

No. 1 - Renewals 2005/2006 – Charterers' Entries

March 2005

Dear Sirs

RENEWALS 2005/2006 - CHARTERERS' ENTRIES

We refer to our Notice to Members No.15 2004/2005 dated February 2005.

This Notice provides an update. **Members should in particular be aware of the changes and requirements set out in Section (3) of this Notice:-**

1. CHARTERERS' ENTRIES REINSURED THROUGH THE GROUP'S POOLING AND EXCESS OF LOSS ARRANGEMENTS

As advised in Notice to Members No. 15 the overall limit of cover for Charterers' entries renewed on the basis of the Group's Pooling and excess of loss arrangements has been changed with effect from 20 February 2005 so that a combined single limit of \$350 million in the aggregate now applies for both oil pollution and non oil pollution claims for each entered vessel, each accident or occurrence. Details are set out in the Bye-Laws to the 2005 Rules as attached to Notice No. 15.

In practice very few Members have charterers' risks entered on the basis of the Group's Pooling and excess of loss arrangements for 2005. Most are now entered under the Club's Charterers' Comprehensive Cover in accordance with Rule 3A which is referred to in **Section (2)** below.

2. CHARTERERS' ENTRIES UNDER THE CHARTERERS' COMPREHENSIVE COVER

All individual terms of entry have been subject to agreement with individual Members on rates and specific terms as appropriate. For 2005 there are no modifications to the general limits, terms and conditions which applied for 2004.

3. AFFILIATED CHARTERERS CO-ASSURED UNDER AN OWNER'S ENTRY

In certain circumstances it is possible for Members to have named as co-assured on their Owner's entries, charterers who are affiliated to, or associated with, the Member. In such cases it is generally accepted that affiliated charterers may be named in this way because they effectively have the same insurable interest as the Member.

However, as set out in the new Bye-Law for 2005, (as attached to Notice No. 15 2004/2005 dated February 2005)*, the limit of cover for such affiliated or associated charterers named as co-assured on Owner's entries has been changed.

For 2005, the limit of cover for any oil pollution and non-oil pollution claims incurred by such a named affiliated charterer is now the **lower** of the amount to which the registered Owner could have limited his liability, had he been liable for such pollution and non-pollution claims and had not been denied the right to limit, **and** US\$1 billion in the case of oil pollution claims and US\$300 million in the case of non-oil pollution claims.

In previous years, affiliated or associated charterers named as co-assureds on Owner's entries were also entitled to an

additional US\$50 million excess cover for cases where the registered Owner's right to limit might be considered by the Member to be too low, but for 2005 this excess cover is no longer available automatically.

Instead, for those Members who continue to have named affiliated or associated charterers as co-assured on their Owner's entries, there is no cover in excess of the limit set by reference to the registered Owner's right to limit unless the Member expressly requests in writing that he requires additional excess cover for US\$50 million.

On receipt of such a request the Managers will confirm excess cover for US\$50 million in excess of the limit set by reference to the registered Owner's right to limit but only if:

- (1) one or more of the Members (other than the affiliated or associated charterer) named in the Owner's entries own the majority of the shares in the named affiliated or associated charterer,

and

- (2) the operations of the named affiliated or associated charterer are in the effective control of one or more of the Members named in the Owner's entries.

However, if the amount to which the registered Owner could have limited his liability exceeds, in the case of oil pollution claims US\$1 billion and / or, in the case of non-oil pollution claims, US\$300 million, there shall be no additional cover for \$50 million in excess of either of those amounts.

Members who have affiliated or associated charterers named as co-assured under their Owner's entries are asked to consider whether or not they require the additional US\$50 million excess cover, and if so, to contact the Managers so that a decision can be made as to whether or not excess cover can be provided.

Yours faithfully

West of England Insurance Services (Luxembourg) S.A.
(As Managers)

P E Spendlove
Managing Director

*[There is a text correction to paragraph 2 (c) of the bye law attached to Notice to Members No. 15 2004/2005 dated February 2005 as follows. The corrected text already appears on the Association's website and in the Club's Rules.

NON OIL POLLUTION CHARTERERS CO-ASSURED UNDER AN OWNER'S ENTRY

The Associations' liability for all claims arising from one incident incurred by all Charterers co-assured under an Owners entry shall in respect of non oil pollution claims not exceed in the aggregate the amount to which, had he been liable for such non oil pollution claims and had not been denied the right to limit, the registered owner could have limited his liability, or US\$300,000,000 whichever is the lower.]