

MANAGEMENT REPORT 2002



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MANAGEMENT HIGHLIGHTS

Finance

- Free reserves for all classes increased by 3% to US\$ 87.3 million
- North of England received the only upgrade in the Standard & Poor's 2002 report
- Club's 'A- positive' rating is the third highest Standard & Poor's interactive P&I rating in the world

Membership

- Entered tonnage reached a record 39 million GT at 2002 renewal
- 36 new Members joined at 2002 renewal, bringing the total to 440 with 2500 ships
- Standard & Poor's confirm quality of membership and well diversified tonnage

Service

- Continued growth enabled the Club to recruit, train and retain the best staff
- New loss-prevention guidance on ISM Code, port-state control, dry time charterparties and stowaways
- New extranet to give all Members on-line access to their claims and records.

2001/2 P&I FINANCIAL SUMMARY

S&P Rating	A- positive
Free Reserves	US\$ 80.2 million
Gross Premium	US\$ 98.8 million
Net Assets	US\$ 323.6 million
Total Net Outstanding Claims	US\$ 243.7 million
Average Expense Ratio	9.0 %



George Procopiou

CHAIRMAN'S STATEMENT

I took over the chairmanship of this vibrant Club from Peter Henderson in June this year and was delighted at the excellent state of the Club's finances, membership and staff. It is a credit to Peter's period in office and I trust I can build even further on this success over the next two years.

Ten years ago North of England, one of the world's oldest P&I Clubs, insured just 8 million GT of shipping. Today it insures nearly 40 million GT of the world's best ships and is continuing to grow.

Only Club to be upgraded in 2002

It is now ranked by Standard & Poor's as the third highest interactively rated P&I insurer in the world and it was the only Club in Standard & Poor's 2002 report to receive an upgrade in its rating, from A- stable to A- positive.

The Club also benefits from one of the most enthusiastic and dedicated teams of managers in the P&I sector. North of England's continued growth means it is able to recruit, train and retain the best staff so we Members get the best possible advice and service.

Tough markets expose weaknesses in others

The P&I Clubs have faced some tough challenges recently. The world's insurance industry is facing at

least a US\$ 30 billion aftershock from the September 11 attacks and reinsurance rates are hardening fast. On the other hand, weak stock markets have all but killed off investment income over the past couple of years. This has exposed the fact that too many Clubs have, for too long, been charging too little.

Fortunately North of England has always aimed to achieve a breakeven underwriting result. The last renewal was no exception. Through prudent fund management it has also achieved a highly competitive investment performance in the 2001/2 financial year, resulting in an improvement in free reserves to over US\$ 87 million.

I would like to thank all my fellow Directors, who give freely of their time and experience, and to thank all managers and staff for looking after our interests in such an efficient and excellent way.

George Procopiou
Chairman
July 2002

"NORTH OF ENGLAND'S CONTINUED GROWTH MEANS IT IS ABLE TO RECRUIT, TRAIN AND RETAIN THE BEST STAFF – SO WE MEMBERS GET THE BEST POSSIBLE ADVICE AND SERVICE"

MANAGEMENT OVERVIEW

North of England P&I Club confirmed its status as one of the most successful players in the international P&I market in 2001/2. Despite unprecedented market difficulties, it became financially more secure and emerged from the 2002 renewal with nearly 40 million GT of quality shipping, its highest ever.

It was the only Club in Standard & Poor's 2002 report to receive a rating upgrade, from A- stable to A- positive, and maintained its position as the world's third highest interactively rated P&I insurer. It is also one of the few International Group Clubs to have increased its free reserves in 2001/2, thanks to a positive financial-year underwriting result and a positive investment return.

Succeeding in a difficult year for P&I

North of England's success in one of the most difficult years for the P&I sector is primarily due to its long held belief in achieving a break-even underwriting result, without over reliance on investment income.

With the support of its loyal and quality membership, the Club has achieved above average general increases at the recent renewals, enabling it to cover all its underwriting costs as well as protect free reserves. At the February 2002 renewal the increase was nearly 22%, against a background of global economic slowdown and the aftermath of the September 11 terrorist attacks.

Prudent policies help to boost free reserves

The Club's conservative investment policy also proved its worth in 2001/2. By focusing on capital preservation first and income second, North of England was one of only a very few International Group Clubs to achieve a positive investment return in 2001/2, despite the weak equity markets. This helped boost free reserves by 3% to US\$ 87.3 million.

The Club's financial conservatism has also enabled it to renew its long-standing retention reinsurance with triple-A rated Swiss Re for three more years from February 2003. Unfortunately the Club could do little about the 28% increase in the International Group reinsurance contract for 2002/3, a direct result of the weakness of the market and the US\$ 30 billion plus insured losses arising from September 11. It is hoped the markets will soon start to recover.

Claims experience in 2001/2 much improved

As explained later in this report, the 2001/2 policy year was an average year for P&I claims and certainly much better than 2000/1, which suffered from 13 large events. The cost of claims per GT in 2001/2 was 29% lower than 2000/1 and, more positively, the number of claims per GT dropped 8%.

The majority of claims relate to cargo though there were fewer due to hatch cover problems. Stowaway incidents were up again but, of more concern is the worsening legal bias in some countries which increasingly favour local claimants. North of England is participating in an International Group committee to focus global attention on this problem.

Continuing to set the service standard

The FD&D class continues to flourish, with over 40% of the Club's 2500-strong P&I fleet now entered. The Club also continues to lead the field in the diversity and innovation of its loss prevention programme, which in 2001/2 included a computer-based version of its acclaimed P&I distance-learning course.

A new extranet service will also be launched giving Members direct access to their records – further evidence of the Club's continuing commitment to provide Members with maximum value for money and unrivalled service excellence.

"NORTH OF ENGLAND'S SUCCESS IN ONE OF THE MOST DIFFICULT YEARS FOR THE P&I SECTOR IS PRIMARILY DUE TO ITS LONG-HELD BELIEF IN ACHIEVING A BREAK-EVEN UNDERWRITING RESULT"

- The entered tonnage reached a record 39 million GT at 2002 renewal
- North of England received the only upgrade in Standard & Poor's 2002 report
- The Club's 'A- positive' rating is third highest Standard & Poor's interactive P&I rating in the world
- The free reserves increased by 3% to US\$ 87.3 million

"AS STANDARD & POOR'S CONFIRMED
IN ITS 2002 REPORT, THE QUALITY OF
MEMBERSHIP AND ENTERED TONNAGE
IS BOTH GOOD AND WELL DIVERSIFIED"

MEMBERSHIP

Total P&I tonnage entered in North of England at the 2002 renewal reached a record 39 million GT, an annual increase of over 12%.

The triple benefits of strong finances, quality membership and excellent service attracted 36 new Members at renewal from a variety of countries including Dubai, Germany, Greece, Korea, India, Norway, Singapore, Switzerland, Turkey and the United States. They lifted the total number of Members to 440 and boosted entered tonnage by 2.3 million GT.

Many existing Members increase entries

A total of 32 existing Members also showed their preference for the Club by increasing their entries at renewal by 2.2 million GT. This brought the total to approximately 33 million GT owned tonnage and 6 million GT chartered tonnage, some 2500 ships in all.

Despite the increasing size of the P&I entry, the composition of tonnage remains relatively consistent in line with the Club's policy of minimising its dependence or exposure to any one type of trade. For example, bulk carriers account for 28% of ships entered and tankers account for 20%.

Quality monitoring helps loss prevention

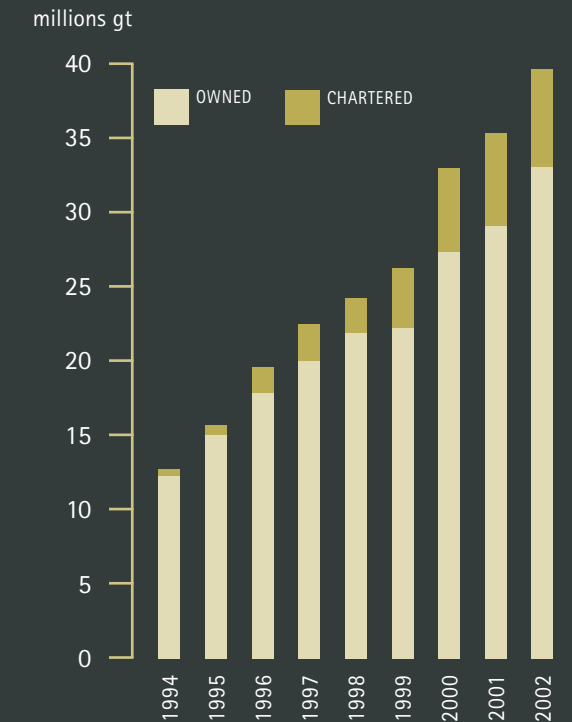
All Members are carefully monitored for the quality of their ships and management systems and condition surveys form an integral part of the Club's risk-management programme. However, the primary aim is to assist Members to identify areas for claims and loss prevention, which are in their interests as much as the Club's, rather than to impose any restrictions on cover.

As Standard & Poor's confirmed in its 2002 report, the quality of membership and entered tonnage is both good and well diversified. The largest member accounts for just 5% of entered tonnage and the top five represent less than 20%. With the exception of the UK (15%) and Greece (25%), no one country accounts more than 10% of tonnage – and geographical regions such as the Middle East and Far East account for up to 15% each.

During 2002/3 the managers intend to focus their marketing efforts on attracting additional high quality Members from throughout the world, particularly North America and the Far East.

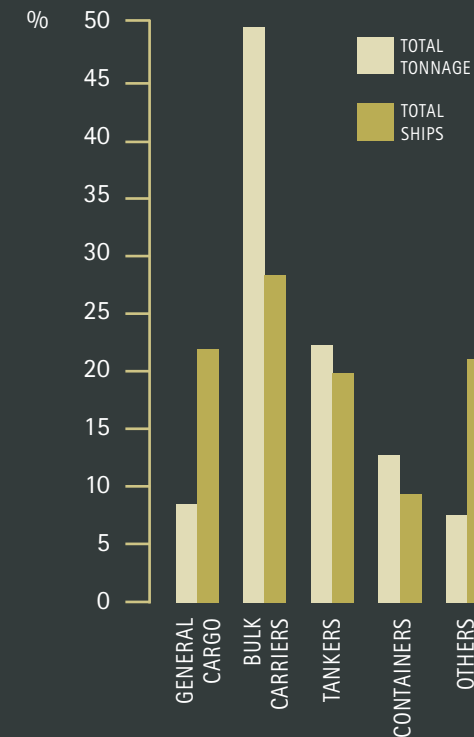
- P&I tonnage reached a record 39 million GT at renewal
- Standard & Poor's confirm membership quality is good and well diversified
- 36 new Members bring total membership to 440
- 32 existing Members increased entered tonnage
- Total of 2500 ships now entered in P&I class

ENTERED TOTAL TONNAGE



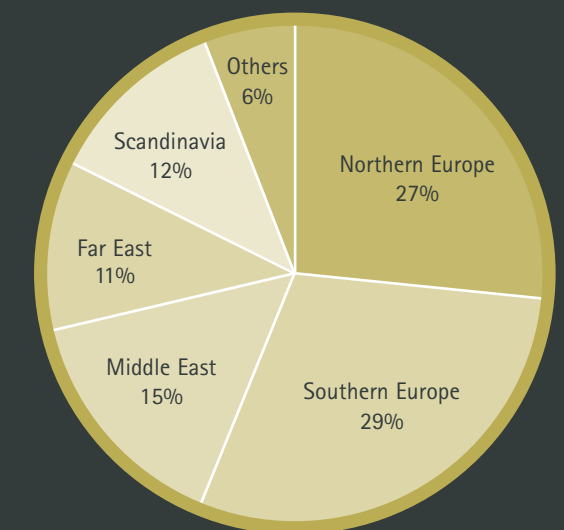
Total P&I tonnage at the 2002 renewal grew to a record 39 million GT

ENTERED TONNAGE (BY SHIP TYPE)



The spread of ships entered in the Club means it is not dependent or exposed to any one type of trade

TOTAL ENTERED TONNAGE (BY AREA OF MANAGEMENT)



The Club is traditionally strong in the UK and Greece and also has a good spread of Members from around the world

"THE CLUB REMAINS S&P'S THIRD HIGHEST INTERACTIVELY RATED P&I INSURER"

FINANCIAL REVIEW

North of England's financial strength and performance continued to improve during the 2001/2 policy year, confirming its position in the top tier of the International Group of P&I Clubs as well as reflecting the high quality of its Members.

The world's leading credit-rating agency, Standard & Poor's, singled out North of England for the only rating increase in its 2002 P&I report. It upgraded the Club's counter-party credit and financial strength rating from 'A- stable' to 'A- positive', leaving all other P&I insurers either unchanged or downgraded. As such the Club remains S&P's third highest interactively rated P&I insurer.

Achieving a financial-year underwriting surplus

The improved financial outlook reflects the Club's excellent track record in maintaining calls at a level that generate a near break-even underwriting result. The Directors were among the first to recognise the potentially adverse impact of diminishing investment returns, resulting in above industry average premium increases of 7.5% and 22% being achieved at the last two renewals.

Despite weak investment markets, the Club also managed to increase its free reserves during the 2001/2 financial year, a result unlikely to be bettered by many other International Group Clubs. The free reserve in all classes rose by 3% to US\$ 87.3 million and the P&I free reserve increased 2% to US\$ 80.2 million. As S&P said in its 2002 report, the North of England's compound average growth rate in free reserves over the past five years puts it 'at the top of its peer group'.

The various individual policy years, although showing deficits, continue to develop in line with expectations and the Directors do not expect any additional calls.

Achieving a positive investment result

The Club's conservative investment strategy, which is primarily focused on capital preservation, again proved successful in a period that saw many other Clubs suffer negative returns. The income on P&I class investments in the 2001/2 policy year was 0.05% - only slightly below the composite benchmark index for the period of 0.24%.

The asset allocation within the Clubs investment portfolio remained largely unchanged during the last financial year with 78% of funds invested in cash and high quality, investment grade government and corporate bonds of appropriate duration. The remaining 22% of funds were invested in a number of well diversified equity portfolios.

In an extremely volatile and negative period for equity markets resulting from value corrections in the telecoms and technology sectors and global economic slowdown, the fixed income asset class has proved to be a safe haven of security, stability and a source of positive returns.

The Investment Committee has continued to review and assess the performance of the Club's appointed investment managers against the selected benchmark indices and guidelines. Citigroup were appointed during the year to complement the strategies of the existing bond managers Strategic Fixed Income and Lazard. Equity portfolios were managed by Capital International, Berenberg and Merrill Lynch.

The Directors believe that existing asset allocation is appropriate for current market conditions and will continue to provide security of capital and the potential to capture recovery in equity markets.

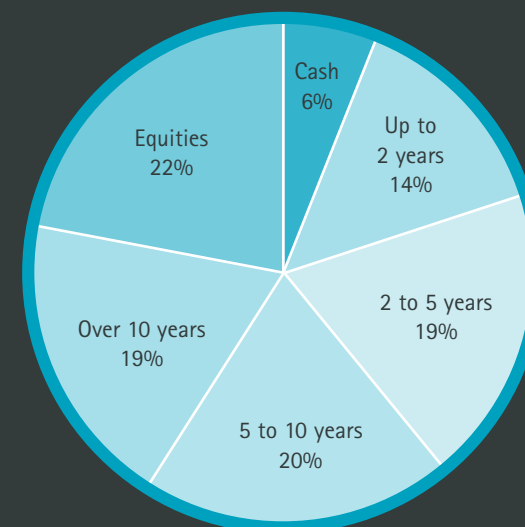
Improving efficiency and reducing costs

The Club also made continuing efforts to keep its management costs to an absolute minimum while maintaining high member service levels. Its head office location in north-east England already provides a lower cost-base than most other Clubs, but ongoing development of business and communications systems during the year will help to improve efficiency further.

The managers are in the process of implementing a programme to gain more control over and increase the value from fees the Club pays to professionals such as lawyers and surveyors, which should help benefit future operating costs and efficiency.

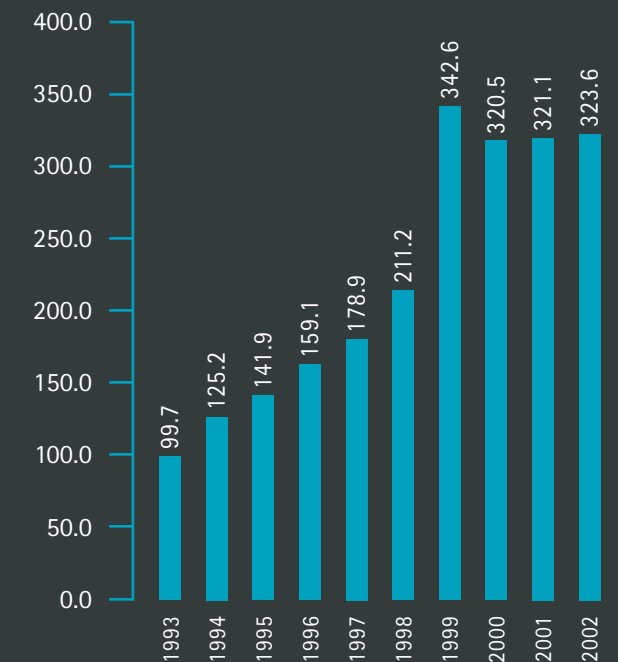
- Financial strength rating increased from 'A- stable' to 'A- positive'
- Only P&I insurer to have rating upgraded by Standard & Poor's in 2002
- Free reserve increased by 3% to US\$ 87.3 million
- Break-even underwriting result and positive investment result
- Programme to control professional costs

INVESTMENT PORTFOLIO



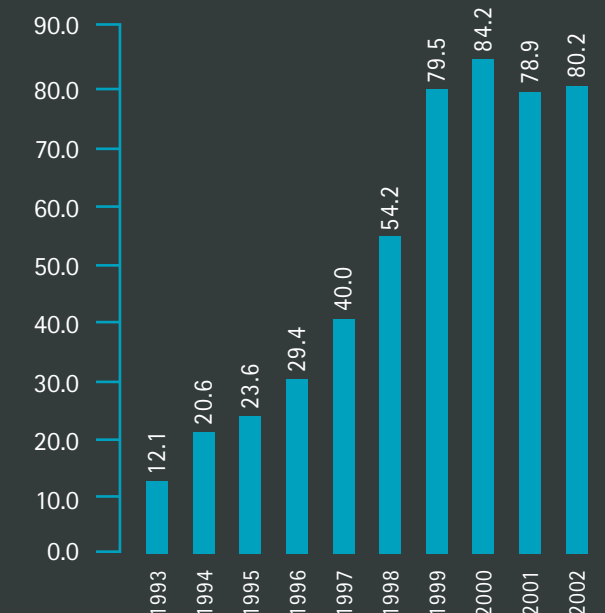
The Club's conservative investment portfolio remained largely unchanged for 2001/2, with 78% in bonds and cash, and 22% in equities at 20 February 2002

P&I CLASS NET ASSETS (US\$ MILLIONS)



Net assets for the P&I class increased

P&I CLASS FREE RESERVES (US\$ MILLIONS)



By achieving a positive, financial-year underwriting result and positive investment return, the Club was able to increase its P&I free reserve by 2%



"THE CLUB IS PLEASED TO REPORT IT HAS RENEWED ITS OWN RETENTION REINSURANCE FOR A FURTHER THREE YEARS FROM FEBRUARY 2003 WITH TRIPLE-A RATED SWISS RE"

REINSURANCE

North of England's reinsurance programme is traditionally split between the International Group's pooling and excess of loss programme and the Club's own retention reinsurance.

There is also a 'quota share' reinsurance contract with North of England Mutual Insurance Association (Bermuda) Limited, a company wholly owned by Members, which allows 90% of the Club's net risks to be reinsured through Bermuda. Financial statements for the British and Bermudian companies are combined in this report to provide a clear overview. The combined figures also form the basis of the Club's return to the UK Financial Services Authority.

Group reinsurance costs go up by 28%

The International Group's excess loss reinsurance contract, covering claims above the pool limit of US\$ 30 million, was fixed for the 2001/2 policy year under the two year deal agreed on 20 February 2000.

But with the insurance industry facing at least a US\$ 30 billion hit after the September 11 terrorist attacks, it was inevitable the cost of the Group contract would rise for 2002/3.

The final deal struck on 20 February 2002 involved renewing 75% of the existing contract on the basis of a pre-agreed increase of 20%. The remainder of the programme had to be renewed in a difficult market, where rates have increased by up to 400%, resulting in an overall increase of 28%.

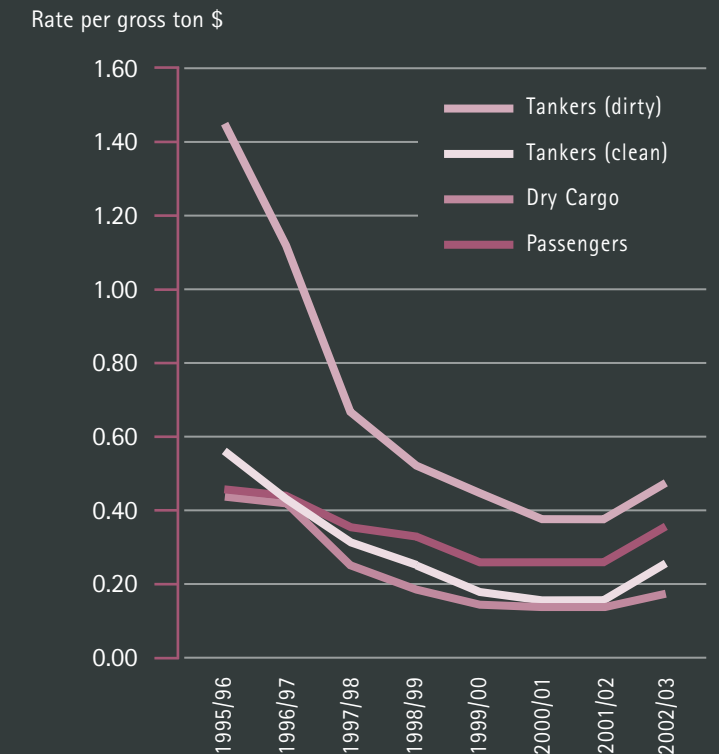
Club retention cover renewed with Swiss Re

On a more promising note the Club is pleased to report it has renewed its own retention reinsurance for a further three years from February 2003 with triple-A rated Swiss Re. This covers the first US\$ 5 million of all claims that the Club has to retain under the Group pooling agreement, as well as the Club's share of pool contributions. The programme is a combination of stop loss and excess of loss policies.

It is important to note that the arrangement with Swiss Re is traditional risk transfer, not one of the 'alternative risk transfer' schemes which some Clubs are experimenting with. This ongoing and long term relationship with Swiss Re reflects the Club's excellent claims record and management performance and is testament to the quality of the membership.

INTERNATIONAL GROUP EXCESS LOSS REINSURANCE RATES

- Club's retention reinsurance renewed for a further 3 years from February 2003
- Retention reinsurance with triple-A rated Swiss RE
- 2002/3 Group contract premium increased by 28%



After a 2-year fix at their lowest levels, Group reinsurance rates for all classes of vessel have increased

INTERNATIONAL GROUP REINSURANCE STRUCTURE

		US\$m (from the ground up)
Overspill	Liability (shared by pool)	4,250 (approx)
Layer 4	500m One reinstatement	2,030
Layer 3	500m Unlimited reinstatements	1,530
Layer 2	500m 85% Unlimited reinstatements 15% Four reinstatements	1,030
Layer 1	500m 75% Unlimited reinstatements 10% Co-insurance 15% Four reinstatements	530
Pool retention	25m 15% Pool exposure	100
Club retention	5m	30
		5

Although costing 28% more for 2002/3, the layers of the International Group reinsurance structure remain unchanged



"OF GREATER CONCERN IS THE WORSENING LEGAL BIAS IN SEVERAL COUNTRIES AROUND THE WORLD, WHERE JUDGMENTS GENERALLY GO AGAINST SHIPOWNERS IN FAVOUR OF LOCAL INTERESTS"

- Total of 4216 claims totalling US\$ 71.5 million
- Cost of claims per GT down to US\$ 2.00 – a return to average
- Number of claims per GT down by 8%
- Hatch cover claims down, stowaway claims up
- International Group committee formed to identify problem claim areas

P&I ONLY: NUMBER OF CLAIMS BY VALUE RANGE, EXCLUDING POOL CLAIMS 12 months from inception

	1996	1997	1998	1999	2000	2001
Over \$2.0m	2	9	4	3	10	2
\$1.0m - \$2.0m	6	2	3	3	3	4
\$0.5m - \$1.0m	11	16	15	20	15	14
\$0 - \$0.5m	3,150	3,464	4,076	3,423	4,218	4,196
Total	3,169	3,491	4,098	3,449	4,246	4,216

Claims breakdown by value shows that the 2001/2 policy year is more in line with average years, with just 6 events over US\$ 1 million.

P&I CLAIMS

Unlike the previous year, the 2001/2 policy year appears to be fairly average for P&I claims with a total of 4216 claims totalling \$71.5 million.

The cost of claims per GT is currently around \$2.00, significantly less than the figure of \$2.80 reached for 2000/1. This is primarily due to the unprecedented number of large claims experienced in that year, with 13 incidents over US\$ 1 million.

Fewer major claims and lower claims per GT

In 2001/2 there were just 6 claims above the US\$ 1 million mark, with a total value of US\$ 11 million. Major events included the explosion and sinking of a VLCC off the Indian coast.

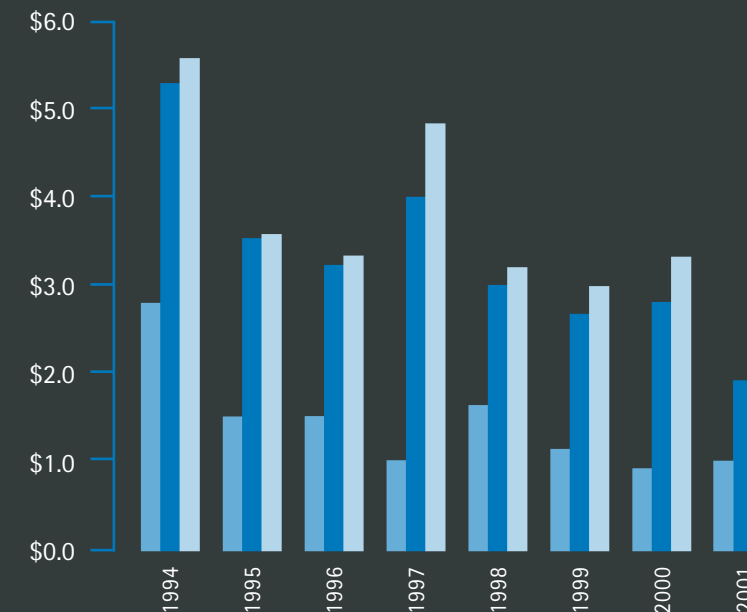
The number of claims per GT is also down on the previous year, by around 8%. The majority of claims again relate to cargo, although it is pleasing to note that the proportion attributable to hatch-cover problems, generally the simplest to avoid, showed a decline.

Increasing problem of unfair jurisdictions

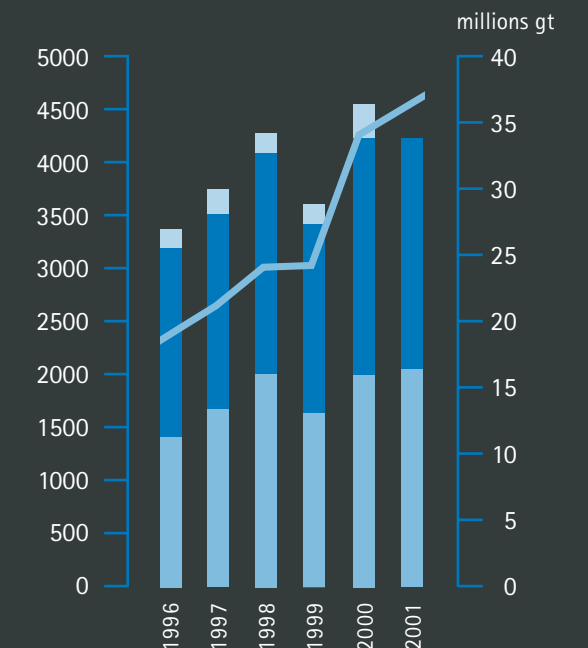
Stowaway claims were higher, perhaps not surprisingly given the increasing world-wide problem of refugees and economic migrants brought vividly into public focus by the Tampa incident. However, of greater concern is the prevalent legal bias in many countries around the world, where judgments generally go against shipowners in favour of local interests, regardless of the merits of the case.

In an effort to tackle the problem North of England is participating in a claims cooperation sub-committee of the International Group of P&I Clubs. One of the aims is to identify jurisdictions where there is a persistent trend of patently unfair decisions, and to consider remedial actions including, if appropriate, lobbying international organisations and governments to exert pressure on the worst offenders.

INCURRED CLAIMS PER US\$/GT



NUMBER OF CLAIMS RECEIVED

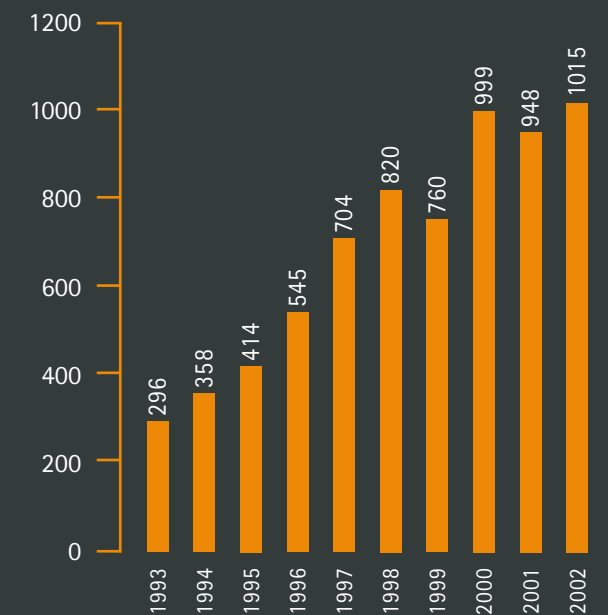


Number of claims per GT is down by 8% in 2001/2.

"MOST CASES RELATED TO CHARTERPARTY DISPUTES – INCLUDING INSOLVENCY OF CHARTERERS"

- 1015 ships entered for FD&D – highest ever
- 40% of P&I Members also entered for FD&D
- Average claims per ship down by 4%
- Reserves increase to US\$ 4.1 million

AVERAGE NUMBER OF SHIPS INSURED FOR FD&D



FD&D entries have reached a new record of 1015 ships

FD&D CLASS

North of England's FD&D Class continues to go from strength to strength with a record 1015 ships entered in the 2001/2002 policy year, over 40% of the Club's P&I fleet. Members are clearly being attracted in increasing numbers to this "added value" service which provides cover for legal costs incurred by Members for a full range of disputes, particularly charterparty disputes.

In-house service

A significant benefit of North of England cover is that it provides Members with full access to the Club's experienced, multi-jurisdictional team of 15 marine lawyers, the idea being that legal advice at the outset can avoid costly disputes later on. It is pleasing to note that whilst in the 2001/2002 policy year the number of loss prevention type enquiries increased to 1582, this demonstrates that Members are taking an increasingly proactive approach to avoiding disputes.

Claims per ship

Total numbers of claims notified during the year increased from 750 to 821, however, the average number of claims per entered ship was slightly down. This was despite a significant drop in freight markets during the period, which historically generates more claims.

As in previous years, most claims related to charterparty disputes, including some arising out of the insolvency of charterers, although the collapse of the Andre Group and Enron had minimal impact. To help Members protect themselves from loss of income from such insolvencies, the Club arranged a unique charterparty credit risk policy with NCM Marine, Amsterdam which was launched in January 2002.

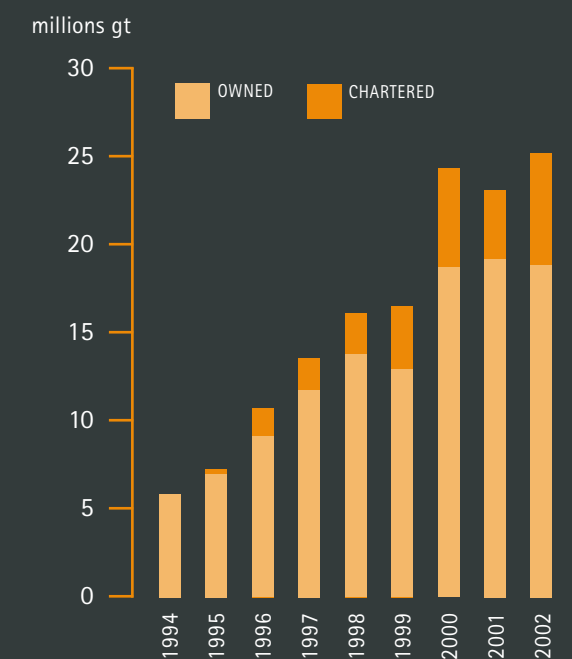
Avoiding sale and purchase disputes

Fortunately, there was only one major new building contract dispute and no conversion contract disputes during the year as the costs of these can be very significant. As part of the Club's continuing efforts to help Members avoid sale and purchase disputes, further seminars on the topic were held in Hong Kong and Singapore following those held earlier in Europe.

Financial results improve

The Club's FD&D reserve currently stands at US\$ 4.1 million, an increase of 100%. The increase in reserves was partly as a result of some very satisfactory settlements and cost recoveries and partly as a result of an investment return of 6.35%, the FD&D Class portfolio being held in bonds and cash.

ENTERED TOTAL TONNAGE



Entered tonnage increases

"EXTRANET SERVICE, GIVING MEMBERS DIRECT ACCESS TO ALL UNDERWRITING, CLAIMS AND ACCOUNTING RECORDS – THUS ENABLING THEM TO MONITOR THEIR PERFORMANCE"

MEMBER RELATIONS

With P&I premiums now a significant daily business expense for Members, North of England made even greater efforts in the 2001/2 policy year to ensure its Members received the maximum return from their investment.

In addition to protection by the world's third highest interactively rated P&I insurer, Members also benefited from practical advice and support from one of the world's most experienced and fast-growing teams of underwriters, claims handlers and maritime lawyers.

Regular visits and seminars for Members

There are now 131 staff in the Club's UK, Piraeus and Hong Kong offices, many of whom have seagoing experience. Dedicated regional teams continued to visit Members' offices as frequently as possible during 2001/2 as well as organising in-house and local seminars and workshops on a variety of relevant topics.

For example, tailored in-house loss-prevention courses were organised in Greece, Italy, Iran and Singapore and sale and purchase seminars were held in Hong Kong and Singapore following the success of similar events throughout Europe.

Computer based distance learning course

The Club continued to lead the field in the diversity and

innovation of its loss prevention programme. In particular, its popular distance learning programme in P&I insurance, for which nearly 2000 students have enrolled over the past 12 years, was launched in an enhanced, computer based format to make it even easier for Members' staff to gain a better understanding of marine liability risks.

New loss prevention guides were published on the ISM Code, port state control and dry time charterparties. A special issue of the Club's loss prevention newsletter *Signals* was also produced immediately following the *Tampa* incident with detailed advice about stowaways. Eight cartoon posters on various aspects of shipboard safety and collision regulations further added to the ever-increasing range of loss prevention tools available to Members.

Members to be given on-line access to records

During the year the Club also continued to make significant investment in its information technology systems. It will soon be launching a comprehensive extranet service, giving Members direct access to all their underwriting, claims and accounting records, thus enabling them to monitor their performance and see at first hand what the Club is doing on their behalf.

- Tailored in-house training for Members
- Distance-learning course re-launched in enhanced, electronic format
- New loss-prevention guides on ISM Code, port-state control and dry time charterparties
- Special issue of *Signals* on stowaways published immediately after *Tampa* incident
- New extranet to give all Members on-line access to their records



Further loss-prevention guides were published during the year on the ISM Code, port-state control and dry time charterparties



The Club's popular distance-learning course in P&I insurance has been re-launched in an enhanced, computer-based format



New extranet service will provide Members with direct access to their underwriting, claims and accounting records

INDUSTRY DEVELOPMENTS

North of England constantly monitors industry developments and legislative proposals around the world which affect the shipping industry. Some of the more important developments in the past year are as follows.

ISM implementation completed

The past year has seen owners of ships such as general cargo ships, container ships, reefers and other specialist carriers preparing for phase 2 implementation of the International Safety Management (ISM) Code on 1 July 2002.

Following the phase 1 implementation in July 1998, the Code now applies to all commercial ships and mobile offshore drilling units over 500 GT engaged in international trade. However, it is still considered to be too early to assess the Code's impact on safety.

Both the Paris and Tokyo Memoranda of Understanding (MOU) on port-state control say that strict enforcement of the ISM Code will be undertaken in the form of three-month concentrated inspection campaigns starting on 1 July. They have also made it clear that no extensions will be granted.

Amnesty on STCW 95 certificates

Whereas the inspection campaigns will focus on phase 2 ships, phase 1 ships will also be scrutinised for the effectiveness of their safety management systems. Deficiencies in any area will be considered as 'major non-conformities' which will lead to detention of the ship.

From 1 August 2002, any ships with seafarers not carrying STCW 95 certificates will also be detained. The final phase of the 1995 amendments to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers came into force on 1 February 2002, requiring seafarers on virtually all merchant ships to hold STCW 95 certificates.

However, IMO has recognised that many seafarers will not be able to upgrade their STCW 78 certificates in time and therefore asked port-state control authorities to give them until 31 July 2002 before detaining ships.

Oil pollution fund developments

On 24 May 2002, the 1971 International Convention On The Establishment Of An International Fund For Compensation For Oil Pollution Damage ceased to be in force and will not apply to oil pollution incidents after that date.

The 1971 Fund has been replaced by a 1992 Fund, which has higher limits on the amount of compensation payable and currently has 61 contracting states representing 86% of world merchant shipping tonnage.

In October 2001 the 1992 Fund assembly met to consider whether to introduce an optional third tier of compensation funded by oil receivers. The North of England along with the other International Group Clubs submitted that a voluntary minimum limit of SDR 20 million (approximately US\$ 26 million) should be sufficient to maintain an equitable balance of sharing between ship and cargo interests.

SCOPIC salvage clause continues

The initial two-year trial of the special compensation for P&I Clubs (SCOPIC) clause in Lloyd's standard form of salvage agreements came to an end in 2001. During this period the clause has been amended to reflect the changes in LOF 2000 and to clarify certain aspects of the original version which were felt to be unclear.

The International Group Clubs have recommended that the clause should continue in use but that it should be kept under review.

Athens Convention

At a diplomatic conference of the IMO in October 2002, a new protocol to the Athens Convention dealing with the liability of carriers for death and injury to passengers by sea will be considered. This protocol is expected to significantly increase the limits of liability of the owners of passenger ships and also to make P&I insurers directly liable for claims. The International Group has made its views and those of its shipowner Members known to IMO and the very real concerns arising from significantly increased passenger limits. Whatever IMO decides in October this matter will be the subject of considerable further debate, as will the basis upon which cover is provided for this type of risk in the future.



"NORTH OF ENGLAND CONSTANTLY MONITORS
INDUSTRY DEVELOPMENTS AND LEGISLATIVE
PROPOSALS AROUND THE WORLD WHICH
AFFECT THE SHIPPING INDUSTRY"

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