

CIRCULAR

Shipowners Claims Bureau, Inc., Manager
60 Broad Street – 37th Floor
New York, New York 10004 U.S.A.



Tel: 212-847-4500
Fax: 212-847-4599
E-mail: info@american-club.net
Website: www.american-club.com

FEBRUARY 14, 2006

CIRCULAR NO. 4/06

TO MEMBERS OF THE ASSOCIATION

Dear Member:

COVER IN RESPECT OF BIOLOGICAL AND BIO-CHEMICAL WEAPONS – 2006 POLICY YEAR

Reference is made to Circular No. 8/04 of March 18, 2004 in which Members were informed that the International Group of P&I Clubs had established a new Pooling facility to provide limited cover for certain war and terrorism risks which would otherwise be excluded by reason of most War Risk Hull and P&I policies containing a bio-chemical exclusion. This Pooling facility 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 19, being the "Omnibus Clause").

The limit of cover will be \$30 million (the same as for 2005) any one event or occurrence (or series of occurrences arising from the same event) for each vessel. The cover will also include liabilities as defined by the United States Terrorism Risk Insurance Act, 2005 (TRIA) the application of which also holds good for the Club's general War and Terrorism Risks insurance for 2006 as described in Circular No. 3/06 of February 13, 2006.

The addendum to this Circular sets out the terms of this cover which will be applicable to all vessels insured on fully mutual conditions in accordance with the Rules of Class I and into the cover of which these terms will be deemed to be incorporated.

Should any Member have any questions as to the intention or the extent of the cover, the Managers will be pleased to respond.

Yours faithfully,


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

**ADDENDUM TO CIRCULAR NO. 4/06
DATED FEBRUARY 14, 2006**

**COVER IN RESPECT OF BIOLOGICAL AND BIO-CHEMICAL WEAPONS
2006 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, 2006 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.

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 11; and
 - (b) for legal costs and expenses under Class I, Rule 2, Section 16;
- 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 accident or occurrence or series thereof arising from 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.