

CLASS 3 WAR RISKS – RENEWAL 2021/2022

16 February 2021

Circular Ref: 2021/006



CIRCULAR

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Rules

As advised by Circular 2021/001 dated 12 January 2021, the rules of Class 3 have been changed to reflect changes made to the reinsurance arranged through The Combined Group of War Risks Associations on its behalf. These changes will not be reflected in the current edition of the Class Rules but will instead be reflected in individual Certificates of Entry.

The first change relates to an exclusion of Covid-related losses, costs and exposures as follows:-

Rule 4.D.9 Exclusion of Coronavirus

The Association shall not be liable for:

- 4.D.9.1 any losses, liabilities, costs or expenses directly or indirectly caused by or contributed to by or arising from, or from any fear or threat of the transmission or alleged transmission of;
 - 4.D.9.1.1 Coronavirus disease (COVID-19);
 - 4.D.9.1.2 Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2); or
 - 4.D.9.1.3 any mutation or variation of SARS-CoV-2;
- 4.D.9.2 any losses, liabilities, costs or expenses to identify, clean up, detoxify, remove, monitor, or test for such viruses;
- 4.D.9.3 any liabilities, losses, costs or expenses arising out of any loss of revenue, loss of hire, business interruption, loss of market, delay or any indirect financial loss, howsoever described, as a result of any of the above or the fear or the threat thereof.

The second change is a clarification of the extent of the current exclusion for “malicious cyber” as follows:-

Rule 4.D.7 Exclusion of Computer Viruses

Rule 4.D.7 is deleted and replaced with the following wording

The Association shall not be liable for any losses, liabilities, costs or expenses directly or indirectly caused by or contributed to by or arising from the use or operation, as a means for inflicting harm, of any computer virus.

Provided always that:

Rule 4.D.7 shall not operate to exclude losses (which would otherwise be covered under Rule 2 Parts B, C, D, E and F, Rule 3 and Rule 4.A.2)

- 4.D.7.1 arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance and/or firing mechanism of any weapon or missile.

- 4.D.7.2 arising from the use or operation of any computer, computer system, computer software programme or any other electronic system.

Advance Contribution Rates

The Advance Contribution Rates for the 2021/2022 Policy Year have been agreed and renewal terms will be notified to Members individually.

Entered Ships which are limited to a Restricted Trading Area are entitled to pay 50% of the rates. The Restricted Trading rate applies if the Entered Ship trades exclusively in any one of the following areas:

- (a) Europe (but including the Mediterranean and Black Sea);
- (b) U.S.A. and Canada (excluding Panama Canal Transits); and
- (c) Australasia.

The Advance Contribution will be payable in one instalment which will be due on 1 April 2021.

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.

North arranges reinsurance of this Class through The Combined Group of War Risks Associations (the Group) and is pleased to advise that for the forthcoming Policy Year commencing Noon GMT on 20 February 2021, 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 2021 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 3 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 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.A, 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 12.3 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 Insured Owner's Terms of Entry.

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 3 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 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.A, 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 12.3 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 Insured Owner's Terms of Entry.

Additional Premium Areas

With effect from Noon GMT 20 February 2021, the Additional Premium Areas will be as follows:-

- 1. **Africa**
 - a. Nigeria
 - b. Somalia
 - c. Libya
 - d. Benin
 - e. Gulf of Guinea, but only in respect of the waters enclosed by the following boundaries

1. On the west, from the coast of Togo 6° 06' 45" N, 1°12'E, south to
2. high seas point 0° 40'S, 3°00'E
3. and then east to Cape Lopez Peninsula, Gabon 0°40'S, 8° 42'E

f. Togo

2. Middle East

- a. Iran
- b. Iraq
- c. Israel
- d. Lebanon
- e. Oman
- f. Persian or Arabian Gulf and adjacent waters, including the Gulf of Oman west of longitude 58°E
- g. Saudi Arabia (Gulf Coast) Saudi Arabia (Red Sea coast) excluding transits
- h. Syria
- i. United Arab Emirates
- j. Yemen

3. South America

- a. Venezuela

4 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 and installations and terminals unless otherwise stated.

Notice must be given to North before an Entered Ship proceeds into an Additional Premium Area. North will endeavour to provide indications of Additional Premium levels at any time, but firm quotations will not normally be available until the entered ship is within 48 hours of arrival into the Additional Premium Area.

Insured Values and Sums Insured

Members are reminded of the need to review the Insured Values and Sums Insured which should be the same as those for which the Entered Ship is insured for total loss under marine policies, normally the insured value on Hull and Machinery, plus where applicable any amount insured on disbursements and/or increased value or freight. Any interest which is insured against Total Loss Risks Only under marine policies should be declared under Rule 3 so that the War Risk insurances exactly reflect the non-War Risk insurances for the same interests.

For the 2021/2022 Policy Year, the maximum value or amount insured under Rule 2 and Rule 3 in the aggregate will be £325,000,000 or equivalent any one Entered Ship.

The limit of liability in equivalent currencies for claims is:

US\$	500,000,000
Euros	425,000,000
Can \$	650,000,000

Members are also reminded of the provisions of Rule 11 whereby the Secretary of State for Transport may restrict the insured value of the entered ship for Queen's Enemy Risks in certain circumstances.

Protection and Indemnity risks

The limit of liability for all claims under Rule 2 Part D (Protection and Indemnity risks) remains £325,000,000 or equivalent each Entered Ship any one accident or series of accidents arising out of any one event, except as stated below. This limit includes Members' claims for Sue and Labour. The limit of liability in equivalent currencies for claims under Rule 2 Part D is:

US\$	500,000,000
Euros	425,000,000
Can \$	650,000,000

according to the currency of the Insured Values and amounts declared by the Member for the purposes of Rule 2 Parts A and B and Rule 3.

Alteration of risk

Members must advise North prior to any change in the port of registry of an Entered Ship as this may affect rating and terms of cover.

Indian Ocean, Gulf of Aden and Somalia Security

Members are referred to the Best Management Practices to combat piracy which have been developed by industry and naval forces, for all ships transiting the Gulf of Aden and the Indian Ocean. North's advice is available on www.nepia.com and the latest best practice document is available through this link or direct from the MSC (HOA) website. North strongly recommends that this guidance be adopted by Members and copies should be made available on all ships as part of Member's anti-piracy contingency plans.

Sanctions

The Rules for the 2021/2022 Policy Year incorporate provisions in relation to Sanctions-related cesser under Rule 33.

An Insured Owner's insurance will cease in the event that the Entered Ship is employed in a manner that has or will expose North to the risk of sanctions. Where North is unable to make a full recovery from other parties to the Pool and/or reinsurers by reason of the risk that the payment of such a recovery will expose such reinsurers to sanctions, this clause provides that North's liability to a Member will be limited to that part of the claim that is recovered from reinsurers.

Recovery of any claim is subject to the overriding proviso that the payment or handling of the claim will not expose North to any sanction, prohibition, adverse action or the risk thereof. 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.

North strongly recommends that Members comply with the provisions of the relevant sanctions regimes in

order to minimize the risk of their cover terminating or their 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 any other sanctioned countries or with certain designated individuals or companies. Members are referred to the information and advice available on www.nepia.com which is regularly updated.

Insurance Distribution Directive

In accordance with current practice, where insurances are placed on behalf of owners by a third party intermediary as defined under the EU Insurance Distribution Directive (2016/97/EU), the Club will require the intermediary's confirmation that they are authorised by the relevant European and/or UK Authority in their place of business under the terms of this Directive. This is applicable whether or not an intermediary is also co-insured under the relevant insurances.

STEPHEN REBAIR

DEPUTY GLOBAL DIRECTOR (UNDERWRITING)

The North of England P&I Association Limited / North of England P&I DAC