

30 January 2003

TO ALL MEMBERS



**The Britannia Steam Ship
Insurance Association Limited**

Managers

Tindall Riley (Britannia) Limited
New City Court
20 St Thomas Street
London SE1 9RR

Tel +44 (0)20 7407 3588

Fax +44 (0)20 7403 3942

Sent by fax/email

Dear Sirs

US Terrorism Risk Insurance Act 2002 (the "Act")

We refer to our previous circular of 26 November 2002 on this subject. We can confirm that a large number of Members have replied confirming that they do not require the cover set out in the Notice of Coverage of Acts of Terrorism. No Member paid the required additional premium for this coverage within the 30 days required.

At their meeting on 21 January 2003, the Committee considered the basis on which special P&I war risks cover could be made available to Members in accordance with Rule 25(2) and the extent to which this can include cover arising from acts of terrorism as defined in the Act. Following the receipt of US legal advice and reinsurance quotations the Directors have resolved that cover can be provided to Members under Rule 25(2) for the 2003/04 policy year and that this will include cover arising from acts of terrorism as defined in the Act. A copy of the Resolution passed by the Committee is attached. This includes information which the Association is obliged to communicate to Members under the terms of the Act.

The precise terms of the cover will be in accordance with the Rules and individual Terms of Entry.

Yours faithfully

Tindall Riley (Britannia) Limited

Managers

This circular should not be placed in the Binder

COPY RESOLUTION

P&I WAR RISKS COVER SPECIAL COVER UNDER RULE 25(2) TERMS OF DIRECTORS' RESOLUTION of 21 JANUARY, 2003

WHEREAS, in accordance with Rule 25 of the Association's Rules coverage for certain war and similar risks, including acts of terrorism, is excluded under the general mutual indemnity undertaking, special cover is nevertheless provided for these same certain risks under Rule 25(2) and in accordance with each individual Member's terms of entry.

WHEREAS, on 26 November 2002 the United States Terrorism Risk Insurance Act of 2002 (Public Law 107-267) ("the Act" or "TRIA") was signed into law by U.S. President George W. Bush; and

WHEREAS, the Act provides for a three-year programme of US Federal quota share indemnification to participating insurers for insured losses resulting from certain acts of terrorism occurring through year-end 2005; and

WHEREAS, entities meeting the definition of "insurer" in the Act are required to participate in the programme; and

WHEREAS, the Association comes within the definition of "insurer" because of its approval by the U.S. Maritime Administration ("MARAD") to write P&I cover on MARAD programme vessels and meeting other relevant criteria; and

WHEREAS, the Act requires the Association to make available in all of its "commercial property and casualty policies" coverage for "acts of terrorism" as defined under the Act; and

WHEREAS, the term "act of terrorism" is defined as an act certified by the US Treasury Secretary after a finding that the act: (1) was committed on behalf of any foreign (i.e., non-US) person or interest; (2) was a violent act dangerous to human life, property, or infrastructure that resulted in damage within the United States or to a US air carrier or US-flag vessel wherever located; (3) is part of an effort to coerce the civilian population of the US or to influence the policy or affect the conduct of the US Government by coercion; and (4) resulted in damages exceeding USD5m; and

WHEREAS, under the TRIA programme the US Government will indemnify insurers for 90% of losses resulting from certified acts of terrorism in excess of an insurer deductible; and

WHEREAS, insurers are required to notify policyholders of the existence of the TRIA programme and the premium to be charged for coverage for such acts of terrorism; and

WHEREAS, the Committee on behalf of the Association's membership has considered whether coverage of TRIA-defined acts of terrorism could be removed from the special cover and made subject to the general mutual indemnity undertaking; and

WHEREAS, the Committee has concluded that acts of terrorism, as the other perils subject to the special cover, remain unsuitable for a general mutual indemnity undertaking; and

WHEREAS, no Member responded affirmatively to the initial offer made by the Association to provide cover of TRIA-defined acts of terrorism on the basis of supplemental premium rates designed to fund the TRIA deductible and retention without mutual indemnity or the reinsurance available to the special cover; and

WHEREAS, the Committee has determined, based on new International Group reinsurance arrangements, that the P&I War Risks cover under Rule 25(2) can be provided at twice the limit provided in the 2002 Policy Year and that the estimated portion of that cost for TRIA-defined coverage is USD 0.0025 per gross ton.

NOW THEREFORE BE IT RESOLVED that, in accordance with Rule 25(2), P&I War Risks cover be provided to the Members of the Association for the year commencing at 12 noon GMT on 20 February 2003 against risks, including TRIA-defined acts of terrorism, which are excluded from cover solely by virtue of the provisions of Rule 25(1), at an increased limit. Unless otherwise agreed in writing, such cover shall be subject to all other terms and conditions of a Member's entry in the Association and shall be provided upon and subject to the following terms and conditions.

- (1) The risks covered shall be those set out in Rule 25(2) of the Association's Rules in accordance with each individual Member's terms of entry as set out in the relevant Certificate of Entry and any Endorsement thereto.
- (2) The Member will be deemed to have standard Hull War Risks cover with Protection & Indemnity clauses attached, for an amount equivalent to the proper value of the Entered Ship (proper value meaning market value of the ship free of any commitment), or the amount recoverable from War Risks underwriters, whichever is the greater. For the purpose of this cover, where the proper value exceeds USD100m, the proper value will be deemed to be USD100m.

Provided that this condition shall not apply where the entry of the ship 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 Directors may authorise the payment, in whole or in part, of any claim or part of a claim which falls within such excess, if in their discretion and without having to give any reasons for their decision they decide that the Member should recover from the Association.

- (3) The limit applying to this special cover shall be increased from USD200m in the previous Policy Year's contract to USD400m each ship, any one accident or occurrence or such limit as may be applicable to the claim under the Member's individual terms and conditions of entry, whichever shall be the lesser.
- (4) All perils included in the special cover shall be subject to the following: Chemical, Biological, Bio-chemical, Electromagnetic Weapons and Cyber Attack Exclusion Clause:

This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith.

In no case shall this insurance cover loss damage liability or expense 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 virus.

- (5) At any time or times before, or at the commencement of, or during the currency of any Policy Year of the Association, the Committee 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 special cover ("Prohibited Areas"). Save as otherwise provided by the Directors this special cover shall cease in respect of such ports, places, countries, zones or areas ("Prohibited Areas") at midnight on the seventh day following the issue to the Members of notice of such determination in accordance with Rule 25(2) of the Association's Rules. Unless and to the extent that the Committee in its discretion otherwise decide there shall be no recovery from the Association under this special cover in respect of any claim howsoever arising out of any event, accident or occurrence within the Prohibited Areas after such date.

- (6) Notwithstanding any other term or condition of this insurance, the Committee may in its discretion cancel this special cover giving seven days' notice to the Members (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 Committee may at any time after the issue of notice of such cancellation resolve to reinstate special cover pursuant to Rule 25(2) on such terms and conditions and subject to such limit as the Committee in its discretion may determine."