

CIRCULAR

Shipowners Claims Bureau, Inc., Manager
60 Broad Street – 37th Floor
New York, New York 10004 U.S.A.



Tel: 212-847-4500
Fax: 212-847-4599
E-mail: info@american-club.net
Website: www.american-club.com

NOVEMBER 19, 2004

CIRCULAR NO. 23/04

TO MEMBERS OF THE ASSOCIATION

Dear Member:

PREMIUM RATING FOR THE 2005 POLICY YEAR

At its meeting in Hong Kong yesterday, your Board considered premium policy for the year commencing February 20, 2005. This Circular describes the background to the Board's deliberations and the decisions which were reached.

Background

Various factors were evaluated by your Board in the course of its discussions. These included the claims trends of recent years, prospective loss emergence over the forthcoming period – particularly in light of the continuingly buoyant freight market suggesting little abatement in the potential for rising claims – as well as the Club's current premium base given the robust revenue development of the recent past.

In coming to its conclusions, your Board was conscious of the circumstances which had given rise to the strengthening of the Club's finances during earlier months which, although of long-term benefit to the Club, had nonetheless made demands upon Members in the short-term through the levying of unforecast calls. However, the Board was also encouraged to note that the Club's pure underwriting results remained among the best in the market as a whole. This augured well for the future.

Notwithstanding this, and while acknowledging the steady growth of premium income, your Board was firmly of the view that there remained a clear need to maintain rating at levels sufficient to match increasing exposures in a relentlessly hostile liability climate.

Nor could prospective investment performance be relied upon as a substitute for strong underwriting returns to achieve continuing financial stability. While the Club's invested assets had grown by nearly 54% from year-end 2003 to October 31, 2004, and while gains in the equity sector had been encouraging of late, your Board was determined to ensure that the proper pricing of risk should remain the Club's primary focus in consolidating its financial strength over the months and years ahead.

The decisions reached: premium rating for the 2005 policy year

Having taken these many issues into account, your Board adopted the following policy as to the Club's premium rating for the year commencing February 20, 2005.



Mutual Protection and Indemnity Insurance

- All expiring mutual P&I entries to be subject to a general increase of 10% on annual estimated total premium.
- Any additional costs of the International Group's reinsurance arrangements to be added as an additional surcharge to estimated total premium, recognizing however that the cost and structure of these arrangements have not, at the time of this Circular, been finalized.
- Any additional costs of the Club's reinsurance of its retention under the Pooling Agreement (being \$6 million each claim for the 2005 policy year) to be added as an additional surcharge to estimated total premium, again recognizing that the cost and structure of these arrangements have not, at the time of this Circular, been finalized.
- As is the case for the current (2004) policy year, all mutual premium to be characterized as Advance Premium (Call) with a 0 (zero) % Supplementary Premium (Call) estimate, i.e. Advance Call to equate to 100% of estimated total premium.
- All mutual Advance Call P&I premium to be debited in four equal installments due March 20, June 20, September 20 and December 20, 2005.
- Premium (Call) to Release to be 25% of the relevant Advance Call.

Mutual Freight, Demurrage and Defense Insurance

- All expiring mutual FD&D entries to be subject to a general increase of 10% on annual estimated total premium.
- All mutual FD&D premium to be characterized as Advance Premium (Call) with a 0 (zero) % Premium (Call) estimate, i.e. Advance Call to equate to 100% of estimated total premium.
- All mutual Advance Call FD&D premium to be debited in two equal installments due March 20 and September 20, 2005.
- Premium (Call) to Release to be 25% of the relevant Advance Call.

Fixed Premium Protection and Indemnity and Damage to Hull Insurance

- All fixed premium P&I and DTH entries (i.e. those for charterers' risks) to be subject to a general increase of 10%

Fixed Premium Freight, Demurrage and Defense Insurance

- All fixed premium FD&D entries (i.e. those for charterers' risks) to be subject to a general increase of 10%.



General

As is routinely the case at every renewal, following the application of the general increases set out above, Members' premium ratings will be reviewed against the background of their individual loss records and other relevant factors and a further adjustment – either up or down – made as appropriate.

Members are also reminded that all premiums and other sums due to the Club must be fully paid up to date prior to the renewal as a condition of continuing cover.

Next steps

Your Board is aware that price increases are never welcome, but is committed to maintain sensible premium development in order to safeguard the financial progress made by the Club in recent months.

The Managers will be in contact with individual Members with renewal proposals over the forthcoming weeks. If, in the meantime, any Member should require clarification of the above, the Managers will, as always, be pleased to respond.

Yours faithfully,

A handwritten signature in black ink, reading "Joseph E.M. Hughes". The signature is written in a cursive style with a large, prominent initial "J".

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