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TO ALL CLASS 7 (WAR RISKS) MEMBERS

Dear Sirs

WAR RISKS ARRANGEMENTS – POLICY YEAR 2019/20

1. Advance Contribution Rates

Advance Contribution rates were set with effect from 20 February 2019 and have been notified to Members individually.

A 50% reduction in rates will be granted for Entered Ships trading exclusively in one of the following areas:

- (i) Europe (but including the Mediterranean and Black Sea);
- (ii) USA and Canada (excluding Panama Canal transits);
- (iii) Australasia.

Extensions to trading outside of any of these areas will be covered on the basis of a minimum period of three months.

2. Nuclear and Cyber Risks

Members will be aware that the current Terms of Entry contain an exclusion of Nuclear and Bio Chem risks, Rule 4.D.3, and Computer Virus (or Cyber) risks, Rule 4.D.7. Members have no cover for the risks excluded by Rules 4.D.3.1 to 4.D.3.5 (other than in Rule 4.D.3.6), or Rule 4.D.7.

The Association arranges reinsurance of this War Risks Class through The Combined Group of War Risks Associations (the Group) and is pleased to advise that for the Policy Year commencing Noon GMT on 20 February 2019, the Group's reinsurers have again agreed to provide limited cover for claims which would otherwise have been excluded by each of these Rules 4.D.3 and 4.D.7 subject to a limit of USD 50,000,000 any one event and in the aggregate of all claims by Members of all Associations within the Group occurring during the Policy Year. The USD 50,000,000 aggregate limit will apply separately to claims under 4.D.3 and 4.D.7.

In order to allow for calculation of aggregated claims, it is necessary to limit the time for such claims to be presented – all claims must therefore be notified within 30 days of the end of the Policy Year and, as a consequence, it will only be possible to settle claims after this time.

Therefore, with effect from Noon GMT on 20 February 2019 the Member's terms of entry will include the following additional terms:

NUCLEAR AND BIO CHEM RISKS

- (a) Rule 4.D.3 shall not apply unless and until claims which would otherwise have been excluded by this Rule have exceeded USD 50,000,000 in the aggregate as below.
- (b) Subject to (c) below, the Association's liability for claims recoverable by virtue of (a) above arising under any one Entry and under all Entries in Class 7 of the Association during the Policy Year shall not exceed USD 50,000,000.
- (c) In the event that there is more than one such claim under an Entry in this Association or in any other Association which participates in The Combined Group of War Risks Associations, the aggregate recovery from all associations shall not exceed USD 50,000,000 and the Insured Owner shall be entitled to recover only such proportion as the amount of the claim or claims under his Entry bears to the aggregate of all such claims recoverable pursuant to paragraph (a) above under Entries in this Association and any other Association which participates in The Combined Group of War Risks Associations during the Policy Year.
- (d) In addition to the Insured Owner's obligation to promptly notify the Association in accordance with rule 4.E.12.1, the Association shall have no liability for any claim or claims arising by virtue of (a) above unless the casualty, event or matter liable to give rise to such a claim is notified to the Association by the Insured Owner within 30 days from the end of the Policy Year, whether or not the Insured Owner is aware of the casualty, event or matter at that time.
- (e) This extended cover is reinsured by the Association. In accordance with Rule 4.E.15.2 the Insured Owner shall be entitled to recover from the funds of the Association only the net amount actually recovered under this reinsurance.

Subject otherwise to the Rules of the Association and the terms of entry of the Insured Owner.

COMPUTER VIRUS/CYBER RISKS

- (a) Rule 4.D.7 shall not apply unless and until claims which would otherwise have been excluded by this Rule have exceeded USD 50,000,000 in the aggregate as below.
- (b) Subject to (c) below, the Association's liability for claims recoverable by virtue of (a) above arising under any one Entry and under all Entries in Class 7 the Association during the Policy Year shall not exceed USD 50,000,000.
- (c) In the event that there is more than one such claim under an Entry in this Association or in any other Association which participates in The Combined Group of War Risks Associations, the aggregate recovery from all Associations shall not exceed USD 50,000,000 and the Insured Owner shall be entitled to recover only such proportion as the amount of the claim or claims under his Entry bears to the aggregate of all such claims recoverable pursuant to paragraph (a) above under Entries in this Association and any other Association which participates in The Combined Group of War Risks Associations during the Policy Year.

- (d) In addition to the Insured Owner's obligation to promptly notify the Association in accordance with rule 4.E.12.1, the Association shall have no liability for any claim or claims arising by virtue of (a) above unless the casualty, event or matter liable to give rise to such a claim is notified to the Association by the Insured Owner within 30 days from the end of the Policy Year, whether or not the Insured Owner is aware of the casualty, event or matter at that time.
- (e) This extended cover is reinsured by the Association. In accordance with Rule 4.E.15.2 the Insured Owner shall be entitled to recover from the funds of the Association only the net amount actually recovered under this reinsurance.

Subject otherwise to the Rules of the Association and the terms of entry of the Insured Owner.

3. Insured Values and Sums Insured

The maximum amount for which any one ship, or the interests therein, may be insured by the Association, being the total of the value insured by Hull and Machinery (Rule 2(B)) and Freight, Disbursements, Premiums, Increased Values and/or Other Interests (Rule 3) will be GBP325,000,000 or USD500,000,000 or the equivalent in the currency of the Insured Value exchanged at the fixed rate with effect from the commencement of the Policy Year. Members are reminded that they should check to ensure that any alterations to the insured values have been notified to the Association and that the insured values and sums insured are exactly the same, both in terms of value and allocation between Hull and Machinery and Freight, Disbursements, Premiums, Increased Value and /or other interests, as those for which the ship is insured under marine policies.

It should be borne in mind that under the terms of the Reinsurance Agreement between this Association and Her Majesty's Government, the Insured Value for Queen's Enemy Risks purposes (Rule 2(A)) will usually be the total loss value under Members' marine policies.

4. Protection and Indemnity Cover (Rule 2 Part D)

The limit of liability for claims under Rule 2 Part D will be GBP325,000,000 each ship any one accident or series of accidents arising out of one event, or USD500,000,000 if that is the currency of the ship's insured value and any sum insured.

5. Additional Premium Areas

In accordance with Rule 19.3, the additional premium areas with effect from Noon GMT on 20 February 2019 are shown in the attached schedule.

6. Maritime Security

The London P&I Club strongly recommends that all Members implement and adopt the Best Management Practices to Deter Piracy in the Gulf of Aden & relevant parts of Indian Ocean, including the registering requirements specified. These practices have been developed by industry and naval forces and should be particularly useful in the preparation of ships' anti-piracy contingency plans.

The London P&I Club web site contains more information regarding maritime security:

<https://www.londonpandi.com/knowledge/news-alerts/maritime-security-news-comprehensive-website/>

7. Sanctions

The Rules of the 2019/20 Policy Year incorporate the Sanctions Limitation and Exclusion provisions broadly as identified within the Association's Circular of 2 March 2011. The full text is attached. An Insured Owner's insurance may be prejudiced in the event that the Entered Ship is employed in a manner that has or will expose the Association to the risk of sanctions which the Members' Committee in its sole discretion determines may materially affect the Association in any way whatsoever.

In addition, liabilities, costs and expenses that are not recovered under the pooling and/or reinsurance arrangements of the Class by reason of the fact that payment of such claims would expose the other parties to the Pool and/or reinsurers to sanctions are excluded unless the Members' Committee in its sole discretion determines otherwise.

The Association strongly recommends that Members comply with the provisions of the relevant sanctions regimes in order to minimise the risk of their cover being prejudiced or being unable to make a recovery. Compliance will inevitably involve the exercise of due diligence by the Member in relation to any trading involving Iran, Syria or other sanctioned countries or with certain designated individuals or companies. Members are referred to the further information and advice available on the Association's website, www.londonpandi.com/knowledge/sanctions/

8. Port of Registry

Members are reminded that they must advise the Managers of any change of port of registry of an Entered Ship as this may effect rating and terms of cover.

9. Rules

The amendments to the Rules of Class 7, The War Risks Class, as detailed in the Association's Notice 7:119 dated 21 January 2019, took effect from Noon GMT on 20 February 2019. Members are reminded that the Class 7 Rules for the 2019/20 Policy Year can be accessed at www.londonpandi.com/war-risks/rules/.

10. Evaluation of Policy Years

The Class 7 Committee has reached the following decisions:

Open Policy Years

2015/2016: This Policy Year shall be closed.

2016/2017: No Supplementary Contributions are anticipated. The year will be considered for closure by the Class 7 Committee in July 2019, in the usual way.

2017/2018: No Supplementary Contributions are anticipated.

2018/2019: No Supplementary Contributions are anticipated.

Yours faithfully

A BILBROUGH & CO LTD
(MANAGERS)

Additional Premium Areas

With effect from Noon GMT 20 February 2019, the Additional Premium Areas will be as follows:

Africa

Benin

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

- (a) on the northern side the coast of Benin, Togo and Nigeria
- (b) on the western side a straight line from the border, on the coast, of Ghana and Togo to position latitude 3°N, longitude 1°10'E
- (c) on the southern side a straight line from there to position latitude 3°N, longitude 8°E
- (d) on the eastern side a straight line from there to latitude 4°N, longitude 8°31'E 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

The waters enclosed by the following boundaries:

- (a) on the north-west, by the Red Sea, south of latitude 15°N
- (b) on the west of the Gulf of Oman by longitude 58°E
- (c) on the east, longitude 65°E
- (d) on the south, latitude 12°S

Excepting coastal waters of adjoining territories up to 12 nautical miles offshore unless otherwise provided.

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

Extract from the Rules for the 2019/20 Policy Year:

4.E.15 Sanctions Limitation and Exclusion

4.E.15.1 There shall be no recovery by an Insured Owner for any losses, liabilities, costs and expenses where the provision of cover or any payment in respect thereof exposes or may expose the Association or the Managers to being or becoming or to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state, international organisation or other authority which sanction, prohibition or adverse action the Members' Committee in its sole discretion determines may materially affect the Association in any way whatsoever.

4.E.15.2 Unless the Members' Committee in its sole discretion determines otherwise, an Insured Owner shall not be entitled to recovery in respect of that part of any losses, liabilities, costs and expenses which is not recovered by the Association either under any reinsurance(s) arranged by the Association or under any pooling agreement in respect of this Class entered into by the Association because of a shortfall in recovery from reinsurers or other pool members by reason of a sanction, prohibition or adverse action against such reinsurers, pool members or the insurers of such pool members by a state, international organisation or other authority or the risk thereof if payment were to be made by such reinsurers, pool members or the insurers of such pool members. For the purposes of this Rule 4.E.15.2, "shortfall" includes any failure or delay in recovery by the Association by reason of the reinsurers, pool members or insurers of pool members making payment into a designated account in compliance with the requirements of any state, international organisation or other authority. The provisions of this Rule 4.E.15.2 shall cease to apply in respect of any shortfall to the extent the same is subsequently recovered by the Association under any reinsurance(s) arranged by the Association or under any pooling agreement in respect of this Class entered into by the Association.