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Managers of:
The South of England Protection and Indemnity Association (Bermuda) Limited
Hamilton, Bermuda

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CIRCULAR TO ALL MEMBERS

Dear Sirs,

Requirements for loading in India of "Iron Ore Fines "and "Processed Iron Ore Fines" and "Blended Lumpsum Fines" during Monsoon Season

During the course of last year we issued to Members a number of Loss Prevention Notices regarding the loading of Iron Ore Fines and the risks associated with cargoes that may liquefy. With the on-set of the south-west monsoon season due again shortly we consider it prudent to re-issue a consolidated advice, as the problems have not gone away and that there will always be risks associated with the carriage of iron ore fines with a moisture content that exceeds its Transportable Moisture Limit.

We are not aware of any recent advice being issued by the Government of India, Ministry of Shipping and therefore we understand that the Merchant Shipping Notice No.9 of 2010 dated 27th August 2010 issued by the Director General of Shipping regarding the *"Safe loading, stowage, carriage and discharge of iron ore fines on ships from Indian ports in fair and foul season"* is still applicable.

The Merchant Shipping Notice (MSN) is quite unequivocal in that vessels shall only sail from Indian ports after obtaining clearance from the concerned Mercantile Marine Departments (MMD) and that the Notice should be strictly complied with. See our circular dated 1st November 2011 for a full copy of this Notice.

The Paradip Port Trust issued on 26th April 2011 a circular titled loading, stowage & carriage of high density solid bulk cargo of Group A such as Iron Ore Fines, Chrome Ore, Concentrates etc. See copy attached. We understand the circulars issued last year by other Port Trusts are still in force.

Members must ensure that all local and international requirements including those under the IMSBC Code, relating to the loading, stowing, carriage and discharge of iron ore lumps and fines cargoes loaded at Indian ports are fully complied with.

International Maritime Solid Bulk Cargoes Code (IMSBC Code)

The IMSBC Code is issued under SOLAS 1974 and its Protocols, which have been incorporated into the Indian Merchant Shipping Act 1958 (as amended). The Code sets out the internationally agreed provisions for the safe stowage and shipment of solid bulk cargoes, including cargoes that may liquefy, such as iron ore fines. Those cargoes not specifically listed are covered by Section 1.3 of the Code. The Code became mandatory internationally on 1st January 2011.

Regulation VI/2, SOLAS 1974 requires the shipper to provide the master or his representative with all relevant information relating to the cargo sufficiently in advance of loading to enable precautions which may be necessary for the proper stowage and safe carriage of the cargo to be put into effect. Section 4 of the IMSBC Code sets out the obligations and responsibilities imposed on the shipper for providing information about the cargo.

Most importantly for cargoes that may liquefy (Group A cargoes), certificates should be provided evidencing the moisture content of the cargo at the time of shipment and the transportable moisture limit (TML). The TML is defined in the Code as 90% of the Flow Moisture Point (FMP). The FMP can only be determined by laboratory analysis of cargo samples. Any cargo with moisture content in excess of the TML should not be accepted for loading (unless on specially constructed or fitted ships). Iron Ore fines does not have its own schedule in the Code, but should be regarded as being a Group A cargo.

(A) Master's Obligations

The master or his representative should monitor the loading operation from start to finish. Loading should not be commenced until the master or the ship's representative is in possession of all requisite cargo information in writing as described above. The master has an overriding authority under SOLAS not to load the cargo or to stop the loading of the cargo if he has any concerns that the condition of the cargo might affect the safety of the ship.

Shipper's Obligations

(1) Cargo Information

The shipper must provide the master or his representative in writing with all information and documentation required under the Code in sufficient time before loading to ensure that the cargo can be safely loaded onto, carried and discharged from the ship (section 4.2.1).

(2) Documentation

The documentation must include:

(a) A certificate / declaration certifying the moisture content of the cargo loaded in each of the ship's holds together with a statement that to the best of the shipper's knowledge the moisture content is the average moisture content of the cargo.

(b) A certificate certifying the TML of the cargo together with the FMP test result prepared by a competent laboratory.

The Code requires that the interval between testing for the Flow Moisture Point (FMP) and loading be no more than 6 months for regular materials unless the production process is changed in any way and the interval between testing for the moisture content and loading shall never be more than 7 days. However, with irregular materials such as iron ore fines every shipment should be checked. Masters should be wary of moisture content certificates provided by the shipper's laboratory and moisture content percentages that are very close to the TML. If there is significant rain between the time of testing and the time of loading the shipper must conduct test checks (IMSBC Code section 4.5.2) to ensure that the moisture content of the cargo is still less than its TML.

(3) Laboratories

The shipper must identify the laboratory used to conduct the tests on the cargo samples. It is recommended that masters check with the local correspondents / appointed surveyors to ensure that the laboratory is reputable and competent. The number of such laboratories in India is currently very limited.

(4) Stockpiles

The shipper must identify the stock piles from which the cargo is to be loaded and confirm in writing that the samples tested, and in respect of which certificates have been issued / declarations made, originated from those stock piles.

(5) Barges

Where barges are used to transport cargo to the ship they must be capable of being individually identified by the master / ship / appointed surveyor.

Problems encountered with the shipment of iron ore fines from India

It is understood that Members have encountered a number of problems with shipments of iron ore fines from India, including:

- Cargoes being mis-described to avoid application of the Code
- Iron ore fines not being declared as Group A cargo.
- Certificates and declarations not being provided.
- Inaccurate moisture content and TML certificates, resulting in unsafe cargo being presented for shipment.
- Commercial pressure on masters not to delay shipment and to carry cargoes without the provision of accurate certificates.
- Restrictive clauses in charter parties
- Cargo not being stock piled but delivered straight from the mine
- Only 1 certificate being provided when there is more than 1 distinct source of cargo
- Moisture content certification being over 7 days old

Recommended precautions

1. Loading should not be commenced until the master is in possession of all requisite cargo information and documentation/certificates that a shipper is obliged to provide under the Code or local regulations and is satisfied that the cargo is safe to load and carry

2. Following consultation with the Association, appoint a surveyor on behalf of the ship in advance of loading to assist the master. It may in any event be a local requirement to do so. However, it should be made clear to the port and competent authorities, shippers and charterers that the appointment of a surveyor by the ship is not intended to and does not relieve the shipper of his obligations under the Code or local regulations.

The terms of the surveyor's appointment should include the following:

(a) To assist the master with compliance with his obligations under the Code and local regulations.

(b) To contact and liaise with shippers to identify the stockpiles from which the cargoes are to be shipped on the subject vessel and to ensure that representative samples are correctly taken in accordance with sections 4.4 and 4.6 of the Code

(c) To take owners' own representative samples for testing in an independent competent laboratory.

(d) Where necessary, liaise with an independent expert to ensure that the laboratory conducts its tests in accordance with Appendix 2 of the Code.

(e) To compare the shipper's certificates with owners' own test results for TML and moisture content. Masters should be wary of moisture content certificates provided by the shipper's laboratory and moisture content percentages that are very close to the TML. If there is significant rain between the time of testing and the time of loading the shipper must conduct test checks.

(f) To monitor the loading operation from start to finish, paying particular attention to the weather conditions and the presence of any moist cargo, particularly in barges.

(g) To stop loading if further moisture and/or can tests are conducted, as necessary, on any parts of the cargo presented for shipment (sections 4.5.2 and 8.4 of the Code).

(h) To monitor the stockpiles and/or barges to ensure that the cargo presented for shipment is from the designated and tested stockpiles and/or barges. This will involve keeping a careful tally and identification of barges offered for loading.

(i) To ensure loading is suspended during periods of rain.

(j) To carefully examine cargo offered for loading from uncovered barges and if in any doubt of the moisture content conduct 'can' tests particularly when rain has been experienced. The 'can' test is described in section 8 of the IMSBC Code as a spot check a Master can conduct if he is suspicious of the condition of the cargo, and is not meant to replace or supersede laboratory testing which is the responsibility of the Shippers. Section 8 states that if the sample shows signs of liquefaction - i.e. flat surface with evidence of free moisture, arrangements should be made to have additional laboratory tests conducted on the material before it is accepted for loading. Nevertheless cargo should never be accepted on the basis of

the 'can' test alone. The test may indicate if cargo is unfit for shipment but cannot determine if a cargo is fit to be loaded– this can only be determined by laboratory testing.

3. If the master or his appointed surveyor is presented with any document seeking their confirmation that the cargo is safe to carry they should refuse to sign it. The obligation under the Code is on the shipper to declare that the cargo is safe to carry and signing such a document could prejudice a Member's rights of recourse against a shipper in the event of a subsequent casualty.

4. Report any commercial pressure to the Association so that this may be taken up by the Group with the DGS.

5. Members should consider how they might protect themselves contractually before agreeing to carry iron ore fines cargoes e.g. including an appropriate clause in any charter party. Equally Members should not be pressurised into entering into charter parties which restrict their right to fully apply the provisions of the Code, appoint independent surveyors of their choice or take and test cargo samples.

6. Members should refer to the Club any contractual and / or safe carriage concerns it may have relating to the iron ore lumps and fines loaded in India.

Consequences of a Member's failure to comply with the IMSBC Code

In the event that the above recommendations are not followed, adhered to and proved to have been so, this may be prejudice Club cover.

We cannot state the vigilance that is required when loading a cargo that may have the properties to liquefy during transportation. If the Master has any doubt about the cargo being presented for loading he should not hesitate in contacting the local Club Correspondent for assistance.

Survey and Loss Prevention Department

The South of England Management AG

While the above information is believed correct, the Association cannot assume responsibility for completeness or accuracy

Above advice has been issued by all International Group Clubs to their Members