

OCTOBER 16, 2001

CIRCULAR NO. 12/01

TO MEMBERS OF THE ASSOCIATION

Dear Member:

**P&I COVER FOR WAR RISKS
GENERAL NOTICE OF CANCELLATION**

Reference is made to the 'Important Notice to Members' of September 28, 2001 which was posted on the Club's website on that day.

As indicated at that time, it had been decided not to give seven days' notice of cancellation of the Club's standard excess P&I cover for war risks notwithstanding that a number of market underwriters had already done so in regard to a variety of interests including Hull and primary P&I cover for war risks.

The notice to Members advised, however, that the Club's position would be reviewed from day to day as events developed. In particular, there was concern that the cover provided by the Club should continue to protect the membership as a whole and should not be unduly exposed either at the primary level or in any particular geographical area.

Members are once again reminded that the cover provided by the "Excess War Risk Insurance" endorsement was never intended to be a substitute for primary market war risk cover. It had always been designed to provide cover and pay claims only in excess of amounts insured under the Member's underlying war risk insurance including P&I risks.

Given current circumstances, and for the avoidance of doubt as to the extent of the cover provided by the Club, it has been decided to issue formal notice of cancellation under the Excess War Risk Insurance endorsement and to reinstate cover on terms which clarify the requirement for underlying cover to be maintained by the Member.

Members are therefore advised that this Circular constitutes notice of cancellation of cover provided by the Excess War Risk Insurance endorsement in respect of all ports, places, countries, zones or other areas worldwide. This notice shall run from 24.00 hrs GMT October 17, 2001 and become effective at 24.00hrs GMT on October 24, 2001.

Upon expiry of this notice, cover will be automatically reinstated without, for the time being, payment of any additional premium on the condition that coverage under the Excess War Risk Insurance endorsement shall be excess of :

the proper value of the entered ship (as may be determined by the Board of Directors); or,

the amount recoverable from the Member's war risk underwriters;

whichever is the greater.

For the purpose of these terms, "proper value" is defined as an amount equal to the free, uncommitted market value of an insured vessel at the time of a loss.

In the event that the proper value of a vessel exceeds US\$100,000,000 at the time of a loss, cover shall take effect in excess of US \$100,000,000 or the amount recoverable from war risk underwriters, whichever is the greater.

Please note that this notice of cancellation is not applicable to Members covered by the Club in respect of their interest as charterers (time or voyage) only of an entered ship.

Should any Member require further clarification, the Managers will, as usual, be pleased to respond.

Yours faithfully,

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