



Circular

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OUTLINE

- Under new US Coast Guard requirements, tank vessel response plans must cite an oil spill response organisation (OSRO) with capability for applying dispersants by air.
- MSRC has amended its service agreement for tank vessels by addition of a 'dispersant addendum' which contains indemnities that do not conform to the International Group's US VRP guidelines.
- Details of additional market cover are available from the Managers.
- No such addendum has been introduced by NRC at this time.
- There is no similar requirement for non tank vessels and most VRPs for non tank vessels are therefore unlikely to refer to dispersant capability in their citation of MSRC, in which case no action is required. Members should, however, confirm this by directly checking their VRPs or consulting their plan writers.

TO THE MEMBERS

Dear Sirs

US POLLUTION

NRC AND MSRC – MSRC ADDENDUM CONCERNING USE OF DISPERSANTS

Tank vessel owners

Members will be aware that United States Coast Guard regulations now require vessel response plans for tank vessels to include an oil spill response organisation (“OSRO”) capable of applying dispersants by air as part of a clean up operation. Pending finalisation of the implementation of these regulations both main OSROs – National Response Corporation (NRC) and Marine Spill Response Corporation (MSRC) – received permission to have their customers’ plans continue without a dispersant capability until 21 August 2011. This period has now been extended to 30 September 2011. From this date operators of tank vessels must cite an OSRO with dispersant capability in their plans.

Both MSRC and NRC confirm that they now have dispersant capability in all areas of the United States (US) with the exception of Hawaii where it will be necessary to cite Clean Islands Council in addition to either NRC or MSRC.

On 10 August 2011, MSRC notified its customers of an amendment to its service agreement to include a “dispersant addendum”. This addendum introduced liabilities on the vessel owner which fell outside the scope of club cover. After discussion with the International Group, MSRC has narrowed the scope of the Addendum to only apply when there is an event involving use of dispersants. On 22 August 2011, MSRC sent a message to its customers requiring them to sign and return the revised Addendum by 9 September. Unfortunately the additional liabilities introduced still mean that the MSRC service agreement no longer conforms to International Group US vessel response plan guidelines (US VRP guidelines) because the liabilities are not reciprocal and the contract requires the owner to waive the right to limit in certain circumstances. (For the guidelines see circular No. 6/09 – June 2009). Additional cover has therefore been arranged in the market. Those owners or operators wishing to sign the MSRC Addendum (version 22 August 2011) are advised to contact the Managers for details of the terms and cost of the additional cover.

NRC has confirmed that they have not introduced any amendments or addenda to its contract at this time.

All tank members should note that whether they have cited NRC or MSRC in their plans, if calling at Hawaii it will be necessary to cite Clean Islands Council in the plan as well. The Clean Islands Council contract does not conform with the US VRP guidelines and in order to ensure full P&I coverage it will be necessary to purchase additional insurance details of which can be obtained through the Club.

Non-tank vessel owners

As regards non-tank vessels, provided MSRC has not been cited in the non tank vessel response plan as providing dispersant services (and there are no current Federal or State requirements to include such a capability at the present time) it is not necessary for the operators of such non tank vessels to sign the MSRC Dispersant Addendum in advance. They would be required to do so by MSRC in the event of a spill where the MSRC service is required and the use of dispersants is contemplated.

However, if a non tank owner has cited dispersant services in his plan and has identified MSRC as the provider of those services, then the non tank owner would be bound by the terms of the MSRC Addendum and additional cover would be required, unless the plan is changed to delete the citation.

Operators of non tank vessels are advised to check that their Vessel Response Plans do not cite MSRC as dispersant services provider or to confirm this with their Vessel Response Plan writers, in which case no further action is required. However, if they do wish to cite MSRC as the provider of such services in their plans, as mentioned above additional cover will be needed, details of which can be obtained from the Managers.

All clubs in the International Group of P&I Clubs have issued similar circulars.

Yours faithfully

THOMAS MILLER (BERMUDA) LTD.

CONTACT

- Members requiring information on additional insurance should contact their usual underwriter at the Club.