

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

**15 FEBRUARY 2005
PAJ**

2005 - 2006 POLICY YEAR

Rules

The proposed changes to the P&I Class Rules as set out in the Notice to Members dated 17 December 2004 were approved at the Members' EGM held on 18 January 2005 and will take effect from 20 February 2005.

These rules will be available on the Association's website www.nepia.com from 20 February 2005.

International Group Reinsurance

The International Group's Excess Loss Contract has been renewed with the same limits and excess points as for 2004, and with no significant change in the overall premium. The rates for 2005 on that contract, inclusive of the excess war risks cover referred to below, will be as follows:

Dirty tankers US\$ 0.638/gt
Clean tankers US\$ 0.304/gt
Dry cargo ships US\$ 0.268/gt
Passenger ships US\$ 0.748/gt

Each Club will retain the first US\$6m of each loss (2004 US\$5m) and the International Group Pool will retain the balance up to US\$50m of each loss as well as a 25% coinsurance of the first US\$500m layer of the Excess Contract. This coinsured share and the top US\$20m layer of the Pool will be reinsured into an International Group captive, Hydra Insurance Co. Ltd.

Charterer's Entries

The limits of cover applying to Charterer's Entries have been greatly simplified. Previously the limit was based on US\$50m in excess of the applicable owner's limitation rights but with further limits for pollution and non-pollution as well as aggregate limits where there were multiple entries for the same ship. For 2005 the cover limit is a straightforward US\$350m any one event for all claims under the same entry.

As these amendments arose after the 2005 Rules had gone to print, the corresponding changes to Rule 22 will be dealt with as a term of entry in the certificate of entry.

CIRCULAR

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Affiliated Charterers

In the infrequent situations where an Owner Member has an affiliated or associated company named on the Owner's Entry as an affiliated or associated time or voyage charterer, the limit of cover for such a joint member will be the Limitation Amount but not exceeding US\$1,000m any one event for pollution claims and US\$300m any one event for non-pollution claims.

As these amendments arose after the 2005 Rules had gone to print, the corresponding changes to Rule 22 will be dealt with as a term of entry in the certificate of entry.

P&I War Risks

The limit of cover on the excess P&I war risks cover provided by the Club will be increased from US\$400m to US\$500m any one event. The cover continues to be excess of the ship's value and with certain aggregate limits as at present. In order to meet the requirements of reinsurers however, and for the sake of clarification, the exclusion in respect of chemical and bio-chemical losses will be extended to exclude biological losses.

As these amendments arose after the 2005 Rules had gone to print, the corresponding changes to Rule 24(2) will be dealt with as a term of entry in the certificate of entry.

Bio-chem Risks

In view of the exclusion of bio-chemical etc risks from the P&I war risks cover referred to above, the International Group Clubs will continue to provide limited cover for certain risks on the basis set out in the Association's Circular of March 2004 but with the limit increased from US\$20m to US\$30m.

U.S. Voyage Surcharges

Clubs whose Members are carrying persistent oil to or from the United States will again have to pay an increased contribution towards the cost of the International Group Excess Loss Reinsurance Contract, but the rates of surcharge for such voyages will reduce by 7.5%. This additional cost will be passed on to the Members concerned.

For the 2005/2006 policy year the surcharge for ships without segregated ballast tanks (as defined below) will amount to US\$0.126 per gross ton (gt) per voyage; for ships with segregated ballast tanks the surcharge will be US\$0.110 per gross ton 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\$2,515 (US\$2,219 for ships with segregated ballast tanks).

The following special provisions will apply to parcel tankers for the 2005/2006 policy year:

1. Parcel tankers which never carry more than 5,000 metric tonnes (mt) of persistent oil on any voyage may either pay a single annual premium of US\$7,560 (US\$6,600 for ships with segregated ballast tanks) or may make voyage declarations at a rate of US\$376 per voyage (US\$332 for ships with segregated ballast tanks).
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\$946 per voyage (US\$828 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.

It will again be necessary to follow a procedure whereby the Club is regularly advised of US voyages in order that the surcharge may be applied. It is proposed, therefore, that unless prior arrangement is reached, the Club's cover for all tankers will incorporate the following Exclusion Clause with effect from 20 February 2005.

"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".

The above Exclusion Clause will apply unless the Member 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 the USA or to US waters 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 requesting removal of the Exclusion Clause will again have to provide declarations which will have to be returned to the Club within 2 months of the end of each quarter, failing which US Coast Guard Certificates will be withdrawn without further notice.

U.S. TRIA

The Directors have resolved that cover for acts of terrorism as defined in the US Terrorism Act 2002 will be included on the same terms with the same limit. The Act applies to very few ships entered in the Club 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, contains details of the additional covers available to Members for the 2005 policy year.

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

PAUL JENNINGS

DIRECTOR - North Insurance Management Limited

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