July 2003

To the Members

Dear Sirs,

U.S. MARITIME SECURITY INITIATIVE

A U.S. Coast Guard interim rule published in the U.S. Federal Register on 1 July 2003 provides for security measures for certain U.S. flag vessels and foreign flag vessels calling at U.S. ports. For the most part, the rules align the domestic security requirements with those of the International Ship and Port Facility (ISPS) Code and the recent amendments to the International Convention for the Safety of Life at Sea (SOLAS) referred to in Club Circular B390 of June 2003. The interim rules require the owners or operators of vessels to designate security officers for vessels, develop security plans based on security assessments, implement security measures specific to the vessel's operation, and comply with Maritime Security Levels.

The interim rule is one of six that comprise a new subchapter on the requirements for maritime security mandated by the Maritime Transportation Security Act of 2002. The six interim rules implement national maritime security initiatives concerning:

- Area Maritime Security
- Vessel Security
- Facility Security
- Outer Continental Shelf Security
- Automatic Identification Systems (AIS)
- Implementation of National Maritime Security Initiatives

U.S. Flag Vessels

The rules primarily concern U.S. flag vessels: Qualifying ships that are required to conduct security assessments and develop security plans must submit their Vessel Security Plan (VSP) for approval by the U.S. Coast Guard (USCG) by 29 December 2003. Each vessel must be operating in compliance with the VSP by 30 June 2004. Vessels must carry onboard an approved VSP and a letter of approval from the USCG's Maritime Safety Centre. The USCG will issue International Ship Security Certificates (ISSC) for U.S. flag

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vessels trading internationally.

Foreign Vessels

Foreign flag vessels will achieve compliance by having on board a valid ISSC as required by the ISPS Code. There is no need for foreign flag vessels to submit their Ship Security Plans (SSP) for separate approval by the USCG other than in the following three cases:

- Vessels of flag states that are not signatories to SOLAS
- Canadian commercial vessels operating solely on the Great Lakes that are greater than 100 tons, or carry more than 12 passengers
- Foreign flag vessels of between 100 and 500 tons

U.S. Port State Control

The USCG will be conducting an aggressive Port State Control inspection programme to verify that foreign vessels have an approved security plan that fully complies with SOLAS and the ISPS Code. In the interim rule concerning the implementation of U.S. National Maritime Security Initiatives, the USCG makes it clear that close attention will be paid to the performance of all owners, operators, flag administrations, recognised security organisations (RSOs), charterers and port facilities in assessing compliance with U.S. security requirements. The USCG will closely scrutinise a flag state administration's designation of the RSO responsible for issuing ISSC's on its behalf.

It is therefore to be anticipated that the existence of a valid ISSC will not, of itself, necessarily guarantee entry to U.S. waters. The USCG is likely to make an assessment of the competence and qualification of RSOs appointed by foreign administrations, and those vessels carrying certificates issued by RSOs that do not measure up to U.S. requirements will be subject to strict control measures. These measures could result in a refusal to permit entry to U.S. waters, expulsion, or significant delay. Furthermore, in assessing the control measures that may be necessary in respect of foreign vessels, the USCG will be looking at the history of security compliance and security incidents associated with the vessel, its owners/operators and charterers, and the foreign port facilities at which it has called.

Notice of Arrival Requirements

The USCG Advance Notice of Arrival regulation has also been amended by the interim rules. Vessels that are subject to that regulation will have to provide additional information in relation to security. Most of this information will only be required once the SOLAS amendments and the ISPS Code come into effect in July 2004. The rules also state that after 1 January 2004, if a foreign flag vessel already has an approved Vessel Security Plan and an ISSC, the USCG will require information about the ISSC to be provided in the Advance Notice of Arrival, and will also want to know if the Vessel Security Plan is being implemented. However, the likely interpretation of this rule is that as of 1 January 2004, all vessels entering the U.S. will be required to provide the USCG with the status of their implementation of the ISPS Code.

Crew

In order to facilitate shore leave and crew changes at U.S. ports, the rules require the vessel owner or operator to coordinate their requirements with port facility operators in advance of the vessel's arrival.

Automatic Identification Systems

The interim rule implements the revised SOLAS schedule for fitting Automatic Identification Systems (AIS) for vessels on international voyages. (The revised schedule is also detailed in Club Circular 390 of June 2003.)

Consultation Process

The interim rules appear in full in the U.S. Federal Register for 1 July 2003 in the Coast Guard section and can be accessed via the following website address: www.access.gpo.gov/su_docs/fedreg/a030701c.html.

Comments on the rules can be submitted until 31 July 2003. As part of the consultation process, a public meeting is to be held at the Grand Hyatt Hotel Washington DC on 23 July 2003. Members wishing to participate in the rule-making process are advised to contact their local Shipowners' Association. It is anticipated that final rules will be issued by 25 November 2003.

Guidance to Members

Based on the foregoing, it is imperative that Members ensure their full compliance with the requirements of the ISPS Code by 1 July 2004. In addition, to reduce the risk of vessel delays caused by Port State Control inspectors in the U.S. and other major worldwide port areas, members should be aware of the potential pitfalls cited above when selecting RSO's for certification, and in selecting providers of maritime security services to assist them in conducting Ship Security Assessments (SSA),developing Ship Security Plans (SSP) and carrying out required security training of personnel. Members should also bear in mind the requirement for the SSP to be implemented for at least three months prior to certification by the Flag State or its designated RSOs.

The SSA process forms the foundation of the SSP, and includes a threat assessment for the vessel's trade routes and ports, and an on-scene security survey for each ship, including identical sister ships. The SSP includes the specifics of the ship's security organization, and the responsibilities and duties of personnel, including the requirements to maintain updated threat assessments, security procedures, emergency response for identified potential security incidents, and the protective measures to be implemented by the ship at each Security Level. As Port State Control inspectors are likely to be looking at several factors beyond the ISSC to determine compliance, it is imperative that Members are fully confident that each ship's SSA, SSP, and the security training of personnel meets the requirements of the ISPS Code and U.S. maritime security measures.

Members who might require further information or guidance on any of the matters covered by this Circular should contact the Loss Prevention Department of the Managers' London representatives.

Yours faithfully,

THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION (BERMUDA) LIMITED