

**CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS  
ATTENTION INSURANCE DEPARTMENT**

**13 FEBRUARY 2012  
PAJ/JI**

**POLICY YEAR 2007 - PROTECTING AND INDEMNITY CLASS**

**Rules**

The proposed changes to the P&I Class Rules as set out in the Notice to Members dated 12 December 2006, were approved at the Members' EGM held on 16 January 2007 and will take effect from 20 February 2007. These Rules will be available on the Association's website [www.nepia.com](http://www.nepia.com) from 20 February 2007.

**International Group Reinsurance**

The International Group's Excess Loss Contract has been renewed (with a significant structural change described below). The rates for 2007, inclusive of the excess war risks cover referred to below, will be as follows.

Tonnage Category 2007 rate per GT % change from 2006:

Dirty tankers US\$ 0.6797/gt - 0.01

Clean tankers US\$ 0.3187/gt - 0.45

Dry cargo ships US\$ 0.2837/gt - 0.52

Passenger ships US\$ 1.3714/gt +71.29

These rates will be applied to Members' premiums rounded up or down to three decimal places.

In addition to the US\$2 billion Excess Loss programme, which continues as before, these rates include the cost of a further new US\$1 billion collective overspill protection cover which is intended to protect Members against overspill calls from any catastrophe claim up to US\$3 billion. The amount of risk to be retained by each Club will increase at 20 February 2007 from US\$6 million to US\$7 million each event, with the International Group Pool continuing to retain the balance up to US\$50 million each event, as well as a 25% coinsurance of the first US\$500 million layer of the Excess Loss Contract. As with 2006, this coinsured share and the top US\$20 million layer of the Pool, will be reinsured into the International Group captive, Hydra Insurance Co. Ltd.

**CIRCULAR**

NORTH OF ENGLAND P&I ASSOCIATION LIMITED 100 The Quayside, Newcastle upon Tyne, UK, NE1 3DU  
Telephone: +44 (0) 191 2325221 Fax: +44 (0) 191 2610540 [www.nepia.com](http://www.nepia.com)

The North of England Protecting and Indemnity Association Limited. Registered in England No. 505456. Registered Office above  
Hong Kong: Room 2503, COSCO Tower, 183 Queen's Road, Central, Hong Kong Telephone: +852 25446813 Fax: +852 25424424  
Greece: 5-7 Aghiou Nikolaou, GR 185 37 Piraeus, Greece Telephone: +30 210 4283038 Fax: +30 210 4280920.  
Singapore: 80 Anson Road, #26-04 Fuji Xerox Towers, Singapore 079907 Telephone: +65 64110160 Fax: +65 62240160.  
Tokyo: Akiyoshi Kyobashi Building, 8th Floor, 1-17-2 Kyobashi, Chuo-ku, Tokyo, Japan 104-0031 Tel: +81 (3) 5159 5373 Fax: +81 (3) 5250 0003  
North Insurance Management Limited. Registered in England No. 3922841. Registered Office above. Regulated in the UK by the Financial Services Authority

### **Passengers and Seamen Limitation of Cover**

The proposal to adopt specific limits of cover for 2007, in respect of passengers and seamen as set out in the Association's circular of 19 January 2007 has now been agreed by the International Group and accordingly all Owner's Entries, unless otherwise limited to a lesser sum, will incorporate the Passengers and Seamen Limit of Liability Clause 2007 as set out in Appendix A.

### **Charterer's Entries**

The limits of cover for P&I risks applying to Charterer's Entries will continue to be US\$350 million each event for all claims under the same entry.

### **Affiliated Charterers**

Members who have an affiliated or associated company named on an Owner's Entry with the intention of providing these companies with cover for their exposure as an affiliated or associated time or voyage charterer are reminded of the amendment to the Association's Rule 9(1) which now defines the basis on which such affiliated or associated companies will qualify to become Joint Members. Those companies that continue to qualify will have the benefit of an increased limit of cover of US\$350 million each event compared to the 2006 limit, of Limitation Amount plus US\$50 million. The same requirements apply to any Charterer's Entry where the Member has an affiliated or associated company named as a sub-charterer.

Those companies that do not qualify will require a separate Charterer's Entry, it is important that members satisfy themselves that all such companies fully comply with the new definition.

### **P&I War Risks**

The limit of cover on the excess P&I war risks cover provided by the Association will continue to be US\$500 million each event in excess of the ship's value and will contain aggregate limits as at present. Members are reminded of the need to ensure that they have arranged adequate underlying war risks insurance with cover for P&I risks, including crew, for the risks excluded by the Association's Rule 24(1), up to the proper value of the Entered Ship or US\$100m, whichever is the lesser.

For those Members who have relevant ships as defined in the Tanker Oil Pollution Indemnification Agreement (TOPIA), the 2007 Rule amendment applying to this cover is intended to give these Members the benefit of the exception of terrorism under TOPIA.

### **Bio-chem Risks**

In view of the exclusion of bio-chemical etc risks from the P&I war risks cover, and in recognition of the absence of suitable underlying facilities in the insurance market, the International Group Clubs will continue to provide limited cover for certain risks, liability to crew under Rule 19(1) and legal costs and expenses incurred solely for the purposes of avoiding or minimising claims from a bio-chemical event. Full details are as set out in Appendix B.

### **Heavy Fuel Oil Cargoes**

Once again after 20 February 2007, members will be required to declare to the Association, which of their ships have carried heavy fuel oil as cargo in the previous 12 months.

### **U.S. Voyage Surcharges**

Members that are carrying persistent oil as cargo to or from ports within the United States or the United States Exclusive Economic Zone ("EEZ") as defined in OPA 1990 will continue to pay additional premiums reflecting the Association's obligation to pay an increased contribution towards the cost of the International Group Excess Loss Contract. The rates and terms for 2007 are as set out in Appendix C, these new rates representing a reduction of 4.5% over 2006.

**United States Terrorism Risk Insurance Act (TRIA)**

The Directors have resolved that cover for acts of terrorism as defined in the US Terrorism Act 2002 will continue to be made available at least until the expiry of the present TRIA arrangements in December 2007, at which time it may be reviewed by the U.S. Treasury Department. The Act will apply to very few ships entered in the Association but, for those that are eligible, a premium of US cents 0.25 per gt will be deemed attributable to these risks and will be included within the overall premium.

**Extended Covers**

The Association's website, [www.nepia.com](http://www.nepia.com), contains details of the additional covers available to Members for the 2007 policy year.

**Summary of Cover**

In addition to Certificates of Entry, from 20 February 2007 all Owned Ships will be provided with a Summary of Cover. This is a new document that is intended to be kept onboard the Entered Ship and shown to port state authorities as evidence of the existence of P&I cover in relation to wreck removal and oil pollution. However, it should be noted that this document does not constitute any part of the Contract of Insurance and should not be construed as evidence of any undertaking, financial or otherwise on the part of the Association to any other party. Presentation by the Member of this Summary of Cover as evidence of insurance under any applicable law relating to financial responsibility or otherwise is not to be taken as any indication that the Association thereby consents to act as guarantor or to be sued directly in any jurisdiction. The Association does not so consent.

**Outstanding Premiums**

Members are reminded that all renewals are subject to there being no outstanding premiums owing to the Association at 20 February 2007.

The Association's Underwriting Department will be happy to deal with any questions arising on any of the above matters.

PAUL JENNINGS

JOINT MANAGING DIRECTOR - North Insurance Management Limited  
As Managers on behalf of the North of England P&I Association Limited

## APPENDIX A

### Passengers and Seamen Limit of Liability Clause 2007

Notwithstanding anything in this Certificate of Entry or in the Rules of the Association to the contrary, it is hereby noted and agreed that the Rules of the Association are amended as follows.

#### Rule 22 Limitation of Cover

1. For the purposes of this Rule 22 the following additional definitions apply.

##### Passenger

A person carried on board a Ship under a contract of carriage or who, with the consent of the carrier, is accompanying a vehicle or live animals covered by a contract for the carriage of goods.

##### Seaman

A person on board a Ship who is not a Passenger.

2. The following additional limitations of cover apply.

Unless the Directors may from time to time determine, the liability of the Association in respect of all claims which arise:

(a) under an Owner's Entry, and

(b) out of any one event,

shall not exceed

(i) in respect of liability to Passengers US\$2,000,000,000; and

(ii) in respect of liability to Passengers and Seamen US\$3,000,000,000.

#### PROVIDED ALWAYS THAT:

Where there is more than one Owner's Entry in respect of the Entered Ship in this Association and any other P&I Association which participates in the Pooling Agreement,

(A) the aggregate of all claims in respect of liability to Passengers brought against the Association and/or such other Associations shall be limited to US\$2,000,000,000 and the liability of the Association shall be limited to such proportion of US\$2,000,000,000 as the claims recoverable under an Owner's Entry in the Association bear to the aggregate of all such claims recoverable under all Owner's Entries in respect of that Ship with this or any other Association;

(B) the aggregate of all claims in respect of liability to Passengers and Seamen brought against the Association and/or such other Associations shall be limited to US\$3,000,000,000 and the liability of the Association shall be limited:

(i) where claims in respect of liability to Passengers have been limited to US\$2,000,000,000 in accordance with Proviso (A) to such proportion of the balance of US\$1,000,000,000 as the claims recoverable under an Owner's Entry in the Association in respect of liability to Seamen bear to the aggregate of all such claims under all Owner's Entries in respect of that Ship with this or any other Association; and

(ii) in all other cases, to such proportion of US\$3,000,000,000 as the claims recoverable under an Owner's Entry in the Association in respect of liability to Passengers and Seamen bear to the aggregate of all such claims under all Owner's Entries in respect of that Ship with this or any other Association.

## **APPENDIX B**

### **Bio-chem Risks 2007**

#### **Risks Covered**

Subject to the terms and conditions and exclusions set out herein, cover is extended to include the liability of the Member:

(a) to pay damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitute expense and shipwreck unemployment indemnity),

(b) for the legal costs and expenses incurred solely for the purpose of avoiding or minimising any liability or risk insured by the Association under Rule 19(1) to Rule 19(20) inclusive,

where such liability would be recoverable under either

(a) cover provided by the Association for such liabilities, costs, losses and expenses as would be covered under the Rules but for the exclusion of war risks in Rule 24(1), or

(b) any other policy of insurance providing equivalent cover,

save only for the operation of an exclusion of liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising from

(a) any chemical, biological, biochemical or electromagnetic weapon,

(b) the use or operation, as a means for inflicting harm, of any computer, computer system, computer software programme, malicious code, computer virus or process or any other electronic system,

other than liabilities, costs, losses and expenses arising from

(i) explosives or the methods of the detonation or attachment thereof,

(ii) the use of the entered ship or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon,

(iii) 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.

#### **Limit of Liability**

The limit of the liability of the Association under this extension of cover in respect of all claims shall be in the aggregate US\$ 30,000,000 each Ship each event.

Provided always that where there is more than one Entry in respect of the same Ship with the Association and/or any other Association which participates in the Pooling Agreement or the reinsurances of the International Group, the aggregate of all claims in respect of Bio-chem Cover brought against the Association and/or such other Associations shall be limited to US\$30,000,000 and the liability of the Association shall be limited to such proportion of US\$30,000,000 as the claims recoverable under an Entry in the Association bear to the aggregate of all such claims recoverable under all Entries in respect of that Ship with this or any other Association.

**Deductible**

Subject to the applicable deductible set out in the Certificate of Entry.

**Cancellation or Amendment**

Cover hereunder may by notice to the Member be cancelled or amended by the Association from a date and time specified by the Association, not being less than 24 hours from midnight on the day notice of cancellation is given to the Member.

**APPENDIX C**

United States Voyage Surcharges – 2007 Policy Year

Declarations

As in previous years, the International Group Clubs will require declarations from all Tanker Members, whether or not voyages and cargoes require payment of a surcharge premium.

It will continue to be necessary to follow the procedure whereby the Association is regularly advised of US voyages, as defined below, in order that applicable voyages can be identified and the surcharge applied. Unless agreed by the Association in writing prior to 20 February 2007, it is a condition of Entry for any Tanker Member that he agrees to undertake:

1. to make quarterly declarations in arrears, at the latest within 2 months of each quarter ending 20 May, 20 August, 20 November and 20 February as to whether the tanker has made any cargo voyages to or from ports within the United States or the United States Exclusive Economic Zone ("EEZ") as defined in OPA 1990 and if so, the number of such voyages and the nature of cargo (persistent oil or other cargo) and the port or place of loading or discharging; and
2. to pay such additional premium in respect of such voyages as may be agreed between the Association and the Member.

Members are referred also to the provisions of Proviso (B) to Rule 19(13).

**1 Surcharge Rates**

For the 2007 Policy Year the surcharge for ships without segregated ballast tanks (as defined below) will amount to US\$0.114 per gross ton (gt) per voyage; for ships with segregated ballast tanks the surcharge will be US\$0.096 per gt per voyage; in each case there will be a maximum charge or "cap" of twenty voyages. The surcharge will apply to all tankers carrying out a US voyage, as defined below, and carrying persistent oils, also as defined below. Tankers of 1,000 gt or less will have the option of either making voyage declarations in the same way as tankers over 1,000 gt on a flat contributory tonnage of 1,000 gt, or of paying a single annual premium of US\$2,281 (US\$2,013 for ships with segregated ballast tanks).

The following special provisions will apply to parcel tankers, as defined below.

1. Parcel tankers which never carry more than 5,000 metric tonnes (mt) of persistent oil on any voyage may either make voyage declarations at a rate of US\$341 per voyage (US\$301 for ships with segregated ballast tanks) or pay a single annual premium based on 20 voyages.
2. Parcel tankers which carry between 5,001 mt and 10,000 mt of persistent oil must make voyage declarations in which case the surcharge will be calculated at a rate of US\$859 per voyage (US\$752 for ships with segregated ballast tanks).
3. Parcel tankers which sometimes carry more than 10,000 mt of persistent oil must make voyage declarations, in which case the surcharge will be calculated on the full gt of the ship except on voyages where 10,000 mt or less of persistent oil are carried, when the surcharge will be calculated as above.

The amount of the surcharge will be halved in respect of cargoes exclusively discharged at LOOP (Louisiana Offshore Oil Port) or exclusively transferred to another ship at a place approved by the US Coast Guard and in the exclusive economic zone ("EEZ") as defined in OPA 1990.

## **2 Exemption**

Provided the Association has given its agreement in writing prior to 20 February 2007, the Association may incorporate the following Exclusion Clause with effect from 20 February 2007.

"Excluding any and all claims in respect of oil pollution arising out of any incident to which the US Oil Pollution Act 1990 is applicable".

In such cases the Member will not be required to make declarations. Any Member who is not trading to the United States but who is unable to accept this Exclusion Clause must comply with the requirement to provide quarterly declarations even where the declaration is "nil".

## **Definitions**

**Parcel tanker:** A ship constructed or adapted primarily to carry cargoes of noxious liquid substances in bulk, and capable of carrying at least ten grades simultaneously, having been issued with an international certificate of fitness for the carriage of dangerous chemicals in bulk.

**Segregated ballast tanks:** A ship will be deemed to have segregated ballast tanks if it is equipped in accordance with the requirements of Regulation 13 of Annex I to MARPOL 73/78.

**US Voyage:** Any cargo voyage involving loading or discharging cargo at any port or place in the USA or within the EEZ as defined in the OPA 1990. USA includes District of Columbia, Puerto Rico, Guam, American Samoa, US Virgin Islands and Northern Marianas.

**Persistent Oils:** All hydro-carbon mineral oils other than those falling within the definition of non-persistent oils described below.

**Non-Persistent Oils:** Oils which consist of hydro-carbon fractions:-

(a) at least 50% of which, by volume, distils at a temperature of 340 degrees C; and

(b) at least 95% of which distils at a temperature of 370 degrees C when tested by the ASTM Method D 86/78 or any subsequent revision thereof.

For your guidance, the following oils are non-persistent:

LNG

LPG

Gasolines (AVGAS/MOGAS)

White Spirit

Kerosenes (Domestic, tractor, aviation, No.1 fuel)

Distillates (Gas oil, heating oil, auto diesel, No.2 fuel)

Gasoline blending components (naphthas)