



JANUARY 2, 2007

CIRCULAR NO. 01/07

TO MEMBERS OF THE ASSOCIATION

Dear Member:

CHANGES TO THE RULES OF THE ASSOCIATION FOR THE 2007 POLICY YEAR

Please note that your Board of Directors recently approved the following changes to the Club's Rules to take effect from February 20, 2007.

As in previous years, they derive from a continuing review of the language of the existing Rules and a desire to maintain good housekeeping in the interests of the clarity and efficacy of the terms on which Members are insured by the Club.

Class I: Protection and Indemnity Insurance

A Member's duty to notify change of class and change of flag.

This obligation was drawn to Members' attention through Circular No. 34/05 of December 12, 2005. At that stage it was necessary (for reasons of timing) to incorporate the provision by endorsement to Certificates of Entry, the wording thereof being set out in the Circular to which reference is made.

However, for 2007, it has been considered more appropriate to incorporate the obligation by way of an addition to the Rules as a new Class I, Rule 1, Section 4 (General Insurance Provisions), sub-section 14 vi as follows:

vi Notwithstanding anything to the contrary contained in these Rules, it is a condition of this insurance that the Member shall give the Managers prior notice in writing of any proposed change in the Classification Society of the insured vessel(s) and/or any change of flag of the insured vessel(s) as may be intended during the currency of the cover provided hereunder. In the event that:

- the Member shall have failed to give the required notice to the Managers of such change as aforesaid; or***
- the Managers shall have notified the Member that they do not approve of the Classification Society and/or flag to which the insured vessel(s) has been changed;***

cover hereunder shall be null, void and of no effect as of the date of such change, save to the extent that the Managers, in their sole discretion, may otherwise determine.

General Limitations

The potential limitation of cover for passenger and crew claims will demand that the General Limitations part of Class 1, Rule 1, Section 4 will require amendment / amplification.

The matter is not as of yet finally resolved, but on the assumption that a limit will apply with effect from February 20, 2007, an appropriate wording will be drafted, submitted for Board approval and thereafter notified to the membership at large in due course.

Surveys

A new sub-section 40 to Class I, Rule 1, Section 4, will be added as follows, the intent of which is thought to be self-explanatory.

- 40** *Notwithstanding anything contained in these Rules to the contrary, and unless and to the extent that the Managers shall otherwise agree, the failure by a Member to present a vessel for survey by such time and date as shall have been stipulated by the Managers shall have the effect of automatically terminating cover as from such time and date without further notice.*

A new sub-section 41 to Class I, Rule 1, Section 4, will be added as follows, its purpose being to conform the Rules to the provisions of the new Appendix VII to the International Group's Pooling Agreement as to the application of double retentions for substandard vessels.

- 41** *By applying to enter or upon the entry or continuation of the entry of a vessel for insurance in the Association, an Applicant Member or Member as the case may be:*
- a** *Consents to and authorizes the disclosure by the Managers to any association which is a party to the Pooling Agreement any survey or inspection of such vessel undertaken on behalf of the Association either pursuant to an application for, or after entry in, the Association;*
 - b** *Waives any rights or claims against the Association of whatsoever nature arising in respect of or relating to the contents of or opinions expressed in any survey or inspection so disclosed.*

PROVIDED ALWAYS that

- i.** *Such survey or inspection may only be disclosed to another association when an application for entry of such vessel is made thereto; and*
- ii.** *The disclosure of the survey inspection shall be for the limited purpose only of that association considering an application to enter such vessel for insurance.*

The existing Rules from sub-section 40 above will be renumbered accordingly.

Oil Pollution – TOPIA and STOPIA

The current wording of Class I, Rule 2, Section 13, sub-section 5 will be deleted and the following language inserted in its place:

- 5** *Liability, costs and expenses of the Member assumed in respect of an insured vessel which is a “Relevant Ship” as defined in the Small Tanker Owners Pollution Indemnification Agreement 2006 (STOPIA 2006). A Member who has insurance in respect of such vessel shall, by virtue of entry with and through the agency of the Association, and unless the managers otherwise agree in writing, become a party to STOPIA 2006 for the period of entry of such vessel in the Association. In the event that the Member exercises his rights under*

STOPIA 2006 to withdraw from that agreement, and unless the Managers have agreed in writing, or unless the Directors otherwise determine, there shall be no cover under this Rule 2, Section 13 in respect of such vessel so long as the Member is not a party to STOPIA 2006.

In addition, a new sub-section 6 will be added, as follows:

- 6** *Liability, costs and expenses of the Member assumed in respect of an insured vessel which is a “Relevant Ship” as defined in the Tanker Owners Pollution Indemnification Agreement (TOPIA). A Member who has insurance in respect of such vessel shall, by virtue of entry with and through the agency of the Association, and unless the managers otherwise agree in writing, become a party to TOPIA for the period of entry of such vessel in the Association. In the event that the Member exercises his rights under TOPIA to withdraw from that agreement, and unless the Managers have agreed in writing, or unless the Directors otherwise determine, there shall be no cover under this Rule 2, Section 13 in respect of such vessel so long as the Member is not a party to TOPIA.*

War Risks

In light of the foregoing, the proviso to Class I, Rule 3, Section 1, sub-section 1 in regard to STOPIA as currently drafted will be amended to refer to STOPIA 2006.

Association Funding: Premiums and Calls

The current wording of Class I, Rule 5, Section 1, sub-section 2 will be amended to read as follows, the revised language giving the Club the right to tender notice of cancellation for a Member's failure to pay a sum due from the Member to a third party where the Club has given an instruction that such payment be made.

- 2 ***Should the Member fail to pay, either in whole or in part, any amount due from the Member to the Association (including any amount for which the Member may be jointly and severally liable to the Association) or any amount which the Managers shall have instructed the Member to pay to another party, the Managers may give the Member notice in writing requiring the Member to pay such amount by any date specified in such notice, not being less than five days from the date on which such notice is given. In the event that the Member fails to make payment in full on or before the date so specified, the insurance of the Member (whether or not such insurance may already have ceased for any other reason) in respect of any and all vessels insured for account or on behalf of the Member shall be terminated immediately without further notice or other formality.***

Class II: Freight, Demurrage and Defense Insurance

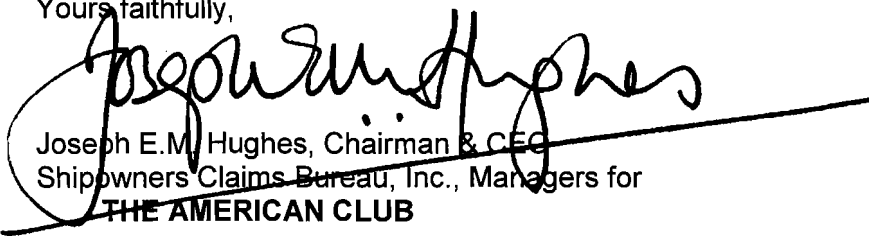
The amendments set out above will also be formally incorporated into, and form an integral part of, the Rules of Class II to the extent that they are consistent with the subject and context of the said Rules of Class II.

Class III: Insurance For Charterers' Risks

The amendments set out above will also be formally incorporated into, and form an integral part of, the Rules of Class III to the extent that they are consistent with the subject and context of the said Rules of Class III.

It is hoped that the foregoing changes are clear, but if any Member requires any further explanation or comment, the Managers will be happy to respond.

Yours faithfully,



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