THE AMERICAN CLUB 1917

2023 Annual Report

As the unprecedented disruptions of the recent past began at last to subside, 2023 was a year of encouraging transition for the American Club. Tonnage and premium grew considerably and pricing power improved. Claims for its Members' own account moderated, although exposure to other clubs' Pool losses increased from the unusually low levels of the previous year. Solid investment returns were achieved, as markets recovered from the troughs of 2022. Loss prevention and sustainability initiatives continued energetically within the realm of a post-pandemic, seafarer-centric and evolving claims environment. Amidst continuing and new geopolitical turmoil, the Club's compliance processes adapted and met the ever-increasing challenges associated with navigating the multi-jurisdictional sanctions environment. Eagle Ocean Marine made progress, consolidating its policy of careful risk selection coupled with prudent rates of premium. Supplementary calls were levied to fortify the Club's finances. While onerous regulatory demands and geopolitical uncertainties continue to complicate commerce, the Club looks to the future with optimism, having experienced a positive 2024 renewal season, despite the headwinds of an S&P rating downgrade and other challenges. As its steady transition into calmer operating conditions gains ground, the Club remains focused on its enduring mission to provide exceptional support to its Members and Insureds in these turbulent times.

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HIGHLIGHTS

2024 renewal marked by stability with 93% retention rate; rising reinsurance costs continue in run-up to new policy year.

2023 Highlights

- 2023 sees record levels of premium and tonnage.
- The claims environment remains challenging with own account performance moderated while deterioration on pool claims returned.
- Geopolitical turmoil in Ukraine, Israel and the Red Sea challenged trade routes and further complicated the regulatory landscape.
- 2023 performs better than 2022 as the new norm of generally elevated claims environment is tempered by adequate premium levels.
- 2023 International Group Pool exposures creep up from the drastically low levels of 2022.
- Investments see an 8% return, up from the historical lows of 2022.
- Final call of 25% and closure of 2020 policy year.
- Policy year 2021 most burdened by the initial brunt of evolving risk landscape of social inflation and retreating reinsurance from pandemic-related costs gave rise to an additional 40% supplementary call.
- Eagle Ocean Marine enjoys stronger performance and stable market presence.
- Standard & Poor’s adjusts the Club’s rating to BB+/Stable after revision of rating model.
- Loss prevention and sustainability remain priorities of seafarer-centric and evolving claims landscape.
- 2024 renewal marked by stability with 93% retention rate; rising reinsurance costs continue in run-up to new policy year.
- 2023/2024 policy year combined loss ratio at 99%.

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, 2023.

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 subsidiary American Steamship Owners Marine Insurance Company (Europe) Ltd, the Club continued its expanded European P&I/FD&D services.

The one-hundred-sixth Annual Meeting of the Club's Members took place in New York on Thursday, June 22, 2023. 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. Shawn Bennett of Baydelta Maritime, Inc., Mrs. Maria Christina Ktistakis of Genimar Shipping & Trading S.A., as well as Mr. David Wood of United States Seafoods, L.L.C. were elected as new members of the Board for the forthcoming year as was Mr. Paul Sa as an independent member. At the same meeting the Board thanked Mr. Martin Recchuitte for his 27 years of service on the Board of Directors.

During the Annual meeting of the Members, a report on the year was provided by the Chairman, and individual reports were presented by the Club's auditors, actuaries, investment advisors, Managers, General Counsel, and Committee Chairs.

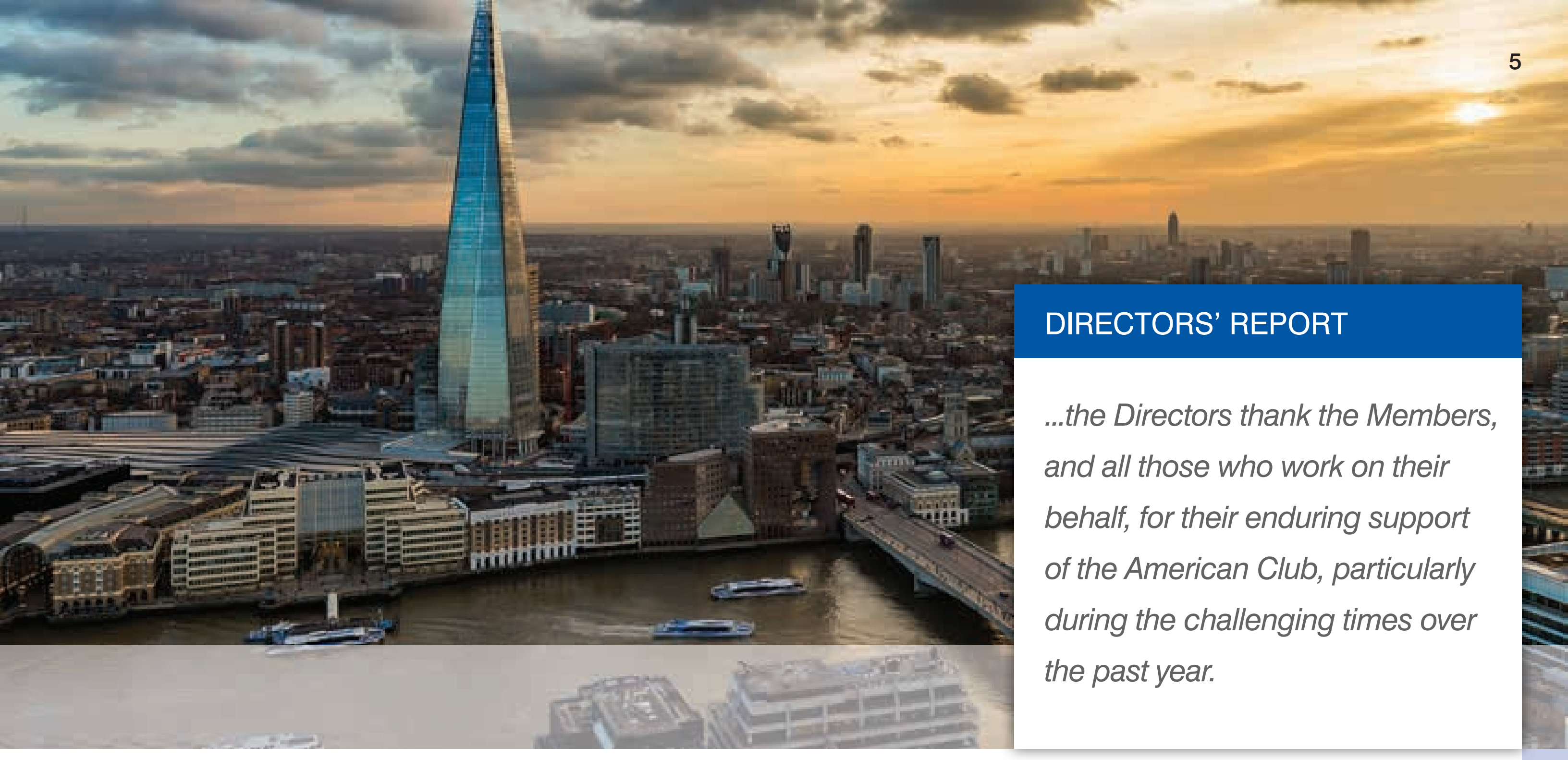
At the Annual Meeting of the Directors, which took place immediately after that of the Members, Mr. George D. Gourdomichalis of Phoenix Shipping & Trading, S.A. and Mr. Robert D. Bondurant of Martin Resource Management Corporation were re-elected as, respectively, Chairman and Deputy Chairman of the Board.

Ms. Dorothea Ioannou, CEO of the Club's Managers, was re-elected as Secretary. In addition, Mr. LeRoy Lambert was re-appointed as General Counsel.

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 2023. These meetings all took place in a hybrid format, coordinated from the Managers' offices in New York and across the globe.

At each of the Board meetings, all matters of interest and concern relating to the business operations and performance of the Club were reviewed. They included policy year accounts and the closing of relevant years; the analyzation of claims of the Club's Members; loss prevention matters; issues relevant to the Club's membership in 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 regional and global regulation affecting shipping; operations of the Managers' satellite offices across the globe, and the implementation of other initiatives, including those in relation to sanctions and compliance, an increasingly critical subject within the industry; and many other issues pertinent to the Club's affairs, such as a focus on environmental, social and governance issues, including climate change, seafarer well-being and sustainability generally.

While pandemic related disruption finally subsided, many of the other issues identified the previous year as negative influences on the business landscape persisted through 2023. Geopolitical tensions, a complicated sanctions and regulatory environment, macroeconomic uncertainty, social inflation, volatile investment and commodity



DIRECTORS' REPORT

...the Directors thank the Members, and all those who work on their behalf, for their enduring support of the American Club, particularly during the challenging times over the past year.

markets, crew competency issues, as well as a generally elevated claims value environment, continued as major background themes.

As announced in the Club's Circular No. 17/23, dated November 17, 2023, several decisions were taken by the Board with respect to open policy years and the requirements for the renewal of 2024 policy year as described further below.

The 2020 policy year remained in deficit notwithstanding support from the additional call levied in June 2022. In order to close the year in balance, the Board ordered that an additional and final call of 25% of originally estimated total premium be levied for the 2020 policy year for both P&I (Class I) and FD&D (Class II) of the Club's mutual business, and the 2020 policy year was formally closed as of September 30, 2023.

The 2021 policy year, marked by extraordinarily high Pool claims, both in value and frequency, experienced further deterioration during 2023. Accordingly, the Board determined that a further supplementary call of 40% of originally estimated total premium for both P&I (Class I) and FD&D (Class II) was required to cure the deficit for the 2021 policy year prior to its intended closure during the first half of 2024 without further call.

Although 2022 developed favorably at an early stage, benefiting from an increase in premium from both existing and new Members, the positive results faded as the year progressed, negatively impacted by the Club's first Pool claim since 2016 and other individually large claims, with negative performance across all lines of the Club's business, including fixed P&I by Eagle Ocean Marine as well as Hull. As a result, the release call margin for the 2022 policy year for both P&I and FD&D business was increased from 20% to 35% over and above the currently estimated total premium for the year to account for the deterioration.

For the 2024 renewal, to take account of inflation and evolving trends in the claims environment, the Board mandated the implementation of a year-on-year target increase in the pricing of risk of 7.5% on expiring rates overall.

The Club's reinsurances for 2024, 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 of the previous year. However, adjustments to retention levels by reference to renewing tonnage and premium, coupled with with an increase in premium cost, resulted in an uplift of about 18% as compared to the previous policy year. As for the International Group renewal, Members were informed of the new Group arrangements in Circular No. 20/23 of December 21, 2023.

The Club's fixed premium brand, Eagle Ocean Marine (EOM), saw an improved performance during 2023 returning to profitability with its overall net loss ratio developing to 85% and the 22/23 and 23/24 facility years running below 70%.

In addition to the four Board meetings held during the course of 2023, the Club continued to benefit from meetings of the Finance and Audit, Corporate Governance, Claims and Risk Management, and Safety and Environmental Protection Committees during the year. Each engaged in initiatives in order, variously, to ensure the careful monitoring of the Club's funds under investment and generally to oversee the financial dimensions of its business; to review the Club's

policies, guidelines, By-Laws, Rules and procedures remained fit for purpose and in line with applicable law and best practices; 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.

On the investment front, the 2023 financial (calendar) year was marked by great volatility, fluctuating during most of the year following the historical losses of 2022. However, strategic action taken throughout the year led to a final positive return of 7.9% as of December 31, 2023, which further assisted the 2023 financial year.

As to claims, while those for the Club's own direct account moderated, and premium levels increased, bringing significant and welcome improvement in results for 2023, exposure with respect to the Club's 2022 Pool claim as well as its contribution to other International Group member Pool claims increased from the untypically low levels of the prior year. Benefiting however from refinement and adaptation to the evolving risk environment over the previous two years, 2023 is developing as projected and budgeted reflecting a positive combined loss ratio of 99%.

The development of safety and loss prevention initiatives continued to be a major American Club focus during 2023. Its chief activities in this area comprised the surveying of vessels, pre-employment medical examinations, joint initiatives with other maritime stakeholders in an effort to protect the human element of shipping and the dissemination of e-learning and other material for a variety of purposes more extensively described in the Managers' Report.

2023 also saw an enhanced focus on compliance as it relates to sanctions. Navigating the maze of complex multi-jurisdictional regulatory regimes to ensure compliance on multiple levels was never more important and a consistent topic of review during committee and board meetings. Through the Managers, communication and transparency with regulatory bodies remained an utmost priority.

In closing, the Directors thank the Members, and all those who work on their behalf, for their enduring support of the American Club, particularly during the challenging times over the past year. The Club represents a significant and important voice in the industry, and in meeting the many challenges of the future, the Directors remain committed in collaboration with the Managers, to continuing the work to ensure that voice is heard and that Members' best interests are championed in every aspect of Club service.

REPORT OF THE MANAGERS

The day to day insurance operations of the American P&I Club, are handled by the Club's Managers, Shipowners Claims Bureau, Inc. Headquartered in New York, the Club is regulated by the New York State Department of Financial Services, known to be the most stringent in the United States. The Club also operates in Europe through its subsidiary in Cyprus, American Steamship Owners Marine Insurance Company (Europe) Ltd, managed in association with Hellenic Hull Management and subject to Europe's Solvency II regulatory regime. In addition to domiciliary offices in New York and Cyprus, management maintains offices in Houston, London, Piraeus, Hong Kong and Shanghai and employs over 100 executives specializing in marine insurance.

2023 saw the first full year of the management's new leadership and was marked by an emphasis on measures aimed at balancing rating to the evolving claims and risk landscape. As a boutique sized Club, it maintains a strategy to 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 in general. While faced with continuing severe headwinds, these measures and strategy saw solid results in 2023.

Underwriting, Reinsurance and Business Development

Considerable progress was made during the course of the 2022 and 2023 renewals to bring greater balance of premium levels and insuring conditions with the new risk landscape with respect to claims which arise within the Club's retention as well as those which are assumed by the Club by virtue of its participation in the International Group's Pool. The pooling mechanism relates to the Club's proportional share of claims generated by other clubs which exceed a club's individual retention. Pool claims, in recent years, have emerged at record high levels largely due to increased individual loss severity. In a historic context, annual Pool claims may be expected to follow a cyclical pattern whereby a period of two or three years of elevated claims levels would follow a period of similar duration which was more benign; however, the period of high activity in 2021 persisted longer, from 2017. This extended period was largely attributed to the lingering effects of pandemic-related economic factors, including rapid social inflation, which is an indication of the rate of increased costs in excess of ordinary economic inflation which tends to affect claims involving the environment and people.

The 2022 renewal saw the Club's Board require a minimum increase of 12.5% to be applied against expiring premium rates for all classes of business. Thereafter, the Managers were instructed by the Club's Board to seek additional premium rate adjustments as well as amendments to insuring conditions based on individual Members' performance and other factors. Throughout 2022, premium and tonnage grew indicating strong support from existing members and new business alike.

In considering parameters for the 2023 renewal, the Club's Board took note of several developments including an encouraging start to 2022 with performance led by a general easing of claims activity within the International Group Pool and within the Club's retention. However, the second half of the year saw more direct claims emerge, including five incidents giving rise to claims each in excess of $1 million. This included one declared to the International Group Pool, the first such claim for the Club since 2016.

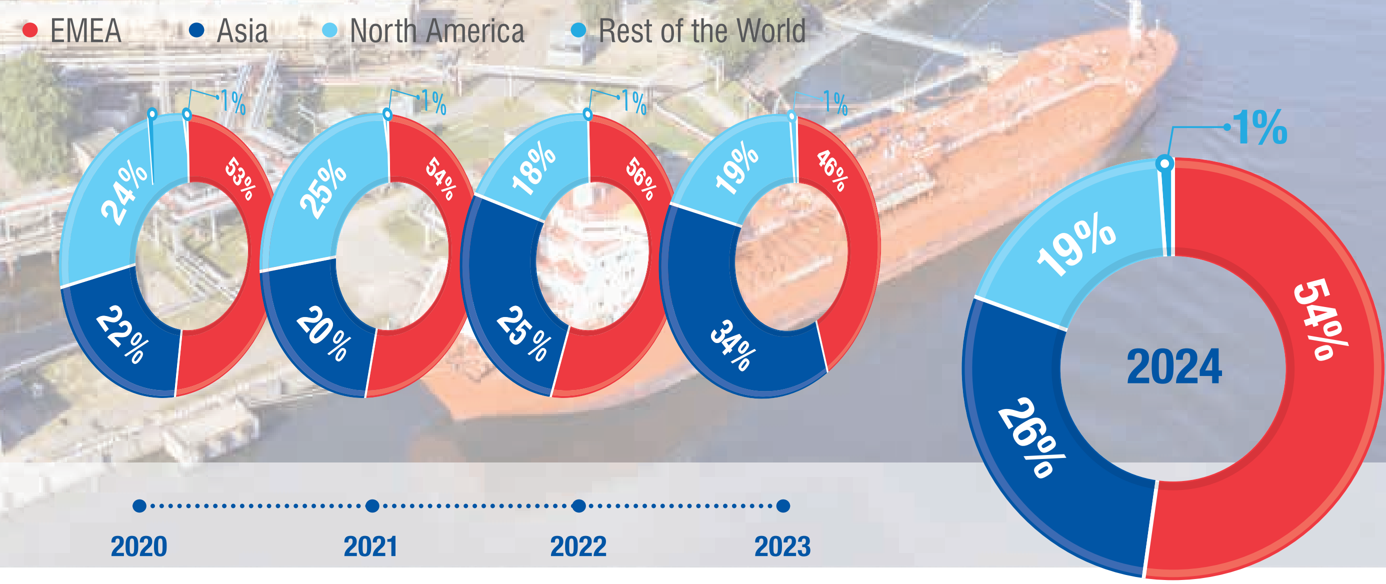
Building on its desire to ensure pricing adequacy over the long term, the Club's Board determined that, for the 2023 renewal, it was appropriate to review individual Member performance with the overall adjustment on rates to be 10% for all classes of business. Broadly, the Club achieved its goals for the 2023 renewal, including the prescribed premium adjustments as well as increased member retentions where claims experience and other factors related to intrinsic risk exposures rendered them appropriate.

Encouragingly, the comparison of tonnage and original estimated total premium at inception of the 2021 and 2023 years shows an increase in tonnage of 40%, and 42% in terms of premium, for Class I (P&I) over a 24-month period. Class II (FD&D) saw tonnage growth but at a more modest rate, whereas premium for that class grew over the same period by 33%.

Similarly to 2022, the Club experienced growth in tonnage and premium over the course of the 2023 year. Contrasting the experience of 2022, in 2023 the Club saw claims within its retention moderate and although there was increased activity within the International Group Pool, the Club did not have any claims that exceeded its own retention.

Inflationary pressure continued to be exerted on claims individually in 2023. However those directly incurred and assumed from the International Group Pool appear to be developing within budget. At the same time, during 2023 there was significant deterioration in the Pool losses of earlier years, including 2021. Other cost elements related to cover provided by the Club such as reinsurance featured

MEMBERS' TONNAGE BY MANAGEMENT DOMICILE



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

more prominently from 2022 into 2023 than they had in the past. These included costs related to regulatory and sanctions compliance.

With these cost factors in mind, as well as the seemingly irregular pattern of frequency and severity of P&I claims, for the 2024 renewal the Club's Board set a target increase of 7.5% to apply to all expiring rates for all classes of business. At the 2024 renewal, the Club saw a member retention rate of 93%, with Class I (P&I) tonnage and premium modestly lower than the position a year earlier. However, this followed the Club's decision to de-risk the portfolio based on individual Member under-performance as well as other factors in the lead up to the 2024 renewal. Class II (FD&D) saw a similar portfolio shift, whereas Class III - (Charterers' Liability) is expected to see 5% growth year-on-year into 2024.

The Club's Cyprus-domiciled subsidiary, American Steamship Owners Marine Insurance Company (Europe) Ltd, continues to support the Club's global mission by underwriting P&I business for EU/EEA qualifying operators. The American Club (Europe) began underwriting P&I risks in February 2022 and adds to the competitive position of the Club's activities within Europe.

Breakdowns of renewing tonnage for 2024 by reference to domicile of management and vessel type are contained in the tables on pages 11 and 13 respectively.

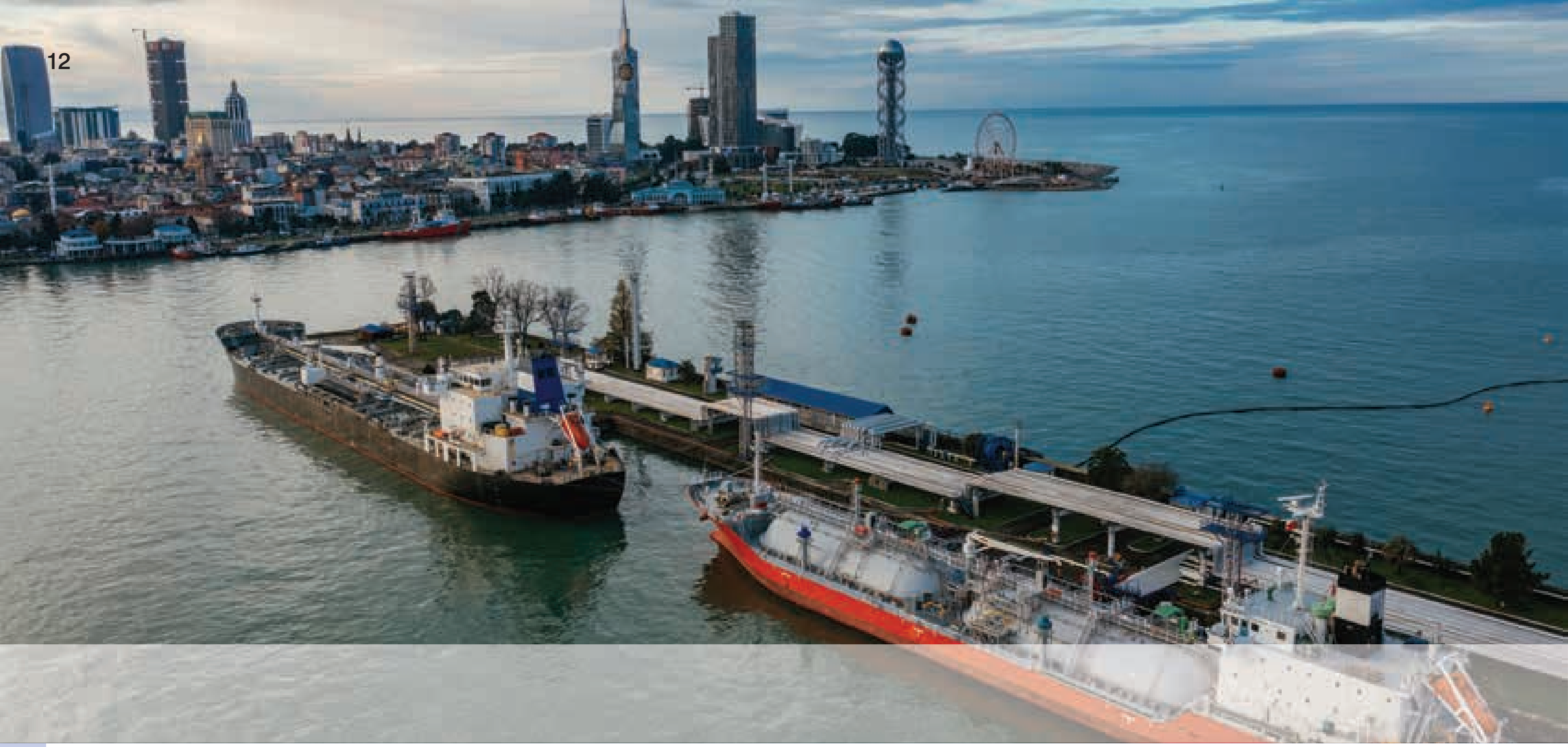
The Club's Eagle Ocean Marine (EOM) facility continues to build on the momentum achieved in recent years. In a manner similar to the Club's mutual business, the 2021 and 2022 facility years were challenging, with performance affected by infrequent losses of individual severity. As a result of performance in 2021 and 2022, and as part of on-going process of portfolio management, EOM conducted a re-calibration of its risk appetite and rating methodology which in turn led to risk de-selection. This will likely result in a lower written premium for the period July 2023 to July 2024 than was the case in 2021/2022 and 2022/2023. The expectation is that underlying performance will be improved in 2023/2024. Delivering value to the Club's mutuality remains the core focus for EOM.

The Club's reinsurance arrangements for 2023 were successfully renewed despite difficult market conditions. Reinsurers were impacted by the Russia/Ukraine conflict and large hurricane-related losses in the United States, leading to another year of reinsurance pricing increases. Notwithstanding these challenges, the International Group's reinsurance arrangements were renewed with only a small increase in the rates charged to shipowners for 2023.

The main general excess of loss (GXL) placement (being layers 1, 2 and 3, for $2 billion excess of $100 million) was successfully renewed for 2024, along with the collective overspill excess of the GXL, and the three private placements. A diagram of the 2024 arrangements is set out on page 13.

Following a relatively benign Pool claims environment for both 2022 and 2023, the 2024 Group reinsurance program was renewed with a reduction in rates charged to shipowners. This marked the first time since the 2019 renewal that all vessel categories saw a reduction in their rates.

The main GXL contract was renewed with unamended, free and unlimited coverage for all risks except malicious cyber, COVID-19 and pandemic exposures. For these categories, free and unlimited cover applies for claims up to $650 million excess of $100 million, covering almost all Group clubs' certificated risks. Excess of $750 million



there is up to $1.35 billion of annual aggregate cover in respect of these exposures. Finally, the collective overspill ($1 billion excess of $2.1 billion) and all ancillary covers were renewed on similar terms as 2023. Members were notified of the full details of the reinsurance placement in Circular No. 20/23 of December 21, 2023.

The International Group's Bermudan-based reinsurance captive, Hydra, continues to support the Group through its risk retention within the lower layers of the Group's reinsurance structure for 2024.

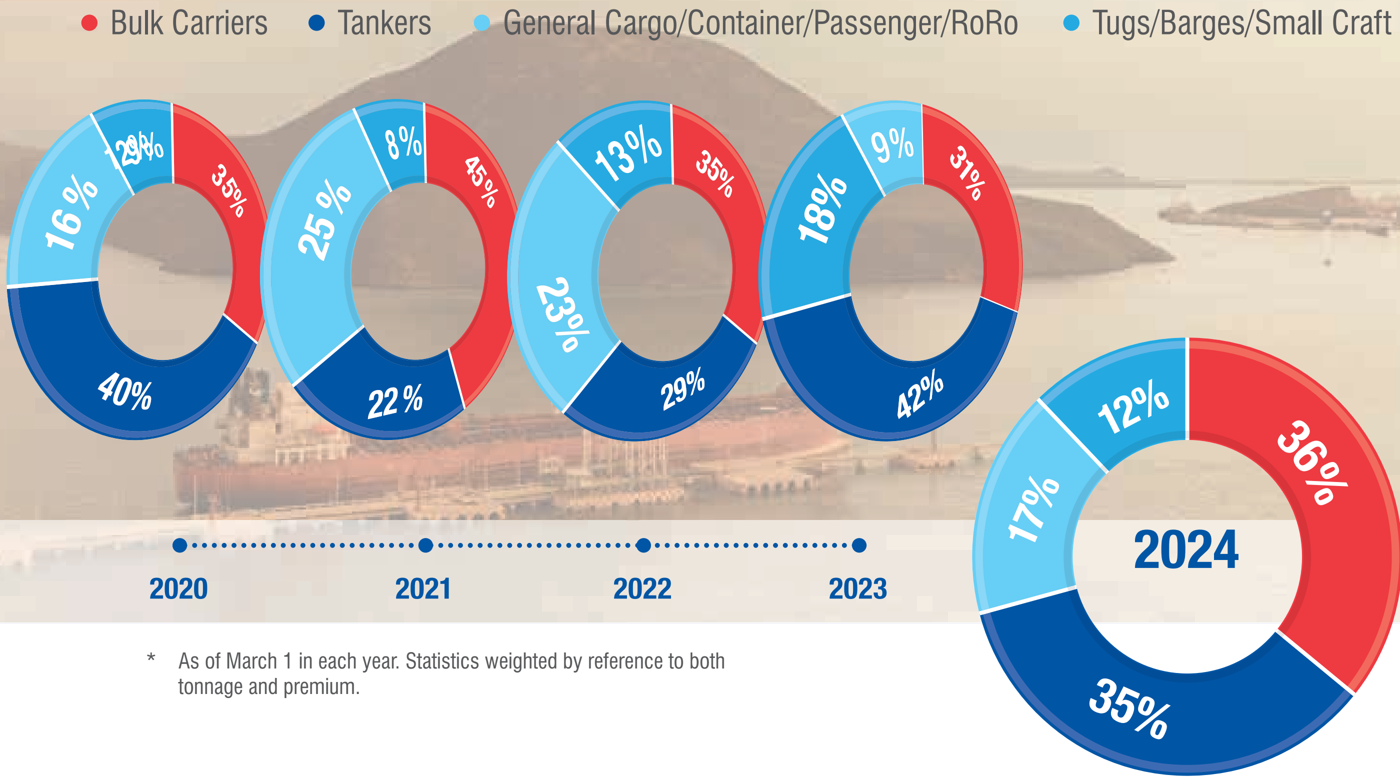
The Maritime Labor Convention (MLC) market reinsurance cover was renewed for 2024 on competitive terms, with the premium included in the overall reinsurance rates charged to shipowners. The same is true of the International Group's excess war risks P&I cover, the details of which were, as usual, independently communicated by circular to Members at the beginning of the year.

The American Club continues to reinsure its retained exposure in 2024 in much the same way as it had during the previous year. The design of the cover was broadly similar, although costs related to reinsurance continue to be more expensive due to the market hardening over the renewal period.

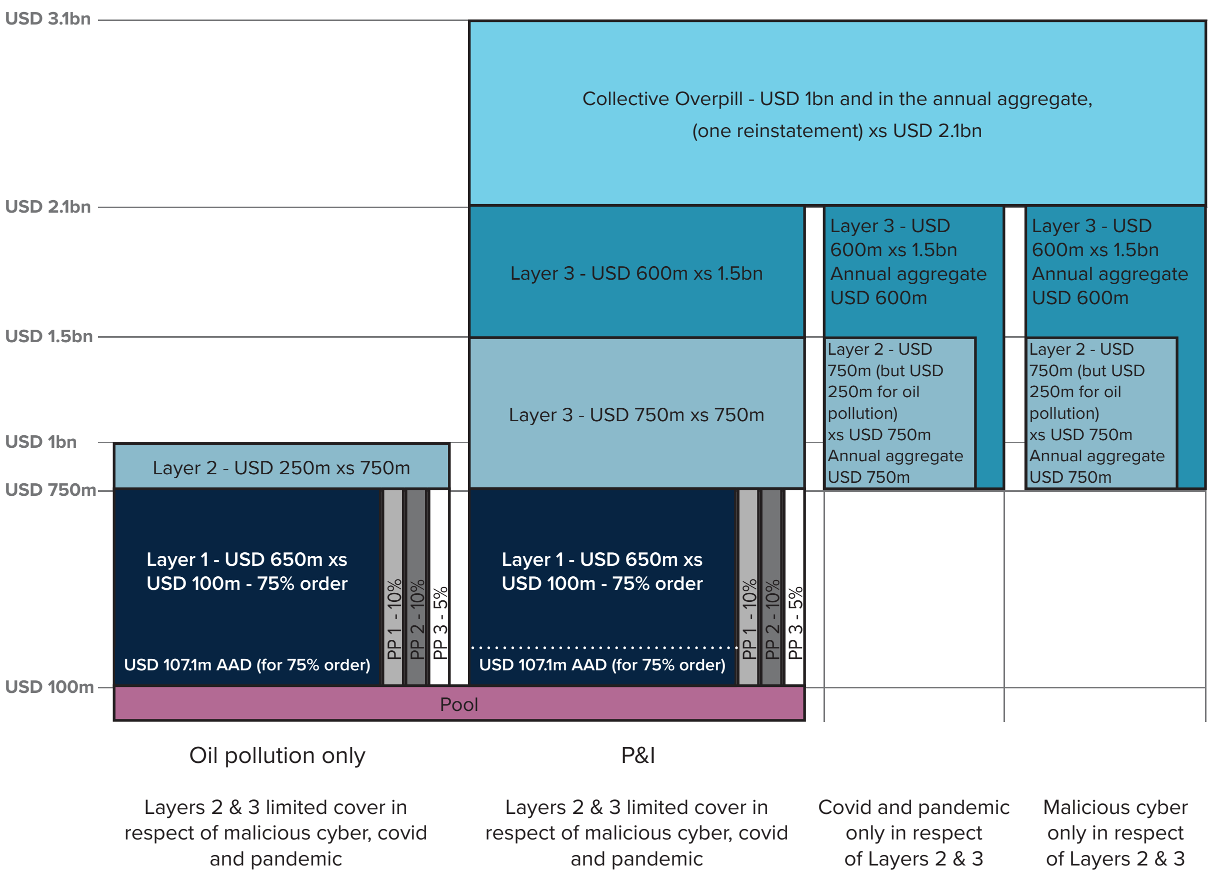
On the ratings front, Standard and Poor's revised its risk-based capital model for insurers and reinsurers in November 2023, amending both criteria and methodology for risk charge calculations, which negatively impact their view of narrow product line insurers such as the Club. The model primarily caters for commercial insurers and gives little consideration for the model's application against the unique not-for-profit assessable mutual nature of the Club. Nevertheless, the model resulted in a change in the Club's rating by Standard and Poor's to BB+ with a stable outlook as announced in January 2024.

Following the period of the worst elements of the pandemic, the Club's business development and marketing efforts made a full return to more traditional activity levels in 2023. This included a presence during major global marine conferences, as well as a well-attended Annual General Meeting of the Members along with a post-meeting reception and dinner in June 2023. The Club recommenced travel activities to Asia in Spring 2023 and also hosted market presentations in London and Athens in December 2023, in addition to its regular marketing events and its virtual presence in the trade press and on social media.

MEMBERS' TONNAGE BY VESSEL TYPE*



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



2024/25 International Group Pool and GXL Reinsurance contract structure

Supplementary and Release Calls

In reviewing the status of open policy years, at its meeting in November 2023, the Club's Board elected to levy a final supplementary call in respect of the 2020 policy year equal to 25% of the originally estimated total premium payable in a single instalment in April 2024. At the same time this was notified to the membership in Circular No. 17/23 of November 17, 2023, the Club's Board also closed the 2020 policy year as of September 30, 2023.

2021 encountered significant headwinds from an early stage, owing to elevated Pool claims and COVID claims, and remained in deficit notwithstanding an interim supplementary call made in 2022. At its meeting in November 2023, as advised in Circular No. 17/23 of November 17, 2023, the Club's Board determined that a further supplementary call of 40% of estimated total premium due for payment in two equal instalments in May and November 2024 would be necessary to cure the deficit before its expected closure in the first half of 2024. The release call margin for 2021 was adjusted from 30% to 2.5%, in excess of the 40% levied supplementary call.

From an early stage in its development, 2021 was likely to be a challenging year, with retained exposure impacted negatively by COVID-19 claims as well as the historically high levels of claims assumed from the International Group Pool. As a result, the membership was advised in Circular No. 29/22 of November 18, 2022, that Class I (P&I) and Class II (FD&D) estimated total premiums for the 2021 policy year would be subject to a 30% supplementary call due for payment in October 2023 and January 2024. In the Circular the Board also notified the membership that the release call margin for 2021 Class I (P&I) and Class II (FD&D) would be set at 30%, in excess of the 30% supplementary call.

The efforts undertaken at the 2022 renewal to achieve a better balance of premium and insuring conditions against expected claims and costs led to encouraging results through the first half of the policy year. However, toward the second half of the year, the Club experienced five claims each in excess of $1 million, including its first claim notified to the International Group Pool since the 2016 policy year, causing the year to be in deficit. As a result of the deficit on the year, the Club's Board increased the release call margin from 20% to 35% in excess of the current estimated total premium for Class I (P&I) and Class II (FD&D).

The 2023 renewal built on the efforts from 2022, having a primary focus on the calibration of premiums and insuring conditions against the new risk landscape as was developing from 2018 on. As a result of these efforts, 2023 is broadly within budget at this stage of development.

The release call margin for 2023 remains at 20% of estimated total premium.

The early results of 2023 resulted in the 2024 renewal having a continued focus on rate adequacy and portfolio refinement. The release call margin for 2024 is 20% of the estimated total premium.

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

In conformity with this policy, and as noted above, the Club's Board of Directors explained in Circular No. 17/23 of November 17, 2023, 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.

FINANCE AND INVESTMENTS

The overall performance of the Club's portfolio, at 7.9% up from the negative return for 2022, evidenced the relative resilience of the investment allocation strategy.

Finance and Investments

While initial outlooks for 2023 were bleak, coming off 2022 as the worst year for investments since the crisis of 2008, the Club's overall long-term investment allocations strategy proved its resilience once again, leading to an eventual overall positive return of 7.9%. Of course, it was indeed a bumpy road during the year. With record levels of inflation and elevated energy prices amidst geopolitical turmoil, negative outlooks prevailed and most prepared for an impending recession for 2023. While 2023 concluded very differently from an investment perspective, events during the year were no less tumultuous.

The first quarter saw the voluntary liquidation of Silvergate Bank and the failure of Silicon Valley Bank with US banks posting the worst daily performance since 2020. This was followed by UBS buy-out of Credit Suisse and JPMorgan Chase taking over First Republic. 2023 also saw the formal declaration ending COVID-19 as a global health emergency and the United Kingdom held the coronation of a new King and Queen in May. Tragedy hit in June with the submersible Titan implosion and the summer saw merciless wildfires rage throughout the globe. The US Government suspended the debt ceiling and the S&P 500 marked a 20% rally from its October 2022 lows, followed by the official halving of inflation. US Government debt was downgraded by Fitch from AAA to AA+. The war in Ukraine continued relentlessly and the Israel-Hamas conflict emerged polarizing communities around the world and placing seafarers in danger in the Red Sea. The last three months of the year saw the 10-year US Treasury yield hit 5% in intraday trading for the first time since 2007, the "Magnificent Seven" stocks add more than $200 billion of market value in a single day and the Federal Reserve signal rate hikes over.

With this backdrop, the American Club's investment portfolio resulted in a positive overall return of 7.9% for the financial year to December 31, 2023, up from a negative 10.2% unrealized loss one year prior. Within the portfolio, all equities returned 20.2% and fixed income also performed well, being up 4.6% for the year. The overall performance of the Club's portfolio, at 7.9% up from the negative return for 2022, evidenced the relative resilience of the investment allocation strategy which has produced a return on average over the decade prior to 2022 of a positive return just below 5%.

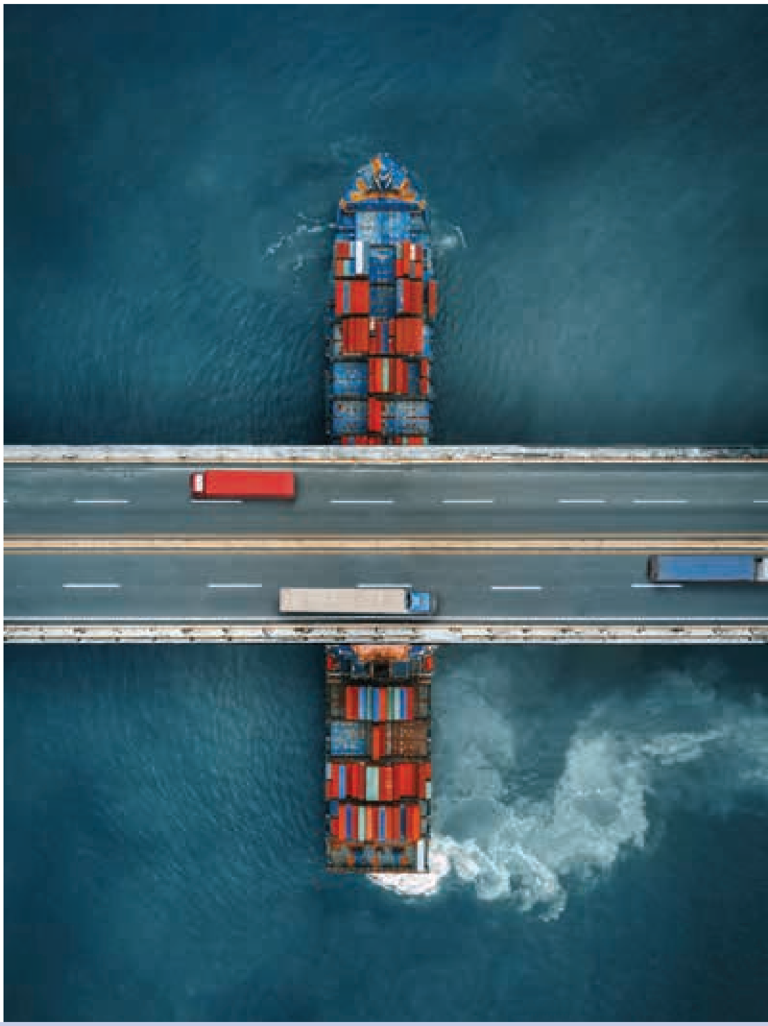
The Association employs external asset managers and expert financial advisors to manage its investments with the Finance and Audit Committee of the Board of Directors overseeing the performance of its financial assets through regular performance, risk and compliance monitoring.

S&P Rating Adjustment

The 2023 interactive review of the Club by Standard & Poors resulted in an adjustment downward from BBB- to BB+, as a result of the rating agency's November 2023 revised rating model. The changes in criteria negatively impact narrow product line insurers, increasing capital charges for investment, reserve and premium risk, and with greater impact on longer-tailed reserve lines, such as those in assessable P&I mutuals, but notably the property and casualty sector generally, especially those insurers with greater exposure to catastrophe risk, as noted by Gallagher Re in their review in November 2023.

In its Circular No. 04/24 of February 1, 2024, the Club provided detailed commentary on the rating agency's announcement and, while it acknowledged the decision, it did so with disappointment and skepticism on the model's application to the Club's business sector. Ultimately, the revised model does not effectively account for the not-for-profit assessable mutual structure and foundation of the Club. Not-for-profit mutuals are owned by their policy-holders, not by traditional shareholders seeking financial returns. The strategy is dictated by the policy-holders themselves and the focus is on serving these interests rather than generating profits for investors.

The full circular can be found at:
https://www.american-club.com/files/files/cir_04_24.pdf.



CLAIMS

Both the number and value of cargo claims have dropped significantly suggesting loss prevention efforts and updated underwriting guidelines are proving successful.

Claims

The Club experienced a welcome overall reduction in both quantity and value of claims as reported through the end of the 2023 policy year. While geopolitical events in 2023 disrupted the industry and redefined the operational landscape, the impact on claims is less defined.

With the uncertainty of traversing the Red Sea, the extended war in Ukraine, environmental and weather disruptions, and ever-changingsanctions regimes, the expected increase with FD&D claims particularly has not materialized.

The number of reported collision and third party property damage claims have held steady, though the cost per incident had divergent results. Collision case values have reduced by approximately 20%, though there is some expected deterioration to occur as the claims further develop over time; whereas the value of third party property damage cases have increased almost 40%.

Both the number and value of cargo claims have dropped significantly suggesting loss prevention efforts and updated underwriting guidelines are proving successful.

With the normalization of Covid and routine vaccinations and therapies, illness claims have generally returned to pre-Covid quantities though the claim quantum has risen almost 25%.

Social inflation remains a concern in most nations around the world but particularly with respect to US people claims. Increased collaboration with other Clubs and insurers similarly affected by social inflation is laying groundwork for long term change, albeit at a slow pace.

The number of Pool claims has increased slightly but the value of the reported pool claims to date reflect the underlying trend of lower claim values.

Activity within the International Group of P&I Clubs

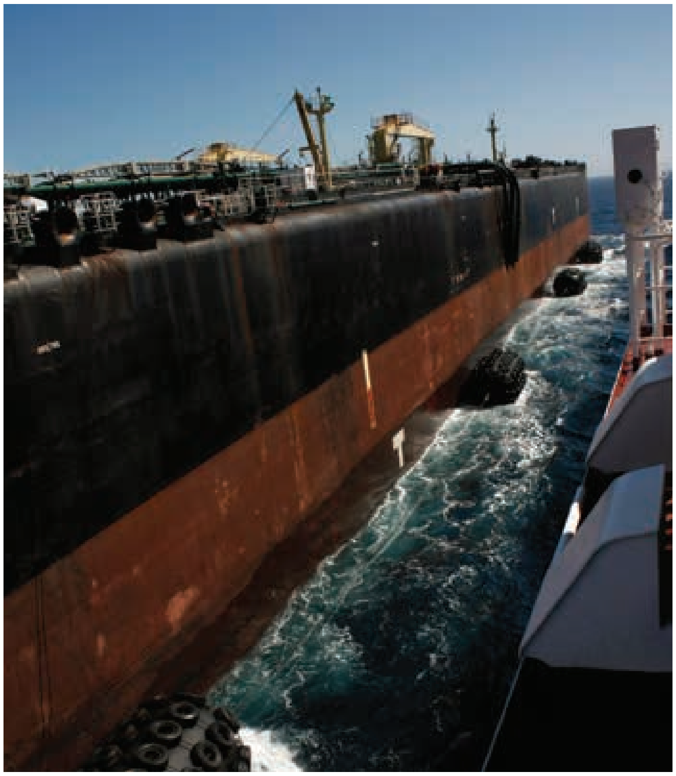
The American Club is the only member of the 12 mutual Protection and Indemnity (P&I) clubs which comprise the International Group of P&I Clubs (the Group) domiciled and regulated in the United States. The Group clubs provide, between them, marine liability cover (P&I) for almost 90% of the world's ocean-going tonnage. Each club retains the first $10 million and then shares liabilities based on an agreed formula accounting for tonnage, premium and loss record. Through this unique structure, member clubs are able to absorb extraordinary liability exposures, have the benefit of leveraging one of the largest reinsurance arrangements in the world, share expertise on matters relating to ship operating marine liabilities, and have created a platform for effective representation and a voice in the industry. This remarkable mechanism provides a safety net for management of major maritime casualties and peace of mind to stakeholders all over the world, thereby enabling global trade.

During 2023, the Group, through its over 120 committees, remained dedicated to working on all matters of concern to its global shipowning constituencies. This combined resource of knowledge and experience adds exceptional value to the services of the Group as a whole and, by extension, to those of individual clubs. The work is managed by the Group's Secretariat in London which has a valuable role in this regard.

There was greater focus on data sharing initiatives for the purpose of value-added statistics for loss prevention measures, continuing work relating to sustainability on a P&I industry level, and review of the Pooling Agreement to ensure all terms continue to be fit for purpose, especially with respect to the impact of Brexit as well as the completion of the merger of North and Standard, making the Group now formally made up of twelve mutuals.

Geo-political tension remained in the forefront and sanctions a major focus throughout 2023. This continues into 2024. The Group's Sanctions Committee continued to play a key role for shipowners in navigating the wide range of sanctions imposed by the European Union, United Kingdom and the United States.

Additional efforts were agreed for broader and stronger messaging relating to the relevance of the Group to global trade as well as its focus on key areas such as liability regimes, safety, educational outreach, casualty response and decarbonization.



Sustainability

2023 was a year of further developing the Club's sustainability strategy, integrating environmental, social and governance best practices in its operations as illustrated in its inaugural report of 2022. As the next report is imminent for 2024, as a not-for-profit mutual third-party liability marine insurer, principles of sustainability are, and always have been, embedded in its core purpose and practices.

The Club and its Managers remain committed to the United Nations' Principles of Sustainable Insurance (PSI) as defined under the United Nations Environment Programme Financial Initiative (UNEP FI) banner as well as the UN's 17 Sustainable Development Goals (SDGs) through the globally accepted platform of the United Nations SDG Action Manager. This was done in recognition of the importance of accountability through transparency of progress. The reporting of these results will be done every two years.

Through the SDG Action Manager, the Club is committed to tracking its progress with an emphasis on nine of the 17 SDGs which relate best to the scope and purpose of the Club within the context of contributing to sustainability. The Club was especially proud of its results with respect to SDG 5, Gender Equality, evidencing leadership in this index.

While the sustainability report of 2024 will reveal the progress of 2023, some examples of events which highlighted the integration of ESG principles during the year included:

Accountability and restoration of the environment through major casualty cover and management. One of the pillars of P&I cover is the regime of issuing "Blue Cards" ensuring peace of mind to third party stakeholders in terms of environmental damage liabilities. While the loss of the container ship TSS Pearl occurred in the last quarter of 2022, the breadth of cleanup of lost containers occupied our Co-Global Claims Director throughout the months of 2023 and only concluded in the first half of 2024. The TSS Pearl was the perfect example of the highest integrity of financial security and reliability of cover of the American Club in protecting and restoring the environment.

The Club also continued its annual beach cleaning activities both in Europe and in the United States and qualified for recertification of its NAMEPA ESG Maritime Sustainability Program.

On the social front, the Club's Managers initiated a quarterly automated anonymous employee survey meant to engage its most valuable resource, its people, with a focus on four pillars:

- Happiness
- Company motivators
- Personal motivators
- Relationships

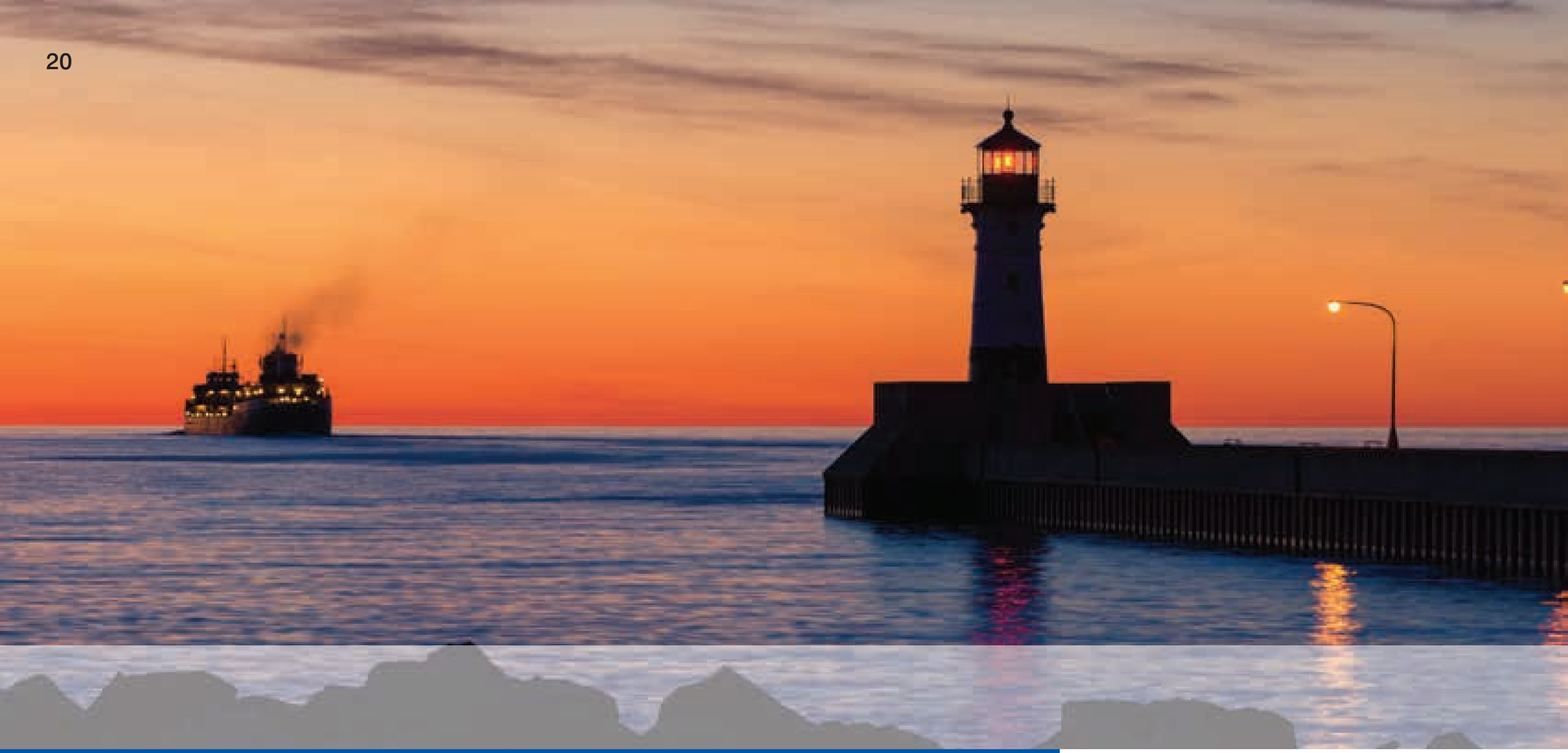
In addition to these four areas of focus, the survey includes sections for free standing contributions on any area of concern or desire to contribute with an aim to gauge employee insight in a safe and anonymous format promoting honesty and innovation through diversity of ideas.

Continuing loss prevention initiatives with a seafarer-centric focus were also at the forefront, both with respect to safety onboard as well as with respect to mental health and the ever increasing concern over sexual assault and sexual harassment.

Furthering principles of good governance, the Club, through the Corporate Governance Committee conducted a thorough review of the Club's By-Laws and Corporate Governance Guidelines within the overarching duty of ensuring these requirements remain fit for purpose as well as within the context of succession planning.

The Managers maintained momentum in enhanced processes across all functions with particular attention to compliance processes and resources as they relate to regulatory compliance, as well as internal departmental procedural manuals, all of which were the subject of review and update.

These are just several examples which illustrate the American Club's continuing commitment to contributing substantively to a sustainable future for the industry and it looks forward to sharing its detailed progress through the release of its 2024 Sustainability Report later in the year.



Sanctions

Matters surrounding compliance and sanctions in particular were the subject of heightened focus during 2023 and continue into 2024. With shipping more and more in the public eye as Red Sea missile strikes affect safety in navigation and journalists engage in tracking ships carrying oil, the American P&I Club and other clubs, as insurers, were often caught in political news agendas. As a result, the Managers issued Circular No. 06/24 early in the year in order to provide clarity and education on the issues.

The American P&I Club, as a not-for-profit marine liability mutual insurer is proud to play a vital role in US national and global security and to support the United States, its allies, and the global merchant marine. The Club has always applied best industry practices in business operations to demonstrate the highest standards of insurance stewardship. With its domicile in the United States, the Club is well versed at identifying and managing the legal and regulatory risks associated with sanctions, including the risk of entered vessels breaking sanctions. It has a history of working closely with the US State Department, the US Department of Justice, the Department of Homeland Security, the Office of Naval Intelligence, and the US Treasury Department's Office of Foreign Assets Control to ensure that lines of communications remain open, frequent, and positive.

Responsibilities in respect of economic sanctions are given utmost priority and are part of the framework and foundation of the core underwriting and claims process integrating the highest levels of integrity and regulatory compliance. It is committed to conducting its global activities respecting its regulatory responsibilities to support governments, regulators, and law enforcement in wider economic crime prevention. Through its Managers, the Club identifies and manages the legal and regulatory risks associated with sanctions, including the risk of its services appearing to be used to contravene sanctions.

As conflict only complicated trade further on a global level during 2023, the Club tirelessly worked to meet the challenges posed and continued its policy of enhancing focus on its robust compliance program to meet the highest of standards within an ever-evolving sanctions landscape. The Club shares the common goal of protecting the industry from those who wish to violate its rules and laws. Applicants for insurance are fully vetted at the outset using industry-standard databases, searches of sanctions lists produced by sanctions regulators, and by investigating the ownership of entities and the past activities of prospective covered vessels, among other safeguards. After a vigorous initial pre-entry vetting, the policies are for one-year periods, with worldwide sailing conditions, subject to absolute exclusions for sanctioned or illegal trade.

During the period of entry, vessels are subject to warranties of legality, periodic monitoring, and notice requirements for potential sanctioned trade. If information is learned, or comes to light, of a vessel acting in a manner not consistent with the Club's compliance program, an investigation procedure is followed which entails thorough research and communication between all parties involved. Furthermore, no cover exists, in other words coverage automatically ceases, when a vessel is in violation of sanctions, including, but not limited, to carriage of Iranian and/or Russian origin oil and petroleum products (the latter, in violation of the price cap regime agreed to by the United States and its partners).

Through these policies, processes, and requirements the Managers are dedicated to ensuring their due diligence capabilities provide the best possible response to subversive tactics. The Managers continued to grow the compliance team throughout 2023 and added new technological services such as satellite access, as well as additional resources through partnership with ICSI in New York and Piraeus. Confidence in sanctions compliance has never been needed more than at present and, given the state of ongoing geopolitical difficulties, it is certain to continue. The Club is well placed to manage this into the future.

Safety and Loss Prevention

A broad range of loss prevention activities associated with safety and environmental protection was engaged in during the 2023 policy year. A cornerstone of the Club's efforts is focused on carrying out condition surveys on all newly entered vessels ten years or older, and every three years thereafter, to verify that the condition of the Club's fleet maintains high quality standards by identifying and addressing deficiencies that potentially lead to P&I-related claims. There were 335 condition surveys performed during 2023, a seven percent increase of condition surveys that were performed the prior policy year.

These measures continued to have a positive effect on the Club's port State inspection record where 614 inspections of its P&I owned entered fleet resulted in less than 3% of vessels having been detained.

A number of management audit reviews were also performed in 2023 that were focused on assisting Members in their operational risk assessment as well as assist in better managing claims.

The Club's Pre-Employment Medical Examination (PEME) program, launched over twenty years ago in 2003, continues to provide assurances to Members that the seafarers they employ are physically fit. In addition, the Club's approved clinics in Bulgaria, Poland and Romania continue to take up the significant slack for Ukrainian seafarers displaced by conflict to those countries in addition to clinics that remain open in Odessa. The approved PEME network also expanded in 2023 to include clinics in India and Poland.

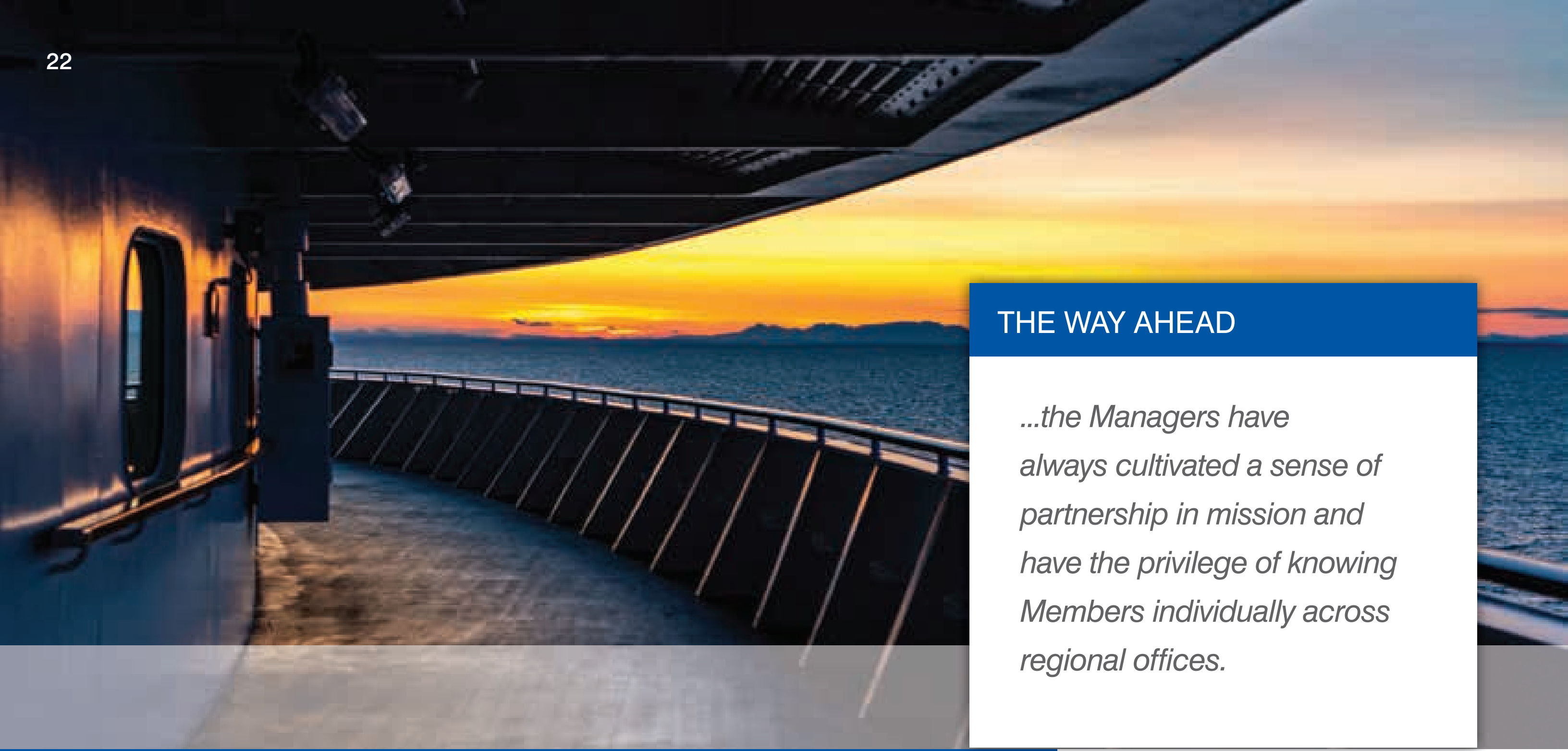
The demanding occupation of working at sea has additional mental and physical stressors that can adversely impact mental health. Knowing and applying the proper response to assist a seafarer while at sea may be a difficult task given a ship's location.

With these challenges for seafarers in mind, the Club in cooperation with the Seamen's Church Institute (SCI), recently released *Addressing and Managing Seafarer Mental Health Challenges*. The objective of the guidance is to help seafarers and ship operators better understand the factors that contribute to mental health challenges for seafarers and what can be done to prevent and mitigate such effects on crews.

Loss prevention efforts continued to focus on the Good Catch initiative in English and Mandarin. Fifteen alerts and animations were disseminated via the Club's website and mobile application that addressed subjects that included near miss reporting, accommodation ladder safety, preventative maintenance, taking on new personnel, the COLREGS, high level inland waterways, stowage planning, fire prevention and many more important topics.

Furthermore, efforts were focused on raising awareness about hearing protection and best practices for seafarers through a campaign of notices and dissemination of disposable earplugs that were made available to Members.

In 2023, the American Club resumed in person seminars for claims and loss prevention where events were held in San Francisco and Piraeus. The seminars focused on regulatory updates, sexual assault and sexual harassment, limitations of liability, traumatic stress, legal and technical issues surrounding quality of bunkers and review of case study incidents.



THE WAY AHEAD

...the Managers have always cultivated a sense of partnership in mission and have the privilege of knowing Members individually across regional offices.

The way ahead

2023, while burdened with legacy and new challenges, was a year ultimately of positive transition. The rising combined loss ratios of the immediately preceding policy years were arrested and continue on a downward trend, standing at approximately 99% for the 2023 policy year. Despite the S&P rating adjustment, a result of revision of the S&P rating model, the Club's premium and tonnage volume which hit historically high levels during 2023, and after the most recent renewal, with 93% retention of existing membership, remains 30% more in premium and 20% more in tonnage as compared to the 2021 policy year.

It is of course recognized that the year included particularly difficult points of passage for the membership, having to levy additional unbudgeted calls for two years and raising the release call margin for 2022, all of which, albeit necessary, are never welcome actions, but measures taken by the Club over the last three years are now manifesting positively and have placed the Club on the desired trajectory. The steadily improving combined loss ratio and premium rising ahead of tonnage reinforces the position that it is a constant review of the risk portfolio combined with steady adjustment for premium alignment with the modern world of claims costs that is key. Adapting to an ever-changing risk landscape is a dynamic process and must take place over time and in stages. The steady progress of performance of policy years is the result of this dynamic process and will will always be a key component to the Club's resilience strategy as it faces the future.

As the journey continues in 2024, we face the future with continuing challenges during what has been called by TIME in December as "the ultimate election year" with national elections taking place in 64 countries, including the United States, the United Kingdom, and the European Union, not to mention Ukraine, Russia, Iran and Taiwan, some of which have already taken place.TIME estimates that about half the global population will have been called to polls for national elections during 2024, the results of which will no doubt have consequences in determining the course of all our futures. In the meantime, we navigate in a storm of uncertainty that comes with this.

Geopolitical shockwaves continue to reverberate in the Red Sea and beyond. We are developing and adopting technologies on an unprecedented scale and seeing rapid changes in our global fleet and workforce which give rise to great concern, for safety in particular. The evolving landscape of sanctions is impacting global trade and operational policies more than ever, and then, there is of course, the matter of addressing the green agenda and decarbonization, the regulatory framework that must evolve to accompany it, and ultimately the issue of financing these transitions.

The Managers of the American Club are actively engaged in examining, tracking and evaluating these issues of concern to the Members and assessing their impact on cover, loss prevention, financial performance, compliance, claims and service matters in general. As a small Club the Managers have always cultivated a sense of partnership in mission and have the privilege of knowing Members individually across regional offices. Moving into the future, we remain committed to this partnership, to close cooperation, to understanding, and to meeting Members' needs, as has been done for the last 107 years and we do this with gratitude to those who have remained steadfast in their support of the American Club.

2023 FINANCIAL REPORT

Contents

mazars

Mazars USA LLP
135 West 50th Street
New York, New York 10020

Tel: 212.812.7000
www.mazars.us

Independent Auditors’ Report

To the Members of

The American Steamship Owners Mutual Protection and Indemnity Association, Inc.

Opinion

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, 2023, and 2022, and the related consolidated statements of operations and comprehensive loss, changes in members’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2023, and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Associations’ ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, which are the responsibility of management are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such schedules have not been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Mazars USA LLP

New York, NY | July 2, 2024

Consolidated Balance Sheets

IN THOUSANDS	NOTE	DECEMBER 31 2023	2022
ASSETS:			
Investments	3	$ 129,149	$ 131,215
Cash and cash equivalents		41,234	28,997
Members' balances receivable		57,858	76,698
Reinsurance recoverable	6	125,701	123,576
Advances to Hellenic Hull Mutual	1	1,589	2,459
Unbilled premiums and calls	2	46,627	69,984
Other assets	4	8,744	10,031
Total Assets		$ 410,902	$ 442,960
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES:			
Unpaid losses and allocated loss adjustment expenses	6	$ 237,233	$ 254,104
Unreported losses	6	71,925	61,748
Unearned premiums		12,323	15,589
Reinsurance payable		11,500	15,631
Surplus note payable	5	19,500	19,500
Demand promissory note payable	5	—	15,113
Other liabilities	4	18,057	16,865
Total Liabilities		$ 370,538	$ 398,550
COMMITMENTS AND CONTINGENCIES			
MEMBERS' EQUITY:			
Retained earnings		$ 43,250	$ 49,900
Accumulated other comprehensive loss		(2,886)	(5,490)
Total Members' Equity		$ 40,364	$ 44,410
Total Liabilities and Members' Equity		$ 410,902	$ 442,960

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations and Comprehensive Loss

IN THOUSANDS	NOTE	DECEMBER 31 2023	2022
INCOME			
Net premiums and calls earned	7	$ 127,518	$ 151,705
Net investment income		3,974	3,496
Unrealized gains on equities		2,515	—
Net realized investment gains		234	1,361
Total Income		134,241	156,562
EXPENSES			
Losses and loss adjustment expenses incurred	6	79,021	101,949
Unrealized losses on equities		—	11,375
Other operating expenses	8	61,870	55,680
Total Expenses		140,891	169,004
Net Loss		(6,650)	(12,442)
OTHER COMPREHENSIVE LOSS, NET OF TAXES			
Unrealized gains (losses) on investments		2,370	(8,180)
Reclassification adjustments for net realized capital gains		234	1,361
Other Comprehensive Income (Loss)		2,604	(6,819)
Comprehensive Loss		$ (4,046)	$ (19,261)

Consolidated Statements of Changes in Members' Equity

IN THOUSANDS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL MEMBERS' EQUITY
Balance, January 1, 2022	$ 62,342	$ 1,329	$ 63,671
Net loss	(12,442)	—	(12,442)
Other comprehensive loss	—	(6,819)	(6,819)
Balance, December 31, 2022	49,900	(5,490)	44,410
Net loss	(6,650)	—	(6,650)
Other comprehensive income	—	2,604	2,604
Balance, December 31, 2023	$ 43,250	$ (2,886)	$ 40,364

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IN THOUSANDS	DECEMBER 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (6,650)	$ (12,442)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization (accretion) of bond premiums	(21)	1,178
Unrealized (gain) loss on investments	(2,515)	11,375
Net realized investment gains	(234)	(1,361)
Loan receivable provision	870	2,387
Depreciation	337	29
	(1,563)	13,608
Changes in operating assets and liabilities:		
Members' balances receivable	18,841	(14,135)
Reinsurance recoverable	(2,125)	(45,538)
Unbilled premiums and calls	23,358	(4,480)
Other assets	2,570	5,178
Unpaid and unreported losses and allocated loss adjustment expenses	(6,694)	62,054
Unearned premiums	(3,264)	(2,526)
Reinsurance payable	(4,894)	4,170
Other liabilities	720	241
	28,512	4,964
Net cash provided by operating activities	20,299	6,130
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclass of Bond from cash equivalent	(208)	—
Proceeds from sales/maturities of investments	92,173	73,125
Purchases of investments	(84,527)	(64,425)
Purchases of fixed assets	(500)	(300)
Net cash provided by investing activities	6,938	8,400
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of demand promissory note	(15,000)	(5,000)
Net cash used in financing activities	(15,000)	(5,000)
Net change in cash and cash equivalents	12,237	9,530
Cash and cash equivalents, beginning of year	28,997	19,467
Cash and cash equivalents, end of year	$ 41,234	$28,997
Supplemental Information:		
Interest paid	$ 702	$ 283

See Notes to Consolidated Financial Statements.

2023 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 2023 and 2022 policy years, at December 31, 2023 and December 31, 2022, the gross tonnage insured was 27,150,902 and 27,064,842, 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 November 2021, AHHIC, Ltd was renamed American Steamship Owners Marine Insurance Company (Europe) Ltd ("ASOMIC"). Effective February 20, 2022, ASOMIC expanded its license to include P&I and related business for EU/EEA operators.

Effective February 20, 2022 ASOMIC expanded its license to include P&I and related business for EU/EEA operators. In March 2022, the Association contributed $7 million into ASOMIC to support the new business sector.

Effective February 20, 2022, ASOMIC began writing P&I/FD&D/Charterers business for EU risks as an EU licensed insurance company on policies that were transferred from ASOMPIA that met a certain EU requirement. These policies are reinsured under a quota-share arrangement with ASOMIC. In this quota share arrangement, the reinsurer (ASOMPIA) receives a flat percent of 90%, of the premium for the book of business reinsured. ASOMIC retains the remaining 10%. During the year ended December 31, 2023 and 2022 the reinsurance premium assumed from ASOMIC amounted to $3.9 million and $5.96 million, respectively. As of December 31,2023 and 2022 the amount of reinsurance premium receivable from ASOMIC amounted to $1.17 and $2.1 million, respectively. These transactions have been eliminated on consolidation.

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 ASOMIC 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, 2022, AHHIC, Inc., as instructed by SCB, extended the loan repayment date, without accruing interest, until December 31, 2024. As of December 31, 2023 and 2022, the Company has reserved $5.6 million and $4.8 million, respectively, in relation to this loan. The balance of the loan receivable as of December 31, 2023 and 2022 stands at $1.6 million (net of $5.6 million reserve) and $2.5 million (net of $4.8 million reserve), respectively.

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 ASOMIC. All significant intercompany accounts and transactions have been eliminated.

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

Investment - 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. 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 loss 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 credit losses 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, 2023 and 2022, no Member accounted for 10% or more of total revenue and no Members' balances accounted for more than 10% of total assets.

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, 2023 and 2022.

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.

As a fully assessable mutual, the Association has the right to charge additional premium assessments to its members to cover losses and operating expenses. Effective with the year ending December 31, 2020, the Association reevaluated the previous presentation and calculation of the unbilled premiums and calls. The process of levying assessments for Supplemental Premiums or to close the policy years deficiency or surplus to the Club's Contingency Fund, is inherent to the constitution of the Club as an assessable mutual. In accordance with Article IV. Section 4, of the By- Laws of the Club and evidenced by the Certificates of Entry, which contains a clear statement of the liability of the Member for the payment of its proportionate share of any deficiency as provided by law within the limit provided by the contract of insurance, and further states that any premiums and calls shall be for the exclusive benefit of Members who are subject to such a contingent liability.

The total sum of all open policy years deficiencies as of any reporting date are fully assessable and earned, representing the shortfall of initial premium calculation based on Estimated Total Cost (ETC) known or predicted at the beginning of the policy year. The DJA pre-1989 asbestos claims liability at any reporting period end date is allocable evenly to each open policy year and is made part of that policy years ETC. This is the reinsurance responsibility assigned to open years on a rolling forward basis so that the three most recent open policy years are held accountable for the full outstanding DJA claims liability, however limited by agreement to payment of no more than $800 thousand per calendar year allowing for the above- mentioned rolling forward basis. The total of all open years' deficiencies, which includes the allocation of the DJA pre-1989 asbestos claims liability, is representative of, and includable in the calculation of unearned premiums and calls. The estimated gross earned but unbilled premium and calls as of December 31, 2023 and 2022 amounted to $46.6 million and $69.9 million, respectively.

The Association believes that calculating the unbilled premium and calls 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.

Recent Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued new guidance related to accounting for Credit Losses (ASU 2016-13 Financial Instruments - Credit Losses - Topic 326: Measurement of Credit Losses on Financial Instruments ("ASU 2016-13" or "ASC 326") effective in 2023. The guidance revises the accounting requirements related to the measurement of credit losses and requires measuring all expected credit losses for financial assets based on historical experience, current conditions, reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. Since its original issuance in 2016, the FASB issued several additional ASUs, amending certain aspects of ASU 2016-13. The adoption of Topic 326 in 2023 did not significantly change the Company's approach to the valuation of premiums receivable, available for sale securities, or reinsurance recoverables.

Premiums Receivable - The adoption of Topic 326 did not significantly change our approach to the valuation of premiums receivable. Members' balances receivables are presented net of an allowance for credit losses for estimated losses. The Association determines whether there is an expected loss on our premium receivables by evaluating all available data, which includes but is not limited to, the age of the balance, a member's historical payment history, current creditworthiness as well as current and future market and economic conditions. Account balances are written off when there is doubt as to the collectability of the individual balances. As of December 31, 2023 and 2022, a general allowance for credit losses on our members' balances receivables amounted to $2 million.

Reinsurance Recoverable for Paid and Unpaid Losses and Loss Adjustment Expenses-The Company routinely monitors changes in credit quality and concentration risks of the reinsurers who are counterparties to our reinsurance recoverables to determine if an allowance for credit losses should be established. For at-risk uncollateralized recoverable balances, the Companies evaluate a number of reinsurer specific factors, including reinsurer credit quality rating, credit rating outlook, historical experience, reinsurer surplus, recoverable duration, and collateralization composition in respect to our net exposure (i.e., the reinsurance recoverable amount less premiums payable to the reinsurer, where the right to offset exists). At December 31, 2023 and 2022, the allowance for credit losses related to these contracts was not material to our financial condition or results of operations.

Investments-Allowance for Credit Losses-ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326)," requires the measurement of potential credit losses for all fixed-maturity securities in an unrealized loss position. This note outlines the Association's approach to measuring credit losses, along with the results for the years ended December 31, 2023, and 2022.

Throughout each year, we and our investment managers buy and sell securities to achieve investment objectives in accordance with investment policies established and monitored by our board of directors and executive officers. Equity securities are carried at fair value with unrealized gains and losses recorded within net earnings. We classify our investments in fixed income securities into available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses recorded as a component of comprehensive earnings and shareholders' equity, net of deferred income taxes. Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. We determine the fair value of certain financial instruments based on their underlying characteristics and relevant transactions in the marketplace. We maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Association did not record any allowance for credit losses or write-off any amounts deemed to be uncollectible during 2023 or 2022. Additionally, there was no material credit loss allowance balance as of December 31, 2023, or 2022. The process for evaluating potential credit losses involves a review by the Association's Investment Managers.

To determine the amount of credit loss, if any, the Association's Investment Managers follow a review process for securities in an unrealized loss position:

- Intention to Sell: The Investment Manager assesses whether the Association is likely to sell, or intends to sell, any securities prior to the recovery of their respective cost bases (which could be maturity). If it is likely that the company will sell the securities before recovery, the unrealized loss is written off.
- Evaluation for Non-Sale Securities: For securities that the Association is not likely to sell, or does not intend to sell, before a potential recovery, the Investment Manager performs additional analysis to determine if the unrealized loss is credit-related. This analysis includes evaluating the financial health and performance of the issuer, the structure of the security, and current and projected economic conditions.

As of December 31, 2023, and 2022, the Association's evaluations concluded that there were no material credit losses. Management believes that the procedures in place are adequate to identify and measure potential credit losses and that the allowances, if any, are sufficient to cover expected losses.

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, 2023 and 2022 were as follows:

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2023				
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 30,571	$ 107	$ 1,040	$ 29,638
Obligations of states and political subdivisions	39,202	445	1,177	38,470
Industrial and miscellaneous bonds	29,071	91	1,314	27,848
Common stocks	22,952	7,876	1,051	29,777
Other invested assets	9,908	—	6,492	3,416
Total	**$ 131,704**	**$ 8,519**	**$ 11,074**	**$ 129,149**

	COST OR AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
December 31, 2022				
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 33,782	$ 57	$ 1,494	$ 32,345
Obligations of states and political subdivisions	47,423	102	2,162	45,363
Industrial and miscellaneous bonds	23,576	—	1,989	21,587
Common stocks	24,194	5,521	2,320	27,395
Other invested assets	9,908	—	5,383	4,525
Total	**$ 138,883**	**$ 5,680**	**$ 13,348**	**$ 131,215**

The following summarizes unrealized investment losses by class of investment at December 31, 2023 and 2022. 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, 2023						
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 2,057	$ 46	$ 6,774	$ 993	$ 8,831	$ 1,039
Obligations of states and political subdivisions	4,189	51	21,080	1,123	25,269	1,174
Industrial and miscellaneous bonds	6,209	91	16,406	1,223	22,615	1,314
Total	**$ 12,455**	**$ 188**	**$ 44,260**	**$ 3,339**	**$ 56,715**	**$ 3,527**

	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
December 31, 2022						
U.S. Treasury and obligations of other U.S. government corporations and agencies	$ 17,269	$ 943	$ 10,336	$ 551	$ 27,605	$ 1,494
Obligations of states and political subdivisions	30,590	1,061	9,076	1,101	39,666	2,162
Industrial and miscellaneous bonds	12,378	877	8,594	1,112	20,972	1,989
Total	**$ 60,237**	**$ 2,881**	**$ 28,006**	**$ 2,764**	**$ 88,243**	**$ 5,645**

The fair value and amortized cost of available-for-sale debt securities at December 31, 2023 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	$ 26,109	$ 26,011
Due after one year through five years	40,922	39,934
Due after five years through ten years	17,798	17,422
Due after ten years	14,014	12,590
Total	**$ 98,843**	**$ 95,957**

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

	2023	2022
Proceeds from sales and maturities of investments	$ 92,173	$ 73,125
Gross realized gains	1,135	1,983
Gross realized losses	901	622

At December 31, 2023 and 2022, 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.

As of December 31, 2023 and 2022, 344 and 444 securities with fixed maturities have unrealized losses, respectively. In conjunction with the Company's outside investment advisors, the Company analyzed the credit ratings of the securities as well as the historical monthly amortized cost to fair value ratio of securities in an unrealized loss position. This analysis yielded no fixed maturities which had amortized cost values less than 80% of fair value for the entire years of 2023 and 2022. Therefore, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2023 and 2022, and thus no impairments were recorded in 2023 or 2022.

Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

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, 2023 and 2022:

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2023				
	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	$ 29,638	$ 29,638	$ —	$ —	$ —
Obligations of states and political subdivisions	38,470	—	38,470	—	—
Industrial and miscellaneous bonds	27,848	—	27,848	—	—
Common stocks	29,777	29,757	—	20	—
Other invested assets	3,416	—	—	—	3,416
Total	**$ 129,149**	**$ 59,395**	**$ 66,318**	**$ 20**	**$ 3,416**

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2022				
	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	$ 32,345	$ 32,345	$ —	$ —	$ —
Obligations of states and political subdivisions	45,363	—	45,363	—	—
Industrial and miscellaneous bonds	21,587	—	21,587	—	—
Common stocks	27,395	27,375	—	20	—
Other invested assets	4,525	—	—	—	4,525
Total	**$ 131,215**	**$ 59,720**	**$ 66,950**	**$ 20**	**$ 4,525**

During the years ended December 31, 2023, and 2022, 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, 2023 and 2022.

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, 2023, 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, 2023, 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, 2023, there are $1.7 million in unfunded commitments.

4. Other Assets and Liabilities

	2023	2022
Other Assets		
Computer equipment and software - net of accumulated depreciation of $6.9 million and $6.6 million, respectively	$ 2,865	$ 2,703
Receivable for securities sold	94	21
Accrued interest receivable	925	856
Income tax recoverable	168	160
Management fee receivable	3,292	3,215
Other receivable	—	277
Other assets	1,401	2,799
	$ 8,744	**$ 10,031**
Other Liabilities		
Accrued expenses	$ 17,032	$ 16,579
Liability for securities purchased	430	16
Funds held under reinsurance treaties	594	269
Income tax payable	1	1
	$ 18,057	**$ 16,865**

5. Debt

In September 2023 the Association had fully paid off the $15 million demand promissory note and related interest from Deutsche Bank Trust Company America (“demand promissory note”). In 2023 $589 thousand in interest expense on the demand promissory note was calculated using a rate of 3-month LIBOR plus 1 percent. At December 31, 2022 the Association owed $15 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, 2022 amounted to $113 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, 2023 and 2022 was $12.5 million and $10.9 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:

		2023		2022
Gross balance at January 1	$	315,852	$	253,798
Less reinsurance recoverable on unpaid losses		114,266		71,567
Net Balance at January 1	**$**	**201,586**	**$**	**182,231**
Incurred related to:				
Current year	$	68,927	$	79,138
Prior years		10,094		22,811
Total Net Incurred	**$**	**79,021**	**$**	**101,949**
Paid related to:				
Current year	$	10,882	$	16,595
Prior years		71,835		65,999
Total Net Paid	**$**	**82,717**	**$**	**82,594**
Net balance at December 31	**$**	**197,890**	**$**	**201,586**
Plus reinsurance recoverable on unpaid losses		111,268		114,266
Gross Balance at December 31	**$**	**309,158**	**$**	**315,852**

In 2023, unfavorable development for prior years was $21.6 million. The unfavorable development was the result of $10.1 million expected emergence for the 2022 policy year along with additional emergence of $10.2 million, and unfavorable emergence of $1.4 million for policy years 2021 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 2022, unfavorable development for prior years was $31.9 million. The unfavorable development was the result of $11 million expected emergence for the 2021 policy year along with additional emergence of $11.4 million, and unfavorable emergence of $9.5 million for policy years 2020 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, 2023 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, 2023, 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, 2014 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	2014 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2017	2018	2019	2020	2021	2022	2023	IBNR 2023	at Dec 31, 2023 Cumulative Number of Reported Claims
2014	$ 71,946	$ 68,966	$ 67,533	$ 67,578	$ 66,662	$ 65,743	$ 64,615	$ 64,786	$ 64,987	$ 64,961	$ 757	1,842
2015		55,047	47,232	44,471	43,635	41,784	39,623	39,372	39,094	38,798	869	1,537
2016			61,890	58,586	57,791	56,705	57,086	57,213	57,944	58,207	622	1,566
2017				46,539	51,749	55,240	58,654	62,925	62,575	64,011	670	2,183
2018					44,906	55,159	58,656	60,112	60,787	61,494	742	2,400
2019						62,101	68,998	67,886	68,070	68,901	261	3,119
2020							54,783	69,675	77,003	78,500	1,103	2,408
2021								80,838	96,066	94,595	2,233	3,121
2022									82,184	90,776	6,191	3,231
2023										68,926	22,699	2,174
									Total	$ 689,168	$ 36,147	

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

Accident Year	2014 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2017	2018	2019	2020	2021	2022	2023
2014	$ 12,707	$ 28,385	$ 50,292	$ 56,336	$ 59,113	$ 60,583	$ 61,994	$ 62,209	$ 62,727	$ 63,050
2015		7,678	18,576	25,390	28,631	30,894	32,692	33,814	33,816	34,151
2016			13,911	29,903	41,865	46,357	49,980	53,952	54,969	55,557
2017				10,828	27,900	41,733	47,324	52,384	53,207	56,242
2018					10,221	27,825	39,048	49,189	53,873	56,569
2019						11,446	31,180	55,078	62,935	65,017
2020							13,412	29,342	50,313	67,139
2021								19,674	45,202	64,157
2022									19,429	45,658
2023										10,882
									Total	$ 518,422

All outstanding liabilities prior to 2014, net of reinsurance	$ 27,144
Liabilities for claims and claim adjustment expenses, net of reinsurance	$197,890

Years	1	2	3	4	5	6	7	8	9	10
Accident	18.8%	26.6%	24.1%	11.9%	5.8%	3.9%	2.9%	0.4%	0.8%	0.5%

	2023	2022
Reinsurance recoverable on unpaid losses	$ 111,268	$ 114,266
Reinsurance recoverable on paid losses	14,433	9,310
Total reinsurance recoverable	**$ 125,701**	**$ 123,576**

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:

	2023	2022
Direct	$ 106,900	$ 146,545
Assumed	27,375	12,467
Ceded	(55,254)	(57,063)
Total losses and loss adjustment expenses incurred	**$ 79,021**	**$ 101,949**

7. Premiums and Calls

		2023		2022
Premiums and calls written and billed	$	156,828	$	183,764
Change in unbilled premiums and calls		11,237		4,480
Return premiums		(7,012)		(2,419)
Reinsurance premiums ceded		(36,232)		(36,674)
Net premiums and calls written	**$**	**124,821**	**$**	**149,151**
Increase in net unearned premiums		2,697		2,554
Net Premiums and Calls Earned	**$**	**127,518**	**$**	**151,705**

8. Other Operating Expenses

		2023		2022
Management fee	$	23,332	$	21,315
Bad debts		5,960		2,054
Brokerage		21,368		21,338
Other		11,210		10,973
Total Other Operating Expenses	**$**	**61,870**	**$**	**55,680**

9. Commitments and Contingencies

Letters of Credit – At December 31, 2023 and 2022, the Association had outstanding letters of credit for $5.8 million and $3.8 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.

		2023		2022
Asbestos-Related Claims				
Aggregate gross losses paid to date at December 31	$	21,405	$	20,572
Loss reserves - reported		8,725		8,436
Loss reserves - unreported		12,521		12,521

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 $56.3 million and $42.0 million as of December 31, 2023 and December 31, 2022, 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, 2023.

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, 2023 the 5 Year Average Expense ratio calculated using net of brokerage premiums is 12.5% and the 5 Year Average Expense Ratio calculated on Gross Premium with brokerage included in Operating Costs is 19.0%.

This compares with the 5 Year Average Expense ratio calculated using net of brokerage premiums of 14.7%, and the 5 Year Average Expense Ratio calculated on Gross Premium with brokerage included in Operating Costs of 21.0% recorded for the five years ended December 31, 2022.

These calculations reflect all known information through December 31, 2023.

13. Subsequent Events

Subsequent events have been considered through July 2, 2024, the date these audited financial statements were available to be issued.

Unaudited Supplemental Schedules

Statement of Operations and Comprehensive Income (Loss) for the years ended December 31, 2023 and 2022

	P&I		FD&D	
IN THOUSANDS	2023	2022	2023	2022
INCOME				
Net premiums and calls earned	**$ 113,847**	**$ 129,978**	**$ 6,861**	**$ 6,519**
Net investment income	**3,748**	**3,329**	**875**	**399**
Unrealized gains on equity investments	**2,372**	**—**	**143**	**—**
Net realized investment gains	**221**	**1,296**	**13**	**65**
Total Income	120,188	134,603	7,892	6,983
EXPENSES				
Losses and loss adjustment expenses incurred	**70,250**	**81,873**	**4,241**	**4,078**
Unrealized losses on equity investments	**—**	**10,832**	**—**	**543**
Other operating expenses	**56,624**	**49,827**	**3,412**	**2,499**
Total Expenses	126,874	142,532	7,653	7,120
Net (Loss) Income	(6,686)	(7,929)	238	(137)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX				
Unrealized gains (losses) on investments	**2,467**	**(6,502)**	**149**	**(326)**
Other Comprehensive (Loss) Income	2,467	(6,502)	149	(326)
Comprehensive (Loss) Income	$ (4,219)	$ (14,431)	$ 387	$ (463)

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 for the years ended December 31, 2023 and 2022:

IN THOUSANDS		2023		2022
NET CLAIMS PAID				
Gross claims paid:				
Members' claims	$	114,816	$	65,987
Other Clubs' Pool claims		17,721		18,385
		132,537		84,372
Recoveries on claims paid:				
From the Group excess of loss reinsurance		24		—
From the Pool		34,762		154
Other reinsurers		23,134		13,361
		57,920		13,515
Net Claims Paid	$	74,617	$	70,857
CHANGE IN NET PROVISION FOR CLAIMS				
Claims outstanding:				
Members' claims	$	214,343	$	227,043
Other Clubs' Pool claims		86,994		77,340
		301,337		304,383
Reinsurance recoverables:				
From the Group excess of loss reinsurance		92		98
From the Pool		23,287		42,821
Other reinsurers		83,997		68,934
		107,376		111,853
Net claims outstanding at December 31		193,961		192,530
Net claims outstanding at January 1		192,530		175,289
Change in Net Provision for Claims	$	1,431	$	17,241

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

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 2019/20 policy year was closed as of March 31,2022, and the 2020/21 policy year was closed as of September 30, 2023, 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.

DEVELOPMENT OF OPEN POLICY YEARS

	POLICY YEARS		
	2021–22	2022–23	2023–24
INCOME			
Premiums and calls – net	$ 143,880	$ 116,418	$ 109,640
Premiums and calls – earned but unbilled	—	31,508	8,512
Investment income (expense)	(1,302)	(1,586)	1,842
Total Income	**142,578**	**146,340**	**119,994**
EXPENSES			
Net paid losses	50,831	36,026	3,565
Net pending losses	30,398	38,964	29,356
Unreported losses	2,168	6,363	21,402
Reinsurance premiums	32,211	36,212	37,871
Other operating expenses	27,176	29,680	27,833
Total Expenses	**142,784**	**147,245**	**120,027**
ACCUMULATED DEFICIT	**(206)**	**(905)**	**(33)**
MEMBERS' DEFICIT: OPEN YEARS	**$ (206)**	**$ (905)**	**$ (33)**

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

2021/22	$ 5,518
2022/23	$ 7,954
2023/24	$10,656

For the 2023/2024 policy year premiums and calls are stated on an earned basis to December 31, 2023. Expenses are stated on an accrued basis for the same period.

CLAIMS OUTSTANDING (INCLUDING UNREPORTED LOSSES) - OPEN YEARS

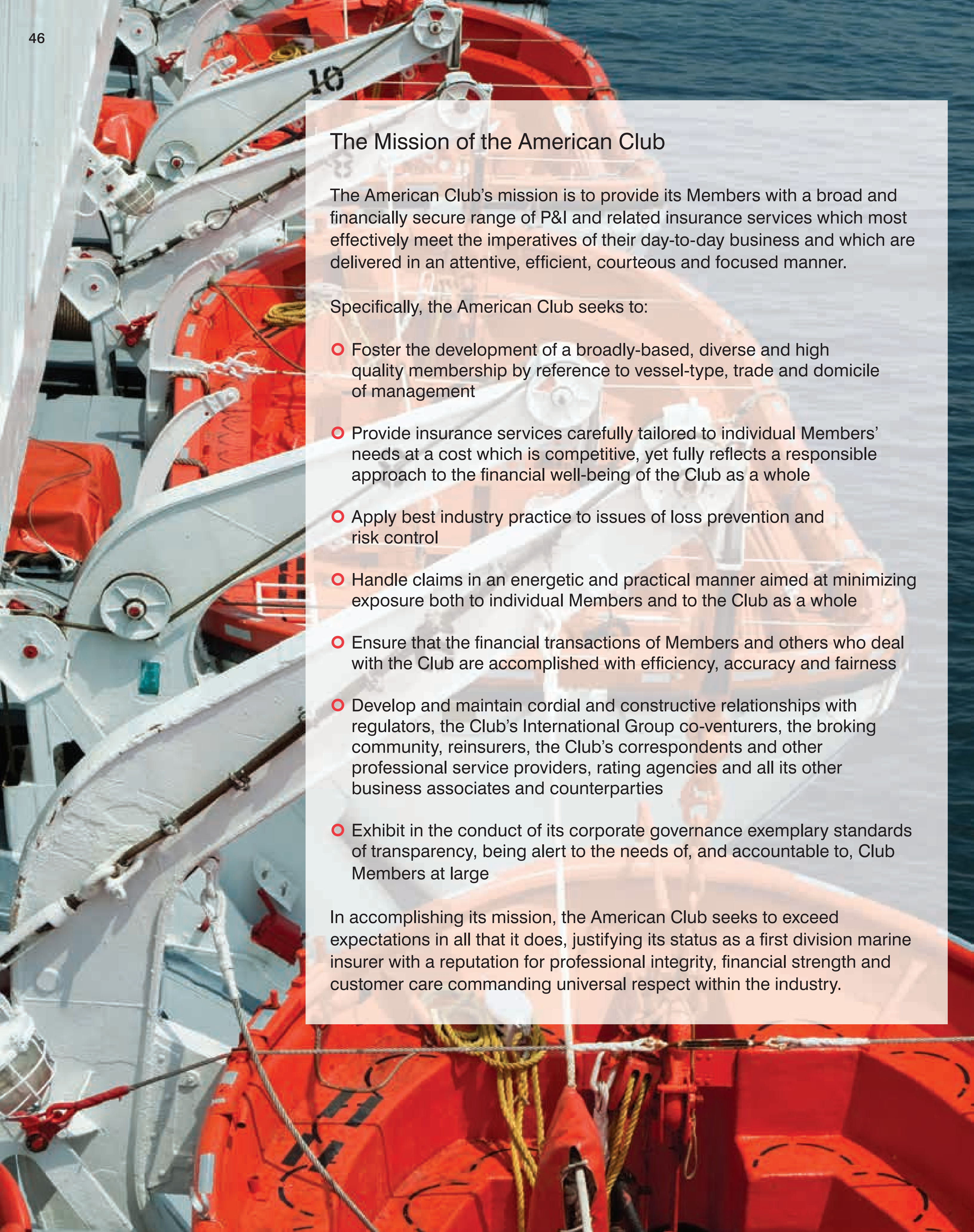
	POLICY YEARS		
	2021–22	2022–23	2023–24
Gross outstanding claims			
Members' claims	$ 30,304	$ 62,849	$ 43,575
Other Club's Pool claims	13,978	6,993	18,700
	44,282	**69,842**	**62,275**
Pending reinsurance recovery			
From the Pool	1,048	10,551	—
Other reinsurers	10,669	14,214	11,600
	11,717	24,765	11,600
Net Outstanding Claims	**$ 32,565**	**$ 45,077**	**$ 50,675**

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

	2023	2022
Closed Years' Balance, January 1	$ —	$ —
Total income earned	(2,753)	12,152
Net paid losses	22,282	29,068
Net pending losses	(16,094)	(8,730)
Unreported losses	(533)	(3,987)
Reinsurance premiums	(6,305)	(6,533)
Other operating expenses	7,568	5,678
Total expenses incurred	6,918	15,496
Unrealized investment gains (losses)	5,119	(18,194)
Transfer from closed policy year 2020/21	(1,123)	—
Transfer from closed policy year 2019/20	—	(4)
Net change	(5,675)	(21,542)
Transfer from (to) contingency fund	5,675	21,542
Closed Years' Balance, December 31	$ —	$ —
Contingency Fund Balance, January 1	$ 47,183	$ 68,725
Transfer from (to) to closed policy years	(5,675)	(21,542)
Contingency Fund Balance, December 31	$ 41,508	$ 47,183
Open Policy Years' Equity		
2020/21	$ —	$ (1,204)
2021/22	(206)	(1,100)
2022/23	(905)	(469)
2023/24	(33)	—
Total Members' Equity	$ 40,364	$ 44,410
Claims Outstanding (including unreported losses) – Closed Years		
Gross pending losses		
Members' claims	$ 77,615	$ 70,570
Other Clubs' Pool claims	47,322	37,428
	124,937	107,998
Pending reinsurance recovery		
From the Group excess of loss reinsurance	92	98
From the Pool	11,688	9,339
Other reinsurers	47,515	36,976
	59,295	46,413
Net Pending Losses	$ 65,642	$ 61,585

(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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Robert D. Bondurant, Deputy Chairman, MARTIN RESOURCE MGMT. CORP.

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General Counsel

LeRoy Lambert

As of June 1, 2024

AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION, INC.

SHIPOWNERS CLAIMS BUREAU, INC., MANAGER

One Battery Park Plaza, 31st Floor
New York, NY 10004 United States of America

TEL +1 212 847 4500
FAX +1 212 847 4599
WEB www.american-club.com
EMAIL info@american-club.com

2100 West Loop South, Suite 1525
Houston, TX 77027 United States of America

TEL +1 346 223 9900
EMAIL claims@american-club.com

SHIPOWNERS CLAIMS BUREAU (UK) LTD.

78-79 Leadenhall Street
London EC3A 3DH United Kingdom

TEL +44 20 7709 1390
EMAIL claims@scb-uk.com

SHIPOWNERS CLAIMS BUREAU (HELLAS), INC.

Filellinon 1-3, 3rd Floor
Piraeus 185 36 Greece

TEL +30 210 429 4990 1 2 3
FAX +30 210 429 4187 8
EMAIL claims@scb-hellas.com

SCB MANAGEMENT CONSULTING SERVICES, LTD.

The Workstation, 28th Floor
43 Lyndhurst Terrace, Central
Hong Kong SAR People's Republic of China

TEL +852 3905 2150
EMAIL hkinfo@scbmcs.com

SCB MANAGEMENT CONSULTING (CHINA) CO., LTD.

Room 905, Cross Tower
No. 318 Fuzhou Road
Shanghai 200001 People's Republic of China

TEL +86 21 3366 5000
FAX +86 21 3366 6100
EMAIL claims@scbmcs.com

SHIPOWNERS CLAIMS BUREAU (CYPRUS), LTD.

4, Kallitheas Street
Imperial House
2nd floor, Office 202
3086 Limassol, Cyprus

TEL +357 25 584545
FAX +357 25 584641
EMAIL info@asomic.eu