



**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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