

4 February 2003

TO ALL MEMBERS

Dear Sirs

US Terrorism Risk Insurance Act 2002 (the "Act")

We refer to our previous Circular 5:316 dated 22 November 2002 on this subject. We can confirm that a considerable number of Members replied confirming that they did not require the cover set out in the Notice of Coverage of Acts of Terrorism. Nor did any Member pay the additional premium for this coverage within the 30 days required.

At its meeting on 29 January 2003, the Association's Committee considered whether the requirements of the Act might be satisfied, on a reinsured basis, by making available to Members special war risks P&I cover under Rule 15.2. Following receipt of legal advice from the USA and, in addition, reinsurance quotations, the Committee has resolved that cover will be provided to Members under Rule 15.2 for the 2003/04 policy year and that, subject to the detailed terms, it will include cover arising from acts of terrorism as defined in the Act. The cover will be on similar terms to those applying for the 2002/03 policy year, save that the limit is increased to US\$400m. The premium for this cover will be included in the Estimated Total Call rate for each entered ship, of which US\$0.0025 per gross ton will be deemed to be attributable to US risks, in accordance with the terms of the Act.

The precise terms of the cover will be in accordance with the Rules and individual Terms of Entry.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)