

**CIRCULAR REF: 2009/004**

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

**11 FEBRUARY 2009  
PAJ/JI**

**POLICY YEAR 2009 - PROTECTING AND INDEMNITY CLASS**

We are writing to provide Members with an up-date on a number of issues applying to the new Policy Year.

**Rules**

The proposed changes to the P&I Class Rules as set out in the Notice to Members dated 16 December, 2008 were approved with a small number of minor amendments, at the Members' EGM held on 16 January, 2009 and will take effect from 20 February, 2009. The Rules will be available on the Association's Website [www.nepia.com](http://www.nepia.com) from 20 February, 2009.

**International Group Reinsurance**

The International Group's Excess Loss Contract has been renewed, the rates for 2009, inclusive of the excess War Risks cover will be as follows:-

Tonnage Category	2009 Rate per GT	Change from 2008
Dirty Tankers	US\$0.808/gt	+10.67%
Clean Tankers	US\$0.367/gt	+ 4.83%
Dry Cargo Ships	US\$0.37/gt	+15.60%
Passenger Ships	US\$1.603/gt	+ 6.95%

These rates will be applied to Member's premiums and have been 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 claims up to US\$3 billion. The amount of risk to be retained by each Association 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 25% coinsurance of the first US\$500 million layer of the Excess Loss Contract. As with 2008, this coinsured share and the upper US\$20 million layer of the Pool, will be reinsured into the International Group captive, Hydra Insurance Company Limited.

**CIRCULAR**

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## **Charterer's Entries**

The Association's reinsurance programme for charterers was restructured in February, 2008 and will continue to be placed outside of the International Group Reinsurance Programme. The normal limit of cover for a Charterer's Entry will remain as per the Rules at US\$350 million each event for all claims under any one Entry. However, alternative limits of cover may be agreed by the Managers and declared in the Certificate of Entry. As part of the Association's continuing initiatives on quality, it is a requirement that all Ships which are the subject of Charterer's Entries in the Association are, for the entire period of Entry, entered by their Owners with an International Group P&I Club and also classed with a member of the International Association of Classification Societies (IACS).

## **P&I War Risks**

The limit of cover for 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 reinsurance programme for charterers mentioned above. The limits of cover will be as set out in each 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 risks from the excess 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, namely 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.

## **Heavy Fuel Oil Cargoes**

Once again after renewal, 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 2009 are as set out in Appendix A, these new rates representing a further reduction of 10% over 2008.

## **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 2009 policy year. The reinsurance programme underlying many of the Association's additional covers has been restructured and will provide further flexibility and diversity to cater for Members' non-Poolable insurance requirements.

## **Summary of Cover**

As at present, in addition to the Certificates of Entry for the 2009 policy year, Ships which are subject to an Owner's Entry 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 Members 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.

## **Completed Renewal Documentation**

As previously advised, the Association will this year not be issuing hard (paper) copies of renewal documentation such as Certificates of Entry and Debit Notes. Instead all documentation will be forwarded electronically.

## **Laid up Returns**

Members are reminded of the Association's requirements in respect of any entitlement to laid up returns, and in particular, that ships should be laid up in a safe port approved by the Managers. In addition, the Managers must be advised in advance of any ship preparing to leave a period of lay-up as the ship may be required to undergo survey in accordance with the Association's survey requirements.

## **Premiums and Releases**

As advised in the Association's Circulars of October and November, 2008, despite the financial turmoil of recent months the Association remains in a financially stable position. The Release Calls assessed in October, 2008 will remain unchanged, and Additional Premiums are not anticipated in respect of any open policy years.

## **Outstanding Premiums**

Final confirmation of renewal will be subject to there being no sums due and owing to the Association. Renewal documentation will not be made available to Members until any outstanding sums are appropriately paid or secured.

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

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

## **APPENDIX A**

### **United States Voyage Surcharges – 2009 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 2009, 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 2009 Policy year the surcharge for ships without segregated ballast tanks (as defined below) will amount to US\$0.093 per gross ton (gt) per voyage; for ships with segregated ballast tanks the surcharge will be US\$0.077 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 oil, 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\$1,860 (US\$1,540 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) or persistent oil on any voyage may either make voyage declarations at a rate of US\$279 per voyage (US\$231 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\$698 per voyage (US\$578 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
	2009	2009
(A) Tankers of more than 1000 gt LOOP/Lightening	\$0.093 \$0.0465	\$0.077 per ton per voyage \$0.0385 per ton per voyage
(B) Tankers of 1000 gt or less either or	\$93 \$1860	\$77 per voyage \$1540 per annum
(C) Parcel tankers carrying less than 5,000 metric tons of persistent oil as cargo	\$279	\$231 per voyage
(D) Parcel tankers carrying 5,000 – 9,999 metric tons of persistent oil as cargo	\$698	\$578 per voyage

## 2 Exemption

Provided the Association has given its agreement in writing prior to 20 February 2009, the Association may incorporate the following Exclusion Clause with effect from 20 February 2009.

(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 12 of Annex 1 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 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 when tested by the ASTM Method D 86/78 or any subsequent revision thereof.

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

LPS

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)