

Our Ref: UKWR C1-2017

19 January 2017

TO THE MEMBERS

Dear Sirs

**RENEWAL OF THE ASSOCIATION'S COVER FOR THE POLICY YEAR
COMMENCING 20 FEBRUARY 2017**

We are writing to advise Members of the Directors' decisions on the rates, terms and conditions for the 2017 Policy Year.

ADVANCE CONTRIBUTIONS

At their meeting on 17 January 2017, the Directors agreed a reduction in Advance Contribution rates, which from Noon GMT 20 February 2017 will be as follows:

Entered ships qualifying for Government reinsurance – WW1

Passenger Cruise Ships	Other Ships
Worldwide trading 0.009%	Worldwide trading 0.0036%

Entered ships not qualifying for Government reinsurance – WW2

Passenger Cruise Ships	Other Ships
Worldwide trading 0.01%	Worldwide trading 0.004%

The Directors have also decided that:

- the Advance Contribution rates will be discounted by 50 per cent in respect of insurance under Rule 3 (Freight, disbursements and/or increased value, premiums and/or other interests).
- the Advance Contribution rates will be discounted by 50 per cent for ships which trade exclusively for the whole Policy Year within one of the following “restricted trading” areas:
 - USA and Canada, excluding Panama Canal transits
 - Australasia
 - Europe, not south of Gibraltar and excluding Mediterranean and Black Sea.
- the Advance Contribution rates will be increased by 50 per cent for those ships requiring Blue Cards for war and terrorism risks as required by Regulation (EC) No 392/2009 (Passenger Liability Regulation (“PLR”)) and/or the 2002 protocol to the Athens Convention. Members will need to specifically apply for this cover.
- the Advance Contribution will be called pro rata daily and will be payable in two instalments, debited on 20 February 2017 and 20 August 2017.

The Directors will keep the level of contribution under review during the Policy Year.

BROKERAGE/COMMISSION

Advance Contribution

If ships are entered in the Association through a broker, brokerage of 20 per cent will be payable on the Advance Contribution rates listed above, less any allowances for Rule 3 or restricted trading discounts. If ships are entered in the Association directly, commission of 20 per cent, calculated on the same basis, will be payable to the Member. The Advance Contribution rates listed above are shown before the application of 20 per cent brokerage / commission.

Additional Premiums

Where Additional Premiums are placed on the Association’s main reinsurance contract, a discount of 30 per cent will be payable. If the ships are entered in the Association through a broker, the discount will be payable to the broker. If the ships are entered in the Association directly, the discount will be payable to the Member.

THE COVER

Maximum Sum Insured

In accordance with Rule 20, the maximum amount for which any one ship or the interests therein may be insured by the Association is USD 1,000,000,000 or the equivalent in other acceptable currencies, to be determined by USD rates of exchange published in the Financial Times on 20 February 2017.

Protection and Indemnity Cover

The cover for all P&I claims including claims in respect of oil pollution shall be a maximum of USD 500,000,000 or the equivalent in other acceptable currencies, to be determined by USD rates of exchange published in the Financial Times on 20 February 2017, but SDR 340 million any one vessel in respect of liability arising from the PLR and/or 2002 protocol to the Athens Convention, provided that the Managers have agreed an application for such cover as is required by the PLR / 2002 Protocol.

The above limit is per each accident or occurrence. This cover is provided under Rule 2 Part C.

ISPS Compliance Clause

The terms and conditions of insurance of every Member shall incorporate and be subject to the following ISPS Compliance Clause:

ISPS Code Compliance Warranty (to be read in conjunction with Rule 4E.2.3)

Unless otherwise agreed in writing between the Insured Owner and the Managers, the Insured Owner warrants that he shall comply with all statutory requirements of the state of the Entered Ship's flag relating to the International Ship & Port Facility Security Code ("the ISPS Code")

PROVIDED ALWAYS that:-

- (i) neither this clause nor Rule 4E.2.3 shall apply if the Insured Owner shall prove that the failure to comply with any statutory requirements of the state of the Entered Ship's flag relating to the ISPS Code and/or the failure at all times to maintain the validity of any statutory certificates issued by or on behalf of the Entered Ship's flag in relation to the ISPS Code arose without the fault of the Insured Owner or the managers of the Entered Ship; and
- (ii) the Directors may authorise payment of a claim, either in whole or in part, which would otherwise be excluded by the provisions of this clause, if in all the circumstances the Directors shall in their sole discretion see fit.

CLARIFICATION OF COMPUTER VIRUS EXCLUSION (RULE 4D.7 REFERS)

The Managers wish to advise that the exclusion within Rule 4D.7 relating to computer viruses shall not operate to exclude or limit losses (which would otherwise be covered under the terms of this policy) arising from 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.

OPTIONAL ADDITIONAL COVER

War Risks Loss of Hire Insurance

The Association will continue to offer War Loss of Hire Insurance for the 2017 Policy Year. This is an optional additional insurance, which Members will specifically need to request. It is offered under Rule 2 Part G and subject to the wording set out in Appendix A to this Circular, the Rules otherwise remaining unchanged. Application forms are available from the Managers.

Premium rates will be the same as the gross Advance Contribution rates set out on the first page of this Circular and will be calculated on the total sum insured for loss of hire. Coverage will, unless otherwise requested, be for 90 days at the declared daily rate any one occurrence, limited

to 90 days in any one Policy Year with longer (or shorter) periods available on application. Cover extends to piracy risks, whether or not a ship has suffered damage necessitating time off-hire for repairs. For loss of hire Additional Premium, Members can elect whether to maintain this cover or exclude piracy risks at a lower rate. A 7 day deductible will apply (0 days for piracy risks).

Additional Premium declarations will be charged at a rate 2.5 times that levied on the ship's hull value. Should Members wish the Additional Premium declarations to exclude piracy risks then the rate will reduce to the same rate as that levied on the ship's hull value. Annual cover must be purchased for Additional Premium cover to be available.

Members who wish to purchase this additional coverage should contact the Managers in the normal manner, advising the number of days' cover required and the daily indemnity rate. There will be a maximum combined single limit of USD 1,000,000,000 for hull, hull interests and loss of hire amounts. Members are asked to note that no commissions will be allowed on loss of hire premiums, whether on Advance Contribution amounts, or for Additional Premiums.

Contraband / Drugseize cover

The Association will also offer insurance which covers hire lost when a ship is detained or seized when drugs, or other contraband, are discovered on board. This is an optional additional insurance, offered under Rule 2 Part G. The cover wording can be found at Appendix B to this Circular. Members who are interested in purchasing this cover should contact the Managers for further details. The cover is available on a stand-alone basis and Members do not have to purchase war loss of hire cover to purchase this additional cover.

ADDITIONAL PREMIUM AREAS AND PREMIUMS

The Additional Premium Areas, which have been determined by the Directors under Rule 19.3, are shown below. Additional Premiums to be charged for calls to Additional Premium Areas should be agreed with the Managers.

Additional Premium Areas

In accordance with Rule 19 the following places, countries, zones and areas (whether land or sea) shall continue to be Additional Premium Areas with effect from Noon GMT 20 February 2017.

(note: **bold** headings are for ease of reference only)

The ports, places, countries, zones and areas listed shall include all harbours, offshore installations and terminals unless otherwise stated.

Africa

Benin

Gulf of Guinea, but only in respect of the area enclosed by:

On the northern side the coast of Benin, Togo and Nigeria;

On the western side a straight line from the border, on the coast, of Ghana and Togo to position Latitude 3° North, Longitude 1° 10' East;

On the southern side a straight line from there to position Latitude 3° North, Longitude 8° East;

On the eastern side a straight line from there to Latitude 4° North, Longitude 8° 31' East and then from there to the border, on the coast, of Nigeria and Cameroon.

Libya
Nigeria
Somalia
Togo

Middle East

Iran
Iraq
Israel
Lebanon
Saudi Arabia
Syria
Yemen

South America

Venezuela

Indian Ocean / Arabian Sea / Gulf of Aden / Gulf of Oman / Southern Red Sea Transits

The waters enclosed by the following boundaries:

On the north-west, by the Red Sea, south of Latitude 15° N
on the west of the Gulf of Oman by Longitude 58° E
on the east, Longitude 65° E
and on the south, Latitude 12° S

excepting coastal waters of adjoining territories up to 12 nautical miles offshore unless otherwise provided, and subject to the conditions that the Entered Ship does not approach within 50 nautical miles of the north coast of Somalia, or within 100 nautical miles of the Socotra Archipelago, or within 200 nautical miles of the east coast of Somalia.

Members' attention is drawn to the terms of Rule 29 (Additional Premiums). The Owner of an Entered Ship is required to give the Association written notice before an Entered Ship proceeds to an AP Area. If notice is not given as required, the Entered Ship has no cover while in the AP Area. The notices required under Rule 29 should be given to the Managers either at the address above or by email to ukwr@thomasmiller.com.

Yours faithfully

THOMAS MILLER WAR RISKS SERVICES LIMITED
Managers

Copies of this Circular and other publications, including the Association's Rules, can be viewed and/or downloaded from the Association's website at www.ukwarrisks.com

**APPENDIX A TO THE ASSOCIATION'S CIRCULAR C1
dated 19 January 2017**

**War Risks Loss of Hire Insurance
under Rule 2 Part G "Optional Additional Insurance"**

1. The cover provided by the Insurance is subject to the terms and conditions set out in paragraphs 1 to 17 inclusive and is divided into two sections, section A and section B.

Section A

2. This part of the Insurance shall indemnify the Owner if, in consequence of damage to the Entered Ship covered under the Rules of the Association, the Entered Ship be wholly or partly deprived or prevented from earning hire or reward for a period in excess of 7 consecutive periods of 24 hours in respect of any one occurrence provided that:-

- (i) such damage to the Entered Ship occurs during the period of entry of the ship in the Association; and
- (ii) repairs if actually carried out in respect of damage are completed within twelve months of the expiry of this Insurance.

3. In such circumstances the Association shall indemnify the Owner for each 24 hour period or part thereof during which the Entered Ship is so deprived or prevented, not exceeding a further [to be agreed] days in respect of any one occurrence or in the aggregate.

4. This part of the Insurance will not indemnify the Owner in respect of any period during which the Entered Ship is captured, seized, arrested, restrained or detained as a result of any terrorist or any person acting maliciously or from a political motive, piracy or violent theft by persons from outside the Entered Ship.

5. The Owner shall effect, or cause to be effected, all repairs (temporary or permanent) with due diligence and dispatch. The Association shall have the right to require the Owner to incur any expense which would reduce the Association's liability under this part of the Insurance, provided such expense is for the Association's account.

Section B

6. If, during the period covered by this Insurance, the Entered Ship is delayed by reason of capture, seizure, arrest, restraint or detainment, or any attempt thereof by:

- (a) any terrorist or any person acting maliciously, or from a political motive, or
- (b) piracy, barratry or violent theft by persons from outside the Entered Ship

this Insurance will pay, subject to the terms which follow, the amounts set out below in respect of any delay caused by such an event.

7. Subject to the Managers' agreement, the daily sum recoverable under this part of the Insurance shall be USD [to be agreed] per day whether the Entered Ship is on charter or not.

8. This part of the Insurance shall cover a maximum of [to be agreed] days, or such other period as the Managers agree, resulting from any one occurrence or in the aggregate during the period of this Insurance.

9. Where the Entered Ship is under time charter the period covered by this part of the Insurance shall commence at the time and date of the period for which Charter Hire ceases to be paid by the Entered Ship's time charterers.

10. The Association will be entitled to any Charter Hire in respect of the period for which a claim has been paid by the Association under this part of the Insurance which is received by the Owner after payment of the claim by the Association.

11. If an Owner is entitled to claim Charter Hire from any time charterer for the period in respect of which the claim is made under this part of the Insurance the Association shall be entitled to exercise rights of subrogation in respect of such hire and the Owner shall assign its rights thereto to the Association.

12. This part of the Insurance may be reinstated subject to the approval of the Managers.

13. There shall be no recovery under this part of the Insurance if the event in respect of which a claim would otherwise arise also results in the Entered Ship becoming an actual or constructive total loss under the Rules of the Association. In the event that a claim under this part of the Insurance has been paid prior to the Entered Ship becoming an actual or constructive total loss there shall be deducted from any claim in respect of the actual or constructive total loss a sum equivalent to any claim paid under this part of the Insurance.

14. The provisions of Rule 4E.15 shall not apply to this part of the Insurance.

Terms applicable to both Section A and Section B cover

15. This Insurance is subject to the Association's Rules, unless expressly stated otherwise in this document, including, but not limited to, the submission by the parties to the jurisdiction of the English High Court of Justice in accordance with the terms of Rule 46 – "Disputes" in respect of any dispute or difference between the Owner and the Association.

16. The Association hereby gives notice under Rule 17 – "Notice of Termination" that the Insurance shall not continue from Policy Year to Policy Year but shall terminate at noon on 20 February 2018 unless otherwise agreed by the Managers.

17. In this document "Insurance" shall mean the insurance as set out in paragraphs 1 to 17 inclusive; and the words "Owner", "Entered Ship", "Association" and "Policy Year" shall bear the meanings set out in the Definitions of the Association's Rules.

Explanatory Note – not forming part of the terms of the War Risk Loss of Hire Insurance

The insurance provided by this additional insurance is subject to the Rules of the Association including those relating to the declaration of Additional Premium Areas. Where an Additional Premium Area is declared, the Association is likely to impose different additional premiums for Section A and Section B cover. Members may, in accordance with the Rules of the Association, give notice of suspension of insurance in respect of either Section A or Section B cover and pay the Additional Premium to maintain whichever Section of the additional insurance they wish to preserve. Notice of suspension could also be given for both Sections if Members wish.

**APPENDIX B TO THE ASSOCIATION'S CIRCULAR C1
dated 19 January 2017**

**Contraband Loss of Hire Insurance
Under Rule 2 Part G "Optional Additional Insurance"**

1. The cover provided by this insurance is subject to the terms and conditions set out in paragraphs 1 to 18 inclusive. Cover is provided on a worldwide basis and, for this insurance only, includes cover in Additional Premium Areas within the annual premium chargeable hereunder.

2. If, in consequence of the discovery, or suspicion, of the presence on board of Contraband but excluding illegal or unlicensed military, security and paramilitary goods, equipment, arms, ammunition and related material belonging to, or in the possession of, armed security engaged by the Owner or charterer, the Entered Ship is delayed during the period covered by this insurance by reason of seizure, arrest, restraint, detainment or confiscation, or any attempt thereat, by any:

- (i) Government, public or local authority, or
- (ii) port or customs authority

this insurance will pay, subject to the terms which follow, the amounts set out below in respect of any delay caused by such an event.

3. Subject to the Managers' agreement, the daily sum recoverable under this insurance shall be USD [to be agreed] per day whether the Entered Ship is on charter or not.

4. The insurance shall cover a maximum of 90 days' delay, or such other period as the Managers agree, resulting from any one occurrence or in the aggregate during the period of this insurance.

5. Where an Owner is entitled to recover a daily sum by reason of events set out in clause 2 he shall, in addition, be entitled to recover any costs or expenses which are directly caused by such events up to an amount equivalent to the maximum limit of cover provided in respect of delay, such expenses to include but not be limited to the costs of transshipment, crewing (including repatriation and substitution expenses), bunkers, demurrage, warehousing, substitute chartering, cargo liabilities, legal expenses, port expenses and the cost of providing security (such as letter of credit charges) to obtain the release of a vessel but excluding:

- (i) any fines, penalties or other impositions,
- (ii) any sum paid in consideration of or for the release of the Entered Ship, and
- (iii) any cost or expense which is recoverable from any other insurance or would be recoverable in circumstances set out in Rule 4E.9 – "Double Insurance".

6. Where the Entered Ship is under time charter the period covered by this insurance shall commence at the time and date of the period for which charter hire ceases to be paid by the Entered Ship's time charterers.

7. The Association will be entitled to any charter hire in respect of the period for which a claim has been paid by the Association under this insurance in respect of delay which is received by the Owner after payment of the claim by the Association.

8. If an Owner is entitled to claim charter hire from any time charterer for the period in respect of which the claim is made under this insurance, the Association shall be entitled to exercise rights

of subrogation in respect of such hire and the Owner shall assign its rights thereto to the Association.

9. This insurance may be reinstated subject to the approval of the Managers.

10. There shall be no recovery under this insurance if the event in respect of which a claim would otherwise arise also results in the Entered Ship becoming an actual or constructive total loss under the Rules of the Association. In the event that a claim under this insurance has been paid prior to the Entered Ship becoming an actual or constructive total loss there shall be deducted from any claim in respect of the actual or constructive total loss a sum equivalent to any claim paid under this insurance.

11. There shall be no recovery under this insurance if the Owner, or any of the Owner's managers, superintendents or shore management knew of, or is successfully prosecuted as being knowingly involved in, the carriage of Contraband which led to the seizure, arrest, restraint, detainment or confiscation referred to in paragraph 2 above. In the event that a claim under this insurance has been paid prior to the establishment of such knowledge or prior to the successful prosecution, the amount paid by the Association will be repayable by the Owner.

12. It is warranted that where the Entered Ship is newly acquired, newly bareboat chartered or redelivered, the Owner will search the ship for Contraband immediately on acquisition, delivery or redelivery.

13. It is warranted that the Owner shall take all reasonable steps to prevent the Entered Ship or its cargo being used for the purpose of carrying Contraband.

14. It is warranted that the Owner is signatory either to the Sea Carrier Initiative Agreement or the Customs-Trade Partnership Against Terrorism agreement with the United States of America's Customs Authorities unless the Managers otherwise agree.

15. The provisions of Rules 4E.5 – "Seizure by a country where the Entered Ship is owned, registered or managed", 4E.4 – "Fines, Penalties etc", 4E.7 – "Ordinary Judicial Process" and 29 – "Additional Premiums" shall not apply to this insurance.

16. This insurance is subject to the Association's Rules, unless expressly stated otherwise in this document, including, but not limited to, the submission by the parties to the jurisdiction of the English High Court of Justice in accordance with the terms of Rule 46 – "Disputes" in respect of any dispute or difference between the Owner and the Association.

17. The Association hereby gives notice under Rule 17 – "Notice of Termination" that the insurance shall not continue from Policy Year to Policy Year but shall terminate at noon G.M.T. on 20 February 2018 unless otherwise agreed by the Managers.

18. In this document "insurance" shall mean the insurance as set out in paragraphs 1 to 18 inclusive; "Contraband" shall mean any object, including drugs, which is unlawful to import, export, produce or possess; and the words "Owner", "Entered Ship", "Association", "Managers" and "Policy Year" shall bear the meanings set out in the Definitions of the Association's Rules, and "Additional Premium Area" shall bear the meaning set out in Rule 19 – "Constitution of Additional Premium Areas" of the Association's Rules.