



**THE STEAMSHIP MUTUAL  
UNDERWRITING ASSOCIATION (BERMUDA) LIMITED**

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To the Members

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Dear Sirs,

**WAR P&I RISKS – AGREEMENT TO POOL 'BIO-CHEM CLAIMS'**

Members will be aware that, while the wordings differ, most War Risk Hull and P&I policies issued since February 2003 include a 'Bio-Chem Exclusion Clause' and will continue to do so for the foreseeable future.

The 2004 Excess War Risks P&I cover provided by International Group Clubs for USD400 Million in excess of an entered vessel's proper hull value (contained in the War Risk Extension Clause attached to Members' Certificates) also contains a 'Bio-Chem Exclusion Clause'.

The consequence for Members of these clauses is that most, if not all, Members have no cover for War P&I Risks which are caused either directly or indirectly by a chemical, biological, bio-chemical, or electromagnetic weapon, or from the use of any computer or computer system as a means for inflicting harm. However, in light of uncertainty over the precise meaning of the wordings, the War Risk insurers have clarified that the risks arising from explosives or the methods of the detonation or attachment thereof, or the use of an entered ship or its cargo as a means of inflicting harm (unless such cargo is a chemical, biological, bio-chemical or electromagnetic weapon), or the use of any computer or computer system in the launch and/or guidance system and/or firing mechanism of any weapon or missile are covered.

All International Group Clubs (with the current exception of the Japan P&I Club) have now agreed that they should provide limited cover for two war P&I risks by way of supplement to the Group's Pooling Agreement 2004, for which there would otherwise be no cover.

Accordingly, with effect from noon on 15<sup>th</sup> March 2004, Members will be covered through the Group's new pooling facility for P&I risks in respect of (1) Members' liability 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 (2) Members' legal costs and expenses incurred solely for the purpose of avoiding or minimising any other P&I liability arising from an event falling within the 'Bio-Chem Exclusion Clause' (other than legal costs and expenses falling under the Omnibus Rule).

The detailed terms and conditions of the cover in respect of Bio-Chem Claims are contained within the attached War Risks – Bio-Chem Clause but the principal provisions are as follows:

(1) Cover, which will attach automatically for all Members, will be from the ground up (in excess of Members' usual deductible) but limited to USD20 million any one event or occurrence (or series of occurrences arising from the same event) each vessel.

(2) Individual Clubs will retain the first USD5 million of any one claim, with the USD15 million excess of USD5 million being pooled as in the case of any other Pool claim.

(3) The limit of cover (USD20 million) will apply to all interests in each vessel in aggregate, regardless of the number of interests and regardless of whether or not they are entered in different P&I Clubs (for example, owners, charterers and sub-charterers).

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(4) To avoid excessive aggregation of risk, cover will have a cancellation provision and areas of particular sensitivity may also be the subject of geographical exclusions (for example, the Athens Olympics), both cancellation and geographical exclusions requiring the giving of 24 hours' notice to Members.

5) No premium will be charged for the cover, although premium may be charged for specific risks which may arise and which may be the subject of a premium notice if cover is to be maintained or varied.

Endorsements to Members' Certificates of Entry, reflecting the addition of this cover, will be issued in due course.

So far as the Japan P&I Club is concerned, it is its intention to participate in these arrangements along with all other Group Clubs once it has obtained regulatory approval to do so and which is expected by June 2004.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING  
ASSOCIATION (BERMUDA) LIMITED

## BIO-CHEM 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)** 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 expense and shipwreck unemployment indemnity),
  - (b)** For the legal costs and expenses incurred solely for the purpose of avoiding or minimising any liability or risk insured by an Association (other than under the Omnibus Rule)
- 1.2** Where such liability is not recoverable under either
- (a)** cover provided by the Club for such liabilities, costs, losses and expenses as would be covered under the Rules but for the exclusion of war risks in Rule 21, or
  - (b)** Any underlying war risk policies covering the same risks,
- 1.3** 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
- (a)** Any chemical, biological, biochemical or electromagnetic weapon
  - (b)** the use or operation, as a means for inflicting harm, of any computer, computer system, computer software programme, malicious code, computer virus or process or any other electronic system,
- 1.4** Other than liabilities, costs, losses and expenses arising from
- (i)** Explosives or the methods of the detonation or attachment thereof
  - (ii)** The use of the entered ship or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon
  - (iii)** the use of any computer, computer system or computer software programme 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 Directors may in their 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 the ports, places, zones or areas or during such period as are specified below:
- The area bounded by the NW entrance to the Corinthian Canal, encompassing all of the Corinthian Canal and Saronikos Kolpos and the region bounded by a circle drawn 33 nautical miles from position 37 deg 54'N 023deg 51'E during the period from 0001 GMT 1st August 2004 to 2400 GMT 15th October 2004.
- 2.2** At any time or times before, or at the commencement of, or during the Policy Year, the Club may by notice to the Member change, vary, extend, add to or otherwise alter the ports, places, countries, zones and periods specified in Clause 2.1 from a date and time specified by the Club 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 Club from a date and time specified by the Club, 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 Club under this extension of cover in respect of all claims shall be in the aggregate US\$ 20 million each ship 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 Bio-Chem cover as provided herein in respect of the same ship with the Club and/or any other insurer which participates in the Pooling Agreement or General Excess Loss Reinsurance Contract, 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 Club 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 Club and any such other insurer.

**5** Deductible

The deductible shall be the deductible applicable to the relevant cover set out in the Certificate of Entry.

**6** Law and Practice

This clause is subject to English law and practice.