

JULY 5, 2001

CIRCULAR NO. 7/01

**TO ALL CORRESPONDENTS AND OTHER PARTIES PROVIDING
LEGAL SERVICES TO THE AMERICAN CLUB, *and***

TO THE MEMBERS (*for information*)

Ladies and Gentlemen:

THE COST OF LEGAL SERVICES

The provision of good value for money is at the core of the Club's mission. To this end, it is a key element of the management function to ensure that the cost of services ancillary to the payment of claims is kept under constant review.

Of these services, the supply of legal advice and intervention forms an important part. While this has always been the case, the cost of such services, as a component of Club expenditure overall, has expanded in recent years as the world has become more litigious.

The Club values its relationships with those who act on behalf of its Members to protect them from liability and thus minimize claims upon the mutuality. These relationships are central to the Club's business and its ability to supply speedy and effective service.

However, there have been cases in the recent past giving the Managers cause for concern that the level of some legal fees may not properly reflect the amount of work involved in a particular matter, its complexity or level of difficulty, the size of the claim in question, or all of these. On such occasions, the Managers have felt it necessary to question billings with a view to obtaining a reduction in cost or at least a precise explanation of the fee levels involved.

In view of the current size of legal service costs as part of the Club's total claims overhead, the Managers, with the full concurrence and support of the Board, will be maintaining close scrutiny of future billings. This is not intended as a generalized criticism of the cost of legal services, or their efficacy, but simply a reminder to those who advise the Club and its Members that, in the submission of fee notes, care should be taken to provide accurate analysis of the time and attention paid to individual matters.

The Club and its Managers appreciate the commitment of those who supply legal services in the defense of Members and are certain that the cost efficiencies which will emerge from the careful monitoring of fee levels will do nothing but enhance these important professional relationships in the years ahead.

Yours faithfully,

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