



February 12, 2002

CIRCULAR NO. 3/02

TO MEMBERS OF THE ASSOCIATION

Dear Member:

P&I COVER FOR WAR RISKS

Members are referred to the Club's earlier communications in regard to the above and, in particular, to Circulars Nos. 12/01 and 15/01 of October 16, 2001 and December 28, 2001 respectively. As will be recalled, the latter Circular set out the terms of the Club's new war risks exclusion effective February 20, 2002. This exclusion contains a specific reference to acts of terrorism.

In conjunction with the amended terms of Rule 3, Section 2, a change to the Excess War Risk Insurance Endorsement typically affixed to Certificates of Entry will also take effect for the forthcoming policy year as a result of an International Group initiative to purchase additional war risks cover as part of the recent renewal of its overall market reinsurance arrangements for 2002.

Accordingly, excess war risks cover, including cover for acts of terrorism, will be available in 2002 for an overall limit of \$200 million over and above the amount recoverable from a Member's war risk underwriters, or the proper value of the entered ship (as may be determined by the Board of Directors), whichever is the greater. Although the minimum excess point for the application of this cover will continue to be \$50,000 any one accident or occurrence, any one vessel or craft, Members are reminded that it remains their chief and overriding responsibility to ensure that proper underlying cover is maintained for P&I war risks in order for the Club's excess protection to come into full and unqualified effect.

Members are also reminded that for the purpose of the application of the excess P&I cover, "proper value" is defined as an amount equal to the free, uncommitted market value of an insured vessel at the time of a loss. In the event that the proper value of a vessel exceeds \$100,000,000 at such time, cover will take effect in excess of \$100,000,000 or the amount recoverable from war risk underwriters, whichever is the greater.

The Club's new Excess War Risk Insurance Endorsement incorporating the changes made necessary by the developments described above is as attached hereto. Should any Member require further clarification, the Managers will, as usual, be pleased to respond.

Yours faithfully,

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

EXCESS WAR RISK INSURANCE

In consideration of the premium charged hereunder, it is understood and agreed that cover otherwise excluded by the operation of Rule 3, Section 2 is hereby reinstated, but only in respect of such loss, damage or expense which shall have arisen in excess of:

the proper value of the insured vessel (as may be determined in its sole discretion by the Board of Directors); or

the amount recoverable from the Member's war risk underwriters;

whichever is the greater, provided always that a minimum excess of \$50,000 shall apply in any event to any claim arising hereunder.

For the purpose of these terms, "proper value" is defined as an amount equal to the free, uncommitted market value of an insured vessel at the time of a loss. In the event that the proper value of an insured vessel exceeds \$100,000,000 at the time of a loss, cover shall take effect in excess of \$100,000,000 or the amount recoverable from war risk underwriters, whichever is the greater.

In addition to the foregoing the following terms and conditions shall apply to the provision of this Excess War Risks Insurance:

1. The special cover provided under this endorsement shall be deemed a separate insurance with a sum insured of \$200,000,000 any one accident or occurrence any one vessel or craft. Nothing contained in this endorsement shall limit the liability of the Association for claims otherwise recoverable under the terms of entry of an insured vessel.
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 special cover. Save as otherwise provided by the Association, this special cover shall cease in respect of such ports, places, countries, zones or areas at midnight on the seventh day following the issue to the Members of notice of such determination. Unless and to the extent that the Association in its discretion otherwise decides, there shall be no recovery from the Association under this special cover in respect of any claim howsoever arising out of any event, accident or occurrence within the said area after such date.
3. Whether or not notice has been given under Section 2 above, this special cover shall terminate automatically:
 - a. upon the occurrence of any hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter wheresoever or whensoever such detonation may occur, whether or not the insured vessel(s) may be involved, and this insurance excludes loss, damage, liability or expense arising from such occurrence;
 - b. upon the outbreak of war (whether there be a declaration of war or not) between any of the following countries:

United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China,

and this insurance excludes loss, damage, liability or expense arising from such outbreak of war;

- c. in respect of any insured vessel(s), in connection with which cover is granted hereunder, in the event of such vessel(s) being requisitioned either for title or use, and this insurance excludes loss, damage, liability or expense arising from such requisition.