



**NOVEMBER 1, 2002**

**CIRCULAR NO. 20/02**

**TO MEMBERS OF THE ASSOCIATION WITH COVER FOR CHARTERERS' LIABILITIES**

**Dear Member:**

**COVER FOR CHARTERERS' LIABILITIES ARISING OUT OF WAR RISKS**

Reference is made to the standard terms and conditions upon which the Club covers vessels entered on behalf of charterers (time and voyage) for Protection and Indemnity and Damage to Hull liabilities.

In light of the current global security climate, highlighted by recent events in Yemen and Indonesia, the Club has reviewed the scope of certain ancillary covers including that which it provides for charterers' entries.

As a result, it has been recognised that the extent of war risks cover in respect of charterers' risks, as provided for in the language of the endorsement currently in use, would benefit from clarification. Specifically, although the present wording incorporates such cover for charterers' liability in respect of loss of or damage to an entered vessel and for financial loss arising therefrom, it is not clear that the extension is also intended to apply to losses of a Protection and Indemnity nature.

Accordingly, in order to clarify the current position, all charterers' entries in the Club will henceforward incorporate the following wording. It will form a new section below the first paragraph of Section I (Protection and Indemnity) of the existing endorsement and form a new Sub-Clause (3)(d) of the Other Terms & Conditions clause of Section II (Hull) thereof.

**War Risks**

Notwithstanding the terms of Rule 3, Section 2, cover hereunder shall extend to those liabilities, costs and expenses caused by or arising out of war risks as defined in the said terms of Rule 3, Section 2, provided always that the following warranty shall apply:

- i. the ship is chartered on terms to the effect that:
  - the owners are entitled to refuse to send the ship to any port or place that is dangerous by reason of war risks (as defined in any current standard war risks insurance policy), and
  - the owners are in any event entitled to insure their interests against such war risks, and

- the charterers are liable to reimburse the owners in respect of any war risks premium incurred as a result of the ship being ordered to or employed in such port or place; or
- ii the ship is chartered on terms to the effect that:
  - "charterers are under no circumstances whatsoever to be liable for any loss, damage or expense which is or could be covered by war risk insurance available commercially"; or
- iii the ship is chartered on terms no less favourable to the charterers as regards their liability for loss or damage caused by war risks as set out above.

Provided further that the cover for war risks is subject to the Institute Notice of Cancellation, Automatic Termination of Cover, War and Nuclear Exclusion Clause (Hulls etc. 01.01.95) but not subject to the current London Market War Risk Trading Warranties.

As to the future, it is intended that, for the policy year commencing February 20, 2003, charterers' entries will be governed by an entirely new approach to the provision of cover, having their own separate class of insurance under a revised Rules structure.

All Members will shortly be notified of these changes which will, so far as charterers' liabilities are concerned, contain the same elements of cover as those set out above, *mutatis mutandis* in view of the change of format and Rule numbering.

It is hoped that the clarification in regard to war risks cover described above is of assistance to those Members affected by it. If any further explanation is required, or other assistance needed, 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**