

AMERICAN

BB+
S & P
Rating

\$7M
Surplus

101%
Combined
Ratio

35%
Unbudgeted
Supplementary
Call
(2022)

Overview

- The American Club report for the year ending December showed their best underwriting performance in 14 years, after an 11% reduction in incurred claims, but still the underwriting result ended in a (modest) deficit.
- Against a background of an increase in large claims and a record year for IG pool claims, the Club has reported a much improved performance with a 4.2% investment return adding US\$ 8m, to give an overall surplus of US\$ 7m and free reserves up 17% to US\$ 47m.

Key Performance Indicators

		2025	2024	2023
S&P Rating		BB+	BB+	BBB-
Gross Owned Tonnage	Mil	19	19	19
Combined Ratio	%	101	110	104
Investment Return	%	4.2	7.9	-10.3
General Increase	%	7	7.5	10
Solvency	%	124	122	123
Movement in Net Premiums	%	-4.7	-15.9	5.9
Movement in Free Reserves	%	16.5	-9.1	-30.3
Movement in Incurred Claims	%	-10.7	-22.5	-8.5
AER (Average Expense Ratio)	%	18.4	19	21
Increase in GT	%	0	0	0
Average net PR per GT	\$	6.39	6.71	7.98
Free Reserves per GT	\$	2.47	2.12	2.34
Surplus / (Deficit) (Mil)	\$	7	(4)	(19)

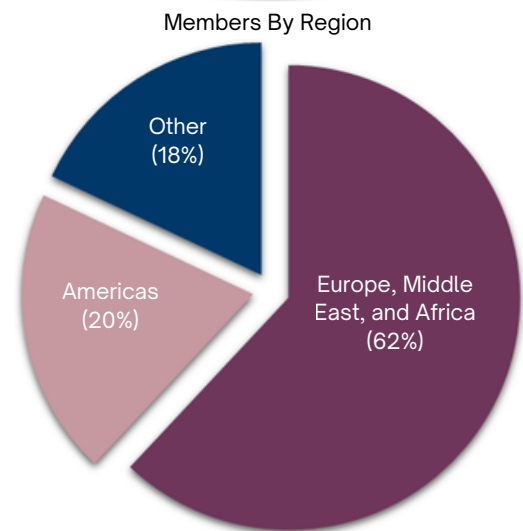
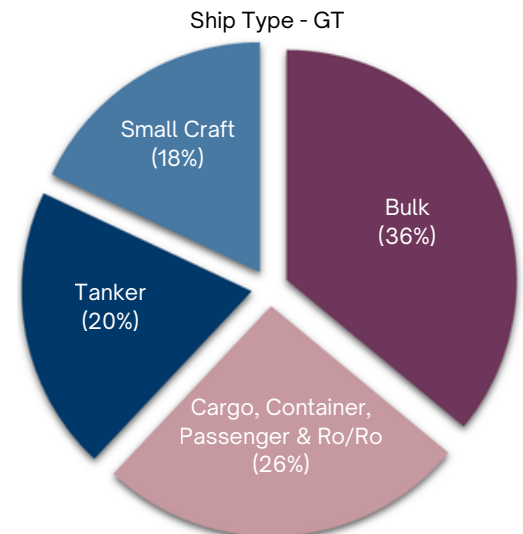
Underwriting

- After a 7.5% General Increase at the 2024 renewal, the tonnage and premiums were lower compared to the previous year with net premium income down nearly 5%, which was partially due to the Club's decision to reduce risk in the portfolio due to under-performance and a re-emergence of the "churn" effect as older tonnage was replaced by newer lower risk vessels.
- The good news on the claims front was the level of attritional claims was similar to 2023, which has been a recurring experience in the IG. This was in stark contrast to the larger value claims which had experienced an increase in frequency and severity, with the IG pool claims rising to a new record high. The Club incurred two incidents which were notified to the IG as potential claims, plus an earlier claim arising from a loss of a container ship in the Red Sea and the subsequent cost of retrieving lost containers.
- The 2022 policy year had suffered from a trend of inflated claims and consequently the board levied a 35% supplementary call to cover the deficit.

Investments

- The Club maintained a prudent approach to investment asset allocation with only 19% of the investment assets in equities, with the remainder in cash and government and corporate bonds. The financial markets were driven by early expectations of positive developments, but towards the end of the year new geopolitical concerns and financial uncertainty following the US presidential election led to a more conservative outcome. The equities performed well with a return of 11.4%, but the overall return was driven by the larger bond portfolio. The overall return was 4.2% with income of US\$ 8m.

Balance Sheet	US\$000's	2025	2024	2023
Investments		150,094	129,149	131,215
Cash		46,108	41,234	28,997
Debtors		95,677	106,074	149,141
Other Assets		11,976	8,744	10,031
Total Assets		303,855	285,201	319,384
Outstanding Claims		197,532	183,457	192,276
Creditors		59,315	61,380	82,698
Total Liabilities		256,847	244,837	274,974
Free Reserves		47,008	40,364	44,410
Revenue Statement	US\$000's	2025	2024	2023
Net Premiums		121,487	127,518	151,705
Net Claims Incurred		70,603	79,021	101,949
Management Costs		51,803	61,870	55,680
		122,406	140,891	157,629
Underwriting Surplus / (Deficit)		(919)	(13,373)	(5,924)
Investment Income / (Loss) Less Tax		7,563	9,327	(13,337)
Surplus / (Deficit)		6,644	(4,046)	(19,261)



Outlook

- The American Club has bucked the trend by reporting much improved underwriting results following a reduction in incurred claims, while other Clubs suffered the impact of a barrage of expensive claims within their own retention and in the IG pool.
- The results were helped by the Club's fixed premium small vessels company Eagle Ocean Marine, which maintained a positive contribution to the Club with a combined ratio of 90%. There was also a US\$ 10m reduction in the management costs which was a great help, but these costs still represent 43% of the net premium income, which clearly handicaps the underwriting results.
- The Club has tried to reduce "risk" in its underwriting portfolio, but it does have a history of under-providing for outstanding claims. Last year the 2023 policy year deteriorated by US\$ 13.4m and there were further deteriorations on earlier years of US\$ 10.2m. The 2024 policy year had paid and outstanding claims of US\$ 54m after twelve months compared to US\$ 33m on 2023 after 12 months, but the IBNRs for 2024 were only US\$ 12m compared to US\$ 21m a year earlier which ultimately proved too low.
- The Club has retained its S&P BB+, sub investment grade credit rating. The free reserves of US\$ 47m, include US\$ 43m of unbilled premiums and calls, which perhaps highlights the Club's vulnerability.