



**JUNE 20, 2019**

**CIRCULAR NO. 20/19**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

**THE AMERICAN CLUB'S ANNUAL REPORT AND ACCOUNTS FOR 2018.**

Your Managers are pleased to attach the [American Club's Annual Report and Accounts](#) for the year ended December 31, 2018. As will be seen, they are in an electronic format. They were approved at the one hundred and second Annual Meeting of the Members of the Club which took place in New York earlier today. Hard copies of this document will also be available from the Managers over the forthcoming period.

In presenting the attached accounts to the Annual Meeting, your Board referred to an intersection of two unusual factors which impacted the American Club's financial year results as of December 31, 2018. The first was a sharp increase, which emerged during the latter part of 2018, in the American Club's exposure to other clubs' Pool claims. Although 2018 policy year claims for its Members' own account were the best since 2002, these significantly larger than usual Pool losses materially affected an increase in the Club's combined ratio to 116% for the 2018 financial year, a figure nonetheless in line with experience elsewhere in the market.

The second factor was an episode of exceptional volatility in the investment markets which occurred during the closing days of December, 2018. This induced a reversal of the previously solid investment earnings recorded earlier in the year, leading to an unrealized investment loss at the time of the Club's calendar year-end financial reporting deadline.

However, these negative circumstances have in the meantime largely been dissipated by a rebound in the financial markets during the opening months of 2019 (the mid-June 2019 year-to-date return being 6.24%) and a continuingly benign development of claims for the Club's own account. Accordingly, having seen a decline in both GAAP and statutory surplus at year-end 2018, the position as of March 31, 2019 had improved substantially to almost identically the same figures as those of twelve months earlier, GAAP surplus having increased by some 11%, to just over \$50 million, and the statutory amount by over 8%, to approximately \$64 million, over the three months in question.

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

Yours faithfully,

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