



THE STEAMSHIP MUTUAL
UNDERWRITING ASSOCIATION (BERMUDA) LIMITED

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To the Members

November 2002

URGENT

Dear Sirs,

US Terrorism Risk Insurance Act 2002

This legislation is likely to come into effect on the 28th November 2002 and could have very serious consequences for P&I Clubs and their members.

In particular, the Act compels your Club to provide you with insurance against a Terrorist attack (as defined) up to the limit of ordinary P&I Club cover. This is a risk that is unreinsurable and, even with the Federal assistance offered, one that could bankrupt your Club. Clearly the premium for such a risk will inevitably be very high.

When the Act comes into effect, your Club will be obliged to offer you the cover at whatever premium it deems appropriate, though you are not, of course, obliged to accept it. This premium will probably amount to several million dollars per vessel. Accordingly, on or around 28th November 2002, you will receive a notice to pay an additional premium if you wish to take advantage of the additional cover provided under the Act. If you decline to pay this additional premium by the due date your ordinary P&I cover and the existing special War Risks P&I cover in respect of terrorism will continue as at present. You will not then be liable for the additional premium requested.

You will find attached a brief memorandum which explains in more detail the reasons why this step is having to be taken.

Yours faithfully

STEAMSHIP MUTUAL MANAGEMENT
[BERMUDA] LIMITED