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Circulated to Insureds, Brokers and Directors

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US EEZ – transit voyage exposure – the 24 hour rule

In the last 6 months since teaming up with Windward - a world leader in maritime risk analytics, to provide automated vessel monitoring and analysis of its insured fleet, Shoreline has refined its voyage monitoring algorithms to provide real time, accurate, MISL fleet voyage data, which has better informed its understanding of when its insured vessels are on risk.

From the Shoreline website an 'on risk' voyage is defined as follows;

"Each MISL voyage is defined as the entry into the US EEZ for a period of up to 30 days. The voyage will terminate on the earlier of expiry of the 30 day period or departure from the EEZ. On expiry of the 30 day period, in the event that the vessel is still in the US EEZ, a new voyage will be deemed to commence. The number of ports visited within the 30 day period is not pertinent for the purposes of this definition."

According to this historical definition, the chargeable voyage will commence at the vessel's point of entry into the US EEZ and end when the vessel leaves the US EEZ with time counting in between, it should be noted that the voyage definition is not conditional upon a call to a US port during the duration of the voyage. Prior to Shoreline teaming up with Windward, limitations on 3rd party voyage tracking software only allowed the tracking of port call voyages to the US and it was on the basis of this port call information that Shoreline has historically charged for tanker voyages and dry vessels full trading premiums i.e. 'taking dries off deposit'.

Recent Clyde & Co advice obtained by Shoreline advises; that notwithstanding whether a COFR is required by US law for a vessel on innocent/transit passage in the US EEZ, if a COFR is in place and the vessel has a spill the COFR provider would be exposed to a call on its guaranty in the event the P&I insurer failed to respond. It should be noted that all dry vessels which are on deposit have active COFRs in place with the USCG which is guaranteed by MISL.

Windward voyage analytics now clearly informs Shoreline of the extent of this 'innocent/transit passage' exposure.

On the basis of this technological development and Shoreline's access to detailed voyage analytics, Shoreline can now accurately determine when its vessels enter and leave the US EEZ and when they are technically 'on risk'. Provided with this new information as we enter 2020, Shoreline has introduced its '24 hour rule'; this rule states that when a vessel enters the US EEZ on an innocent/transit passage for a period of 24 consecutive hours or more it will be deemed to be 'on risk'. If the 'on risk' vessel is a dry vessel it will be taken off deposit and charged the full trading premium and if it is a tanker it will incur a discounted voyage premium basis 50% of the full voyage rate.

Insofar as this will impact upon the 10 voyage cap on a tanker policies, 2 x transit voyages will count as one full voyage toward the voyage cap.

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Going forward tankers will be quoted a voyage premium rate to which the following discounts will apply, for LOOP voyages 25% and for transit voyages 50%.

PHDs will be applied in the normal way to trading premiums for dries and voyage premiums for tankers.

This is for information only, there is nothing for our insureds to do at this time as our integrated management system will automate the issuance of trading premium invoices for dry vessels as they come off deposit and transit voyage invoices for tankers as and when they are deemed to be on risk.

Our website will be amended to include details of the 24 hour rule.

Should you require any further information and / or you would like to see a copy of the Clyde & Co opinion in this regard please do not hesitate to contact the undersigned.

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'T. Brown', with a large, stylized initial 'T' and a long, sweeping horizontal stroke at the end.

Captain Thomas Brown
CEO
Shoreline Ltd.