

Club: UK P&I
Circular Date: 16/01/2002
Circular Title: Proposed exclusion of terrorist risks - Special General Meeting - Ref 2/02 (incl Notice)

Author: Pam Costello/Thomas Miller **Date:** 16/01/2002 14:37

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Ref: 2/02

TO THE MEMBERS

Dear Sirs

PROPOSED EXCLUSION OF TERRORIST RISKS - SPECIAL GENERAL MEETING

Following the terrorist attacks of 11th September, 2001 the Managers have reviewed Rule 5E, which excludes from cover P&I risks arising from war and certain related causes.

As currently drafted, the exclusion is triggered where P&I claims are caused by certain types of political situation (war, civil war, rebellion, etc), certain types of event (capture, seizure, etc), and certain types of weapon of war (mines, torpedoes, explosives, etc). Many of the more likely scenarios for terrorist activity at sea therefore already fall within the scope of the exclusion.

However, the attacks in the United States have drawn attention to the possibility of terrorism carried out in ways which were not imagined when the existing exclusions were drafted. This is a concern for the reinsurance market, whose judgement of capacity to address terrorist risk is dependant on knowing that exposure to the risk only arises under policies designed for that purpose.

In order to respond to those concerns, and to help safeguard the future availability of the Group's excess reinsurance protection, the Managers of all Group Clubs are recommending to their Boards and Members that the current war risk exclusions be amended to include a specific reference to terrorist acts. Papers for a Special General Meeting, to make this Rule amendment, are enclosed accordingly.

Members will recall that the Association provides a special war risks P&I cover in relation to risks otherwise excluded by Rule 5E. The present terms of this cover were the subject of the Association's circular dated 16th October, 2001 (ref. 12/01). The Board will consider, at its next meeting in Athens, on 28th January, 2002 the terms on which this special cover may be offered from 20th February, 2002.

Yours faithfully

THOMAS MILLER (BERMUDA) LTD.

NOTICE

Notice of a Special General Meeting of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited.

Notice is hereby given that a Special General Meeting of the Members of the Association will be held at 10.30 am on 14th February, 2002 at the offices of Thomas Miller (Bermuda) Ltd, Windsor Place, 18 Queen Street, Hamilton, Bermuda for the purpose of considering and, if thought fit, passing the resolution set out below:

Resolution to propose:

"That with effect from 12 noon Greenwich Mean Time on 20th February, 2002, the amendments to Rule 5E indicated below in bold type be and are hereby adopted:

E. EXCLUSION OF WAR RISKS

The Association shall not indemnify an Owner against any liabilities, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Owner or on the part of the Owner's 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 caused by:

- i War, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power, **or any act of terrorism.**
- ii Capture, seizure, arrest, restraint or detainment (barratry and piracy excepted) and the consequences thereof or any attempt thereat.
- iii Mines, torpedoes, bombs, rockets, shells, explosives or other similar weapons of war (save for those liabilities, costs or expenses which arise solely by reason of the transport of any such weapons whether on board the entered ship or not), provided always that this exclusion shall not apply to the use of such weapons either as a result of government order or with the written agreement of the Directors or the Managers where the reason for such use is the avoidance or mitigation of liabilities, costs, or expenses which would otherwise fall within the cover given by the Association.

PROVIDED ALWAYS that:

The Directors may resolve that special cover be provided to the Members against any or all of the risks set out in Rule 2 notwithstanding that those liabilities, costs or expenses would otherwise be excluded by this paragraph (E) and that such special cover should be limited to such sum or sums and be subject to such terms and conditions as the Directors may from time to time determine.

In the event of any dispute as to whether or not an act constitutes an act of terrorism, the decision of the Directors shall be final."

By Order of the President
D W R Hunter
Secretary
16th January, 2002

Notes:

1. A Member entitled to attend and vote at this Special General Meeting is entitled to appoint a proxy to attend and, on a poll, to vote in his place. A Form of Proxy is enclosed.
2. The Form of Proxy may be returned by mail or by fax to the Secretary at the postal or fax address shown on the Form of Proxy, but to be valid must be received no later than 12 hours prior to the Meeting.