AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION AND INDEMNITY ASSOCIATION, INC.
THE AMERICAN CLUB 1917
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

NOVEMBER 22, 2024

CIRCULAR NO. 23/24

TO MEMBERS OF THE ASSOCIATION

Dear Member:

**BACKGROUND TO THE 2025 AMERICAN CLUB RENEWAL.
DEVELOPMENT OF CLOSED AND OPEN POLICY YEARS.
REQUIREMENTS FOR THE 2025 POLICY YEAR.**

At its meeting held in New York yesterday, the Board of Directors reviewed the current market conditions as well as specific factors as they relate to the financial performance of the American Club. This Circular advises on the decisions consequently reached.

Background to the 2025 American Club renewal

During the past year, inflation and geopolitical conflict remained dominant factors in global shipping, impacting claims and operational costs. The more moderate Pool claims experience of the recent past was disrupted early in the 2024 policy year while the Club itself experienced a rise in value of claims above the attritional level.

Strategic actions taken over recent renewals have brought greater balance to the Club's results but a greater individual severity of large claims, increasing reinsurance costs, and realistic inflationary projections warrant continuing prudence as these trends relate to premium policy overall.

Development of closed and open policy years

Closed policy years

There has been favorable development of claims within closed policy years in addition to positive investment performance strengthening the contingency fund.

Open Policy Years

2022-2023

The 2022-2023 deficit was addressed by the recent assessment in September, and the release call margin remains at 2.5% with an aim to formally close this policy year during the first half of the 2025 calendar year.

2023-2024

This policy year remains in a positive surplus position as of September 2024. Claims continue to develop as budgeted and projected. In these circumstances, the release call margin for both the P&I and FD&D classes will be reduced from 20% to 15% over and above the total estimated premium for the year.

2024-2025

The 2024-2025 policy year losses are developing at a higher level than anticipated for this stage of the policy year, as it experienced early development of higher-value claims, both at the Pool and retention levels, although attritional exposures are developing slightly better than budget. With three and half months of the policy year remaining, it is too early to predict whether the higher individual claims severity will persist. In these circumstances, the release call margin for both the P&I and FD&D classes will be maintained at 20% over and above the total estimated premium for the year.

Release calls

The current release call margins for open years are set out above.

As to the factors supporting these decisions, the following are taken into account: 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 needs to consider in determining both its basic premium and, more particularly, release call needs in regard to open policy years.

Premium and related requirements for the 2025 policy year

While the last renewal saw a modest reduction in premium and tonnage, premium income growth over the intervening months has continued to outpace tonnage, strengthening relative premium rating levels. As a result, the Club approaches the 2025 renewal with premium rating better aligned to the risk landscape. However, as volatility persists – as evidenced by rising claims within the Pool as well as inflationary trends impacting people claims, along with the emergence of higher value of casualties in 2024 – rate adjustments will be needed to continue the process of delivering sustainable premiums in such an environment with long-tail liability claims.

Over recent renewals, the Club's policy has been to employ a Member-specific approach reflecting individual assessment of records, trade and intrinsic risk profiles for treatment of pricing and terms of cover.

Within this context, to take account of inflation and developing trends in the claims environment, the Board has mandated the implementation for 2025 of a year-on-year targeted overall increase in the pricing of risk of 7% on expiring rates for all classes of the Club's business.

Accordingly, the Board has instructed the Managers to apply the following policy for the renewal of Members' entries for the 2025 policy year.

Mutual Protection and Indemnity (P&I) Insurance

- All expiring estimated total premium to have no standardized, or general, increase, subject to an overall target increase of 7%.
- The component of premium represented by the Club's International Group reinsurance arrangements for 2025 to be adjusted separately and additionally.
- Premium will be defined as estimated total premium for 2025.
- All estimated total premium will be debited in four equal installments due March 20, June 20, September 20 and December 20, 2025.
- Premium (call) to release will be charged as an additional margin of 20% of estimated total premium for the year.

Mutual Freight, Demurrage and Defense (FD&D) Insurance

- All expiring estimated total premium to have no standardized, or general, increase, subject to an overall target increase of 7%.
- Premium will be defined as estimated total premium for 2025.
- All estimated total premium will be debited in two equal installments due March 20 and August 20, 2025.
- Premium (call) to release will be charged as an additional margin of 20% of estimated total premium for the year.

Fixed Premium Protection and Indemnity and Damage to Hull (DTH) Insurance

- All fixed premium P&I and DTH entries (e.g., those for charterers' risks) to have no standardized, or general, increase, subject to an overall target increase of 7%.

Fixed Premium Freight, Demurrage and Defense (FD&D) Insurance

- All fixed premium FD&D entries (e.g., those for charterers' risks) to have no standardized, or general, increase, subject to an overall target increase of 7%.

In addition, as retention levels for reinsurance adapt to these developing trends, so must applicable deductible levels adapt to the risk landscape. The last two renewals have seen no standard increases on expiring deductible levels, despite a changing reinsurance environment. Inflationary pressures continue to prevail upon claims generally, and in concert with the premium guidance above, the Board has decided that, for 2025, all deductibles of US$50,000 or less, per claim, be increased by 10% subject to a minimum increase of US$2,500 in each instance.

Subject to these general conditions, and as discussed above, Members' premium rates and terms of entry for 2025 will be assessed by reference to their own particular circumstances, including their loss records, vessel-type, trade and regional factors, as well as other relevant aspects as determined by data-driven analysis, in addition to the consideration of Members' individual risk profiles, subject to which further adjustments may be made as appropriate.

Furthermore, it will also be a condition for renewal that:

- all premiums and other sums due to the Club be fully paid up-to-date prior to February 20, 2025, as a condition of continuing cover; and
- all outstanding survey etc. requirements be completed prior to February 20, 2025, as a condition of continuing cover.

The Board and Managers thank the membership for its commitment through the years and remain dedicated to service excellence underpinned by financial security for the years ahead.

The Managers will be in contact with individual Members with their proposals for renewal over the forthcoming weeks. If, in the meantime, any Members should require clarification in regard to the above, or generally, the Managers will be pleased to respond.

Yours faithfully,

Dorothea Ioannou, CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB