Background Themes

Negative trends

• Economic conditions generally
• Inflation, especially in relation to commodity prices
• Unfriendly jurisdictions
• Legal expenses

Underwriting/risk control responses

• Pricing
• Cover Terms
• Loss prevention
• Proactive claims handling
Proportion of claims < $1 million compared to total (gross) by year

Figures as of 2.20.2011
THE CLAIMS COST LANDSCAPE (con’t)

**Average claims size: </> $1 million**

Average cost of claims for own account after reinsurance recoveries as of 2.20.2011

- **Blue line**: and left-hand scale: average value of claims > $1 million per claim.
- **Red line**: and right-hand scale: average value of claims < $1 million per claim.
NEGATIVE TRENDS (1)

Commodity price inflation, 12 months to 4.26.11

Source: The Economist

* Non-food agriculturals
NEGATIVE TRENDS (2)

Unfriendly jurisdictions

- West Africa
- North Africa
- Middle East
- Parts of the US
- Parts of Europe
- Parts of Asia

Different types of unfriendliness!
Pricing

- Know your client
- Know your exposure
- Know your overhead
- Be open-minded
- Be disciplined
- Review and create feedback
Cover terms

- Know your cover terms
- Know implications of cover terms
- Be judicious as to deductibles
UNDERWRITING/RISK CONTROL RESPONSES

Loss prevention

- Know in-house capabilities of client
- Share expertise
- Encourage partnership thinking
- Adopt rigorous but realistic standards
- Monitor and encourage feedback
UNDERWRITING/RISK CONTROL RESPONSES

Proactive claims handling

- Take an interest
- Be skeptical where necessary
- Get handle on costs upfront
- Properly reserve
- Diary-date and monitor
- Don’t be afraid to challenge assumptions
American Club: Frequency of claims

Number of claims notified and number per million GT: annual counts to 2.20.11.
Excluding files relating to survey costs only and International Group Pool claims

* Initiative taken to consolidate business in 2006
American Club: Moderating claims development

Progress of annual claims development: 2004 to 2010 inclusive as of 11.20.10.
American Club: Improving loss ratios

Cumulative net loss ratios for all business: historical five year “look back” at 8.20 in each year, current year excluded.
Conclusions

- Over 99% by number of international, blue-water claims < $1 million
- Aggregate value varies as percentage of gross total
- Negative trends broadly follow US experience
- Underwriting/risk control responses of universal application
- Know your clients, insuring conditions and proper price!
- Clear focus can have measurable impact on improving results!
THE NEW P&I WORKING LAYER:
BUILDING ON THE PAST, WELCOMING THE FUTURE

THE AMERICAN CLUB

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