,900	41,733	47,324
2018								10,221	27,825	39,048
2019									11,446	31,180
2020										13,412
									Total	$ 473,520

All outstanding liabilities prior to 2011, net of reinsurance	$ 23,936
Liabilities for claims and claim adjustment expenses, net of reinsurance	$ 154,429

Years	1	2	3	4	5	6	7	8	9	10
Accident	23.9%	23.4%	22.3%	10.9%	4.6%	4.4%	3.3%	3.3%	0.4%	0.2%

	2020	2019
Reinsurance recoverable on unpaid losses	$ 61,011	$ 57,380
Reinsurance recoverable on paid losses	6,100	3,745
Total reinsurance recoverable	**$ 67,111**	**$ 61,125**

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:

	2020	2019
Direct	$ 73,948	$ 74,621
Assumed	24,143	18,145
Ceded	(39,058)	(21,323)
Total losses and loss adjustment expenses incurred	**$ 59,033**	**$ 71,443**

7. Premiums and Calls

	2020	2019
		RESTATED
Premiums calls written and billed	$ 162,258	$ 141,006
Correction of an error – earned but unbilled premiums and calls	(21,557)	4,134
Change in unbilled premiums and calls	(24,650)	(590)
Return premiums	(2,140)	(682)
Reinsurance premiums ceded	(23,306)	(28,411)
Net premiums and calls written	**$ 90,605**	**$ 115,457**
Decrease (increase) in net unearned premiums	23	(2,649)
Net Premiums and Calls Earned	**$ 90,628**	**$ 112,808**

8. Other Operating Expenses

	2020	2019
Management fee	$ 18,364	$ 17,934
Bad debts	1,872	292
Brokerage	12,245	13,154
Other	10,021	12,165
Total Other Operating Expenses	**$ 42,502**	**$ 43,545**

9. Commitments and Contingencies

Letters of Credit – At December 31, 2020 and 2019, the Association had outstanding letters of credit for $6.2 million and $3.9 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.

	2020	2019
Asbestos-Related Claims		
Aggregate gross losses paid to date at December 31	$ 18,377	$ 16,621
Loss reserves - reported	4,737	6,147
Loss reserves - unreported	9,521	9,521

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

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

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

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

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

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

10. Statutory Filings

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

State insurance statutes require the Association to maintain a minimum statutory surplus of $250 thousand and permit the Department to specify a higher amount at its discretion. The Department has specified $7.5 million as the minimum surplus to be maintained by the Association. The Association reported statutory surplus of $63.0 million and $64.7 million as of December 31, 2020 and December 31, 2019, respectively.

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

11. Leases

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

12. Average Expense Ratio

In accordance with Schedule 3 of the International Group Agreement 1999, the Association is required to disclose its Average Expense Ratio, being the ratio of operating expenses to income, including premium and investment income, averaged over the five years ended December 31, 2020.

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, 2020 the ratio of 22.2% has been calculated in accordance with the schedule mentioned above and the guidelines issued by the International Group. This compares with a ratio of 24.3% recorded for the five years ended December 31, 2019.

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, 2020 is 16%. This compares with a ratio of 18.3% calculated for the five years ended December 31, 2019.

These calculations reflect all known information through December 31, 2020.

13. Subsequent Events

Subsequent events have been considered through June 24, 2021, the date these audited financial statements were available to be issued.

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

* * * * *

Unaudited Supplemental Schedules

Statement of Operations and Comprehensive Income Loss Years Ended December 31, 2020 and 2019

IN THOUSANDS	P&I 2020	P&I 2019 RESTATED	FD&D 2020	FD&D 2019 RESTATED
INCOME				
Net premiums and calls earned	$ 73,215	$ 96,358	$ 4,343	$ 2,866
Net investment income	2,260	4,413	50	15
Unrealized gains on equity investments	1,306	1,730	77	3,573
Net realized investment gains	2,035	3,231	5	90
Total Income	78,816	105,732	4,475	6,544
EXPENSES				
Losses and loss adjustment expenses incurred	46,548	59,912	2,713	1,774
Other operating expenses	36,683	37,792	2,176	1,124
Total Expenses	83,231	97,704	4,889	2,898
Income (Loss) Before Income Taxes	(4,415)	8,029	(415)	3,645
Income tax provision	—	5	—	—
Net Income (Loss)	(4,415)	8,034	(415)	3,645
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized gains on investments	1,084	2,076	64	62
Other Comprehensive Income	1,084	2,076	64	62
Comprehensive Income (Loss)	$ (3,331)	$ 10,110	$ (315)	$ 3,707

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, 2020 and 2019

IN THOUSANDS	2020	2019
NET CLAIMS PAID		
Gross claims paid:		
Members' claims	$ 73,649	$ 45,498
Other Clubs' Pool claims	16,606	12,191
	90,255	57,689
Recoveries on claims paid:		
From the Group excess of loss reinsurance	59	10
From the Pool	12,586	188
Other reinsurers	18,559	7,636
	31,204	7,834
Net Claims Paid	$ 59,051	$ 49,855
CHANGE IN NET PROVISION FOR CLAIMS		
Claims outstanding:		
Members' claims	$ 134,053	$ 145,248
Other Clubs' Pool claims	70,761	63,233
	204,814	208,481
Reinsurance recoverables:		
From the Group excess of loss reinsurance	98	114
From the Pool	17,905	14,943
Other reinsurers	39,468	40,862
	57,471	55,919
Net claims outstanding at December 31	147,343	152,562
Net claims outstanding at January 1	152,562	140,003
Change in Net Provision for Claims	$ (5,219)	$ 12,559

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 2017/18 policy year was closed on March 31, 2020, without further calls.

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

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

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

DEVELOPMENT OF OPEN POLICY YEARS

	2018–19	2019–20	2020–21
INCOME			
Premiums and calls – net	$ 87,284	$ 89,087	$ 73,631
Premiums and calls – earned but unbilled	5,070	17,070	4,740
Investment income	4,095	3,098	1,022
Total Income	**96,449**	**109,255**	**79,393**
EXPENSES			
Net paid losses	27,012	22,700	4,955
Net pending losses	17,684	34,993	20,001
Unreported losses	2,408	2,413	12,924
Reinsurance premiums	25,615	25,450	21,893
Other operating expenses	24,293	25,596	20,147
Total Expenses	**97,012**	**111,152**	**79,920**
ACCUMULATED DEFICIT	**(563)**	**(1,897)**	**(527)**
MEMBERS' DEFICIT: OPEN YEARS	**$ (563)**	**$ (1,897)**	**$ (527)**

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

2018/19	$5,419
2019/20	$5,656
2020/21	$6,571

For the 2020/21 policy years calls and premiums are stated on an earned basis to December 31, 2020. Expenses are stated on an accrued basis for the same period.

CLAIMS OUTSTANDING (INCLUDING UNREPORTED LOSSES) - OPEN YEARS

	2018–19	2019–20	2020–21
Gross outstanding claims			
Members' claims	$ 16,221	$ 34,133	$ 25,642
Other Club's Pool claims	13,455	13,619	14,647
	29,676	**47,752**	**40,289**
Pending reinsurance recovery			
From the Group excess of loss reinsurance	—	—	—
From the Pool	3,799	1,956	—
Other reinsurers	5,785	8,390	7,363
	9,584	10,346	7,363
Net Outstanding Claims	**$ 20,092**	**$ 37,406**	**$ 32,926**

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

	2020	2019
Closed Years' Balance, January 1	$ —	$ —
Total income earned	**(511)**	**46,605**
Net paid losses	**28,293**	**18,691**
Net pending losses	**(18,847)**	**(10,457)**
Unreported losses	**(3,849)**	**(2,003)**
Reinsurance premiums	**(12,747)**	—
Other operating expenses	**4,800**	**6,188**
Total expenses incurred	(2,350)	12,419
Unrealized investment gains (losses)	**(2,583)**	**(7,415)**
Transfer from closed policy year 2017/18	**(2,413)**	—
Transfer from closed policy year 2016/17	—	**(13,211)**
Net change	**(3,157)**	**13,560**
Transfer from (to) contingency fund	**3,157**	**(13,560)**
Closed Years' Balance, December 31	$ —	$ —
Contingency Fund Balance, January 1	$ 99,701	$ 64,584
Effect of correction of an error related to EBUB	**(21,557)**	**21,557**
Transfer from (to) closed policy years	**3,157**	**13,560**
Contingency Fund Balance, December 31	$ 74,987	$ 99,701
Open Policy Years' Equity		
2017/18	$ —	$ **(523)**
2018/19	**(563)**	**(7,264)**
2019/20	**(1,897)**	**(16,165)**
2020/21	**(527)**	—
Total Members' Equity	$ 72,000	$ 75,749
Claims Outstanding (including unreported losses) – Closed Years		
Gross pending losses		
Members' claims	$ **58,058**	$ **65,263**
Other Clubs' Pool claims	**29,040**	**25,347**
	87,098	90,610
Pending reinsurance recovery		
From the Group excess of loss reinsurance	**98**	**114**
From the Pool	**12,150**	**12,894**
Other reinsurers	**17,930**	**9,605**
	30,178	**22,613**
Net Pending Losses	$ 56,920	$ 67,997

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

The Mission of the American Club

The American Club's mission is to provide its Members with a broad and financially secure range of P&I and related insurance services which most effectively meet the imperatives of their day-to-day business and which are delivered in an attentive, efficient, courteous and focused manner.

Specifically, the American Club seeks to:

- Foster the development of a broadly-based, diverse and high quality membership by reference to vessel-type, trade and domicile of management
- Provide insurance services carefully tailored to individual Members' needs at a cost which is competitive, yet fully reflects a responsible approach to the financial well-being of the Club as a whole
- Apply best industry practice to issues of loss prevention and risk control
- Handle claims in an energetic and practical manner aimed at minimizing exposure both to individual Members and to the Club as a whole
- Ensure that the financial transactions of Members and others who deal with the Club are accomplished with efficiency, accuracy and fairness
- Develop and maintain cordial and constructive relationships with regulators, the Club's International Group co-venturers, the broking community, reinsurers, the Club's correspondents and other professional service providers, rating agencies and all its other business associates and counterparties
- Exhibit in the conduct of its corporate governance exemplary standards of transparency, being alert to the needs of, and accountable to, Club Members at large

In accomplishing its mission, the American Club seeks to exceed expectations in all that it does, justifying its status as a first division marine insurer with a reputation for professional integrity, financial strength and customer care commanding universal respect within the industry.

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