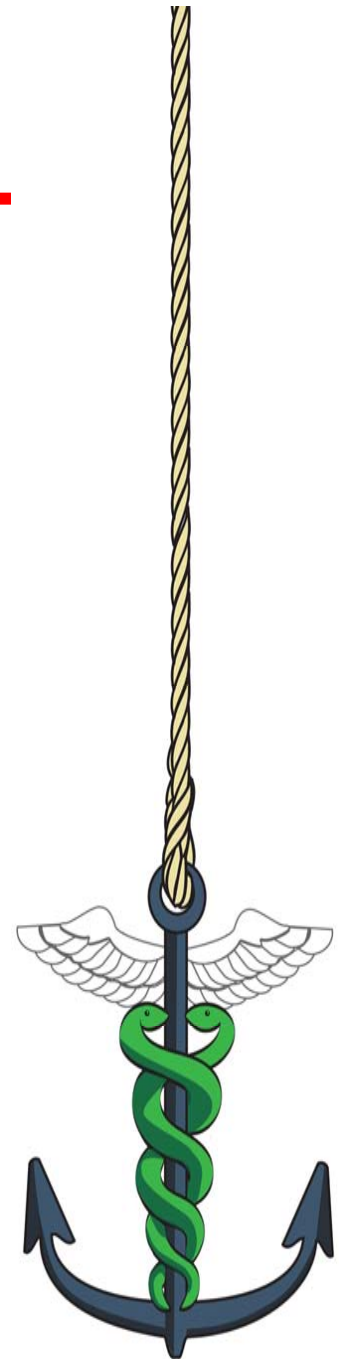

The American Club Pre-Employment Medical Exam (PEME) Program

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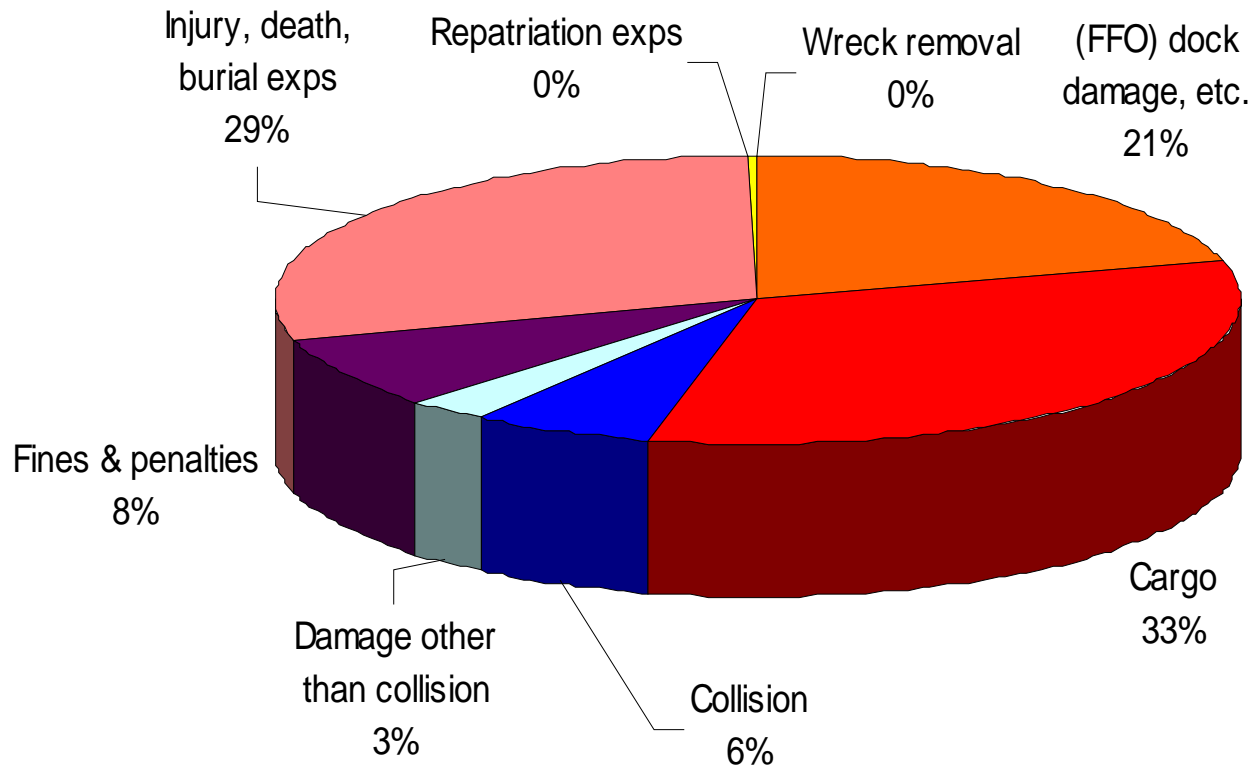


Agenda



- History of American Club PEME program
- Requirements and policies of the Club
- Potential pitfalls and guidance for compliance
- Procedures to be considered by Members to comply
- Club Guidelines for non-PEME required countries

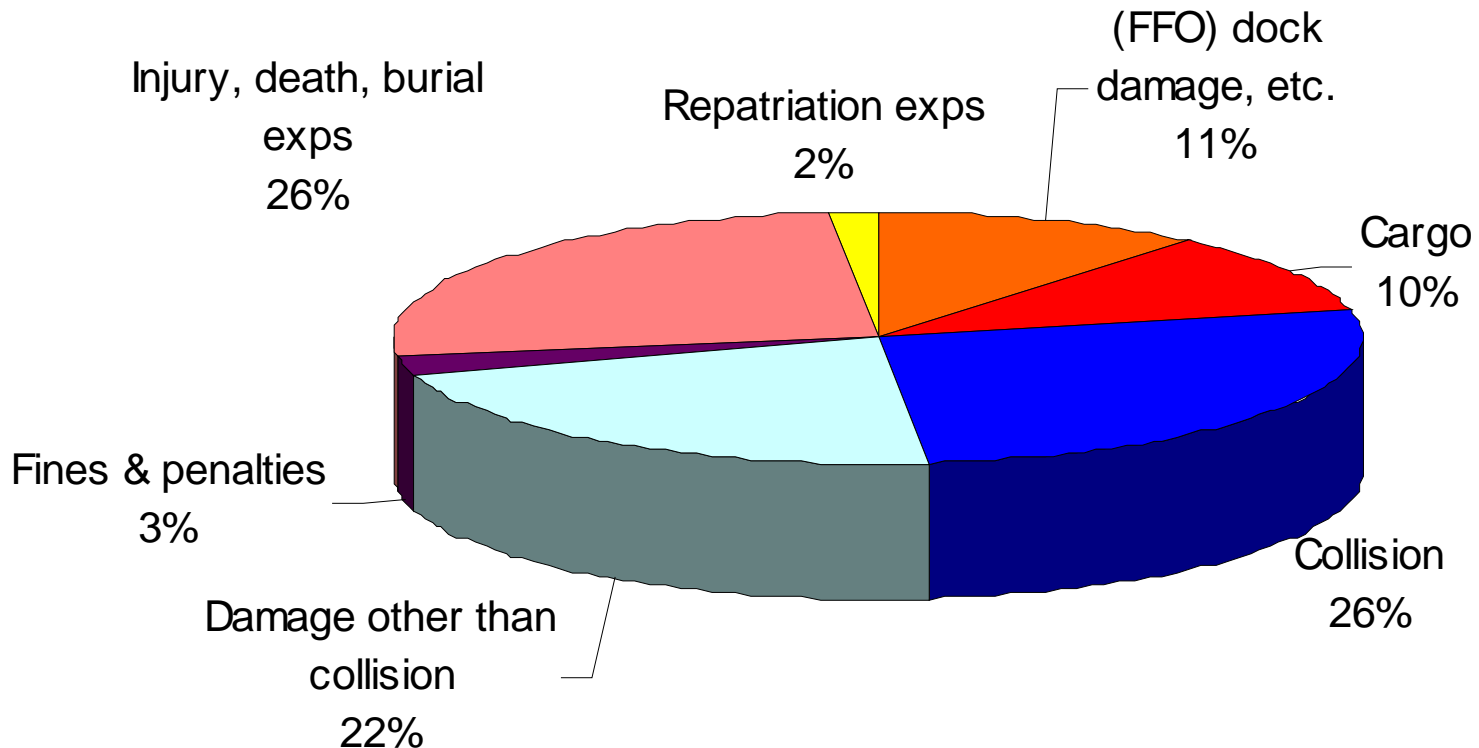
Total number of claims by type (P&I only) (2001-2003)



Total of 2,897 claims reported.



Percentage of claims costs by type (P&I only) (2001-2003)



Total of 91.3 million paid.



Brief History of PEME program

A study of claims in October 2003 showed that 1 out of 4 seafarer illness/injury claims were related to pre-existing illness conditions

- 840 cases considered from the data

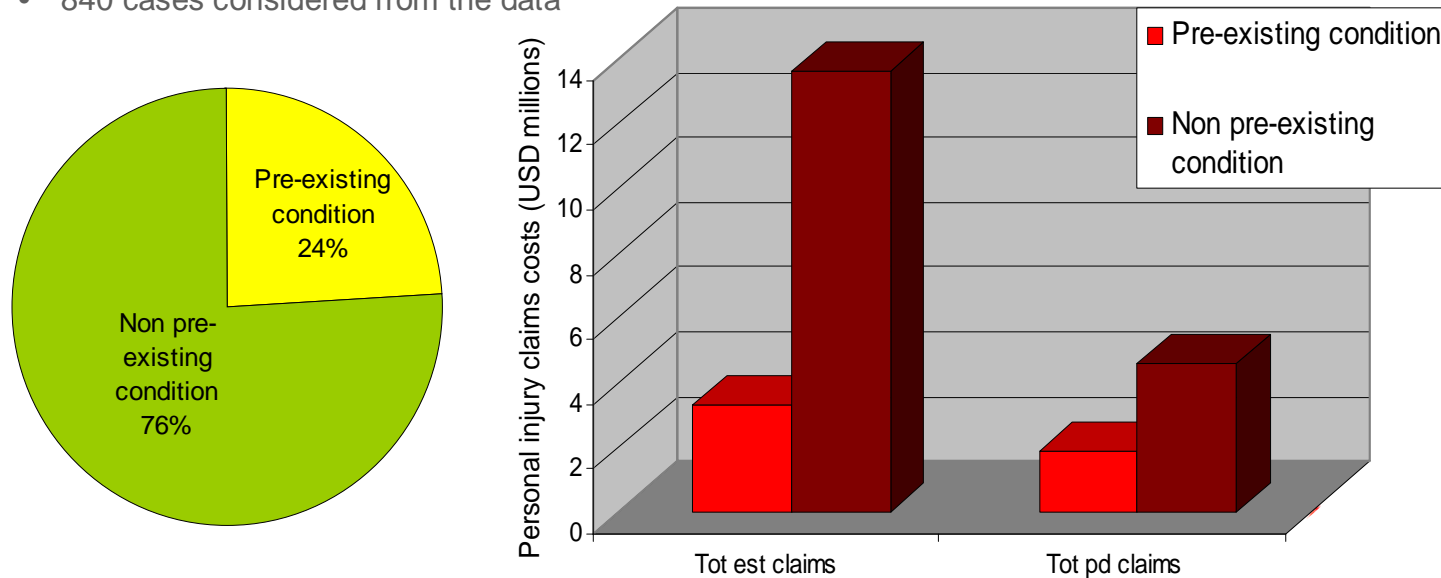


Figure 1: Ratios of pre-existing illnesses as they relate to frequency and cost of claims (Source: *Analysis of claims: 2001-2003: An overview for the American Club, part 1-general analysis*)

Brief History of PEME program (cont.)

- A review of Member's seafarer profiles showed the majority of non-US based seafarers come from Ukraine and Philippines
- March-April 2004: 4 clinics approved in Odessa and 6 clinics approved in Manila
- At that time the program was voluntary and Members responded very positively
- March 2005: additional clinic was added in Mariupol
- May 2005: Conservative estimate for cost savings for first year of program: **USD \$2.25 million**



Brief History of PEME program (cont.)

- November 2005: Club BoD approved mandatory application of program for Ukraine and the Philippines that became effective on 20 February 2006
- May 2006: Conservative estimate for cost savings for second year of program: **USD \$2 million (total savings USD \$4.25 million)**
- May 2006: PEME programme expanded to Latvia, Poland, Romania and Russia
- February 2007: Mandatory application of program for all 6 countries
- April 2007: Conservative estimate for cost savings for third year of program: **USD \$2.5 million (total savings USD \$6.75 million)**



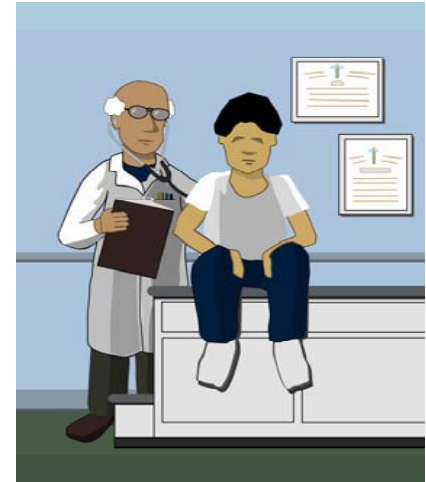
Brief History of PEME program (cont.)

- January 2008: PEME program expanded to include port cities where ships transit including Athens, Antwerp, Hong Kong, Rotterdam, Santo Domingo, Singapore and US gulf, west and east coast locations
- September 2008: New medical questionnaire added to Club PEME form and clinics added in India and Indonesia
- February 2009: Mandatory application of PEME to include India and Indonesia
- June 2009: 8 countries with required PEMEs (India, Indonesia, Latvia, Philippines, Poland, Romania, Russia and Ukraine). A total of 53 clinics in 15 countries authorized by the Club



Requirements and policies of the Club

- Seafarers from the 8 required nations must attend a Club approved clinic with the following requirements:
 - American Club Medical Form must be completed, signed and dated
 - Medical history questionnaire must be completed
 - All required tests must be completed to the Clubs PEME guidelines– Members cannot pick and choose tests
 - Clinics will not issue Club PEME forms if not all required tests are completed
- Seafarer must join vessel w/in 30 days of exam and Club PEME's valid for one (1) year
- Dispensation for extension can be made with prior approval of the Managers



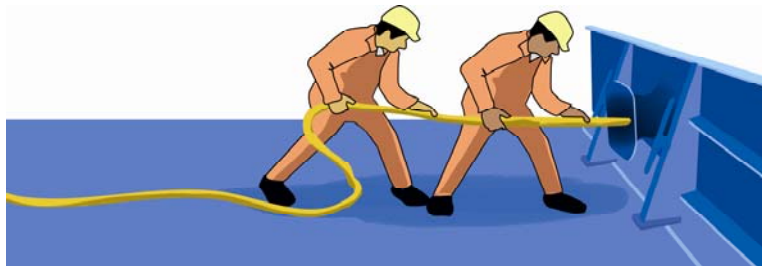
Pitfalls in PEME Compliance by Members

- 4 primary problems seen by the Managers
 - Seafarer's PEME is not performed at an American Club approved clinic
 - Seafarer's PEME is performed at a Club-approved clinic, but the required American Club medical form is not issued
 - Seafarer's PEME is performed at a Club approved clinic, but the full range of required medical examinations and tests is not performed
 - Forged American Club PEME forms



Requirements and policies of the Club (cont.)

- Club policy for violations of PEME program?
 - **Double Deductible:** "apply a deductible twice that which would otherwise have applied to a claim arising from the illness of a crew member falling within the ambit of this clause, notwithstanding that such claim would have arisen regardless of the Member's failure to comply with any of the obligations set out..."
 - **Denial of claim:** "deny any claims for the death, illness or injury of a crew member falling within the ambit of this clause, or any expense incurred in respect thereof, in whole or in part, arising from a medical condition which could have been discovered if the Member had complied with the obligations.... Whether or not such medical condition could have been discovered if the Member had complied with the said obligations shall be a matter for the sole and exclusive determination of the Managers."



Procedures Members should consider

- Members must clearly instruct manning agents of Club PEME policy
- Members should regularly check to ensure PEME's are valid by contacting the clinic directly or the Club Managers to assist
- Managers regularly check validity of PEME's with clinics on behalf of Members
- Members **MUST** ensure (either directly or through their manning agent) that seafarer is to have a Club approved PEME
- Members should check that all relevant documentation (especially the Club PEME form has been completed prior to employment
- Updated list of approved clinics is on the Club website at www.american-club.com under "Loss Prevention"
- Updated PEME forms for all required countries is also found on website under "Loss Prevention"



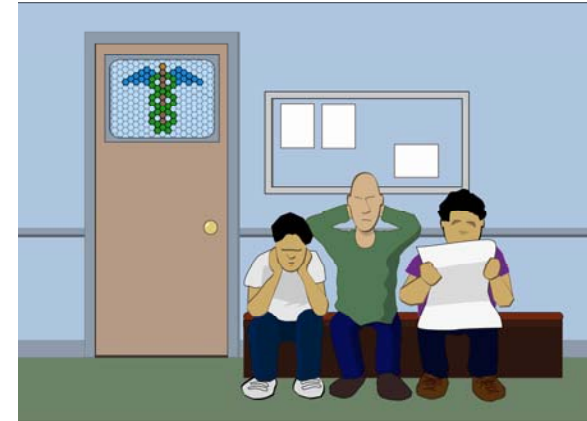
Non-PEME required countries

- Club Circular 25/08 was issued to address seafarers from nations not required to attend approved clinics:
 - Members are encouraged to use the standardized Club form and medical examination guidelines
 - Not required to date, but Board and Managers will continue to evaluate and consider if future mandatory implementation will be applied



Procedures Members should consider (cont.)

- Important up to date relevant Circulars to be kept by Member and manning agents for 8 required PEME countries:



- **Circular 12/08** (June 10, 2008): PRE-EMPLOYMENT MEDICAL EXAMINATION (PEME) PROGRAM: CONCERNS REGARDING NON-COMPLIANCE WITH CLUB REQUIREMENTS
- **Circular 24/08** (November 24, 2008): PRE-EMPLOYMENT MEDICAL EXAMINATION PROGRAM (PEME): AMENDMENT TO CLUB PEME FORMS TO INCLUDE MEDICAL HISTORY QUESTIONNAIRE

Procedures Members should consider (cont.)

- Important up to date relevant Circulars to be kept by Member and manning agents for countries other than the 8 required PEME countries:
 - **Circular 25/08** (November 25, 2008): PRE-EMPLOYMENT MEDICAL EXAMINATION PROGRAM: GUIDELINES FOR SEAFARERS ORIGINATING FROM COUNTRIES OTHER THAN THOSE WITH AUTHORIZED MEDICAL CLINICS
 - **Circular 12/09** (April 22, 2009): PRE-EMPLOYMENT MEDICAL EXAMINATION (PEME) PROGRAM: TRANSLATION OF CLUB MEDICAL FORMS AND GUIDELINES INTO CHINESE (translation of Circular 25/08 into Mandarin)

Summary

- Program was developed to prevent spurious illness claims for Members
- Program is not meant to be punitive but helpful to prevent against illness claims
- Feel free to pass PEME forms onto the Managers to be periodically verified
- If in doubt or you have questions feel free contact the Managers (W Moore) directly via email at william.moore@american-club.com or phone at +1 212 847 4542!

