

**Club:** UK P&I  
**Circular Date:** 26/11/2002  
**Circular Title:** US Terrorism Insurance (Ref 16/02)

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November, 2002

**TO THE MEMBERS**

Ref: 16/02

Dear Sirs

**US TERRORISM INSURANCE**

We refer to our previous circular on this subject (ref. 15/02) and now attach a notice of coverage of U.S. acts of terrorism pursuant to the Terrorism Risk Insurance Act of 2002 which was signed into law by the President of the United States on 26th November 2002.

The additional mutual premium required for this coverage is set out in the notice.

If you fail to pay the additional premium by 26th December 2002, your cover for ordinary P&I risks and the special War Risks P&I cover (which includes acts of terrorism) currently provided to you will remain in force exactly as before.

If you require a separate debit note for the additional premium as set out in the notice please advise us indicating the name of the Member and the ships concerned.

If you do not intend to take this cover, please return a copy of this circular by fax to +44 20 7621 9761 duly signed on behalf of the Member.

Yours faithfully

**THOMAS MILLER (BERMUDA) LTD.**

We do not require the cover set out in this Notice of Coverage of US Acts of Terrorism.

Name of Member: .....

Signature: .....

Capacity: .....

Name – please print: .....

Company: .....

**UK P&I CLUB**

TO ALL MEMBERS

**NOTICE OF COVERAGE OF U.S. ACTS OF TERRORISM  
AND ADDITIONAL PREMIUM**

DATE OF THIS NOTICE: 26 November 2002

RE: ALL YOUR CURRENTLY ENTERED SHIPS

PERIOD: 26 November 2002 to 20 February 2003

TERRORISM RISK ADDITIONAL MUTUAL PREMIUM: US \$270.00 per entered ton, (deemed minimum 20,000 entered tons)

PAYMENT DATE: 26 December 2002

*As used in this notice, "we," "us," "our," and "ours" refers to The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Ltd and "you," "your" and "yours" refers to the Owners and Joint Owners of all entered ships as at 26 November 2002.*

On 26 November 2002, the President of the United States signed into law the Terrorism Risk Insurance Act of 2002 (the "Act"). The Act establishes a system of shared public and private compensation for insured losses resulting from certain acts of terrorism for policyholders with commercial property and casualty coverage as described below. This notice informs you of your rights and obligations under Act.

**1. Expanded Coverage Under the Act**

Under the Act, "**insured loss**" (as defined in the Act) previously excluded under your insurance policy by a terrorism exclusion will be covered under that policy from the date the Act takes effect (*i.e.* 26 November 2002) until the expiration of your policy if you pay us the additional premium for such coverage by the Payment Date shown in the above box. An "**insured loss**" is any loss covered by "**property and casualty insurance**" that is caused by an "**act of terrorism**" that meets certain other criteria set out in the Act. (The Act's definition of each of these **bolded** terms is summarized below.)

**ONLY "INSURED LOSS" AS DEFINED BY THE ACT WILL BE COVERED. COVERAGE UNDER YOUR POLICY FOR LOSSES THAT DO NOT FALL WITHIN THE DEFINITION OF "INSURED LOSS" IS NOT AFFECTED BY THE ACT OR BY THIS NOTICE. THE**

**TERRORISM EXCLUSION IN YOUR POLICY STILL APPLIES FOR LOSSES ARISING FROM ANY ACTS OR EVENTS THAT ARE NOT INCLUDED IN THE ACT'S DEFINITION OF "ACT OF TERRORISM."**

**THE ACT AND THIS NOTICE ONLY AFFECT THE TERRORISM EXCLUSION IN YOUR POLICY. ALL OTHER TERMS AND CONDITIONS OF YOUR POLICY, INCLUDING APPLICABLE LIMITS AND DEDUCTIBLES, ARE NOT AFFECTED BY THE ACT OR THIS NOTICE AND STILL APPLY TO YOUR COVERAGE UNDER THE POLICY.**

## **II. Federal Share of Compensation for Insured Loss**

Under the Act, the Federal government will reimburse us for 90% of our insured losses (excluding any amounts attributable to punitive damages) in excess a deductible until total "insured losses" of all property and casualty insurers reach \$100 billion. Our deductible will be:

- 1% of our 2001 direct earned premium for "insured loss" that occurs during the period beginning 26 November 2002 and ending on 31 December 2002, and
- 7% of our 2002 direct earned premium for "insured loss" that occurs during 2003.

Other deductibles will apply to insured losses that occur during subsequent years during which the program is in effect.

For purposes of determining such deductibles, "direct earned premium" means only the premiums earned on the commercial lines of property and casualty insurance covered by the Act for U.S. risks or vessels, aircraft and foreign missions outside the U.S. covered by the Act.

If total "insured losses" of all property and casualty insurers reach \$100 billion during the period beginning on 26 November 2002 and ending on 31 December 2003, we will not be liable under our policies for our portion of such losses that exceed such amount. The amounts we pay to you under your policy may be reduced as a result. In addition, we may reserve our rights when we make payments to you and we may require an undertaking from you to return to us any overpayment.

## **III. Additional Premiums for Coverage for "Acts of Terrorism"**

The new terrorism coverage we are providing pursuant to the Act requires an increase in the premiums assessed on current policies. The additional premium covers the additional loss exposures that we retain under the Act.

Effective immediately, the premium currently assessed on your Policy will be increased to reflect the additional coverage we are providing to you. The amount of the additional premium you must pay is shown in the above box and must be remitted to us in accordance with the instructions shown in the box.

**THE TERRORISM EXCLUSION IN YOUR ORIGINAL POLICY WILL BE REINSTATED IF WE DO NOT RECEIVE PAYMENT OF THE ADDITIONAL PREMIUM FROM YOU BY OUR CLOSE OF BUSINESS ON THE PAYMENT DATE. THIS REINSTATEMENT OF THE EXCLUSION WILL BE EFFECTIVE NOVEMBER 26, 2002 AND YOU WILL HAVE NO COVERAGE UNDER THE ACT IN RESPECT OF "ACTS OF TERRORISM."**

## **IV. Key Definitions**

Key definitions under the Act that affect your coverage are "insured loss," "act of terrorism" and "property and casualty insurance." Set forth below is a summary of the definitions of these terms. This summary is for information purposes only and shall not be interpreted to enlarge coverage under your policy beyond that specified by the Act.

An "**insured loss**" is any loss (other than amounts attributable to punitive damages) covered by "**property and casualty insurance**" that is caused by an "**act of terrorism**" (including an act of war, in the case of workers' compensation) if such loss:

- occurs within the U.S.,
- occurs to an air carrier (as defined in 49 U.S.C. § 40102), to a U.S. flag vessel (or a vessel based principally in the U.S., on which U.S. income tax is paid and whose insurance coverage is subject to regulation in the U.S.), or
- occurs at the premises of any U.S. mission.

An "**act of terrorism**" is defined as any act certified by the U.S. Secretary of the Treasury in concurrence with the U.S. Secretary of State and the U.S. Attorney General:

- to be an act of terrorism;
- to be a violent act or an act that is dangerous to human life, property or infrastructure;
- to have resulted in damage within the United States or outside of the United States in the case of U.S. missions and air carriers and vessels described above;
- to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States government by coercion.

An act can not be certified as an "act of terrorism" unless total property and casualty insurance losses resulting from the act exceed \$5 million. An act committed as part of the course of a war declared by Congress also can not be certified as an "act of terrorism," except with respect to any coverage for workers' compensation.

"**Property and casualty insurance**" means commercial lines of property and casualty insurance, which is defined to include excess insurance, workers' compensation insurance and surety insurance, but does not include:

- Reinsurance
- Personal lines insurance
- Crop or livestock insurance
- Private mortgage insurance as defined in 12 U.S.C. 4901
- Financial guaranty insurance issued by a monoline financial guaranty insurance corporations
- Medical malpractice insurance
- Life and health insurance, including group life insurance
- Flood insurance provided under the National Flood Insurance Act of 1968( 42 U.S.C. §§ 4001 et seq.)

#### **V. Calculation and Payment of Premium**

For the purpose of calculating the minimum funding which the Association requires prudently to underwrite this cover and the Terrorist Risk Additional Mutual Premium set out in this notice. it has been assumed that approximately 90 per cent of the tonnage entered in the Association may not require the cover. In the event a greater proportion does not require the cover a further Terrorism Risk Additional Mutual Premium over and above the Terrorist Risk Additional Mutual Premium set out in this notice, will be payable immediately on demand from the Association for each ship requiring the cover whether owned or chartered. If a greater proportion requires the cover, the Terrorism Risk Additional Mutual Premium may be adjusted accordingly.

