

**CIRCULAR REF: 2011/008**

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

**4 FEBRUARY 2011  
SSR/DHU**

**CLASS 3 WAR RISKS - RENEWAL 2011/2012**

## Rules

The War Class Rules for the 2011/2012 policy year will remain unchanged from those of the 2010/2011 policy year and are available on the Association's web-site, [www.nepia.com](http://www.nepia.com)

## Advance Contribution Rates

The Directors have agreed that a reduction in Advance Contribution Rates for the 2011/2012 policy year shall apply and accordingly will be as follows:

	Cruise Ships	All Other Ships
British ships	0.0390%	0.0095%
Flagged out ships	0.0419%	0.0100%

Entered Ships which are limited to a Restricted Trading Area are entitled to pay 50% of the above rates. The Restricted Trading rate applies if the Entered Ship trades exclusively in any one of the following areas:

- (a) Europe (not south of Gibraltar and excluding the Mediterranean and Black Sea);
- (b) U.S.A. and Canada (excluding Panama Canal Transits);
- (c) Australasia.

The Advance Contribution will be payable in one instalment which will be due on 1 April 2011.

## CIRCULAR

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## Terms of Entry

As in previous policy years, cover under this Class will continue to include barratry, and the "Piracy, Barratry & Violent Theft" Clause that has applied to all 2010/2011 Entries will apply to all 2011/2012 Entries.

In addition, the Sanctions Cesser clause introduced under Circular 2010-020 dated 17 August 2010, will also remain in place although the second paragraph of that Clause will be amended as follows:-

### **"CESSER OF ALL INSURANCE (WAR) (10)**

*An Insured Owner shall cease to be insured by the Association in respect of any and all ships entered by him or on his behalf in the event that the Entered Ship is employed by the Insured Owner in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation, unless the Managers shall otherwise determine.*

*The Insured Owner shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs and expenses which is not recovered by the Association under any reinsurance(s) arranged by the Association because of a shortfall in recovery from reinsurers thereunder by reason of any sanction, prohibition or adverse action against them by a state or international organisation or the risk thereof if payment were to be made by such reinsurers. For the purposes of this clause, "shortfall" includes any failure or delay in recovery by the Association by reason of the reinsurers making payment in to a designated account in compliance with the requirements of any state or international organisation."*

Amended to read;

### **"CESSER OF ALL INSURANCE (WAR) (11)**

*An Insured Owner shall cease to be insured by the Association in respect of any and all ships entered by him or on his behalf in the event that the Entered Ship is employed by the Insured Owner in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation, unless the Managers shall otherwise determine.*

*The Insured Owner shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs and expenses which is not recovered by the Association from parties to the pool and/or under any reinsurances because of shortfall in recovery from the parties or reinsurers thereunder by reason of any sanction, prohibition or adverse action against them by a state or international organisation or the risk thereof if payment were to be made by such parties or reinsurers. For the purposes of this clause, "shortfall" includes any failure or delay in recovery by the Association by reason of the parties or reinsurers making payment in to a designated account in compliance with the requirements of any state or international organisation."*

## Additional Premium Areas

With effect from Noon GMT 20 February 2011, the Additional Premium Areas will be as follows:-

1. **Africa**
  - a. Djibouti.
  - b. Ivory Coast.
  - c. Nigeria including Terminals.
  - d. Somalia.
  - e. Eritrea, but only South of 15 degrees North.

**2. Indonesia / Malaysia**

- a. Balikpapan (South East Borneo).
- b. Borneo, North East Coast of, between and including Kudat and Tarakan.
- c. Jakarta.
- d. Sumatera (Sumatra), North Eastern Coast of, between 5°40'N and 0°48'N.

**3. Middle East**

- a. Saudi Arabia.
- b. Iraq.
- c. Israel.
- d. Lebanon.
- e. Yemen.
- f. Iran.

**4. Philippines**

- a. Mindanao, between the ports of Polloc Harbour and General Santos inclusive.
- b. Sulu Archipelago including Jolo. Sulu Archipelago is defined as from Tanjung Bidadari (5° 49'.6N, 118° 21'.0E) along the east coast of Sabah to Tanjung Bagahak Light (4° 56'.5N, 118° 38'.3E); thence south-eastwards to Palau Mataking Light (4° 34'.6N, 118° 57'.0E); thence southwards to position 3° 32'.0N, 118° 57'.0E; thence north-eastwards to position 5° 50'.0N, 122° 31'.0E; thence northwards to position 7° 06'.6N, 122° 31'.0E; thence westwards to Batorampon Point Light (7° 06'.6N, 121° 53'.8E); thence west-south-westwards to Tanjung Bidadari.

**5. Eastern Europe**

- a. Georgia.

**6. South America**

- a. Venezuela.

**7. Indian Ocean/Arabian Sea/Gulf of Aden/Gulf of Oman/Southern Red Sea.**

The waters enclosed by the following boundaries:-

- a. on the north-west by the Red Sea, south of latitude 15°N.
  - b. on the west of the Gulf of Oman by longitude 58°E.
  - c. on the east, longitude 78°E.
  - d. on the south, latitude 12°S.
- excepting coastal waters of adjoining territories up to 12 nautical miles offshore unless otherwise provided.

The Ports, places, countries, zones and areas listed shall include all harbours, offshore and installations and terminals unless otherwise stated.

Notice must be given to the Association before an Entered Ship proceeds into an Additional Premium Area. The Association will endeavour to provide indications of Additional Premium levels at any time but firm quotations will not normally be available until the Entered Ship is within 48 hours of arrival into the Additional Premium Area.

**Insured Values and Sums Insured**

Members are reminded of the need to review the Insured Values and Sums Insured which should be the same as those for which the Entered Ship is insured for total loss under marine policies, normally the insured value on Hull and Machinery, plus where applicable any amount insured on Disbursements and/or Increased Value or Freight. Any interest which is insured against Total Loss Risks Only under marine policies should be declared under Rule 3 so that the War Risk insurances exactly reflect the non-War Risk insurances for the same interests.

The maximum value or amount insured under Rule 2 and Rule 3 in the aggregate will be £390,000,000 or equivalent any one Entered Ship.

The limit of liability in equivalent currencies for claims is:

US\$	600,000,000
Euros	510,000,000
Can \$	780,000,000

Members are also reminded of the provisions of Rule 11 whereby the Secretary of State for Transport may restrict the Insured Value of the Entered Ship for Queen's Enemy Risks in certain circumstances.

### **Protection and Indemnity Risks**

The Association's limit of liability for all claims under Rule 2 Part D (Protection and Indemnity risks) is to remain £325,000,000 or equivalent each Entered Ship any one accident or series of accidents arising out of any one event, except as stated below. This limit includes Members' claims for Sue and Labour. If any Member considers that these limits provide insufficient cover, additional cover in excess of the sums covered by this Association may be available from his P&I Club. The limit of liability in equivalent currencies for claims under Rule 2 Part D is:

US\$	500,000,000
Euros	425,000,000
Can \$	650,000,000

according to the currency of the Insured Values and amounts declared by the Member for the purposes of Rule 2 Parts A and B and Rule 3.

### **Alteration of Risk**

Members must advise the Association prior to any change in the port of registry of an Entered Ship as this may affect rating and terms of cover.

### **Gulf of Aden and Somalia Security**

Members are referred to the Best Management Practices to combat piracy in the Gulf of Aden and off the coast of Somalia which have been developed by industry and naval forces, for all ships transiting the Gulf of Aden and the Indian Ocean. The Association's advice in this regard is available on its website, [www.nepia.com](http://www.nepia.com) and in turn the latest best Practice document is available through the link to be found there or direct from the MSC (HOA) website. The Association **strongly recommends** that this guidance be adopted by Members and copies should be made available on all ships forming part of Member's anti-piracy contingency plans.

### **Iran Sanctions**

As Members are aware, the Terms of Entry for the 2011/12 policy year are subject to the Sanctions Cesser clause as set out earlier in this Circular.

An Insured Owner's insurance will cease in the event that the Entered Ship is employed in a manner that has or will expose the Association to the risk of sanctions. Where the Association is unable to make a full recovery from other parties to the Pool and/or reinsurers by reason of the risk that the payment of such a recovery will expose such reinsurers to sanctions, this clause now provides that the Association's liability to a Member will be limited to that part of the claim that is recovered from reinsurers.

Recovery of any claim is subject to the overriding proviso that the payment or handling of the claim will not expose the Association to any sanction, prohibition, adverse action or the risk thereof. In addition, liabilities, costs and expenses that

are not recovered under the pooling and/or reinsurance arrangements of the Class by reason of the fact that payment of such claims would expose the other parties to the Pool and/or reinsurers to sanctions are excluded.

The Association **strongly recommends** that Members comply with the provisions of the relevant sanctions regimes in order to minimize the risk of their cover terminating or their being unable to make a recovery. Compliance will inevitably involve the exercise of due diligence by the Member in relation to any trading involving Iran or with certain designated individuals or companies. Members are referred to the information and advice available on the Association's website, [www.nepia.com](http://www.nepia.com) which will be regularly updated.

### **Insurance Mediation Directive**

As applies at present, where the insurance is to be placed on behalf of the owners by a third party intermediary as defined under the EU Insurance Mediation Directive (2002/92/EC), the Association will require the intermediary's confirmation that they are authorised by the relevant authority in their place of business under the terms of this Directive. Intermediaries are reminded that this applies whether or not they are also coinsured under such insurances.

STEPHEN REBAIR

ASSOCIATE DIRECTOR - North Insurance Management Limited

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