

CAP-LETTER

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GLOBAL FINANCIAL CRISIS IMPACTS SHIPPING FIRMS

The World economy is in trouble, massive bank failures, governments scrambling, stock markets-Credit is drying up and demand for raw materials and finished goods are falling.

What is the impact on the maritime sector ?

Oct. 9 (Bloomberg). Alaric Nightingale and Maher Chmaytelli for Bloomberg report that banks will provide around \$100 billion to shipowners this year, \$150 billion less than last year. Funding costs are up 1% above the London Interbank Offered Rate.

The shipping industry needs around \$300 billion over the next three to four years to fund construction vessels that are already ordered. Container ships are idle because of lowered U.S. demand for goods.

Commodity carriers are going to be hit the hardest with the tightening credit markets, along with dry bulk, where many of the vessels ordered were going toward.

How are non-life insurers responding to these difficulties?

We believe that non-life reinsurance markets have quickly switched from "softening" to "hardening" mode for many lines of business over the past month.

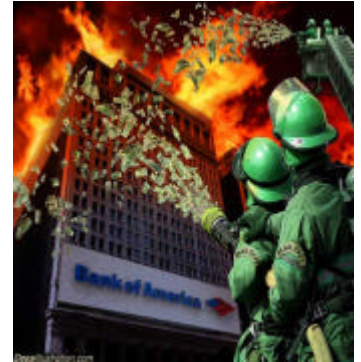
We are observing that prices in these markets are starting to firm. We expect that the switch will be most marked in lines affected by Ike (property, marine, and energy, and reinsurance thereof). We also expect the rise in prices which started earlier in the year in workmen's compensation, errors & omissions liability, and directors & officers liability, will be reinforced. We also observe that regional differences exist, partly due to regulatory incentives. European and Asian insurers generally have a stronger bias toward equity risk than U.S. insurers, where credit risk is more prominent.

Source : Standard and Poor's - November 2008.

Some key figures...

	May 2008	November 2008
Average daily return for a VLCC	\$148 800	\$49 200
Average short t/c return for a capesize	\$201 136	\$3 995
Volume of new orders placed	178	15
Average bunker price (380 cst Rotterdam)	\$535 / T	\$218 / T
Price of a 5 year-old Capesize bulk carrier	more than \$150M	around \$50M

Source: Barry Rogliano Salles



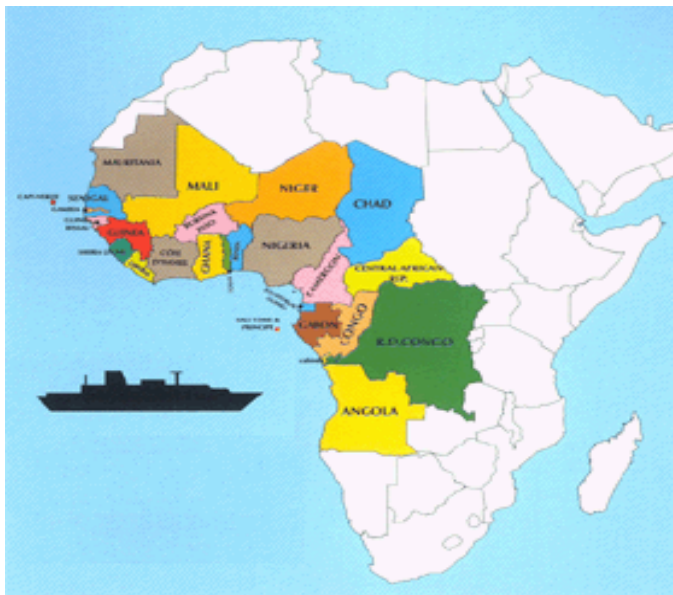
SEASON'S GREETINGS ! BONNE ANNEE 2009 !



Maritime Organisation of West and Central Africa adopts MoU

TWENTY member states of the Maritime Organisation of West and Central Africa (MOWCA) have adopted a Memorandum of Understanding on the establishment of a **Sub-Regional Coast-guard Network for the West and Central African sub-region**.

The adoption of the MoU is a major landmark in a long-running campaign by IMO and MOWCA to improve maritime safety, security and environmental protection in the sub-region, and follows a feasibility study undertaken by IMO. The MoU provides an institutional framework for suppressing piracy, armed robbery and other unlawful acts against ships and for addressing illegal fishing, drug and weapon trafficking, illegal migration, oil theft, damage to gas pipelines and maritime accident response in the sub-region. It provides guidelines for coastal surveillance, presence in the exclusive economic zones of the sub-region and enforcement of international conventions, regulations and codes - principally those of IMO and the UN Convention on the Law of the Sea (UNCLOS).



Le Statut d'Opérateur Economique Agréé

Dans un environnement international marqué par la recrudescence des risques, les états membres de l'UE ont souhaité renforcer la sécurisation de la chaîne logistique internationale (règlement 648/2005).

Dès juillet 2009, les opérateurs du commerce international seront soumis à l'obligation de transmettre de manière anticipée une déclaration sommaire d'entrée et de sortie comprenant des données jugées nécessaires à l'établissement d'une analyse de risque « sécuritaire ».

Afin de ne pas pénaliser le commerce légitime, l'amendement sécurité a introduit le concept d'Opérateur Economique Agréé (O.E.A.), entré en vigueur le 1^{er} janvier 2008.

Ce statut d'OEA sera valable dans l'ensemble de l'UE et permettra de distinguer les opérateurs communautaires les plus fiables, dans une logique de labellisation qualité.

Un OEA bénéficiera en effet d'un certain nombre de facilités en ce qui concerne les contrôles douaniers touchant à la sécurité et à la sûreté prévues par la réglementation douanière.

Ce statut donnera lieu, selon l'option choisie, à la délivrance de 3 certificats distincts :

- le certificat AEO « simplifications douanières » ;
- le certificat AEO « sécurité - sûreté » ;
- et le certificat AEO intégral, combinant les deux précédents.

Une entreprise peut solliciter le statut d'OEA quels que soit sa taille ou son statut, si toutefois elle remplit un certain nombre de conditions touchant à sa solvabilité, ses antécédents, sa transparence, et à la mise en place de procédures qualité. La délivrance du statut d'OEA interviendra à l'issue d'un audit effectué par les services douaniers.

Source: Fiches-Export Chambre de Commerce et d'Industrie de Normandie, Sept./Oct. 2008

Update on increasing COFR guaranty limits

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 side 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 side 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

Les attaques pirates en Somalie menacent le canal de Suez

Face au nombre croissant d'attaques au large des côtes somaliennes, le commerce maritime international s'apprête à contourner l'un des passages maritimes plus importants.

Le golfe d'Aden, où ont lieu la plupart des attaques, est le point de jonction entre l'Europe et le Moyen-Orient et l'Asie, dans le prolongement du canal de Suez.

Aujourd'hui les plus importants acteurs économiques songent à contourner sans délai l'Afrique du Sud par le cap de Bonne-Espérance. Cet itinéraire allonge le voyage maritime de trois semaines, ce qui retarde la livraison des marchandises et augmente le coût du transport. Le surcoût est réel mais surmontable : le coût de location d'un navire marchand a chuté depuis plusieurs mois, tout comme le prix du carburant.

Différents pays ont envoyé des forces navales militaires dans cette région, et ont renforcé leur action de lutte contre la piraterie, mais les captures de navires continuent.

Au troisième trimestre 2008, 26 navires avaient été capturés par les pirates somaliens, et 537 marins pris en otage. 21 navires supplémentaires ont été la cible des tirs des pirates au cours de la même période. Au 30 septembre 2008, 12 navires restaient détenus par les pirates et faisaient l'objet de négociations, avec plus de 250 otages à leur bord.

Au total, 199 attaques ont été signalées au Centre d'Information sur la Piraterie du BMI au cours des neuf premiers mois de 2008. Parmi ces attaques on dénombre 115 navires investis par les pirates, 31 navires capturés, et 23 navires qui ont été la cible de tirs. 581 ont été pris en otage, 9 ont été kidnappés, 9 ont été tués, et 7 portés disparus, dont on suppose qu'ils sont morts.

Source: (IMB) Piracy Reporting Centre



ITIC forum 03/10/2008

International Transport Intermediaries Club forum on the issues affecting insurers

Delegates at the International Transport Intermediaries Club (ITIC) forum in London heard the protection and indemnity (P&I) club renewal increases next February are likely to at least match those imposed in February 2008. Meanwhile, insurers fear claims could come from a variety of sources, including more frequent piracy attacks, failing shipyards and resulting liability issues.

Some key notes:

Dr Martin Stopford, managing director of Clarkson Research Services Limited: Shipping floats on the world economy. There have been 22 market cycles since 1740. We are now near the end of the biggest boom in history and there are lots of storm clouds gathering. These are the most dangerous times of all and one of the hardest things is to get the right balance and see where trouble lies."

Karl Lumbers, loss prevention director at the UK P&I Club: "Never have so many ships been built in such a short space of time." He said the danger is that there are insufficient marine surveyors available to oversee all the building projects to make sure the industry is not building up problems and then claims for the future.

Bob Bishop, chief executive, ship management, at V Ships Group: The number of experienced crew remaining at sea is falling, while even the shore-based operations are being hit by a lack of experienced seafarers. "The time line of people staying at sea is reducing. It is now about seven-and-a-half years, whereas only a short while ago it was 15 years."

Piracy: He said one of the recent incidents off the Somali coast involved a cadet ship - hardly the way to entice young people into the industry.

Criminalisation. Senior ship crew, including those of the Hebei Spirit, who are still being held in South Korea despite being found innocent in court, have been detained in a number of jurisdictions.

Ugo Salerno, chief executive officer of Italian classification society Registro Italiano Navale (RINA), "We are not trying to avoid our responsibilities but we are being increasingly targeted. "We as a classification society are in a very exposed position," he explained, adding that a US court recently rejected a claim against the American Bureau of Shipping (ABS) classification society over the Prestige incident. But he said, as the society involved in the Erika incident, RINA is facing increasing legal pressure in France.

P & I Clubs General Increase 2008

Mutuals	General increase		Deferred call	Supplementary call
	P&I class	FD&D		
American	7,50%	7,50%	20%	25% 2007 and 2008/20% 2009
Britannia	12,50%	15,00%	40%	
Gard	15,00%	20,00%	25%	
Japan	12,50%	nil	40%	
London Club	15,00%	7,50%	40%	35% 2006&07 & 25% 2008
NoE	17,50%	20,00%	nil	
Skuld	15,00%	15,00%	nil	
Standard	15,00%	15,00%	nil	
Steamship	17,50%	15,00%	nil	
Swedish	15,00%	15,00%	nil	35% for 2006 and 2007- 2008 tba
UK CLUB	12,50%	7,50%	nil	20% 2006 / 25% 2007 / 20% 2008
WoE	10,00%	20,00%	30%	20% 2006 & 35% 2007 & 45% 2008
Shipowners	10,00%	10,00%		

SOLAS V/19-1 Long Range Identification & Tracking

Entrée en vigueur au 31 décembre 2008

C'est dans le cadre de la convention internationale SOLAS (Safety of Life at Sea), chapitre V-19/1, que l'OMI a demandé à ses 163 états membres de mettre en place un système de suivi à longue distance LRIT, (Long Range Identification & Tracking).

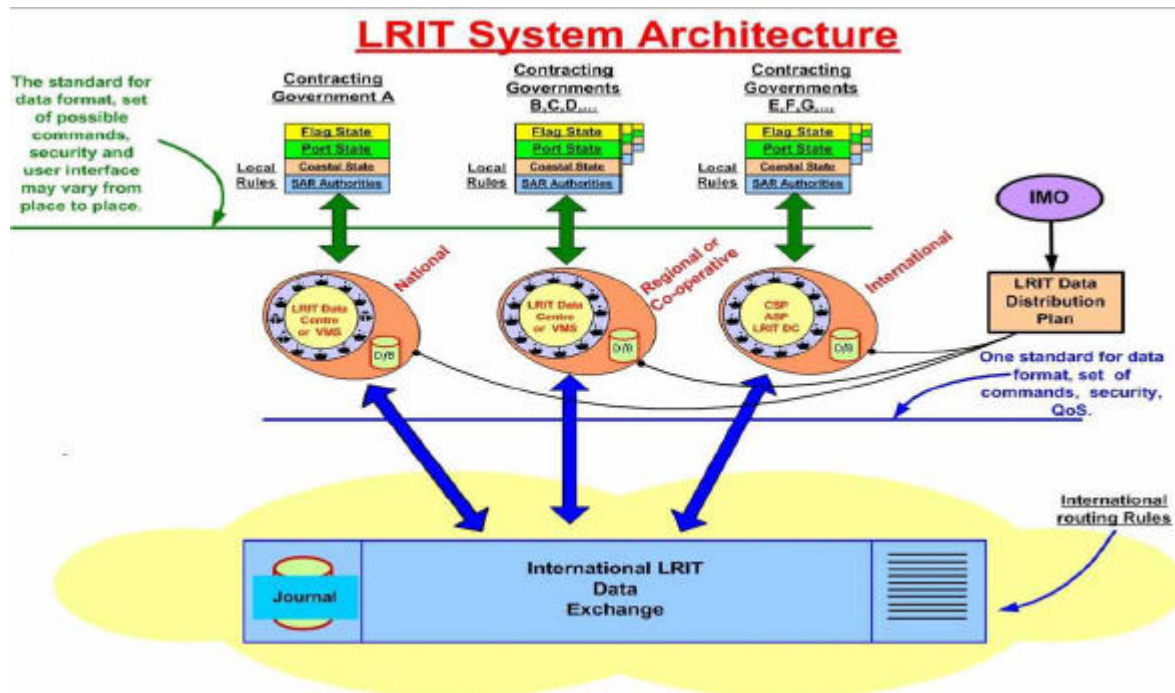
Ce suivi concerne les navires marchands (navires de fret de plus de 300 tonnes), navires de passagers, tankers, etc. Ces navires doivent transmettre par satellite : identifiant du navire et position toutes les six heures par satellite. Quant aux états, ils doivent disposer de centres de données LRIT qui collecteront les données des navires 4 fois par jour.

Les Centres de données LRIT sont interconnectés afin qu'un état puisse demander les positions d'un navire à son état pavillon lorsque ce navire fait route vers un port où lorsqu'il se trouve à moins de 1000 milles des côtes.

L'administration maritime de l'Etat contractant doit fournir en permanence au centre de calculs de LRIT de son choix, ses potentialités pour l'exploitation, l'optimisation et la confidentialité des informations, ainsi que la liste mise à jour des navires battant son pavillon, ceci pour permettre la transmission de l'information du système LRIT.

31-December 2008. The new regulation on LRIT is included in SOLAS chapter V on Safety of Navigation, through which LRIT will be introduced as a mandatory requirement for the following ships on international voyages: passenger ships, including high-speed craft; cargo ships, including high-speed craft, of 300 gross tonnage and upwards; and mobile offshore drilling units.

The SOLAS regulation on LRIT establishes a multilateral agreement for sharing LRIT information for security and search and rescue purposes, amongst SOLAS Contracting Governments, in order to meet the maritime security needs and other concerns of such Governments. It maintains the right of flag States to protect information about the ships entitled to fly their flag, where appropriate, while allowing coastal States access to information about ships navigating off their coasts. The SOLAS regulation on LRIT establishes a multilateral agreement for sharing LRIT information for security and search and rescue purposes, amongst SOLAS Contracting Governments, in order to meet the maritime security needs and other concerns of such Governments. It maintains the right of flag States to protect information about the ships entitled to fly their flag, where appropriate, while allowing coastal States access to information about ships navigating off their coasts.



Steamship Bermuda and Steamship London

A.M. Best Co. has affirmed the financial strength ratings of B++ (Good) and downgraded the issuer credit ratings (ICR) to "bbb" from "bbb+" of **The Steamship Mutual Underwriting Association (Bermuda) Limited** (Steamship Bermuda) (Bermuda) and **The Steamship Mutual Underwriting Association Limited** (Steamship London) (United Kingdom).

The outlook for these ratings has been revised to negative from stable. The ICR of Steamship Bermuda has been downgraded due to weakening in risk-adjusted capitalisation resulting from substantial investment losses. Despite some early signs of improvement in Steamship Bermuda's underwriting performance, A.M. Best believes the marine protection and indemnity market remains competitive. Additionally, Steamship Bermuda is exposed to continuing uncertainty in investment markets. Both these factors are reflected in the negative outlook for the ratings. The ratings of Steamship London are reliant upon the financial strength of Steamship Bermuda, which provides Steamship London with reinsurance.