

# CIRCULAR

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**FEBRUARY 13, 2004**

**CIRCULAR NO. 6/04**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

## **2004 POLICY YEAR – REINSURANCE ARRANGEMENTS ETC.**

The purpose of this Circular is to update Members on the circumstances – some of them new – which will apply to the Club's reinsurance arrangements and other matters for the forthcoming policy year.

### **Reinsurance arrangements**

For the 2004 policy year, the upper limit of the pool will increase from \$30 million to \$50 million. This reflects the International Group's desire to retain more risk within the working layer of its reinsurance program so that the involvement of commercial underwriters is limited to more serious or catastrophic losses.

However, the individual retention of each club within the International Group will remain at \$5 million for 2004.

As a result, the International Group's market excess of loss arrangements will now apply to claims in excess of \$50 million rather than \$30 million as was previously the case. Except for this, the structure of the contract will be similar to that which applies for the 2003 policy year. As will be recalled, at the last renewal the Group simplified its coinsurance within the first layer of the excess of loss program by retaining 25% of the first \$500 million of cover.

For the forthcoming policy year, the Group will again retain 25% of the first layer of reinsurance for claims in excess of \$50 million and, as before, the retention will be protected by a custom-designed reinsurance scheme.

### **Oil pollution limit**

As is the case for the expiring policy year, cover in respect of oil pollution will be limited to \$1 billion (\$1,000,000,000) any one occurrence in respect of any one insured vessel for oil pollution liability including fines, costs and expenses and clean-up, and damages payable to any other person as may arise in respect of such oil pollution liability. As before, this will be made explicit in full detail in Rule 1, Section 4.32 of the Rules of Class I.

### **Voyage surcharges for US-trading tankers**

Circular No. 4/04 of January 28, 2004 sets out the rates to be charged in regard to this operational sector for the next policy year.

### **War and terrorist risks – P&I**

Details of the Club's special war and terrorist risks P&I cover for the 2004 policy year are set out in Circular No. 5/04 of February 12, 2004.

As always, the Managers will be pleased to respond to any inquiries which Members may have either in regard to the above, or generally.

Yours faithfully,

A handwritten signature in black ink that reads "Joseph E.M. Hughes". The signature is written in a cursive style and is positioned above a horizontal line.

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