SHIPOWNERS CLAIMS BUREAU, INC., MANAGER
ONE BATTERY PARK PLAZA - 31ST FLOOR NEW YORK, NEW YORK 10004 USA
TEL: +1.212.847.4500 FAX: +1.212.847.4599 WEB: WWW.AMERICAN-CLUB.COM

JANUARY 11, 2018

CIRCULAR NO. 03/18

TO MEMBERS OF THE ASSOCIATION

Dear Member:

THE AMERICAN CLUB – A NEW YEAR'S PROGRESS REPORT

As 2018 begins, and as the American Club's next policy year draws near, it is hoped that this report on the Club's recent progress will prove both instructive and helpful. It amplifies several of the observations contained in **Circular No. 29/17** of November 17, 2017 which, inter alia, provided the background to the Club's premium requirements for the 2018 policy year.

The report highlights some of the latest Club metrics in regard to tonnage, premium, claims, investment income and free reserves. It also includes news regarding recent progress made by Eagle Ocean Marine (EOM) and American Hellenic Hull Insurance Co., Ltd.

Overview

As foreshadowed in the commentary contained in the November Circular mentioned above, the Club's key operational indicators have developed in a positive direction over the intervening period. Premium and tonnage have maintained their upward trajectory, claims have remained subdued – both in relation to attritional exposures and larger losses – and investment earnings have continued to outperform those of earlier years.

The following sections, and the tables and graphs they contain, provide further detail of these trends, setting them against the longer-term background of recent policy years.

Tonnage and premium development

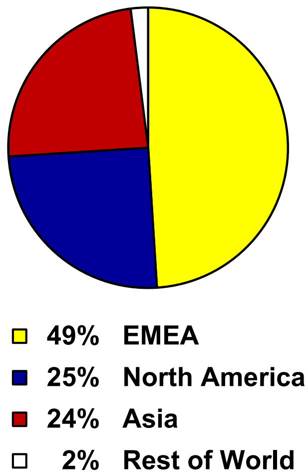
The table at the top of the following page indicates the distribution of the Club's membership by management domicile and vessel type, weighted by reference to tonnage and premium. The Club's profile in this respect has remained broadly stable over the past twelve months.

In terms of tonnage and premium growth, the figures for the 2017 policy year reported in Circular No. 29/17 of November 17, 2017 have continued to exhibit positive trends. Class I (P & I) tonnage has grown by 10% since February 20, 2017 and Class II (FD & D) by 11%. Similarly, P & I premium has increased by about 7.5%, and by 10% for FD & D business.

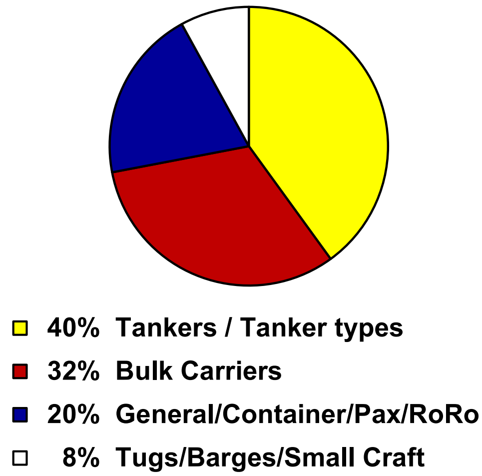
These tonnage increases over the past year have outperformed global industry growth, which was about 4%. In addition, the 24 month growth of the Club's tonnage has been comfortably in excess of 20%, compared with about 8% across shipping as a whole.

It is also pleasing to note that two-thirds of this growth is attributable to the organic expansion of existing Members' fleets. It is reasonable to expect that these trends will continue into 2018 as the prospects for both world trade generally, and the maritime sector in particular, continue to improve.

Management Domicile



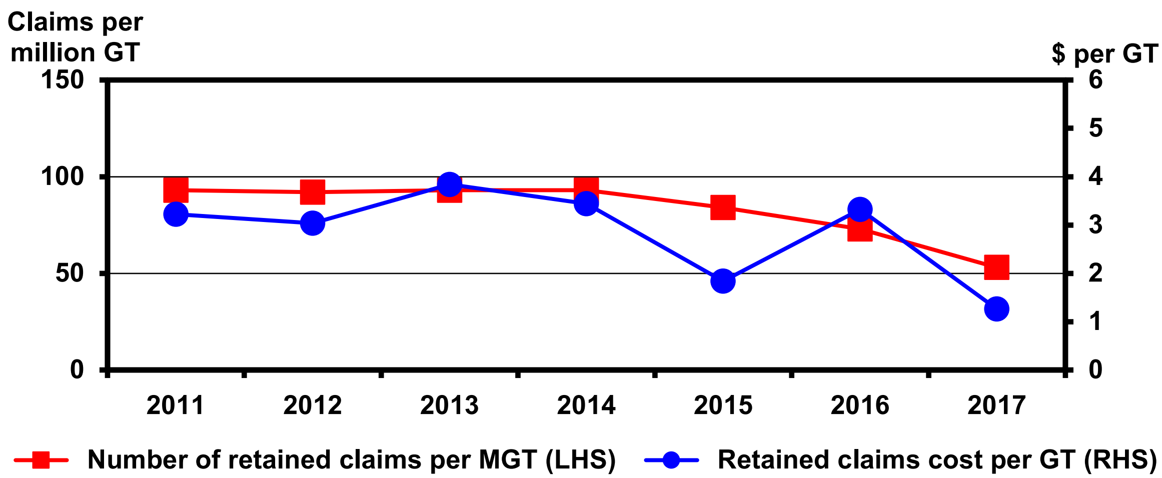
Vessel Type



Development of retained claims

The table below indicates the development of the American Club's retained claims since 2011 by reference both to the number of incidents per million GT and their average cost per GT. As will be seen, both the frequency and severity of losses have shown a downward trend in recent years.

2016 featured two unusually large claims early in the year. Absent those losses, the result for 2016 would have been better than that recorded for 2015 which was, itself, a record year. As to the development of the current policy year, figures as of December 20, 2017 show incurred claims 45% lower than those for 2016, and 8% better than those for 2015 at the same point of emergence. This augurs well for the year's ultimate claims outturn in due course.

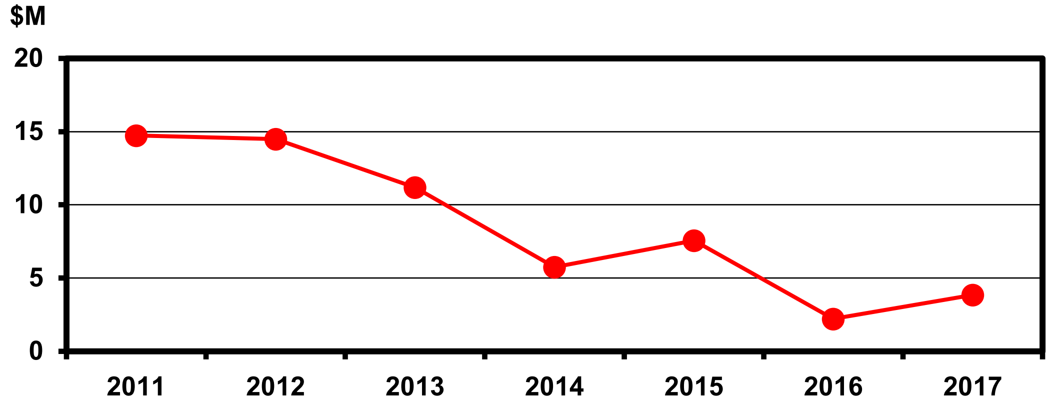


Figures as of December 20, 2017.

It is also worth noting that the reinsurance of the American Club's retained exposures for 2017 and beyond has been contracted on more comprehensive terms than those available in previous years. In the unlikely event that the favorable trends described above should reverse themselves, the new program would respond to provide significant reliability as to the Club's ultimate claims absorption for the current and future years.

Development of Pool claims

The table below sets out the cost of the American Club's exposure to Pool claims over recent years. As explained in the Circular of last November, the 2013 through 2016 policy years continue to develop favorably. 2017 has recently exhibited signs of developing at a higher level of exposure than the two previous years at the same point, but there is not at present cause for concern.



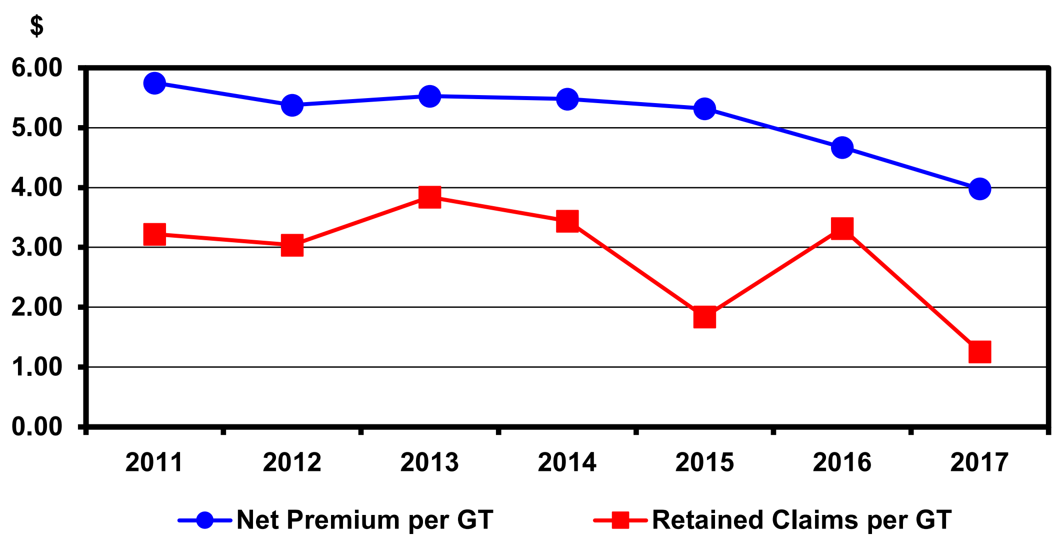
Cost of Pool claims to American Club as of December 20, 2017.

Development of premium per GT and retained claims per GT

The table below compares the average net premium per GT of Class I (P&I) entries by comparison with the average retained claims cost per GT.

The reduction in average net premium in 2016 and 2017 is a reflection of several trends which include diminishing fixed reinsurance overhead as a component of overall rating and general market conditions. However, lower levels of pricing have also been driven by a steady decline in the average cost of claims.

As will be seen, although claims costs for 2016 were more typical of the earlier period in the cycle, the trend exemplified by 2015 and 2017 (so far) has emerged in a steadily downward direction.

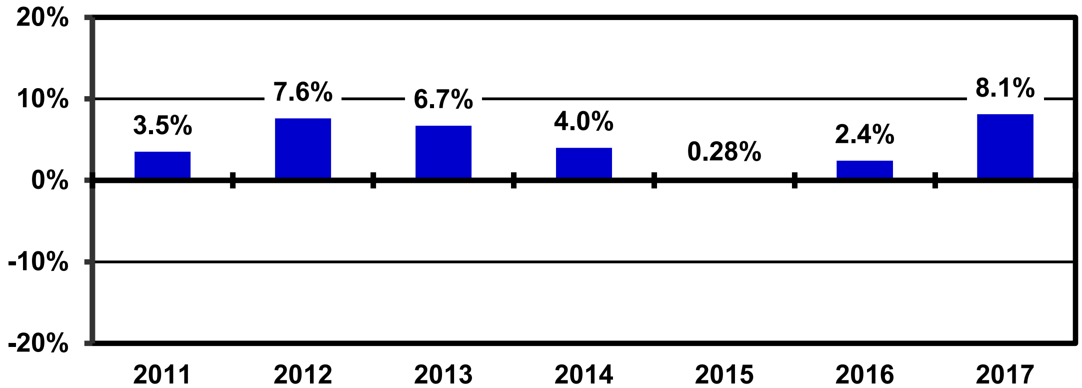


Figures as of December 20, 2017.

Investment performance

The American Club's investment performance over recent years is set out in the table below. The return of 8.1% for 2017 is the best the Club has achieved since 2009, and significantly better than that earned over the preceding four years.

The Club's policy in this important area has worked well in supporting its overall results in the past, and there are grounds for optimism that it will continue to do so in the future.

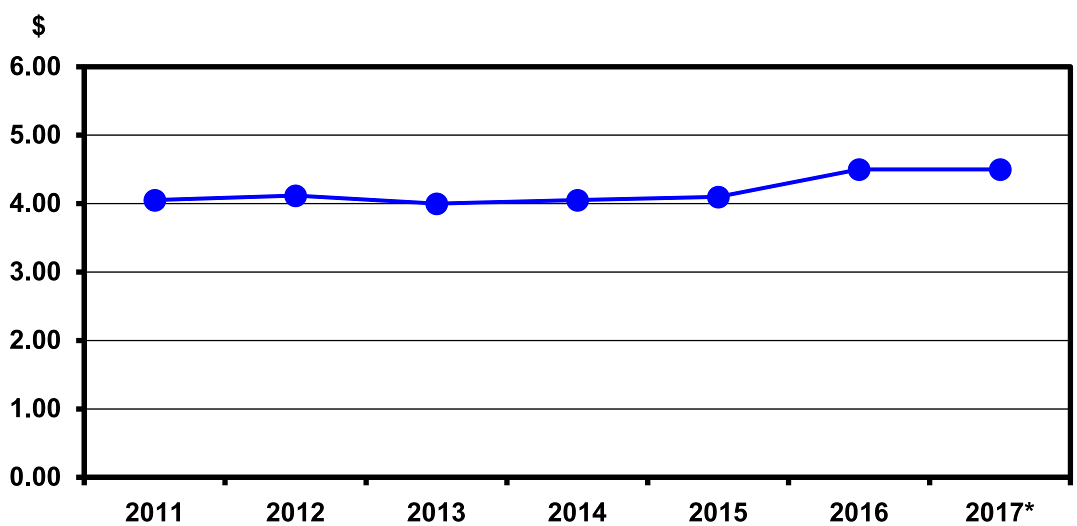


Percentage return on investments as of December 31 in each year.

Development of statutory surplus/free reserves per GT

The table below sets out the development of the American Club's statutory surplus (free reserves), as calculated by reference to the regulations of the New York State Department of Financial Services.

As will be seen, it has remained admirably consistent over recent years, supported by a benign claims environment, reasonable levels of pricing and respectable investment returns, all of which have played their part in maintaining the Club's strong profile in this regard.

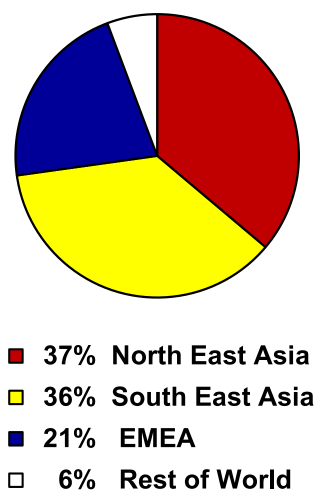


As of December 31 in each year. * Estimate.

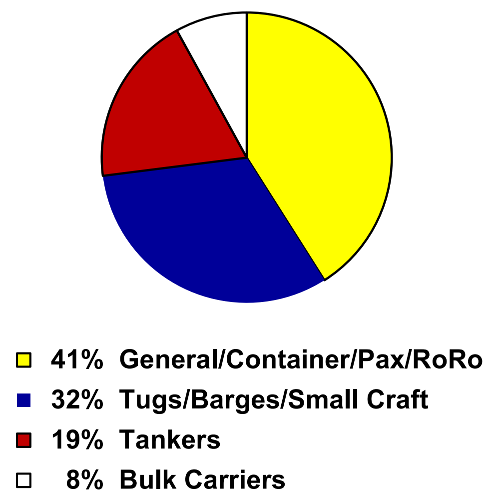
Eagle Ocean Marine

Eagle Ocean Marine, the American Club's fixed premium facility, continues to complement the Club's core mutuality as it grows its footprint throughout the world. The table below indicates the distribution of Eagle Ocean Marine tonnage by reference to management domicile and vessel type.

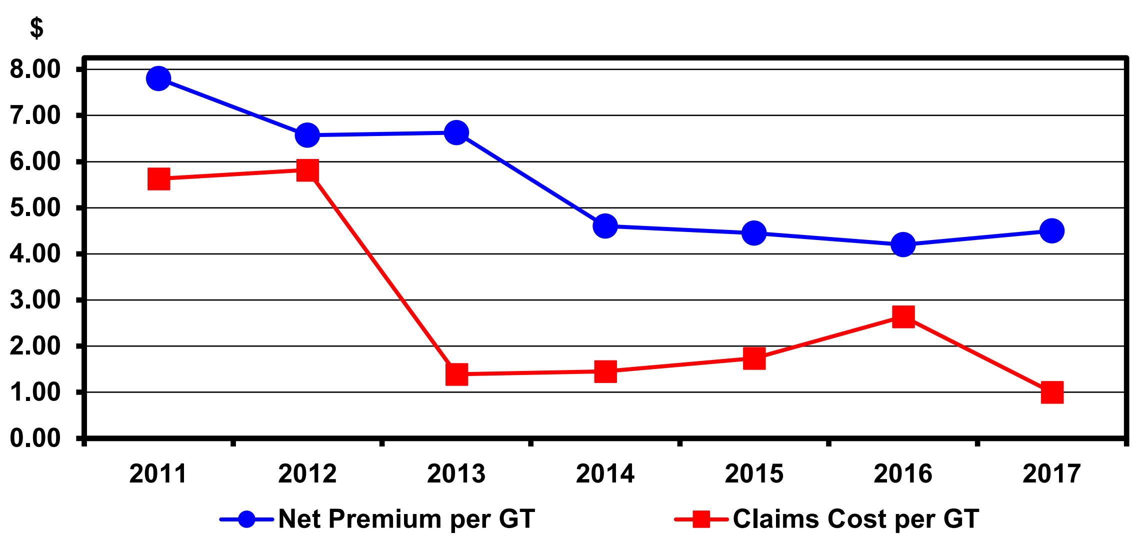
Management Domicile



Vessel Type



Over the last two years, Eagle Ocean Marine has experienced a compound premium growth rate of approximately 15% per annum, with commensurate increases in tonnage and units insured. It has also been able to maintain an aggregate combined ratio of less than 70% since its inception in July, 2011 to year-end 2017. This superior result is reflected in the table below, showing the development of net premium per GT by comparison with net claims per GT in each year.



Figures as of December 31, 2017.

American Hellenic Hull Insurance Co., Ltd.

American Hellenic Hull, the Cyprus-based, Solvency II-accredited insurer in which the American Club made a significant investment in 2016, has enjoyed steady growth during its first eighteen months of operation which concluded on December 31, 2017.

As of that date, it insured nearly 2,300 vessels within its portfolio, about 33% more than originally projected. Cumulative premium volume has similarly outperformed over the period, by about 17% in this case, notwithstanding persistently soft market conditions. The aggregate gross loss ratio for the business to date stands at an encouraging 57%.

The outlook for American Hellenic Hull is thoroughly positive. It is expected that 2018 will bring some increase in insured lines and rating, together with commensurate growth in the number of vessels covered, as well as continuingly respectable underwriting results.

In conclusion

The foregoing in intended to provide Members, their brokers and the Club's many other friends and associates with a useful picture of the Club's affairs - and those of its related businesses - at this important juncture in its continuing development.

As the American Club comes to the end of celebrating its centennial year, and on the back of the strong performance described above, it looks forward to beginning its second century of service to the global maritime community with its characteristic energy, and optimism for the future.

Yours faithfully,

Joseph E.M. Hughes

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