

CIRCULAR

Shipowners Claims Bureau, Inc., Manager
60 Broad Street – 37th Floor
New York, New York 10004 U.S.A.



NOVEMBER 17, 2003

CIRCULAR NO. 17/03

TO MEMBERS OF THE ASSOCIATION

Dear Member:

PREMIUM RATING FOR THE 2004 POLICY YEAR

At its recent meeting in Copenhagen, your Board considered premium policy for the year commencing February 20, 2004. This Circular describes the background to the Board's deliberations and the decisions which were reached.

Background

Your Board reviewed a wide variety of issues in the course of its discussions. These issues included the claims trends experienced in recent years, prospective trends over the forthcoming twelve months – particularly in light of the continuingly favorable freight market conditions likely to entail higher levels of shipping activity, as well as a concomitant incidence of claims – and the future potential for contribution to overhead arising from improved investment earnings.

As to the development of open policy years, it was noted that while 2000 and 2001 were performing much in line with expectations, 2002 had shown some deterioration from earlier projections. 2003 was presently in a satisfactory position, exhibiting a respectable surplus at an early stage of development.

However, since the very recent implementation of the Club's new IT system had delayed the claims review customarily undertaken by the Managers in September and October, a completely updated analysis of open year results had also been somewhat delayed. The detailed review of these results will instead be contained in a further Circular over the next few weeks following upon the Club's routine third-quarter policyholder surplus report to the New York State regulator.

Notwithstanding this, and while acknowledging significant revenue development in the recent past, your Board concluded that, as many other International Group clubs had observed, there remained a need to achieve levels of premium rating sufficient to match increasing exposures in a continuingly hostile liability climate.

Sensibly economic premium levels would also have the effect of enhancing the Club's financial strength in respect of which good progress had been made despite the deep recession experienced in the securities markets. Indeed, although gains in the equity sector had been encouraging of late, your Board was of the view that reliance upon prospective investment performance was no substitute for solid underwriting results as the best way forward to continuing financial stability.

The decisions reached: premium rating for the 2004 policy year

Having taken these many issues into account, your Board adopted the following policy as to the Club's premium rating for the year commencing February 20, 2004.

Mutual Protection and Indemnity Insurance

- All expiring mutual P&I entries to be subject to a general increase of 17.5% on annual estimated total premium.
- Any additional costs of the International Group's reinsurance arrangements to be added as an additional surcharge to estimated total premium, recognizing however that the cost and structure of these arrangements have not, at the time of this Circular, been finalized.

Tel: 212-847-4500
Fax: 212-847-4599
E-mail: info@american-club.net
Website: www.american-club.com

- All mutual P&I premium to be characterized as Advance Premium (Call) with a 0 (zero)% Supplementary Premium (Call) estimate, i.e. Advance Call to equate to 100% of estimated total premium. This compares with a 2003 policy year estimate of 20% by way of Supplementary Call. Moving to an Advance Call requirement representing 100% of estimated total premium will improve the Club's cash flow in 2004, bring it into line with practice elsewhere in the International Group and create administrative efficiencies.
- All mutual Advance Call P&I premium to be debited in four equal installments due March 20, June 20, September 20 and December 20, 2004.
- Premium (Call) to Release to be 25% of the relevant Advance Call.

Mutual Freight, Demurrage and Defense Insurance

- All expiring mutual FD&D entries to be subject to a general increase of 10% on annual estimated total premium.
- All mutual FD&D premium to be characterized as an Advance Call with a 0 (zero)% Supplementary Call estimate, i.e. Advance Call to equate to 100% of estimated total premium.
- All mutual Advance Call FD&D premiums to be debited in two equal installments due March 20 and September 20, 2004.
- Premium (Call) to Release to be 25% of the relevant Advance Call.

Fixed Premium Protection and Indemnity and Damage to Hull Insurance

- All fixed premium P&I and DTH entries (i.e. those for charterers' risks) to be subject to a general increase of 17.5%.

Fixed Premium Freight, Demurrage and Defense Insurance

- All fixed premium FD&D entries (i.e. those for charterers' risks) to be subject to a general increase of 10%.

General

As is routinely the case at every renewal, following the application of the general increases set out above, Members' premium ratings will be reviewed against the background of their individual loss records and other relevant factors and a further adjustment – either up or down – made as appropriate.


Members should also be aware that all premiums and other sums due to the Club must be fully paid up to date prior to the renewal as a condition of continuing cover.

Next steps

Your Board knows that increases in premium are never welcome, but remains firmly of the view that it is in the best interests of the Club and its Members to make such increases as are necessary to maintain the Club's financial strength and future progress.

The Managers will be in further contact with individual Members as to renewal proposals over the forthcoming weeks. If, in the meantime, any Member should require clarification of the above, the Managers will, as always, be pleased to respond.

Yours faithfully,


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