

CIRCULAR

OUTLINE

- Limit on Special War Risks P&I cover for 2015 policy year remains US\$500 million.
- “Bio-Chem” exclusion remains and a supplementary cover for “Bio-Chem” risks in respect of crew and legal costs limited at US\$30 million continues to be available.
- A portion of these covers is provided in accordance with the requirements of the US Terrorism Risk Insurance Act of 2002 (Act), as amended by the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015.

TO THE MEMBERS

Dear Sirs,

SPECIAL WAR RISKS P&I EXCESS COVER AND BIO-CHEM COVER AND US TERRORISM RISK INSURANCE ACT OF 2002, AS AMENDED BY THE TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2015

War Risks P&I Excess Cover

At their meeting on 26th January 2015, the Directors reviewed the basis on which special war risks P&I cover could be made available to Members in accordance with the proviso to Rule 5E and determined that this cover should be made available to Members for the 2015 policy year in accordance with the terms of the attached Directors’ Resolution of 26th January 2015.

The terms on which the War Risks P&I Excess Cover is provided remain the same as for the 2014 policy year, including the limit of cover of US\$500 million, except an improved Bio-Chem clause (see below). As for the 2014 policy year, the cover will only respond to claims in excess of the proper value of the entered ship as defined in Rule 5D or whatever sum is recoverable from war risk underwriters, whichever is the greater.

During the 2015 reinsurance renewal, the Group reinsurance broker obtained a new Bio-Chem clause for the Group War Risks P & I Excess Cover. The revised clause has added a new subclause 1.3 to clarify that the subclause 1.2 (a computer virus exclusion) does not operate to exclude losses arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile. Resolution A is amended to incorporate the new Bio-Chem clause.

Bio-Chem Cover

The Directors also decided to provide cover for “Bio-Chem” claims in respect of crew risks and legal costs relating to all P&I liabilities that are excluded from the War Risks P&I Excess Cover by virtue of the “Bio-Chem” exclusion, on the same terms as for the 2014 policy year, including the limit of this cover which is US\$30 million.

Claims on this cover will again be pooled with the International Group clubs in excess of the club retention of US\$9 million.

The detailed terms and conditions of the cover are set out in the attached Supplementary Directors' Resolution of 26th January 2015. The principal provisions are that:

1. Cover will be from the ground-up (in excess of a Member's usual deductible), but limited to US\$30 million any one accident or occurrence or series of accidents or occurrences arising from one event each vessel.
2. The limit of cover (US\$30 million) will apply to all interests for each vessel in aggregate regardless of the number of interests and regardless of whether or not they are entered in different P&I clubs (e.g. owners, charterers and sub-charterers).
3. To avoid excessive aggregation of risk, cover will have a cancellation provision (24 hours notice).
4. Areas of particular sensitivity may be excluded from the cover by the decision of the Directors.
5. No additional premium will be charged for the cover.

Notices of Coverage – US Terrorism Risk Insurance Act of 2002 (Act), as amended by the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015

On 12th January 2015, the Terrorism Risk Insurance Program Reauthorization Act of 2015 (Public Law 114-1) ("TRIPRA") was signed into law by President Obama extending the TRIA programme for six years through 31st December 2020.

A portion of the War Risks P&I Excess Cover and the "Bio-Chem" Cover afforded to Members pursuant to the Directors' Resolutions are provided in accordance with the requirements of the US Terrorism Risk Insurance Act of 2002, as amended by the TRIPRA of 2015 and give coverage for losses arising out of "acts of terrorism," as defined in Section 102(1) of the Act and as required by Section 103(c) of the Act.

Cover for losses caused by certified "acts of terrorism" can be partially reimbursed by the US government under a program established by the Federal Law. Under the program, the United States pays 85 per cent of covered terrorism losses exceeding the statutory established deductible paid by the insurance company providing the cover in the 2015 calendar year and 84% of such losses in the 2016 calendar year. The Act, as amended, also imposes a program trigger on the government's compensation: i.e. insurers cannot have the benefit of the government's compensation unless the aggregate industry insured losses from a certified act of terrorism exceed a certain insured loss or "trigger" amount. The trigger amount in the 2015 calendar year is US\$100 million and in the 2016 calendar year is US\$120 million. In addition, if the aggregate insured losses exceed US\$100 billion during any program year, the government shall not make any payment for any portion of the amount of such losses that exceeds US\$100 billion and no insurer that has met its insurer deductible shall be liable for the payment of any portion of that amount that exceeds US\$100 billion.

Although no additional premium is charged for coverage for "acts of terrorism", a premium of US cents 0.25 per gross ton entered is deemed to be attributable to the US risk in accordance with the terms of the Act.

Yours faithfully

THE MANAGERS

For more information

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