



DECEMBER 14, 2016

CIRCULAR NO. 42/16

TO MEMBERS OF THE ASSOCIATION

Dear Member:

WAR AND TERRORISM RISKS: COVER IN RESPECT OF BIOLOGICAL AND BIO-CHEMICAL WEAPONS – 2017 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 biological and bio-chemical weapons for the 2017 policy year.

War and terrorism risks

For 2017, 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 \$100 million, whichever is the less, and will be \$500 million for 2017, the same figure as obtains for the current policy year.

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 biological and bio-chemical weapons

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 bio-chemical 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 1, Rule 2, Section 20, being the "Omnibus Clause").

The limit of cover will be \$30 million (the same as for 2016) 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 Reauthorization Act (TRIPRA)

Both special covers as described above will include liabilities arising from risks as originally defined by the US Terrorism Risk Insurance Act of 2002 (TRIA), reauthorized some two years ago by TRIPRA.

For eligible vessels, cover for such risks will be deemed to attract a premium of \$0.0025 per GT per annum and 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 2020, 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,

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

**ADDENDUM I TO CIRCULAR NO. 42/16
DATED DECEMBER 14, 2016**

**WAR AND TERRORISM RISKS
2017 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.

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:

BIO-CHEM 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, computer system, computer software program, malicious code, computer virus or process or any other electronic system

other than liabilities, costs, losses and expenses arising from

- (i) explosives or the methods of the detonation or attachment thereof
 - (ii) the use of the insured vessel or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon
 - (iii) 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.
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 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 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.

**ADDENDUM II TO CIRCULAR NO. 42/16
DATED DECEMBER 14, 2016**

**COVER IN RESPECT OF BIOLOGICAL AND BIO-CHEMICAL WEAPONS
2017 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, 2017 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. Biological and Bio-Chemical Weapons Clause

- 1.1 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;
- 1.2 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, or
 - ii. the use or operation, as a means for inflicting harm, of any computer, computer system, computer software program, malicious code, computer virus or process or any other electronic system;
- 1.3 provided always that the extension of cover set out herein shall not apply to liabilities, costs, losses and expenses arising from:
- a. explosives or the methods of detonation or attachment thereof;
 - b. the use of the insured vessel or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon;
 - c. 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.

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 million 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.