

CIRCULAR REF: 2011/004

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

**27 JANUARY 2011
PAJ/JAK**

POLICY YEAR 2011 - RENEWAL

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

Rules and Terms of Entry

The various amendments have been notified in the Association's circular No 2011/003 dated 27 January 2011.

International Group Reinsurance

The International Group's Excess Loss Contract has been renewed, the rates for 2011, inclusive of the excess War Risks cover will be as follows (these rates have been rounded to three decimal places):-

Tonnage Category	2011 Rate per GT	% Change from 2010
Dirty Tankers	US\$0.704/gt	-6.83%
Clean Tankers	US\$0.306/gt	-8.40%
Dry Cargo Ships	US\$0.371/gt	-4.09%
Passenger Ships	US\$1.478/gt	-5.58%

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 arising from any catastrophe claims up to US\$3 billion. The amount of risk to be retained by each Association will remain this year at US\$8 million each event, but with the International Group Pool now retaining the balance up to US\$60 million each event, as well as continuing the 25% coinsurance of the first US\$500 million layer of the Excess Loss Contract. This is because the International Group has decided with effect from 20 February 2011 to increase the excess point on the Excess Loss Contract from US\$50 million to US\$60 million. The resultant additional US\$10 million of retained risk within the

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

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

International Group Pool will be 100% reinsured by the International Group Captive, Hydra Insurance Company Ltd. Consequently, both the coinsured share and the upper US\$30 million layer of the Pool, will be reinsured into Hydra.

Sanctions

Members are reminded that pursuant to the amendments to the 2011/2012 Rules mentioned above, liabilities, costs and expenses that are not recovered from the International Group's Excess Loss Contract by reason of the fact that payment of such claims would expose reinsurers to sanctions, are excluded from Pooling.

Charterer's Entries

The standard limit under the Association's reinsurance programme for charterers 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.

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, with the same 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.

The limits of cover in respect of P&I war risks cover for Charterer's Entries 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, as first advised in the Association's circular of 1 March 2004 where full details may be found (www.nepia.com), the Association will, at no additional premium, continue to provide cover which is pooled with the other International Group Clubs on the same basis as in the current policy year, namely for

1. damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitution expense and shipwreck unemployment indemnity); and
 2. legal costs and expenses incurred solely for the purpose of avoiding or minimising claims from Bio-chem Risks
- Cover is provided in excess of the Members usual deductible up to a limit of US\$30 million any one accident or occurrence or series of accidents or occurrences arising from one event each ship. This limit will apply to all interests (for example, owners, charterers and sub-charterers) in each ship in aggregate regardless of whether or not they are entered in different International Group Clubs.

Cover is subject to a cancellation provision of 24-hours notice and areas of particular risk may be excluded from cover by decision of the Directors. There are no current excluded areas.

Heavy Fuel Oil Cargoes

Following 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. This has been a requirement since February 2006, and may result in surveys of Members' ships.

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 2011 are as set out in Appendix A, these new rates representing overall a further reduction of 12.5% over 2010.

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 and (as amended by the Terrorism Risk Insurance Programme Reauthorisation Act 2007) 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.

Ancillary Insurance Covers

The Association's website, www.nepia.com, contains details of the ancillary covers available to Members for the 2011 policy year. The reinsurance programme underlying many of the Association's ancillary covers has been structured to provide flexibility and diversity to cater particularly for Members' non-Poolable insurance requirements.

Summary of Cover

In addition to the Certificates of Entry for the 2011 policy year, Ships which are subject to an Owner's Entry will continue to be provided with a Summary of Cover. This document is intended to be kept onboard Ships 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

The Association will again 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. The Association issued a loss prevention briefing in respect of vessel lay-up in April 2009.

Premiums and Releases

As advised in Circulars numbers 2010/033 and 2010/036, issued in October and November 2010, the Association remains in a financially stable position and the Association's "A" stable rating was reaffirmed by Standard & Poor's in December 2010. The Release Calls assessed in October 2010 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

JOINT MANAGING DIRECTOR - North Insurance Management Limited

As Managers on behalf of the North of England P&I Association Limited