



MARCH 7, 2023

CIRCULAR NO. 06/23

TO MEMBERS OF THE ASSOCIATION

Dear Member:

COVER FOR WAR AND TERRORISM RISKS, AND COVER IN RESPECT OF BIOLOGICAL AND BIO-CHEMICAL ETC. WEAPONS AND COMPUTER VIRUSES – 2023 POLICY YEAR

This Circular describes the arrangements which have been made to provide special cover for war and terrorism risks, and cover in respect of chemical, biological, bio-chemical and electromagnetic weapons and computer viruses, for the 2023 policy year.

War and terrorism risks

For 2023, cover for war and terrorism risks will remain available from the Club in accordance with the relevant 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, or \$500 million, whichever is the lower amount, subject to a minimum excess point of \$50,000, and will be for a limit of \$500 million for 2023, however, subject to a sub-limit of \$80 million for vessels operating within all Russian waters and certain European waters as defined within Addendum I below.

Members were advised of the renewal of the International Group's General Excess of Loss Reinsurance Contract in the Club's Circular, 01/23, dated January 17, 2023. As mentioned in that Circular, the Group's separate Excess War P&I placement was to include Territorial Exclusionary Language for ships trading in the waters of Russia and Ukraine, but that the extent of the exclusion and any potential "buy-back" was not known at that time and would be advised in due course. The cover itself has nevertheless been renewed with effect from February 20, 2023, with the shipowner rates included within the overall rates set out in the aforementioned Circular.

However, as a consequence of a contraction of the cover available from reinsurers, there is now an amendment to the level of cover available for vessels operating within all Russian waters including their coastal waters up to 12 nautical miles offshore, and certain Belarusian, Ukrainian and European waters due to the current conflict, with cover being sub-limited to \$80 million any one event, each vessel.

Addendum I to this Circular sets out the terms of this excess cover. It will apply to all vessels insured on fully mutual conditions in accordance with the Rules of Class I, into the cover of which these terms will be deemed to be incorporated.

Cover in respect of chemical, biological, bio-chemical and electromagnetic weapons and computer viruses

The International Group of P&I Clubs' pooling facility to provide cover for certain war and terrorism risks, which are otherwise excluded because most War Risk Hull and P&I policies contain a chemical, biological, etc. exclusion, will continue for the forthcoming policy year.

The risks covered by virtue of the pooling facility are in respect of a Member's liability:

- a. to pay damages, compensation or expenses in consequence of the personal injury to, or illness or death of, any seaman (including diversion expenses, repatriation and substitute expenses and shipwreck unemployment indemnity); and
- b. for the legal costs and expenses incurred solely for the purpose of avoiding or minimizing any other P&I liability arising from a bio-chemical event (other than under Class I, Rule 2, Section 20, being the "Omnibus Clause").

The limit of cover will be \$30 million (the same as for 2022) any one event for each vessel.

Addendum II to this Circular sets out the terms of this cover. It will apply to all vessels insured on fully mutual conditions in accordance with the Rules of Class I, into the cover of which these terms will be deemed to be incorporated.

United States Terrorism Risk Insurance Program


The US terrorism risk insurance program, originally established by the Terrorism Risk Insurance Act of 2002 (TRIA), and as extended by legislation in 2015 to reauthorize it, has been further extended to December 31, 2027.

For eligible vessels, cover for such risks will be deemed to attract a premium of \$0.0025 per GT per annum, and will be included in the vessel's overall premium.

It should be noted that, under the terms of the extension of the original TRIA provisions to year-end 2027, an industry-wide cap of \$100 billion will continue to apply to all claims recoverable on the basis of TRIA/TRIPRA provisions.

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

Yours faithfully,



Dorothea Ioannou, CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB

**ADDENDUM I TO CIRCULAR NO. 6/23
DATED MARCH 7, 2023**

**WAR AND TERRORISM RISKS
2023 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 \$500,000,000 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, however, subject to a sub-limit of \$80,000,000 any one insured vessel any one event for vessels transiting and/or calling within the countries and/or waters defined in Clause 8 ("Defined Areas") 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 \$500,000,000, whichever is the lower amount, and subject to a minimum excess point of \$50,000, 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 AND ELECTROMAGNETIC WEAPONS AND
COMPUTER VIRUS EXCLUSION**

In no case shall this insurance cover liabilities, costs, losses and expenses 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 a means for inflicting harm, of any computer virus.
- (c) Sub-paragraph (b) shall not operate to exclude losses (which would otherwise be covered under the terms of this insurance) arising from the use of any computer, computer system or computer software program or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.
- (d) To the extent not excluded by this paragraph, any loss otherwise covered by this insurance will not be prejudiced by the involvement of the use or operation of any computer, computer system, computer software program or other electronic system.

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;
- the radioactive, toxic, explosive or other hazardous or contaminating properties of any 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 2006 (as amended) (TOPIA 2006 as amended).
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 \$500,000,000 any one vessel any one incident or occurrence, or \$80,000,000 should the Defined Area sub-limit apply. If such claims exceed the applicable 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.
8. Defined Areas
 - Russia
 - Europe
 - 1) Sea of Azov and Black Sea waters plus inland waters enclosed by the following boundaries
 - a) On the west, around Romanian waters, from the Ukraine-Romania border at 45° 10.858'N, 29° 45.929'E to high seas point 45° 11.235'N, 29° 51.140'E
 - b) thence to high seas point 45° 11.474'N, 29° 59.563'E and on to high seas point 45° 5.354'N, 30° 2.408'E
 - c) thence to high seas point 44° 46.625'N, 30° 58.722'E and on to high seas point 44° 44.244'N, 31° 10.497'E
 - d) thence to high seas point 44° 2.877'N, 31° 24.602'E and on to high seas point 43° 27.091'N, 31° 19.954'E
 - e) and then east to the Russia-Georgia border at 43° 23.126'N, 40° 0.599'E
 - 2) All inland waters of Ukraine
 - 3) Inland waters of Russia within the following areas:
 - a) Crimean Peninsula
 - b) River Don, from Sea of Azov to vertical line at 41° E
 - c) River Donets, from River Don to Ukraine border
 - 4) All inland waters of Belarus south of horizontal line at 52° 30' N

**ADDENDUM II TO CIRCULAR NO. 06/23
DATED MARCH 7, 2023**

**COVER IN RESPECT OF BIOLOGICAL AND BIO-CHEMICAL WEAPONS
2023 POLICY YEAR**

It is hereby understood and agreed that, in accordance with the provisions of Class I, Rule 3, Section 1.1, as from Noon GMT February 20, 2023 the following language will form part of the terms of entry for all vessels insured on fully mutual conditions in conformity with the Rules of Class I.

1. Chemical, Biological, Bio-Chemical and Electromagnetic Weapons and Computer Virus Clause

Subject to the terms and conditions and exclusions set out herein, cover is extended to include the liability of the Member:

- a. in respect of seamen under Class I, Rule 2, Sections 1.B, 2 and 12; and
- b. for legal costs and expenses under Class I, Rule 2, Section 18;

where such liability would be recoverable under the Rules:

- a. save for the exclusion of war risks contained in Class I, Rule 3, Section 1.1; and
- b. such liability could not be recovered under any other policy of insurance providing cover to replace that so excluded solely by reason of the operation of an exclusion of liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising from
 - (i) Any chemical, biological, bio-chemical or electromagnetic weapon.
 - (ii) The use or operation, as a means for inflicting harm, of any computer virus.
 - (iii) Sub-paragraph (ii) shall not operate to exclude losses (which would otherwise be covered under the terms of this insurance) arising from the use of any computer, computer system or computer software program or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.
 - (iv) To the extent not excluded by this paragraph, any loss otherwise covered by this insurance will not be prejudiced by the involvement of the use or operation of any computer, computer system, computer software program or other electronic system.

2. Excluded Areas

- 2.1 Unless and to the extent the Board may in its discretion otherwise decide, there shall be no recovery in respect of any liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising out of any event, accident or occurrence within such ports, places, countries, zones or areas or during such period as may be specified by the Association.

- 2.2 At any time or times before, or at the commencement of, or during the Policy Year, the Association may by notice to the Member specify, change, vary, extend, add to or otherwise alter the ports, places, countries, zones and periods for which there shall be no recovery under the terms of Clause 2.1, from a date and time specified by the Association not being less than 24 hours from midnight on the day the notice is given to the Member.

3. Cancellation

Cover hereunder may by notice to the Member be cancelled by the Association from a date and time specified by the Association, not being less than 24 hours from midnight on the day notice of cancellation is given to the Member.

4. Limit of Liability

- 4.1 Subject to Clause 4.2 the limit of the liability of the Association under this extension of cover in respect of all claims shall be in the aggregate \$30,000,000 each vessel any one event.
- 4.2 In the event that there is more than one entry by any person for cover in respect of biological and bio-chemical weapons as provided herein in respect of the same vessel with the Association and/or any other association which participates in the Pooling Agreement or General Excess Loss Reinsurance Contract of the International Group of P&I Clubs, the aggregate recovery in respect of all liabilities, costs, losses and expenses arising under such entries shall not exceed the amount stipulated in Clause 4.1 and the liability of the Association under each such entry shall be limited to such proportion of that amount as the claims arising under that entry bear to the aggregate of all such claims recoverable from the Association and any such other association.

5. Deductible

The deductible shall be that applicable to the relevant cover set out in the insured vessel's Certificate of Entry.