

Update on increasing COFR guaranty limits

As you may be aware the President of the United States of America signed the “Coast Guard and Maritime Transportation Act of 2006” on July 11, 2006 revising upwards the COFR guaranty limits. At that time there was no immediate requirement to provide evidence to the United States Coast Guard, (USCG), of financial responsibility at the higher limits. On 17th September, 2008 the USCG issued a final ruling that ensures that the amount of financial responsibility that must be demonstrated by vessel operators is consistent with the COFR guaranty limits set in the 2006 Act. For completeness, these limits are set out in the table later in this circular. As a result of the final ruling, operators are required to establish evidence of financial responsibility to the amended applicable amounts by 15th January, 2009. The final ruling also implements changes to the USCG’s administration of the COFR program by eliminating the requirement for operators to maintain a COFR onboard their vessel, and by increasing the cost of obtaining the COFR certificate.

Following this announcement, we have had a number of questions from our members who are unsure how the final ruling will impact them, and what they have to do to comply. Here are some of the questions that we have been asked, together with our advice:

- Q. What should the shipowner do in order to meet the requirements before the deadline?*
- A. SIGCo files a master guaranty schedule with the USCG to which individual vessel guaranties attach up to their limits of liability. SIGCo will notify the USCG before the deadline that we accept the new limits of liability, and this will take care of the notification requirement for the SIGCo member, who will have nothing further to do in this regard.
- Q. I understand that it will no longer be necessary for a COFR Certificate to be carried on board the vessel. If so, from what date will this apply?*
- A. Operators will no longer be required to carry a copy of the certificate on board as from 17th October, 2008, irrespective of whether the COFR was issued before this date.
- Q. What procedure will the USCG adopt in future in order to prove that the vessel has a valid COFR?*
- A. Improved technology now enables the USCG to view vessel COFRs electronically via their web site, rather than viewing a paper certificate on board.
- Q. How will we obtain a COFR certificate in future, if we wanted to have a copy for our records?*
- A. Although it will not be required, in the event that the member requires physical evidence of a COFR it can be downloaded from the NPFC web site at the following link <https://npfc.uscg.mil/COFR/default.aspx>.. Note that this is not a Certificate as such, rather it will act as evidence that a COFR is in place.
- Q. Will the increase in certification fees apply to a member’s application?*

A. SIGCo has always met the cost of CG5585 applications, hence those members that allow SIGCo to process their CG5585 application will see no increase in certification costs as these will be borne by SIGCo as part of its service to our members. Members that prefer to process their own CG5585 applications will bear the increase in cost per application from \$150 to \$200 (where the application is for a new operator) and the increase in cost per certification from \$80 to \$100; changes to be applicable as from 17th October, 2008.

Q. How will the increase in guarantor's limits impact the premiums that we pay in future?

A. SIGCo is unable to determine the impact on premiums until reinsurance negotiations have concluded. We will address this with our members, along with the level of continuity credit for 2009 at the time that we agree terms for renewal with the member. Note however that premium terms will remain unchanged until renewal in 2009 despite the increased limits being applicable to some policies during the existing policy term.

Q. Is there any other information the member will need to provide due to the changes resulting from this final rule?

A. For both the CG5585 and Guaranty applications details of the construction of the ship will be necessary, whether double hull or otherwise. This is because the hull type determines the limit of liability (see table below).

Table showing changes to OPA90 vessel limits of liability – Effective 15th January, 2009

If the vessel is a	Original liability limit – the greater of	Amended liability limit – the greater of
Tank vessel greater than 3,000GT with a single hull, double sides only, or double bottom only.	\$1,200 per GT or \$10,000,000	\$3,000 per GT or \$22,000,000
Tank vessel less than or equal to 3,000GT with a single hull, double sides or double bottom only.	\$1,200 per GT or \$2,000,000	\$3,000 per GT or \$6,000,000
Tank vessel greater than 3,000GT with a double hull.	\$1,200 per GT or \$10,000,000	\$1,900 per GT or \$16,000,000
Tank vessel less than or equal to 3,000GT with a double hull.	\$1,200 per GT or \$2,000,000	\$1,900 per GT or \$4,000,000
Any vessel other than a tank vessel.	\$600 per GT or \$500,000	\$950 per GT or \$800,000

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