

# CIRCULAR

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**FEBRUARY 13, 2006**

**CIRCULAR NO. 3/06**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

## **WAR AND TERRORISM RISKS – 2006 POLICY YEAR**

For the 2006 policy year, cover for war and terrorism risks will remain available from the Club in accordance with the proviso to Rule 3.1.1 of the Rules of Class I.

This cover will apply in excess of an insured vessel's proper hull value and will be \$500 million for 2006, the same figure as obtains for the current policy year.

The addendum to this Circular sets out the terms of this excess cover which will be applicable to all vessels insured on fully mutual conditions in accordance with the Rules of Class I and into the cover of which these terms will be deemed to be incorporated.

It will be noted that certain amendments have been made to the current wording in order more precisely to reflect the terms of the Club's reinsurances for this cover for the forthcoming year.

Finally, cover for acts of terrorism as defined in the recently passed United States Terrorism Risk Insurance Act 2005 (TRIA) will be included on the same terms and on the same limits as currently apply. For eligible vessels, cover for TRIA risks will be deemed to attract a premium of \$0.0025 per gt per annum and be included in a vessel's overall premium.

Should any Member have any questions as to the intention or the extent of the cover, the Managers will be pleased to respond.

Yours faithfully,

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

**ADDENDUM TO CIRCULAR 3/06  
DATED FEBRUARY 13, 2006**

**WAR AND TERRORISM RISKS  
2006 POLICY YEAR  
EXCESS COVER**

It is hereby agreed in accordance with the provisions of Class I, Rule 3, Section 1.1 that cover is extended to include such liabilities, costs and expenses as would be covered under the Rules of the Association but for the exclusion of War and Terrorism Risks as set out in the said Rule. This extended Protection & Indemnity War Risks cover is subject to a limit in respect of such liabilities, costs and expenses of USD500,000,000 any one insured vessel any one event in excess of any amount recoverable under the insured vessel's Hull and Machinery and War Risks Policies. (See clause 7 below).

This cover is to pay claims in excess of amounts recoverable under the insured vessel's or crew war risk P&I policies, subject to a minimum deductible of the proper value of the insured vessel or USD100,000,000 whichever is the less any one event. Provided that this condition shall not apply where the entry of the insured vessel is solely in the name of or on behalf of a charterer other than a charterer by demise or bareboat charterer and provided that the Board may authorize the payment, in whole or in part, of any claim or part of a claim which falls within such excess, if in its discretion and without having to give any reasons for its decision it decides that the Member should recover from the Association.

1. This cover for War Risks under Class I, Rule 3, Section 1.1 shall be subject to the following:

**CHEMICAL, BIOLOGICAL, BIO-CHEMICAL, ELECTROMAGNETIC WEAPONS AND  
COMPUTER VIRUS EXCLUSION CLAUSE:**

This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith, and shall be interpreted in accordance with the Association's Circular No. 7/03 of April 1, 2003, a copy of which is attached for ready reference.

In no case shall this insurance cover loss damage liability or expense directly or indirectly caused by or contributed to by or arising from:

- a) any chemical, biological, bio-chemical or electromagnetic weapon;
  - b) the use or operation, as means for inflicting harm, of any computer virus.
2. At any time or times before, or at the commencement of, or during the currency of any Policy Year, the Association may in its discretion determine that any ports, places, countries, zones or areas (whether of land or sea) be excluded from the insurance provided by this cover for War and Terrorism Risks ("Prohibited Areas"). Save as otherwise provided by the Association this cover shall cease in respect of Prohibited Areas at midnight on the seventh day following the issue of notice of such determination in accordance with Class I, Rule 3, Section 1.1. Unless and to the extent that the Board in its discretion otherwise decides there shall be no recovery from the Association under this cover in respect of any claim howsoever arising out of any event, accident or occurrence within the Prohibited Areas after such date.
  3. Notwithstanding the terms of clause 2 above or any other term or condition of this insurance, cover hereunder in respect of the risks of war, etc., shall **TERMINATE AUTOMATICALLY** upon the outbreak of war (whether there be a declaration of war or not) between any of the following:

- The United Kingdom, the United States of America, France, the Russian Federation, the People's Republic of China;
- In respect of any vessel, in connection with which cover is granted hereunder, in the event of such vessel being requisitioned either for title or use.

4. This cover excludes:

Liabilities, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or his servants or agents) when the loss or damage, injury, illness or death or other accident in respect of which such liability arises or cost or expense is incurred, was directly or indirectly caused by or arises from

- ionizing radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel; or
- the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof; or
- any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive matter;

other than liabilities, costs and expenses arising out of carriage of such material or matter as the Managers in their absolute discretion may approve.

5. Notwithstanding any other term or condition of this insurance, this cover for War and Terrorism Risks may be cancelled by the Association giving seven days' notice (such cancellation becoming effective on the expiry of seven days from midnight of the day on which notice of cancellation is issued by the Association) and the Association may at any time after the issue of such notice of cancellation resolve to reinstate this cover on such terms and conditions and subject to such limit as the Association in its discretion may determine.
6. This cover excludes any liabilities which the Member may incur under the Tanker Oil Pollution Indemnification Agreement (TOPIA).
7. When either a demise, time, voyage, space or slot charterer and/or the owner of the insured vessel are separately insured for losses, liabilities, or the costs and expenses incidental thereto covered under Class I, Rule 3, Section 1.1 of the Association and/or the equivalent Rule of any other association which participates in the Pooling Agreement and General Excess Loss Reinsurance Contract, the aggregate of claims in respect of such losses, liabilities, or the costs and expenses incidental thereto covered under Class I, Rule 3, Section 1.1 of the Association and/or the equivalent Rule of such other association(s), shall be limited to USD500,000,000 any one vessel any one incident or occurrence. If such claims exceed this limit, the liability of the Association in respect of each Certificate of Entry shall be limited to that proportion of the limit that claims recoverable from the Association and from such other association(s), if any.