

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

**FEBRUARY 2008  
PAJ/DW**

**POLICY YEAR 2008 - PROTECTING AND INDEMNITY CLASS**

**Rules**

The proposed changes to the P&I Class Rules as set out in the Notice to Members dated 14 December 2007, were approved at the Members' EGM held on 15 January 2008 and will take effect from 20 February 2008. These Rules will be available on the Association's website [www.nepia.com](http://www.nepia.com) from 20 February 2008.

**International Group Reinsurance**

The International Group's Excess Loss Contract has been renewed. The rates for 2008, inclusive of the excess war risks cover referred to below, will be as follows.

| Tonnage Category     | 2008 Rate per GT % | Change from 2007 |
|----------------------|--------------------|------------------|
| Dirty Tankers US\$   | 0.7300/gt          | + 7.40           |
| Clean Tankers US\$   | 0.3498/gt          | + 9.76           |
| Dry cargo ships US\$ | 0.3196/gt          | + 12.65          |
| Passenger ships US\$ | 1.4985/gt          | + 9.27           |

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

The Excess Loss Contract will continue to include a further US\$1 billion collective overspill protection cover, in addition to the US\$2 billion Excess Loss programme, 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 remain at 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

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25% coinsurance of the first US\$500 million layer of the Excess Loss Contract. As with 2007, 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.

### **Charterer's Entries**

The Association's reinsurance programme for Charterer's Entries has been restructured, effective from 20 February 2008 and will now be placed outside of the International Group reinsurance programme, this will enable the provision of alternative limits of cover, to the existing Rules limit of US\$350 million each event for all claims under the same entry.

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

The limit of cover on the excess P&I war risks cover provided by the Association in respect of Owner's Entries, 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\$100 million, whichever is the lesser.

As far as Charterer's Entries are concerned, P&I war risks cover will no longer be provided under the International Group facility, but will be included in the restructured charterers reinsurance programme mentioned above, the limits of cover will be as set out in each charterer member's individual terms of entry, and the cover will operate in excess of the member's appropriate deductible with the Association.

### **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 A.

### **Heavy Fuel Oil Cargoes**

Once again after 20 February 2008, 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 2008 are as set out in Appendix B, these new rates representing a reduction of 10% over 2007.

### **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 (as amended) will continue to be made available. 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.

### **Additional Insurance Covers**

The Association's website, [www.nepia.com](http://www.nepia.com), contains details of the additional covers available to Members for the 2008 policy year. The reinsurance programme underlying many of the Association's additional covers has been restructured and this will provide further flexibility and diversity to cater for members' non-poolable insurance requirements.

## **Summary of Cover**

As introduced in 2007, in addition to the Certificates of Entry for the 2008 policy year Owned Ships will be provided with a Summary of Cover. This document 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 2008.

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**

### **Bio-chem Risks 2008**

#### **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 B**

### **United States Voyage Surcharges – 2008 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 2008, 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 2008 Policy Year the surcharge for ships without segregated ballast tanks (as defined below) will amount to US\$0.103 per gross ton (gt) per voyage; for ships with segregated ballast tanks the surcharge will be US\$0.086 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\$2,053 (US\$1,812 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\$307 per voyage (US\$271 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\$773 per voyage (US\$677 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.

|  | Non SBT |             | SBT     |                            |
|--|---------|-------------|---------|----------------------------|
|  | 2007    | 2008 (-10%) | 2007    | 2008 (-10%)                |
| (A) Tankers of more than 1000 gt   | \$0.114 | \$0.103     | \$0.096 | \$0.086 per ton per voyage |
| LOOP/Lightening  | \$0.057 | \$0.051     | \$0.048 | \$0.043 per ton per voyage |
| (B) Tankers of 1000 gt or less either  | \$115   | \$104       | \$100   | \$90 per voyage            |
| or   | \$2,281 | \$2,053     | \$2,013 | \$1,812 per annum          |
| (C) Parcel tankers carrying less than 5,000 metric tons of persistent oil as cargo | \$341   | \$307       | \$301   | \$271 per voyage           |
| (D) Parcel tankers carrying 5,000 – 9,999 metric tons of persistent oil as cargo   | \$859   | \$773       | \$762   | \$677 per voyage           |

## 2 Exemption

Provided the Association has given its agreement in writing prior to 20 February 2008, the Association may incorporate the following Exclusion Clause with effect from 20 February 2008.

(continued)

"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

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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)