



THE STEAMSHIP MUTUAL  
UNDERWRITING ASSOCIATION (BERMUDA) LIMITED

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To the Members and their Brokers

October 2001

Dear Sirs,

**WAR RISK P&I COVER 2001 - GENERAL NOTICE OF CANCELLATION**

As a consequence of the World Trade Centre tragedy on 11<sup>th</sup> September, a number of market War Risk underwriters have given 7 days Notice of Cancellation in respect of their War Risk Hull and P&I policies. International Group Clubs decided not to give 7 days Notice of Cancellation for the Group's War Risk P&I cover at the same time, but to review the position from day-to-day as events develop. In particular, Group Clubs were concerned that Club cover should, if possible, continue to protect Members as a whole and should not be unduly exposed either at the primary level or in any particular geographical area.

The cover is provided to Members under the terms of the War Risks Extension Clause endorsed upon Certificates of Entry. Members are reminded that this cover is not intended as a substitute for market War Risk cover, but is provided on the basis that the protection is intended to pay claims only in excess of amounts recoverable under a Member's underlying War Risk policy including P&I risks.

In the current circumstances, the Directors have decided that General Notice of Cancellation should now be issued, to restate the excess nature of the cover as a formal condition of the policy. Members with owned entries are therefore advised that this Circular constitutes Notice of Cancellation of their War Risk P&I cover in accordance with Paragraph (1) of the War Risk Extension Clause endorsed upon Certificates of Entry. This Notice shall run from 2400 hours GMT on Thursday 18<sup>th</sup> October and will therefore expire at 2400 hours GMT on Thursday 25<sup>th</sup> October.

Upon expiry of the Notice, cover will be automatically reinstated without, for the time being, payment of any additional premium on the following conditions:

Club cover for War Risk P&I shall be subject to an excess of either:

- a) the US dollar equivalent of "proper value" of the entered ship, or
- b) the amount recoverable from War Risk underwriters, whichever is the greater.

"Proper value" will be construed in accordance with the provisions of the Note to Rule 25 (xxvii), (as set out below) but will, for the purposes of this Notice, be deemed to be no greater than US\$100 million.

The Directors will retain an absolute discretion to pay claims within this excess.

The reinstated cover itself contains the usual cancellation clauses, and the Directors will continue to keep the situation under review.

***Note:** When considering the 'proper amount' or 'proper value' for which an entered ship should be insured or deemed to be insured for the purpose of Rules 25 xv and 25 xxvii, the Directors will normally require to be satisfied that the hull and machinery and/or excess liability policies of the Member concerned have been the subject of periodic review as market conditions may require, so that the total amount of liability coverage contained in these policies is maintained at a figure which is as near as possible to the free uncommitted market value of the ship.*

**B.366**