CIRCULAR REF: 2013/002

CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS **22 JANUARY 2013**
ATTENTION INSURANCE DEPARTMENT **PAJ/JAK**

POLICY YEAR 2013 - RENEWAL

We hereby provide Members with an update on a number of issues applying to Renewal and the New Policy Year.

Rules and Terms of Entry

The various amendments have been notified to Members in the Club's Circular No. 2013/001 dated 21 January 2013.

International Group Reinsurance

The International Group's General Excess of Loss Reinsurance ("GXL") Contract has been renewed. Unfortunately, the 2011/12 Policy Year produced both the first and the third largest ever claims on the International Group Pool, resulting in a very significant exposure to the Group's reinsurers. This exposure, coupled with general concerns regarding the increased cost of major casualties and in particular removal of wreck, has led the Group's reinsurers to seek significant increases in the premium for the 2013/14 Policy Year, which will subsequently result in rate increases for all vessel categories.

In order to mitigate the impact of the increases there will be a number of structural changes to the International Group's Pooling and reinsurance arrangements, namely:

- The amount of risk to be retained by each Club will be increased from US$8 million to US$9 million each event for the 2013/14 Policy Year.
- The excess point on the GXL Contract will also be increased from the current US$60 million to US$70 million, with the additional US$10 million retained within the International Group Pool.
- The Group Pool will now retain the balance of all risk in excess of each Club's Retention of US$9 million each event, up to US$70 million each event.
- The Group captive, Hydra Reinsurance Company Limited, will now reinsure the Group Pool between US$30 million and US$70 million (although within the structure a 5% individual Club retention for claims between US$60

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
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million and US$70 million will be introduced). Hydra will also take an expanded coinsurance share in the first US$500 million layer of the GXL Contract of 30%, an increase from the previous share of 25%.

The rates for 2013 therefore, inclusive of the excess War Risks cover, will be as follows (these rates have been rounded to three decimal places):

Tonnage Category	2013 Rate per GT	% Change from 2012
Dirty Tankers	US$0.757/GT	+16.1%
Clean Tankers	US$0.325/GT	+16.1%
Dry Cargo Ships	US$0.494/GT	+38.8%
Passenger Ships	US$3.149/GT	+125.1%

The GXL 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.

Sanctions

Members are reminded that pursuant to the amendments to the 2011/2012 Rules, liabilities, costs and expenses that are not recovered from the International Group's GXL 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 Club'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 Club in respect of an owner's entry 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 Club'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 Club.

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 Club's Circular of 1 March 2004 where full details may be found (www.nepia.com), the Club 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 Club, 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 Club's obligation to pay an increased contribution towards the cost of the GXL Contract. The rates and terms for 2013 are as set out in Appendix A. These new rates represent a further reduction of 15% over 2012 rates.

United States Terrorism Risk Insurance Act (TRIA)

The Directors have resolved that cover for acts of terrorism as defined in the US Terrorism Risk Insurance 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 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.

Ancillary Insurance Covers

The Club's website, www.nepia.com, contains details of the ancillary covers available to Members for the 2013 Policy Year. The reinsurance programme underlying many of the Club's ancillary covers is 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 2013 Policy Year, ships which are entered by owners will receive 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 Club 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 Club consents to act as guarantor or to be sued directly in any jurisdiction. The Club does not so consent.

Completed Renewal Documentation

Once again this year the Club will not be issuing paper copies of renewal documentation such as Certificates of Entry and Debit Notes. All documentation will continue to be forwarded electronically only.

Laid up Returns

Members are reminded of the Club'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 Club's survey requirements. The Club issued a loss prevention briefing in respect of vessel lay-up in April 2009.

Premiums and Releases

As advised in Circular 2012/038, issued in November 2012, the Club remains in a financially stable position and the Club's "A" stable rating was recently reaffirmed by Standard & Poor's. The Release Calls assessed in October 2012 will remain unchanged and unbudgeted 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 or owed to the Club. Renewal documentation will not be made available to Members until any outstanding sums are paid or appropriately secured.

The Club'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

United States Voyage Surcharges – 2013 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 Club 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 Club in writing prior to 20 February 2013, it is a condition of Entry for any Tanker Member that they agree to undertake to;

1. make quarterly declarations in arrears, at the latest within two 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. pay such additional premium in respect of such voyages as may be agreed between the Club and the Member.

Members are referred also to the provisions of Proviso (B) to Rule 19(13).

1 Surcharge Rates

For the 2013 Policy Year the surcharge for ships without segregated ballast tanks (as defined below) will amount to US$0.0405 per gross ton (GT) per voyage; for ships with segregated ballast tanks the surcharge will be US$0.0337 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 premium of US$41 per voyage (US$34 for ships with segregated ballast tanks), or of paying a single annual premium of US$820 (US$680 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$122 per voyage (US$101 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 9,999 mt of persistent oil must make voyage declarations in which case the surcharge will be calculated at a rate of US$304 per voyage (US$253 for ships with segregated ballast tanks).

3. Parcel tankers which sometimes carry 10,000 mt or more 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 less than 10,000 mt of persistent oil are carried, when the surcharge will be calculated as above.

The amount of the surcharge will continue to be reduced by half 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 **(see Circular 2012/024 dated 13 June 2012)**.

	Non SBT 2013	SBT 2013
(A) Tankers of more than 1000 GT	**$0.0405**	**$0.0337** per ton per voyage
LOOP/Lightening	**$0.0202**	**$0.0169** per ton per voyage
(B) Tankers of 1000 GT or less, either	**$41**	**$34** per voyage
or	**$820**	**$680** per annum
(C) Parcel tankers carrying less than 5,000 metric tons of persistent oil as cargo	**$122**	**$101** per voyage
(D) Parcel tankers carrying 5,000 – 9,999 metric tons of persistent oil as cargo	**$304**	**$253** per voyage

2 Exemption

Provided the Club has given its agreement in writing prior to 20 February 2013, the Club may incorporate the following Exclusion Clause with effect from 20 February 2013.

"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 (SBT): A ship will be deemed to have segregated ballast tanks if it is equipped in accordance with the requirements of Regulation 18 of Annex 1 to MARPOL 73/78 as amended.

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 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
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)