



Update

To: All Clients
From: Neil Clemens, President

Date: May 1, 1999
Pages: 1 of 2

Status Report

The COFR market continues to develop, undergoing a period of rationalisation over the past year following a period of increased capacity competing for much reduced premium. The consequent stabilisation at low premium rates of the COFR guaranty market enables the shipowners to enjoy predictable costs for this necessary component of their insurance purchasing. I welcome this development which corresponds perfectly with SIGCo's original objectives of the provision of low cost COFR guaranties in a stable business environment, and SIGCo remains committed to pursuing this objective in future. In addition, SIGCo's original objective of transferring ownership and management control of the company to its shipowner clients through a Trustee Board comprising shipowner representatives continues as planned.

For your information I attach the latest update of statistics as furnished by the USCG. The detailed statistics can be viewed at the USCG's NPFC COFR Information web site at www.cofr.npfc.gov which also contains details of USCG control numbers for vessels having COFRs. In our experience this is by far the fastest way to obtain this information and I would encourage you to use the web site wherever possible. With reference to the table, I am pleased to report that the total number of guaranties issued by SIGCo for dry cargo and tanker vessels now exceeds 60% for the first time.

Insurers providing evidence of Financial Responsibility in support of						
OPA/CERCLA COFRs issued by the USCG as at 1st April, 1999						
	<u>--- Dry Cargo ---</u>		<u>--- Tanker ---</u>		<u>--- Total * ---</u>	
SIGCo	4,567	61.0%	950	56.2%	5,517	60.1%
Shoreline Mutual	1,871	25.0%	553	32.7%	2,424	26.4%
WQIS	451	6.0%	13	0.8%	464	5.1%
Arvak	289	3.9%	130	7.7%	419	4.6%
Other Guarantors **	309	4.2%	44	2.6%	353	3.9%
	7,487	100%	1,690	100%	9,177	100%

* excludes Tank Barge, MODU, Passenger, Fishing and Utility vessels
** includes Lloyds, Cofrsure, HIH, Gyosen Chuokai, CU, Heddington Highland, Sphere Drake and Travelers

I am also pleased to report that SIGCo has now processed over 2,000 CG5585 applications on behalf of its clients. This is further evidence of acknowledgement by our clients of the benefits of this free service and SIGCo is actively exploring extensions to this service.

By way of additional information I attach a list of frequently asked questions and our suggested responses to those. I trust that these will be useful to you in future applications to SIGCo.

Finally I would like to thank all of you for your continued contribution to the success of SIGCo.



The Shipowners Insurance and Guaranty Company Ltd.
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In addition to the Market Update, I thought it useful to set out our responses to a number of frequently asked questions. An awareness of these responses will ensure the smooth and efficient issuance of both guaranty and CG5585 application:

Frequently Asked Questions

Question: Does SIGCo still restrict its client base to purely IGA Group Club members?

Answer: SIGCo has always accepted the British Marine Mutual along with IGA Clubs. In addition we now accept primary P&I policies issued by the J.L. Jones & Others P&I facility.

Question: What information does SIGCo require when funds are remitted to it?

Answer: We require a notification of the remittance together with a breakdown of the funds being remitted including vessel names and application numbers.

Question: What documentation does SIGCo require regarding a vessel name or operator change?

Answer: We require new P&I Club letters incorporating the new vessel or operator name. Alternatively, for a vessel name change, a short fax from the Club acknowledging the new vessel name and the effective date will suffice. For an operator change, the date of the P&I Club letters should reflect the effective date of the new operator.

Question: In what circumstances will SIGCo charge clients \$500 for its CG5585 processing service?

Answer: We will institute a processing charge of \$500 in circumstances where we process the COFR application for a vessel requiring a COFR within 12 months of the operator allowing its previous COFR to lapse. This processing charge should not be confused with the "service fee" which is a deposit towards the annual premium when the vessel resumes US trading. Rather, the processing charge is levied in addition to the annual premium.

Question: What is the best way to ensure fast completion of a guaranty or CG5585 application by SIGCo?

Answer: An accurate and complete application is much more likely to be processed quicker than an application that is either incomplete or inaccurate.

Question: How long does an application take once SIGCo has received it?

Answer: SIGCo will process applications as fast as possible, but this will depend on the accuracy and completeness of the application. Following our involvement, the USCG requires a minimum of 3 weeks to process an application once they have received it. A certificate may take a further 6 weeks from issuance and dispatch by the USCG to final receipt.



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