

2016-17
P&I Rules
Amended 18 January 2017

NORTH 
SERVICE. STRENGTH. QUALITY



MEMBERS' ATTENTION IS DRAWN TO
THE AMENDMENTS MADE TO RULE(S)
19(1)(E), 20(2) AND (31)(I) AS NOTIFIED
IN CIRCULAR 2017/002 DATED
18 JANUARY 2017.

THE NORTH OF ENGLAND PROTECTING AND INDEMNITY ASSOCIATION LIMITED

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Important

Any matter requiring attention out of office hours
should be communicated by telephone/mobile.

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AFTER HOURS TELEPHONE NUMBERS

Sections

- 1 Management
- 2 P&I Claims
- 3 FD&D Claims
- 4 Loss Prevention
- 5 Services
- 6 Hong Kong Office
- 7 Greek Office
- 8 Japan Office
- 9 Singapore Office
- 10 Underwriting

E-Mail Addresses

All listed personnel can be contacted during office hours, by E-Mail. Each address is in lower case and made from the forename.surname@nepia.com for example – kim.heaselden@nepia.com

Weekend and Holiday Access Telephone Number

If difficulty is experienced contacting any of the numbers listed on the following pages, for assistance **please refer to the access number listed at the end of the after office hours home telephone numbers.** This access number will be manned from Friday evening through to Monday morning and during other UK public holiday periods.

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| 1 Management | | | |
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| Ken Govan | Deputy Director (Claims) | +44 7803 193302 | +44 191 2537800 |
| Alvin Looi | Deputy Director (Singapore) | +65 838 28691 | |
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|-------------------------------|-------------------------------------|------------------|-----------------|
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| Paul Tsang | Deputy Manager (Hong Kong) | +852 9026 1912 | +852 2568 5223 |
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| Chris Owen | Group General Counsel | +44 7717 731457 | |

2 P&I Claims Management

| | | | |
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| Michael Asherson | Group Director (Claims) | +44 7940 317529 | +44 191 2530942 |
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| Tricia Forrest | Group Director (Claims) | +44 7789 748300 | +44 191 2140692 |
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| Iain Gilchrist | Deputy Director (Claims) | +44 7917 098360 | +44 191 5363051 |
| Ken Govan | Deputy Director (Claims) | +44 7803 193302 | +44 191 2537800 |
| Eamon Moloney | Deputy Director (Claims) | +44 7711 039390 | +44 191 2733400 |
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Cargo

| | | | |
|-----------------|---------------------------|-----------------|------------------|
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| Simon Clarke | Senior Executive (Claims) | +44 7827 241569 | |
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| | | | |
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| Peter Scott | Senior Executive (Claims) | +44 7748 144347 | +44 191 2596387 |
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| | Title | Mobile | Home |
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5 Services

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| Nick Tonge | Deputy Director (Correspondents) | +44 7774 182774 | +44 191 4153431 |
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6 Hong Kong Office

| | | | |
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| Gary Chen | Director (China) | +852 9461 8066 | +86 1395 3288860 |
| Paul Tsang | Deputy Manager (Hong Kong) | +852 9026 1912 | +852 2568 5223 |
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| Baohai Gao | Claims Executive | +852 9733 6937 | |
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7 Greek Office

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8 Japan Office

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| George Cuthbert | Loss Prevention Executive | +65 861 34502 | |
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10 Underwriting

| | | | |
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| Stephen Rebar | Group Director (Underwriting) | +44 7990 562976 | +44 1670 504062 |
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| Phillip Eccleston | Senior Underwriter | +44 7739 070901 | +44 1661 611266 |
| Emma Liddell | Senior Underwriter | +44 7795 627563 | |
| Chris Bedford | Underwriter | +44 7795 267547 | |
| Michael Hustler | Underwriter | +44 7557 283563 | +44 191 682 4141 |
| Gary Henderson | Underwriter (Operations) | +44 7771 946716 | |

Weekend and Holiday Access Telephone Number: +44 191 232 0999

Important: Any matter requiring attention out of office hours should be communicated by telephone/mobile.

North's Website

The above list of telephone numbers is correct at the time of printing. For an up-to-date list of after office hours telephone numbers please consult the 'Our People' pages on North's website: www.nepia.com

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Protecting and Indemnity Class Rules

(Effective on and from noon Greenwich Mean Time on 20 February 2016)

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SECTION I

Introduction

Rule 1 Memorandum and Articles of Association

These Rules are subject to the Memorandum and Articles of Association of The North of England Protecting and Indemnity Association Limited.

Note: In the event of any dispute as to the terms of the Rules, or in the event of any error appearing in any published version of the Rules, the applicable Rules shall be those approved for the relevant time in accordance with the Articles of Association.

Rule 2 Interpretation and Definitions

2 (1)

In these Rules:

“Writing” shall include any method of reproducing words in a visible or non-transitory form, including email.

Words importing the singular number only shall include the plural number and vice versa.

Words importing the masculine gender only shall include the feminine gender.

Words importing persons shall include individuals, partnerships, corporations and associations.

The headings hereto shall not affect the construction or interpretation of the Rules.

In the Rules the following words shall have the following meanings:

ADDITIONAL CALL

Any monies payable to the Association pursuant to Rule 13(2).

THE ASSOCIATION

The North of England Protecting and Indemnity Association Limited.

CALL

Any monies payable to the Association in respect of an Entered Ship pursuant to Rules 13(2), 13(3) and Rule 16.

CERTIFICATE OF ENTRY

A document and any endorsement thereto issued by the Association in accordance with these Rules and the Articles of Association which records the names of Members interested in, and evidences the contract of insurance in respect of, an Entered Ship.

CHARTERER'S ENTRY

An Entry which insures (inter alia) as a Member a charterer (other than a demise charterer) not being a Charterer Jointly Insured under an Owner's Entry.

CIRCULAR

A notice in writing to a Member pursuant to Rule 32.

THIS CLASS

Class 1 – Protecting and Indemnity.

CLOSED POLICY YEAR

A Policy Year of the Association which the Directors shall have declared to be closed in accordance with Rule 42.

CONSORTIUM SHIP

A Ship, feeder ship or space thereon, not being the Entered Ship, employed to carry cargo under a consortium agreement.

CONTAINER

Any device or receptacle in or on which cargo is carried including trailer, flat, pallet, tank or similar receptacle which is owned by or leased to a Member, and which is either designed to be, or expected to be, carried in a ship.

CONTRIBUTION

A Mutual Premium, Release Call, Additional Call or Overspill Call levied by the Association pursuant to Rule 12, Rule 13 and Rule 16.

CONVENTION LIMIT

In respect of an Entered Ship, the limit of liability of the shipowner of that Entered Ship for claims (other than claims for loss of life or personal injury) at the Overspill Claim Date, calculated in accordance with Article 6 paragraph 1(b) of the International Convention on Limitation of Liability for Maritime Claims 1976 (the "Convention") and converted from Special Drawing Rights into United States Dollars at the rate of exchange conclusively certified by the Association as being the rate prevailing on the Overspill Claim Date, provided that,

- (a) where an Entered Ship is entered for a proportion (the "relevant proportion") of its tonnage only, the Convention Limit shall be the relevant proportion of the limit of liability calculated and converted as aforesaid, and
- (b) each Entered Ship shall be deemed to be a seagoing ship to which the Convention applies, notwithstanding any provision in the Convention to the contrary, and
- (c) where the gross tonnage of the Entered Ship has not been measured in accordance with the Convention, that gross tonnage shall, for the purposes of assessing this Convention Limit, be calculated according to such formula as the Association shall consider appropriate, and

(d)

the International Convention on Limitation of Liability for Maritime Claims 1976 shall be that Convention and not any subsequent revisions, amendments or protocols thereto.

DAY

The day of any occurrence means the day as computed according to the Greenwich Mean Time.

DIRECTORS

The Directors for the time being of the Association or as the context may require those Directors present at a duly convened meeting of the Directors at which a quorum is present.

ENTERED SHIP

A Ship which has been entered for insurance in this Class of the Association.

ENTERED TONNAGE

The tonnage for which a Ship is entered and upon which Contribution to the funds of the Association is calculated.

ENTRY

The insurance in respect of any one Entered Ship of all parties insured under any one contract of insurance (with one Certificate of Entry) between the Association and a Member (other than an insurer reinsured by the Association) or between such reinsured insurer and its member.

FIXED PREMIUM

Any monies payable to the Association pursuant to Rule 8(1).

FLEET ENTRY

The entry of more than one Ship by one or more Members on the basis that those Ships will be treated together as a fleet for underwriting purposes.

FULL TONNAGE

The gross tonnage (which, for the purposes of these Rules shall include the gross register tonnage of any Ship which has not been remeasured pursuant to the International Convention on Tonnage Measurement of Ships 1969) of a Ship as certified or stated in the Certificate of Registry or other official document relating to the registration of such Ship or, if more than one tonnage is shown, the higher. For the purposes of these Rules and the Articles of Association the gross tonnage of a Ship shall remain unchanged for each Policy Year.

GMT

Greenwich Mean Time.

GROUP EXCESS LOSS CONTRACT

The excess of loss reinsurance policies effected by the parties to the Pooling Agreement.

GROUP REINSURANCE LIMIT

The amount of the smallest claim (other than any claim, and excluding any part of a claim, arising in respect of oil pollution) incurred by the Association or by any other party to the Pooling Agreement which would exhaust the largest limit for any type of claim (other than a claim arising in respect of oil pollution) from time to time imposed in the Group Excess Loss Contract.

HAGUE RULES

The International Convention for the Unification of Certain Rules Relating to Bills of Lading signed at Brussels on 25 August 1924.

THE HAGUE-VISBY RULES

The Hague Rules as amended by the Protocol signed at Brussels on 23 February 1968.

HAMBURG RULES

The United Nations Convention on the Carriage of Goods by Sea 1978 done at Hamburg on 31 March 1978.

HULL POLICIES

Policies effected on the hull and machinery of a ship including any excess liability policy.

INSURANCE

Any insurance or reinsurance against the risks specified in these Rules.

INSURED PARTIES

The Member, joint member, co-assured or affiliated or associated person in respect of an Entry.

KNOCK FOR KNOCK

A provision or provisions stipulating that,

- (a) each party to a contract shall be similarly responsible for loss of or damage to, or injury and/or death of, its own property or personnel and/or property or personnel of its contractors and/or of its and their sub-contractors and/or of other third parties, and that
- (b) such responsibility shall be without recourse to the other party and arise notwithstanding any fault or neglect of any party, and that
- (c) each party shall, in respect of those losses, damages or other liabilities for which it has assumed responsibility, correspondingly indemnify the other against any liability that party shall incur in relation thereto.

LIMITATION AMOUNT

The amount to which the registered owner of an Entered Ship could have limited its liability in respect of the relevant matter had it sought and not been denied the right to limit.

THE MANAGERS

The Managers for the time being of the Association including the Managing Director.

MEMBER

A Member of the Association as defined in the Articles of Association being a Member of this Class of the Association. Where the context permits, Member shall include a former Member.

MEMBER OF NORTH OF ENGLAND (BERMUDA)

A Member (as defined in and subject to the Bye-laws and Rules thereof) of North of England (Bermuda).

MEMBERS BOARD

Has the meaning given in Article 2 of the Association's Articles of Association.

MUTUAL PREMIUM

The estimated total premium payable to the Association in relation to an Entered Ship and in respect of any policy year expressed as a rate per gross ton of Entered Tonnage, calculated in accordance with Rules 12 and 13 and with the terms of insurance agreed from time to time with the Member.

NORTH OF ENGLAND (BERMUDA)

The North of England Mutual Insurance Association (Bermuda) Limited a company incorporated in Bermuda with liability limited by guarantee, without a share capital with which the Association may reinsure risks of this Class.

OVERSPILL CALL

A call levied by the Association pursuant to Rules 12 and 13 for the purpose of providing funds to pay part of an Overspill Claim.

OVERSPILL CLAIM

That part (if any) of a claim (other than a claim, and excluding any part of a claim, arising in respect of oil pollution) incurred by the Association or by any other party to the Pooling Agreement under the terms of entry of a Ship which exceeds or may exceed the Group Reinsurance Limit.

OVERSPILL CLAIM DATE

In relation to any Overspill Call, the time and date on which there occurred the incident or occurrence giving rise to the Overspill Claim in respect of which the Overspill Call is made or, if the Policy Year in which such incident or occurrence occurred has been closed in accordance with the provisions of Rules 42(1) and 42(2), noon GMT on 20th August of the Policy Year in respect of which the Association makes a declaration under Rule 42(3).

OVERSPILL RESERVE

A reserve established by the Association pursuant to Rule 44(2).

OWNER'S ENTRY

An entry which insures (inter alia) as a Member an owner, owner in partnership, owner holding separate shares in severalty, part owner, trustee, or demise charterer of an Entered Ship, or a manager or operator having control of the operation and employment of the Entered Ship (being such control as is customarily exercised by a shipowner) or any other person in possession and control of the Entered Ship.

PASSENGER

A person carried on board an Entered Ship pursuant to a passage contract.

PERSONAL EFFECTS

Personal property, documents, navigational or other technical instruments and tools brought on board, or being taken to or from the Entered Ship by a Seaman or Supernumerary but excluding cash, valuables, or any other article which in the opinion of the Directors is not an essential requirement for a Seaman.

POLICY YEAR

A year from noon GMT on any 20 February to noon GMT on the next following 20 February.

POOLING AGREEMENT

The agreement to which the Association is a party between the International Group of P&I Associations dated 20 February 1998 and any addendum to or variation or replacement of the said agreement.

RELEASE CALL

Any monies payable to the Association pursuant to Rule 16.

RULES

The rules and regulations for the time being in force concerning this Class of the Association.

SEAMAN

A person (including the Master) engaged under articles of agreement or otherwise contractually obliged to serve on board an Entered Ship (except persons engaged only for nominal pay) including a substitute for such person and also including such persons while proceeding to or from such Ship.

SHIP

A ship, boat, hovercraft or other description of vessel or structure (including any ship, boat, hovercraft or other vessel or structure under construction, but excluding (a) a unit or vessel constructed or adapted for the purpose of carrying out drilling operations in connection with oil and gas exploration or production and (b) a fixed platform or fixed rig) used or intended to be used for any purposes whatsoever in navigation or otherwise on, under, over or in water, or any part of such ship, or any proportion of the tonnage thereof, or any share therein.

SUPERNUMERARY

A relative of a Seaman, or any other person whom a Member has agreed to maintain or carry on board an Entered Ship (except a Passenger) and including persons engaged under articles of agreement for nominal pay.

THE UNITED KINGDOM

Great Britain and Northern Ireland.

- 2 (2) For the purposes of the Definitions of Group Reinsurance Limit and Overspill Claim, all claims (other than claims or parts of claims arising in respect of oil pollution) incurred by the Association or by any other party to the Pooling Agreement under the entry of any one Ship arising from any one event including any claim in respect of liability for the removal or non-removal of any wreck shall be treated as if they were one claim.
- 2 (3) Any reference to a claim in these Rules shall be deemed to include the costs and expenses associated therewith.

Rule 3 Nature of Cover

- 3 (1) The cover provided by this Class of the Association is as set out in these Rules and provides insurance for a Member against loss, damage, liability or expense incurred by him which arises:
- (a) in respect of the Member's interest in an Entered Ship,
 - (b) out of events occurring during the period of entry of the Ship in the Association, and
 - (c) in connection with the operation of the Ship.

3 (2) **CONTRACTS – RIGHTS OF THIRD PARTIES ACT 1999**

It is not intended that any benefit or rights should be acquired through the operation of the Contracts (Rights of Third Parties) Act 1999 or other similar legislation.

3 (3) **CONDITIONS**

The risks covered as set out in Rule 19 are subject to all the conditions set out in other parts of these Rules and those risks may only be varied by special terms agreed in writing between a Member and the Managers (either under Rule 8 or Rule 19).

3 (4) The entry of a Ship in the Association is only valid provided that the Member had paid Contributions as specified in Rule 8 and Rule 13 and as set out in the Certificate of Entry of the Entered Ship or any notice sent to the Member by the Association or the Managers under Rule 37(c).

Rule 4 Membership

4 (1) **ENTRY OF A SHIP**

(a) Every person whose application to enter a Ship in this Class of the Association for the insurance of his interest in that Ship is accepted shall (if not already a Member of the Association) be and shall become a Member as from the date of the acceptance of his application.

(b) Any person who becomes a Member warrants that he is, in relation to the Entered Ship:

(i) the owner, owner in partnership, owner holding separate shares in severalty, part owner, trustee, or demise charterer of the Entered Ship, or a manager or operator having control of the operation and employment of the Entered Ship (being such control as is customarily exercised by a shipowner, or any other person in possession and control of the Entered Ship), or

(ii) the charterer (other than by demise) of the Entered Ship.

4 (2) **REINSURANCE**

Whenever the Association agrees to accept the reinsurance of any risks from an insurer the Managers may in their discretion decide that the insurer reinsured by the Association and/or the person insured by such insurer is to be a Member and they may accept the application on any such basis.

4 (3) Subject always to Rule 4(4) and Rule 6 any person who is or becomes a Member of this Class shall be and remain a member of North of England (Bermuda) subject always to the provisions of the Memorandum of Association, Bye-laws and Rules thereof for the time being in force. Accordingly, subject as aforesaid, it is a condition of:

- (a) continuation of membership of this Class, and
- (b) acceptance of any application for membership pursuant to all and any of Rules 4(1), 4(2), 7, 8 and 9,
- that the Managers are authorised to sign on behalf of such person all and any documents required to be signed by, or on behalf of, such person in order to be or remain (as the case may be) a member of the North of England (Bermuda).
- 4 (4) The provisions of Rule 4(3) shall apply if, but only if and for so long as, risks of this Class shall be reinsured with North of England (Bermuda) by the Association.
- 4 (5) **CESSATION OF MEMBERSHIP**
- A person shall cease to be a Member if for any reason whatsoever the entry of all Ships in respect of which his interest was insured by the Association shall have ceased or terminated.
- 4 (6) **PROTECTING AND INDEMNITY**
- The Members who are entered for the time being in this Class shall form one separate Class within the Association.

Rule 5 Right of Recovery

- 5 (1) If a Member shall become liable as hereinafter set out in Rule 19 in damages or otherwise or shall incur any costs or expenses in respect of a Ship which was entered in the Association at the time of the casualty or event giving rise to such liability, costs or expenses, such Member shall be entitled to recover out of the funds of the Association the amount of such liability, costs or expenses provided by these Rules and by the Certificate of Entry. Notwithstanding the foregoing, when such Member is entitled to limit his liability, the liability of the Association shall not exceed the amount of such limitation. But if a tonnage less than the Full Tonnage of the Ship was entered in the Association the Member shall, unless the entry of the Ship has been accepted on special terms which otherwise provide, be entitled only to recover such proportion as the Entered Tonnage bears to the Full Tonnage of the Ship.
- 5 (2) **SET-OFF**
- Without prejudice to any other part of these Rules the Association shall be entitled to set-off any amount due from a Member against any amount due from the Association to such Member or to any Insured Party or mortgagee in respect of that Member's Entry.



SECTION 2

Entry and Contribution

Rule 6 Insurance Acts

- 6 (1) These Rules and all contracts of insurance made by the Association shall be subject to and incorporate the provisions of the Marine Insurance Act 1906 and, upon its entry into force, the Insurance Act 2015 of the United Kingdom and any statutory modifications thereof except insofar as such Acts or modifications may have been expressly excluded by these Rules or by any term of such contract.
- 6 (2) The following provisions of the Insurance Act 2015 ("the Act") are excluded from the Rules and any contract of insurance as follows:
- (a) Section 8 of the Act is excluded. As a result any breach of the duty of fair presentation shall entitle the Association to avoid the policy, regardless of whether the breach of the duty of fair presentation is innocent, deliberate or reckless.
 - (b) Section 10 of the Act is excluded. As a result all warranties in these Rules or any contract of insurance must be strictly complied with and if the Member or any Insured Party fails to comply with any warranty the Association shall be discharged from liability from the date of the breach, regardless of whether the breach is subsequently remedied.
 - (c) Section 11 of the Act is excluded. As a result the Rules and all terms of the contract of insurance between the Association and the Member and any Insured Party, including terms which tend to reduce the risk of loss of a particular kind, loss at a particular location and/or loss at a particular time, must be strictly complied with and if the Member or any Insured Party fails to comply with any such term, the Association's liability may be excluded, limited or discharged in accordance with these Rules notwithstanding that the breach could not have increased the risk of the loss which actually occurred in the circumstances in which it occurred.
 - (d) Section 13 of the Act is excluded. As a result the Association shall be entitled to exercise its right to terminate the contract of insurance in respect of the Member and all Insured Parties in the event that a fraudulent claim is submitted by or on behalf of the Member and/or any Insured Party and/or any affiliated or associated company of the Member.

- (e) Section 13A of the Act is excluded. As a result the Rules and the insurance contract between the Association and the Member and any Insured Party shall not be subject to nor shall the Association or the Managers be in breach of any implied term that they will pay any sums due in respect of a claim within a reasonable time save where the breach is deliberate or reckless and Section 13A of the Act is excluded to this extent.
- (f) Section 14 of the Act is excluded. As a result, the contract of insurance between the Association, the Member and any Insured Party shall be deemed to be a contract of the utmost good faith, and any breach of the duty of the utmost good faith shall entitle the Association to avoid the contract of insurance.

Rule 7 Entry

7 (1) APPLICATION

Any person who wishes to enter a Ship for insurance in the Association shall apply for such entry in such form as may from time to time be required by the Managers and shall furnish all material particulars and information including but not limited to any particulars and information requested by the Managers.

7 (2) ACCURACY OF INFORMATION

All particulars and information given in the course of applying for insurance shall, if the entry of the relevant Ship be accepted, be deemed to form part of the contract of insurance between the Member and the Association and it shall be a condition precedent of such insurance that all such particulars and information were true so far as was within the Member's knowledge or could with reasonable diligence have been ascertained.

7 (3) CERTIFICATE OF ENTRY

As soon as reasonably practicable after accepting an application for the entry of a Ship for insurance in the Association the Managers shall issue a Certificate of Entry which shall state the names of the Members on whose behalf such Ship has been entered and their interests in such Ship, the time and date of the commencement of the period of insurance and the terms and conditions on which the Ship has been accepted for insurance.

7 (4) ENTERED TONNAGE

The Managers may accept the entry of a Ship for a tonnage other than the Full Tonnage of such Ship.

7 (5) SUBJECT TO RULES

The terms and conditions upon which a Ship is accepted for entry, including those relating to the nature and extent of the risks covered and the Contributions or Fixed Premiums payable by the Member, shall be those set out in the Rules hereinafter mentioned but subject to such variations within the scope of these Rules as may have been agreed in writing between the Member and the Managers and set out in the Certificate of Entry.

7 (6) VARIATION OF COVER

If at any time the Managers and the Member agree to vary the terms and conditions upon which a Ship is entered the Managers as soon as reasonably practicable thereafter shall confirm in writing the nature of such variation and the date from which such variation is to be effective.

7 (7) REFUSAL OF APPLICATION

The Managers may in their discretion and without giving any reason refuse an application by any person for entry of a Ship in this Class whether or not that person is already a Member of the Association.

Rule 8 Special Insurances

8 (1) FIXED PREMIUM ENTRY

The Managers may accept the entry of a Ship on terms that the Member is liable to pay a Fixed Premium provided that every Member whose application for the entry of a Ship is accepted on the basis of paying a Fixed Premium shall be bound to pay and shall pay to the Association such sums as shall have been agreed with the Managers and at such time or times as the Managers shall have specified.

- 8 (2)** The Managers may accept insurances including entries of Ships on special terms as to Membership and Contribution and as to the nature and extent of risks covered including but not limited to the risks set out in Rules 19(23) (Special Cover for Salvors), 19(24) (Special Cover for Containers) and 19(25)(b), (c) and (d) (Special Provisions for Charterer's Entry) and any risks excluded under any other Rule, but otherwise always within the scope of these Rules, provided that where such insurance is accepted the person insured shall be bound to pay and shall pay to the Association such sums as shall have been agreed with the Managers and at such time or times as the Managers shall have specified. In particular the Managers may accept such insurances from other insurers.

PROVIDED ALWAYS THAT in Rule 8:

(A) if the terms on which a Ship is entered or an insurance is given are such that the Member or person insured is not liable to contribute to Overspill Calls then his maximum recovery from the Association in respect of any claim shall be limited to a sum equal to or less than the Group Reinsurance Limit;

(B) the Managers shall be at liberty to reinsure in whole or in part the risk or risks of the Association against any of the liabilities, costs and expenses insured by a Member under Rule 8(2) and in the event that such reinsurance is arranged such a Member shall be entitled to recover from the funds of the Association only the net amount actually recovered under such reinsurance arrangements, together with that portion (if any) of the risk or risks retained by the Association.

Rule 9 **Joint Members, Co-Assured, Affiliated and Associated Companies**

9 (1) **JOINT MEMBERS**

- (a)** The Managers may accept an application from a Member for another person or persons to become joint member(s) in respect of that Member's entry. In such a case, the Managers may agree that none, one or more of such persons may become Members of the Association.
- (b)** In the event that the application is accepted by the Managers, the Member who has made the application (or such other person as may be agreed in writing) shall be designated the Senior Member and shall be the person who is deemed irrevocably to have full power and authority to act in the name of and/or on behalf of all the joint members, and neither the Association nor the Managers, their servants or agents, shall be liable in any other manner whatsoever to any joint member in the event that the Senior Member did not, in fact, have such power and authority.
- (c)** Unless otherwise agreed in writing with the Managers, the Member and all joint members shall be jointly and severally liable to pay all amounts due to the Association in respect of such entry.
- (d)** In relation to such application from a Member within Rule 4(1)(b)(i) for any person or persons to become a joint member, the Senior Member and each joint member warrants that the joint member is, in relation to the Entered Ship:
 - (i)** another person within Rule 4(1)(b)(i), or
 - (ii)** interested in the operation, management or manning of the Entered Ship, or
 - (iii)** the holding company or the beneficial owner of the Senior Member or any joint member falling within Rule 9(1)(d)(i) or (ii), or

(iv) the charterer (other than by demise) of the Entered Ship and affiliated to or associated with the Senior Member or any joint member falling within Rule 9(1)(d)(i) and, except where the Senior Member or that joint member is wholly owned by the charterer or where both are under common ownership, that the Senior Member or that joint member either owns at least 50% of the shares in and voting rights of the charterer or can procure that the charterer is managed and operated in accordance with the wishes of the Senior Member or that joint member, or

(v) a mortgagee of the Entered Ship.

(e) In relation to such application from a Member within Rule 4(1)(b)(ii) for any person or persons to become a joint member, the Senior Member and each joint member warrants that the joint member is, in relation to the Entered Ship:

(i) the holding company or beneficial owner of the Senior Member, or

(ii) another charterer (other than by demise) of the Entered Ship and affiliated to or associated with the Senior Member and, except where the Senior Member is wholly owned by the charterer or where both are under common ownership, that the Senior Member either owns at least 50% of the shares in and voting rights of the charterer or can procure that the charterer is managed and operated in accordance with the wishes of the Senior Member.

9 (2) CO-ASSURED

(a) The Managers may accept an application from a Member (or, where there are joint members, the Senior Member or any joint member under Rule 9(1)(d)(i)) for another person or persons to become co-assured.

(b) In the event that the application is accepted by the Managers, the Member who has made the application (or such other person as may be agreed in writing) shall be the person who is deemed irrevocably to have full power and authority to act in the name of and/or on behalf of all the co-assured, and neither the Association nor the Managers, their servants or agents, shall be liable in any other manner whatsoever to any co-assured in the event that the Member did not, in fact, have such power and authority.

(c) The liability of the Association to all co-assured shall only extend insofar as they may be found liable to pay in the first instance for loss or damage which is properly the responsibility of the Member, (or, where there are joint members, the Senior Member or any joint member under Rule 9(1)(d)(i)) and nothing herein contained shall be construed as extending cover in respect of any amount which would not have been recoverable from the Association by the Member (or, where there are joint members, the Senior Member or any joint member under Rule 9(1)(d)(i)) had the claim in respect of such loss or damage been made or enforced against him. Once the Association has made indemnification to such co-assured it shall not be under any further liability and shall not make any further payment to any person whatsoever, including the Member, or Senior Member, in respect of that loss or damage.

PROVIDED ALWAYS THAT in Rule 9(2):

- (A) where the co-assured is a charterer (other than by demise) of the Entered Ship, the Senior Member and any joint member under Rule 9(1)(d)(i), and such charterer, warrants that the co-assured is a person who has entered into a contract with the Senior Member or any joint member falling within Rule 9(1)(d)(i) for the provision of services to or by the Entered Ship or, where applicable, any sub-contractor of such person, and
 - (a) such contract has been approved by the Association, and
 - (b) the contract includes a Knock for Knock agreement, and
 - (c) the Member has not, under any such contract, waived any rights of limitation otherwise available to him under applicable law;
- (B) notwithstanding paragraph (c) of this Rule 9(2), the liability of the Association to persons falling within proviso (A) above shall only be in respect of liabilities, costs and expenses which are to be borne by the Senior Member or any joint member falling within Rule 9(1)(d)(i) under the terms of the contract and which would, if borne by such Senior Member or joint member, be recoverable by them from the Association;
- (C) the co-assured shall be named on the certificate of entry.

9 (3) **AFFILIATED AND ASSOCIATED PERSONS**

In the case of a claim which would be recoverable from the Association being made or enforced through a person (not being a joint member) affiliated to or associated with a Member (or, where there are joint members, the Senior Member or any joint member under Rule 9(1)(d)(i)) the Association shall, if so requested by the Member (or, where there are joint members, the Senior Member) in writing, indemnify such person against any loss which as a consequence thereof such person shall have incurred in that capacity but only to the extent to which the Member (or, where there are joint members, the Senior Member or any joint member under Rule 9(1)(d)(i)) to or with which he is affiliated or associated would have been entitled to recover if the claim had been made or enforced against him. Once the Association has made such indemnification it shall not be under any further liability and shall not make any further payment to any person whatsoever, including the Member or Senior Member, in respect of the loss or damage in respect of which the claim was brought.

PROVIDED ALWAYS THAT in Rule 9 the following shall apply to any Member, joint member, co-assured or affiliated or associated person (the Insured Parties):

(A) SCOPE OF COVER

the Association shall only insure an Insured Party against liabilities, costs or expenses which arise out of operations and/or activities customarily carried on by or at the risk and responsibility of a shipowner (or, in the case of a Charterer's Entry, a charterer) and which are within the scope of the cover afforded by the Rules and any special terms set out in the Certificate of Entry;

(B) LIMIT OF COVER

except where expressly provided to the contrary, any limits on the cover provided by the Association and set out in the Certificate of Entry, or these Rules, shall apply to Insured Parties in the aggregate;

(C) PAYMENTS

the receipt by any Insured Party of any payment by the Association shall be deemed to be the receipt by all Insured Parties jointly and shall fully discharge the obligations of the Association in respect of such payment;

(D) DISCLOSURE

failure by any Insured Party to disclose any material information within his knowledge shall be deemed to have been failure of all of the Insured Parties;

(E) APPLICATION OF RULES

these Rules and any special terms set out in the Certificate of Entry shall apply to all Insured Parties as if they were all Members. Conduct of any Insured Party which would have entitled the Association to decline to indemnify him shall be deemed the conduct of all Insured Parties;

(F) COMMUNICATIONS

unless the Managers have otherwise agreed in writing, the contents of any communication from or on behalf of the Association to any Insured Party shall be deemed to be within the knowledge of all Insured Parties, and any communication from any Insured Party to the Association, the Managers or their agents shall be deemed to have been made with the full approval and authority of all Insured Parties;

(G) DISPUTES

disputes between Insured Parties are excluded from cover under these Rules.

Rule 10 Fleet Entry

Where one or more Ships have been entered as a Fleet Entry then the debts of any one Member or joint member in respect of any such Entered Ship shall be treated as the debt of all the other Members and joint members whose Ships are or were entered as part of the same Fleet Entry and the Association shall be entitled to act as if all the Ships forming the Fleet Entry were entered by the same Member.

Rule 11 Period of Insurance

11 (1) Subject as otherwise provided in these Rules the insurance by the Association of a Ship entered in the Association otherwise than for a fixed period shall commence at the time and date specified in the Certificate of Entry and shall continue until noon GMT of the 20 February next ensuing and thereafter, unless terminated in accordance with these Rules, from Policy Year to Policy Year.

11 (2) The insurance by the Association of each Ship entered for insurance for a fixed period shall, subject as otherwise provided in these Rules, cease at the expiry of such fixed period.

11 (3) CHANGE OF CONDITIONS

The insurance shall continue for the next Policy Year upon the same terms and conditions as those in force for the current Policy Year, unless at the request of a Member other terms shall be agreed, or unless:

- (a) notice shall have been given in writing by either the Member to the Managers or the Managers to the Member not later than noon GMT on the 20 January in any year that the insurance (not being for a fixed period) specified in the notice is to cease. In either event the insurance shall cease at the end of the then current Policy Year, or unless;
- (b) the Managers shall have given notice not later than noon GMT on 20 January that the terms of the insurance by the Association for the next following Policy Year are to be changed. In the event of such notice being given the insurance for the next following Policy Year shall continue upon such terms as may be agreed between the Member and the Managers before noon GMT on the 20 February immediately following such notice and if no terms shall by then have been agreed the insurance shall thereupon cease.

PROVIDED ALWAYS THAT in Rule 11(3) if before the end of any Policy Year these Rules shall have been altered in any respect which affects the terms and conditions of the contract of insurance between the Member and the Association, then such alteration shall be binding upon the Member and for all purposes take effect as from the commencement of the next ensuing Policy Year.

- 11 (4) The Directors or Managers may at any time by 30 days' notice to a Member terminate the entry of any Ship in this Class.
- 11 (5) An Entered Ship shall not be withdrawn from the Association at any time or in any manner except under the provisions of Rule 11(3) or with the consent of the Directors or Managers.

Rule 12 Contribution

- 12 (1) Subject to Rule 8 Members who have entered Ships for insurance in this Class of the Association for any part of a Policy Year shall through the Association insure each other as hereinafter set out against liabilities, costs and expenses which they or any of them may incur or may become liable to pay in respect of such Entered Ships, and for this purpose the said Members shall make contributions to the funds required to meet:
- (a) the claims, (including any contribution to any Overspill Claim) expenses and other outgoings (whether incurred, accrued or anticipated) which in the opinion of the Directors necessarily and properly fall upon this Class of the Association in respect of such Policy Year;
 - (b) such of the general expenses of the Association as the Directors may from time to time think fit to charge against the insurance business of this Class in respect of such Policy Year;
 - (c) such transfers to reserves or provisions as the Directors may deem it expedient to make, including transfers to reserves and provisions in respect of any deficiency which has occurred or which may be thought likely to occur in respect of any Closed Policy Year as the Directors think fit;
 - (d) the proportion attributable to this Class of such sums as the Association may by any Governmental legislation or regulation be required to set aside in order to establish and/or maintain an adequate solvency margin and/or guarantee fund in respect of any Policy Year.
- 12 (2) Contributions shall be levied by means of Mutual Premium, Release Call, Additional Call and Overspill Call in accordance with the provision of Rule 13 and Rule 16.

Rule 13 Provisions Relating to Premiums and Calls

- 13 (1) **GENERAL CHANGE**
- Before the start of a Policy Year the Directors shall decide the percentage (if any) by which there is to be a general change in the rates of all Members which are to be levied upon their Ships (subject to any special terms upon which such Ships may be entered) and which are to be paid by way of Mutual Premium or Fixed Premium in respect of such Policy Year.

13 (2) ADDITIONAL CALLS

The Directors may at any time or times during or after the end of each Policy Year (but not after such Policy Year has been closed in accordance with Rule 42(5)) direct that an Additional Call shall be paid by each Member in respect of Ships entered for such Policy Year of such amount as the Directors in their sole discretion think fit. All Additional Calls so made shall be calculated pro rata to the Mutual Premium (less any returns) in the relevant Policy Year.

13 (3) OVERSPILL CALL

If:

(a) the Directors shall at any time determine that funds are or may in future be required to pay part of an Overspill Claim (whether incurred by the Association or by any other party to the Pooling Agreement); and

(b) the Directors shall have made a declaration under Rule 42(1) or 42(3) that a Policy Year shall remain open for the purpose of levying an Overspill Call or Calls in respect of that Overspill Claim,

the Directors in their discretion, at any time or times after such declaration has been made, may levy one or more Overspill Calls in respect of that Overspill Claim in accordance with Rule 13(4).

13 (4) THE DIRECTORS SHALL LEVY ANY SUCH OVERSPILL CALL

(a) On all Members entered in the Association on the Overspill Claim Date in respect of their Entered Ships at that time, notwithstanding the fact that, if the Overspill Claim Date shall be in a Policy Year in respect of which the Directors have made a declaration under Rule 42(3), any such Entered Ship may not have been entered in the Association at the time the relevant incident or occurrence occurred; and

(b) at such percentage of the Convention Limit of each such Entered Ship as the Directors in their discretion shall decide.

13 (5) An Overspill Call shall not be levied in respect of any Entered Ship with an overall limit of cover on the Overspill Claim Date equal to or less than the Group Reinsurance Limit.

13 (6) The Directors shall not levy on a Member in respect of any one Entered Ship an Overspill Call or Calls in respect of any one Overspill Claim exceeding in the aggregate two and one half per cent (2.5%) of the Convention Limit of that Entered Ship.

- 13 (7) If at any time after the levying of an Overspill Call upon the Members entered in the Association in any Policy Year, it shall appear to the Directors that the whole of such Overspill Call is unlikely to be required to meet the Overspill Claim in respect of which such Overspill Call was levied, the Directors may decide to dispose of any excess which in the opinion of the Directors is not so required in one or both of the following ways:
- (a) by transferring the excess or any part thereof to the Overspill Reserve in accordance with Rule 44(3)(c); or
 - (b) by returning the excess or any part thereof to those Members who have paid that Overspill Call in proportion to the payments made by them.

Rule 14 Payment

- 14 (1) Subject to Rule 8(2), every Contribution or Fixed Premium shall be payable in such instalments and on such dates as the Directors may specify.

14 (2) NOTIFICATION

As soon as reasonably practicable after the rate of any Contribution or Fixed Premium shall have been fixed the Managers shall notify each Member concerned:

- (a) of such rates;
- (b) of the date on which the Contribution or Fixed Premium concerned is payable or, if such Contribution or Fixed Premium is payable by instalments, of the amounts of such instalments and the respective dates on which they are payable; and
- (c) of the amount payable by such Member in respect of each Ship entered by him.

14 (3) SET-OFF

No amount of any kind whatsoever due or alleged to be due by the Association to the Member or for the avoidance of doubt by North of England (Bermuda) to the Member in his capacity as a member of North of England (Bermuda) shall constitute any set-off against the Contributions, Fixed Premiums or other sums of whatsoever nature due to the Association or shall entitle a Member to withhold or delay payment of any such Contributions, Fixed Premiums or sums.

14 (4) INTEREST FOR LATE PAYMENT

Without prejudice to the rights and remedies of the Association under Rule 37(c) if any Contribution, Fixed Premium or instalment or part thereof or any other sum of whatsoever nature due from any Member is not paid by such Member on or before the date specified for payment thereof the Directors may order such Member to pay interest on the amount not so paid from and including the date so specified down to the date of payment at such rate as the Directors may from time to time determine.

14 (5) INSURANCE PREMIUM TAXES

Unless a Member shall first have paid or discharged the same directly, he shall on demand pay to the Association or to its order the amount of any premium tax or other similar tax levied on or in connection with the insurance or reinsurance provided by the Association to the Member for which the Association determines it or the Owner has or may become liable, and shall indemnify the Association and hold it harmless in respect of any loss, damage, liability, cost or expense which the Association may incur in respect of such premium tax or other similar tax.

14 (6) EFFECT OF A MEMBER'S NON-PAYMENT

Except as provided in Rule 36, if any Contribution, Fixed Premium or other payment due from a Member to the Association is not paid and if the Directors decide that payment cannot be obtained, the sums required to make good any resulting shortfall or deficiency in the funds of the Association shall be deemed to be expenses of the Association for the purpose of contribution under Rule 12.

14 (7) LIEN

The Association shall be entitled to, and the Member hereby grants, a lien on the Entered Ship in respect of any amount whatsoever owed by the Member to the Association.

Rule 15 Laid Up Returns

When a Ship shall have been laid up in any safe port approved by the Managers for a period of thirty or more consecutive days after finally mooring there the Member shall be entitled to an allowance at a rate fixed by the Managers.

PROVIDED ALWAYS THAT in Rule 15:

(A) a Ship shall not be treated as laid up if she has either crew members (other than for maintenance or security) or cargo on board except that the Managers at their sole discretion may agree to a reduced allowance if there are additional crew members on board;

(B) no return of Contributions or Fixed Premiums shall be made under this Rule unless the claim is submitted to the Association within three months of the end of the Policy Year concerned;

(C) this Rule shall not apply to Overspill Calls.

Rule 16 Release

- 16 (1) Upon the cesser of insurance in respect of an Entered Ship for any reason, or at any time thereafter, the Managers may at their sole discretion demand an amount to release the Member from liability for further Contributions in respect of such Ship. Such amount, which shall be assessed at the sole discretion of the Managers, shall be payable as a Release Call by the Member on demand without any set-off.

In the event that all or part of the amount assessed hereunder remains unpaid the Member shall remain liable for further Contributions and the Managers shall have the power to reassess the amount due to the Association in which event the original assessment shall be superseded by the revised assessment which shall be payable on demand.

- 16 (2) As from the date of the release of an Entered Ship under Rule 16(1) the Member shall be under no further liability for Contributions in respect of that Ship under Rule 12 nor shall he have any right to share in any return of Contributions or other receipts under Rule 42(6)(b) in respect of that Ship.

PROVIDED ALWAYS THAT in Rule 16 a Member shall not be released from liability for Overspill Calls.

Rule 17 Non-Payment

- 17 (1) If having failed to pay any sum due to the Association a Member has ceased to be insured by the Association by virtue of Rule 37(c) (Failure to pay sums due) the Association shall not be liable for any claim whatsoever under the rules applying to any Policy Year whether the incident giving rise to such claim occurred before or after the cesser of insurance and whether in an open or closed Policy Year.

- 17 (2) If a Member who, or whose Entered Ship or Ships, has or have ceased to be insured by the Association for any reason other than by virtue of Rule 37(c) (Failure to pay sums due) fails to pay any sum whatsoever that may be due from him to the Association, the Managers may serve him with a notice requiring him to pay such sum on or before the date specified in such notice. If the Member fails to pay such sum in full on or before the date so specified, the Association shall not be liable for any claim whatsoever under the rules applying to any Policy Year whether the incident giving rise to such claim occurred before or after the cesser of insurance and whether in an open or closed Policy Year in respect of any and all Ships that are or have at any time been entered by him, on his behalf or in which he is shown to have an interest on the relevant Certificate of Entry.

17 (3)

If a Member whose Entered Ship or Ships cease for any reason to be insured by the Association fails to pay when due and demanded by the Managers any Release Call agreed or assessed under Rule 16, or any other sum due by way of Contribution, Fixed Premium or otherwise, he may be served with a notice by or on behalf of the Managers of the Association requiring him to pay such sum on or before any date which may be specified in such notice. If he then fails to pay such sum in full on or before the date so specified, then the Association shall not be liable for any claims under these Rules unless the incident giving rise to such claim occurred during a Policy Year which had been closed, in accordance with Rule 42(5), at the time of the cesser of insurance.

Rule 18 Mortgagees

At the request of a mortgagee and with the consent of the Member, the Managers may in their discretion and subject to the provisions of Rule 47 agree:

- (a) to pay to the mortgagees or to their order any recovery the Member is entitled to receive from the funds of the Association in respect of any liability costs or expenses incurred by the Member on receipt of notice from the mortgagees that the Member is in default under the mortgage;
- (b) to inform the mortgagees if notice is given to the Member in respect of the Entered Ship under Rule 11(4) that his insurance in the Association in respect of such Ship is to cease;
- (c) to give the mortgagees 14 days' notice of the Association's intention to cancel the insurance of the Member by reason of his failure to pay when due and demanded any sum due from him to the Association.



SECTION 3

Risks Covered

Rule 19 Risks Covered

Unless otherwise agreed between the Member and the Managers, the Member shall be indemnified by the Association against the following liabilities, costs and expenses arising as a result of his interest in an Entered Ship, out of events occurring during the period of entry of the Ship in the Association and in connection with the operation of the Ship.

PROVIDED ALWAYS THAT in Rule 19:

- (A) there shall be no recovery in respect of liabilities, costs and expenses incurred as a result of any escape or discharge or threatened escape or discharge of oil or of any other substance other than in accordance with Rule 19(13) and for the avoidance of doubt all such recoveries shall be limited in accordance with the provisions of Rule 22;
- (B) unless elsewhere in these Rules expressly provided to the contrary, there shall be no recovery other than under Rule 19(16) in respect of liabilities, costs and expenses which would not have arisen but for the particular terms of contract, indemnity or guarantee;
- (C) there shall be no recovery in respect of any liabilities, costs or expenses where the provision of cover, the payment of any claim or the provision of any benefit in respect of those liabilities, costs and expenses would expose the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation.

19 (1) LIABILITIES IN RESPECT OF SEAMEN

- (a) Liabilities to pay damages or compensation for death, personal injury or illness of any Seaman of an Entered Ship and hospital, medical, funeral and other expenses necessarily incurred in relation to such death, personal injury or illness.
- (b) Liabilities to pay damages or compensation for loss of or damage to the personal effects of any Seaman of an Entered Ship.
- (c) Liabilities to pay compensation to any Seaman of an Entered Ship caused in consequence of the actual or constructive total loss of the Ship.

- (d) Repatriation and substitution expenses necessarily incurred as a consequence of the death, personal injury, illness or desertion of any Seaman of an Entered Ship. If such expenses are incurred for any other reason the Managers may in their absolute discretion allow the whole or any part thereof as they deem equitable save that cover under this Rule 19(1)(d) shall not extend to expenses arising as a result of:
- (i) the expiry of a Seaman's period of service on the Entered Ship either in accordance with the terms of a crew agreement or other contract of service or employment or by mutual consent of the parties to it;
 - (ii) the sale of an Entered Ship.
- (e) Liabilities for repatriation arising under Guideline B2.5 of Regulation 2.5 of the Maritime Labour Convention 2006 ("MLC 2006") or any legislation giving effect to or equivalent to the MLC 2006 (an "MLC 2006 Liability"), provided always that where a liability under this rule would not be recoverable under Rule 19(1)(d) there is a right of recovery only to the extent permitted by Rule 20(2).
- (f) Where liabilities, costs and expenses of the type covered under this Rule are incurred under the terms of a crew agreement or other contract of service or employment and would not have been incurred but for those terms such liabilities, costs or expenses shall be covered by the Association but only to the extent that those terms shall have been previously approved by the Managers in writing.

PROVIDED ALWAYS THAT in Rule 19(1):

- (A) the Member shall be entitled to be indemnified in respect of liabilities, costs and expenses otherwise recoverable under this Rule and relating to or arising from death, personal injury or illness but incurred:
 - (i) prior to the commencement of, or following the cesser of, the period of Entry of the Ship and arising out of the Member's interest in taking or giving delivery of the Entered Ship under a contract of sale, notwithstanding that at the relevant time the Member cannot comply with Rule 4(1)(b) or Rule 9(1)(d); or
 - (ii) during a period whilst the Seaman is on leave and the Entered Ship is the last Ship on which the Seaman served prior to his death, personal injury or illness.
- (B) where the event giving rise to such liability, costs or expenses occurs prior to the commencement of, or following the cesser of, the period of Entry of the Ship, the event shall be deemed to have occurred on the first or last day of the period of Entry as the case may be.

19 (2) LIABILITIES IN RESPECT OF SUPERNUMERARIES

Liabilities, costs and expenses in respect of Supernumeraries carried on an Entered Ship as if such persons were Seamen and covered under Rule 19(1).

19 (3) LIABILITIES IN RESPECT OF PASSENGERS

- (a) Liabilities to pay damages or compensation for death, personal injury or illness of any Passenger on an Entered Ship.

- (b) Liabilities to pay damages or compensation for loss of or damage to the luggage or accompanied vehicles of any Passenger on an Entered Ship save that there shall be no cover in respect of specie, bullion, precious or rare metals or stones, plate, jewellery, works of art or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments.
- (c) Liabilities to pay damages or compensation in respect of any Passenger on board the Entered Ship arising as a consequence of a casualty to that Ship, including the cost of forwarding such Passenger to destination or return to port of embarkation and of maintenance of such Passenger ashore. For the purposes of this Rule 19(3)(c) a casualty shall mean an incident involving either:
 - (i) collision, stranding, explosion, fire or any other cause affecting the physical condition of the vessel so as to render it incapable of safe navigation to its intended destination; or
 - (ii) a threat to the life, health or safety of passengers.

PROVIDED ALWAYS THAT in Rule 19(3):

- (A) the Association shall assume no liability in any case in respect of death, personal injury, loss of or damage to property, delay or any other consequential loss sustained by any person by reason of carriage by air except where such liability occurs:
 - (i) during the repatriation by air of injured and sick Passengers or of Passengers following a casualty to the Entered Ship as defined in Rule 19(3)(c) above; or
 - (ii) during shore excursions from the Entered Ship but always subject to the provisions of Proviso (B) below;
- (B) the Association shall assume no liability in any case in respect of the contractual liability of a Member for death or injury to a Passenger whilst ashore on an excursion from the Entered Ship in circumstances where either:
 - (i) a separate contract has been entered into by the Passenger for the excursion, whether or not with the Member; or
 - (ii) the Member has waived any or all of his rights of recourse against any sub-contractor or other third party in respect of the excursion;
- (C) the ticket of passage shall relieve the Member of liability, costs and expenses to the maximum extent permitted under the appropriate law.

Note: Members who may be uncertain as to whether their passage ticket complies with Proviso (C) above should consult the Managers.

19 (4) LIABILITIES IN RESPECT OF THIRD PARTIES

Liabilities to pay damages or compensation for death, personal injury or illness of any person (other than those specified in Rules 19(1), (2) and (3)).

PROVIDED ALWAYS THAT in Rule 19(4):

- (A) cover is limited to liabilities arising out of a negligent act or omission on board, or in relation to, an Entered Ship or in relation to the handling of her cargo from the time of receipt of that cargo from the shipper or precarrier at the port of shipment until delivery of that cargo to consignee or onward carrier at the port of discharge;
- (B) where the liability arises under the terms of any contract, indemnity or guarantee and would not have arisen but for those terms, that liability is not covered under Rule 19(4) but may be covered under and in accordance with Rule 19(16);
- (C) where the liability is in respect of a person on another ship and arises out of a collision between that ship and the Entered Ship, that liability is not covered under Rule 19(4) but may be recoverable under and in accordance with Rule 19(10)(b).

19 (5) **STOWAWAYS**

Expenses other than those covered under Rule 19(6) incurred by the Member as a consequence of stowaways being or having been on board an Entered Ship.

PROVIDED ALWAYS THAT in Rule 19(5) the Members Board may in its absolute discretion reject or reduce any claim if it is considered that adequate steps have not been taken to guard against the Ship being boarded by stowaways.

19 (6) **DIVERSION EXPENSES**

Expenses of diversion of an Entered Ship where and to the extent that those expenses:

- (a) represent the net loss to the Member (over and above such expenses as would have been incurred but for the diversion) in respect of the cost of fuel, additional insurance, Seamen's wages, stores, provisions and port charges; and
- (b) are incurred solely for the purpose of securing treatment for an injured or sick person or while awaiting a substitute for such person or for the purpose of landing stowaways or refugees (subject always to the proviso to Rule 19(5) in respect of landing stowaways).

19 (7) **LIFE SALVAGE**

Sums legally due to third parties by reason of the fact that they have saved or attempted to save the life of any person on or from an Entered Ship but only if and to the extent that such payments are not recoverable under the Hull Policies of the Entered Ship or from cargo owners or underwriters.

19 (8) PERSONS IN DISTRESS

Additional expenses incurred by the Member in respect of an Entered Ship in proceeding to the assistance of, or searching for, persons in distress and taking such steps as are reasonable in succouring and landing such persons to the extent that such expenses cannot be recovered from underwriters or other third parties and represent the net loss to the Member (over and above such expenses as would otherwise have been incurred) in respect of the cost of fuel, additional insurance, Seamen's wages, stores, provisions and port charges.

19 (9) QUARANTINE

Additional expenses unavoidably incurred by a Member as a direct consequence of an outbreak of infectious disease for disinfection of an Entered Ship or the cargo or persons on board such Ship or in respect of quarantine and the net loss to the Member (over and above such expenses as would have been incurred but for the outbreak) in respect of fuel, insurance, Seamen's wages, stores, provisions and port charges.

19 (10) LIABILITIES ARISING FROM COLLISIONS

Liabilities and costs incurred as a result of a collision between an Entered Ship and any other ship:

- (a)** to the extent of the one-fourth (or such other proportion as may be applicable and agreed by the Managers) of the Member's liabilities costs and expenses not recoverable under Lloyd's Marine Policy with Institute Time Clauses (Hulls) 1.10.83, including collision liability clause, or under other forms of Hull Policies on the Entered Ship approved by the Managers;
- (b)** to the extent of four-fourths of the Member's liabilities, costs and expenses relating to:

 - (i)** removal or disposal of obstructions, wrecks, cargoes or any other thing whatsoever insofar as such liability may be covered under Rule 19(14);
 - (ii)** any real or personal property or any thing whatsoever except other ships or property on other ships;
 - (iii)** the cargo or other property on the Entered Ship insofar as such liability may be covered under Rules 19(17) and 19(18);
 - (iv)** loss of life, personal injury or illness insofar as such liability would be covered under the terms of Rules 19(1), 19(2) and 19(3) and loss of life, personal injury or illness of any person on the other ship;

(v) pollution or contamination of any real or personal property or thing whatsoever (except other ships with which the Entered Ship is in collision or property on such other ship) insofar as such liability may be covered under Rule 19(13);

- (c) to the extent that they exceed the amount recoverable under the Hull Policies of the Entered Ship solely by reason of such liabilities costs and expenses exceeding the valuation under the said policies.

PROVIDED ALWAYS THAT in Rule 19(10):

(A) HULL POLICIES

a Member shall not be entitled to recover any amounts which would be recoverable under the Hull Policies on the Entered Ship or which would have been recoverable had there been no franchise or deductible applicable to those policies;

(B) PROPER VALUE

for the purposes of paragraph (c) of this Rule the Members Board shall determine whether the Entered Ship was insured for a proper value under the Hull Policies on that Ship. If the Members Board determines the amount actually insured to be less than the proper value the Member shall only be entitled to recover the excess of such proper value;

Note: In determining whether the Ship was insured for a proper value the Members Board will need to be satisfied that the said Hull Policies have been the subject of periodic review in the light of a proper advice on market conditions. A proper value will be a figure which is reasonably close to the equivalent of the free uncommitted market value of the Ship at the time of the collision.

(C) BOTH TO BLAME

unless otherwise agreed between the Member and the Managers as a term of the Ship's entry in the Association if both Ships are to blame then, when the liability of either or both of the ships in collision becomes limited by law, claims under this Rule 19(10) shall be settled on the principle of single liability. Otherwise claims under this Rule 19(10) shall be settled on the principle of cross-liabilities, as if the owners of each ship had been compelled to pay the owner of the other ship such proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Member in consequence of the collision;

(D) MEMBER'S OWN SHIP

if a collision occurs involving two or more ships belonging to the same Member or where a claim arises in respect of cargo belonging to a Member, the Member shall be entitled to recover from the Association and the Association shall have the same rights as if the ships had belonged to different owners or as if the cargo had belonged to a third party.

19 (11) NON-CONTACT DAMAGE TO SHIPS

Liabilities, costs and expenses incurred as a result of damage caused to any other ship otherwise than by collision between that other ship and the Entered Ship:

- (a) relating to such other ship or to cargo or other property therein;
- (b) relating to:
 - (i) the raising, removal, destruction or marking of obstructions, wrecks, cargoes, or any other thing in accordance with the provisions of Rule 19(14);
 - (ii) real or personal property or any other thing except other ships or property on other ships;
 - (iii) pollution or contamination of any real or personal property in accordance with the provisions of Rule 19(13);
 - (iv) the cargo or other property on the Entered Ship, or general average contributions, special charges or salvage paid by the owners of that cargo or in property in accordance with the provisions of Rules 19(17) and 19(18);
 - (v) loss of life, personal injury or illness in accordance with the provisions of Rules 19(1), 19(2), 19(3) and 19(4).

PROVIDED ALWAYS THAT in Rule 19(11) if the loss or damage relates to any ship, or cargo or other property therein, belonging to the Member such Member shall be entitled to recover from the Association, and the Association shall have the same rights, as if such ship or cargo or other property belonged to a third party.

19 (12) DAMAGE TO PROPERTY

Liabilities, costs and expenses incurred as a result of damage to, or infringement of rights in connection with property to the extent of:

- (a) loss of or damage to any harbour, dock, pier, quay, jetty, land or anything whatsoever fixed or movable (not being another ship or cargo or other property therein or cargo or other property carried in the Entered Ship) by reason of contact between the Entered Ship and such harbour, dock, pier, quay, jetty, land or fixed or movable object;
- (b) that part of the Member's liability which exceeds the amount recoverable under the Hull Policies on the Entered Ship in respect of the liabilities set out in paragraph (a) above, subject always to Provisos (A) and (B) to Rule 19(10);
- (c) loss of or damage to or infringement of rights in connection with the property of any person.

PROVIDED ALWAYS THAT in Rule 19(12):

- (A) there shall be no recovery in respect of expenditure arising out of a Member's liability under a contract, indemnity or guarantee between a Member and a third party (see Rule 19(16));
- (B) there shall be no recovery in respect of any liabilities which a Member may incur to persons interested in another ship, or cargo or other property therein, by reason of a collision between the Entered Ship and that other ship (see Rule 19(10)) or to persons interested in cargo carried in the Entered Ship (see Rule 19(17)) or in respect of liabilities for pollution (see Rule 19(13));
- (C) if the loss, damage or expense relates to any property belonging to the Member (other than that carried on board the Entered Ship – see Rule 27(2)), such Member shall be entitled to recover from the Association and the Association shall have the same rights, as if such property belonged to a third party.

19 (13) POLLUTION

Liabilities, costs and expenses incurred as a result of any escape or discharge or threatened escape or discharge of oil or of any other substance to the extent of:

(a) DAMAGES

liability for damages or compensation payable to any person arising from or in respect of pollution;

(b) CLEAN-UP

the costs of any measures (not being measures taken in the ordinary course of business) reasonably taken for the purpose of preventing, minimising or cleaning up any pollution together with any liability for losses or damages arising from any measure so taken;

PROVIDED ALWAYS THAT in Rule 19(13)(b) unless otherwise agreed in writing between the Members and the Managers there shall be no recovery from the Association in respect of any liabilities, costs or expenses which would have fallen into general average if the contract of carriage under which any cargo is carried had been subject to the York – Antwerp Rules 1994 unamended, except as the Members Board in the exercise of its discretion shall otherwise determine;

(c) AGREEMENTS AND CONTRACTS

liability which a Member may incur, together with costs and expenses incidental there to, as party to any agreement relating to oil pollution, for loss, damage or expenses, including expenditure reasonably incurred in accordance with the Member's obligations under such agreement;

PROVIDED ALWAYS THAT in Rule 19(13)(c) such agreement has been approved by the Managers and the Member had paid or agreed to pay such additional premium as may be required by the Association.

(d) GOVERNMENT ORDER

the costs or liabilities incurred as a result of compliance with any order or direction given by any Government or authority for the purpose of preventing or reducing pollution or the risk of pollution;

PROVIDED ALWAYS THAT in Rule 19(13)(d) such costs or liabilities are not recoverable under the Hull Policies on the Entered Ship.

(e) SALVORS' EXPENSES OR SPECIAL COMPENSATION

liability of the Member to reimburse a salvor of an Entered Ship for:

(i) his reasonably incurred expenses (together with any increment awarded thereon) under Clause 1(a) of the Lloyd's Standard Form of Salvage Agreement (1980);

(ii) special compensation in respect of work done or measures taken to prevent or minimise damage to the environment under the provisions of Article 14 of the International Convention on Salvage 1989 or the terms of a standard form of salvage agreement equivalent thereto approved by the Association;

(iii) the Special Compensation P&I Clubs clause (SCOPIC) as incorporated into Lloyd's Open Form of Salvage Agreement or any other "No Cure – No Pay" salvage contract approved by the Association.

(f) FINES

liability which a Member may incur for fines in respect of pollution insofar as such liability may be covered under Rule 19(19).

PROVIDED ALWAYS THAT in Rule 19(13):

- (A)** unless the Members Board in its sole discretion otherwise agrees there shall be no recovery in respect of any liability, loss, damage, cost or expense including, without limitation, liability for the cost of any remedial works or clean-up operations, arising as a result of the presence in, or the escape or discharge or threat of escape or discharge from any land-based dump, site, storage or disposal facility, of any substance previously carried on the Entered Ship, whether as cargo, fuel, stores or waste and whether at any time mixed in whole or in part with any other substance whatsoever;
- (B)** in respect of liability of the Member for oil pollution which arises out of any incident to which the United States Oil Pollution Act of 1990 (OPA 1990) is applicable and which involves an Entered Ship which is a "tank vessel" (as defined in OPA 1990):

(i) cover is subject to the following terms and conditions:

(a) the Member shall have made accurate quarterly declarations in arrears to the Association, not later than two months after the end of each quarter ending 20 May, 20 August, 20 November and 20 February, of all cargo voyages to or from ports or places to which OPA 1990 applies, giving the dates of such voyages, the nature of the cargoes carried and the names of such United States ports or places at which the cargoes were first loaded or discharged, and

(b) if a voyage declared under paragraph (a) above involved the carriage of persistent oil (as defined in the declaration form issued to the Member) as cargo (hereinafter referred to as a "relevant voyage"), the Member shall pay, on or before the date shown on the debit note issued by the Managers, an additional premium as specified in the Certificate of Entry, and

(ii) in the event that a Member fails for any reason to make a declaration (whether or not any relevant voyage has been performed) within two months of the quarter dates specified in paragraph (i)(a) above:

(a) the terms of entry of such Entered Ship will be amended with effect from the expiry of the said period of two months to exclude any and all claims in respect of oil pollution arising out of any incident to which OPA 1990 is applicable, and

(b) he shall remain liable to pay any additional premium in respect of any relevant voyage performed prior to the amendment of the terms of entry under paragraph (a) above, and

(iii) in the event that any declaration made by the Member or on his behalf pursuant to the procedure laid down in paragraph (i)(a) above is in any material respect inaccurate, the Member shall cease to be insured by the Association in respect of the Entered Ship relating to which the inaccurate declaration was made with effect from the date of the inaccurate declaration.

(C)

Unless the Association otherwise agrees in writing, a Member insured in respect of a Ship which is a "relevant ship" as defined in the Small Tanker Oil Pollution Indemnification Agreement ("STOPIA") or the Small Tanker Oil Pollution Indemnification Agreement 2006 (STOPIA 2006) shall, by reason of his Entry in the Association, be a party to STOPIA or STOPIA 2006, whichever is in force, for the period of Entry of the Ship in the Association. Unless the Association has agreed in writing or unless the Association in its discretion otherwise determines, there shall be no cover under this Rule 19(13) in respect of such a Ship so long as the Member is not a party to STOPIA or STOPIA 2006, whichever is in force.

- (D) Unless the Association otherwise agrees in writing, a Member insured in respect of a ship which is a “relevant ship” as defined in the Tanker Oil Pollution Indemnification Agreement 2006 (TOPIA 2006) shall, by reason of his entry in the Association, be a party to TOPIA 2006 for the period of Entry of the Ship in the Association. Unless the Association has agreed in writing or unless the Association in its discretion otherwise determines, there shall be no cover under this Rule 19(13) in respect of such a Ship so long as the Member is not a party to TOPIA 2006.

19 (14) WRECK REMOVAL

Liabilities, costs and expenses incurred in respect of the raising, removal, destruction, lighting or marking of:

- (a) an Entered Ship and of any cargo or other property which is or was carried on board an Entered Ship;
- (b) the wreck of any other ship and of any cargo or other property which is or was on board any other ship.

PROVIDED ALWAYS THAT in Rule 19(14):

(A) the costs of raising, removal, destruction, lighting or marking were compulsory by law, or the costs thereof were legally recoverable from the Member under a contract approved by the Managers;

(B) the value of the wreck itself and of the stores and materials or cargo or other property saved, shall either be credited to the Association or deducted from any recovery due from the Association;

(C) there shall be no recovery if the Member shall, without the consent of the Managers in writing, transfer his interest in the wreck, cargo or other property (otherwise than by abandonment) prior to the said raising, removal, destruction, lighting or marking.

19 (15) TOWAGE

- (a) Liabilities, costs and expenses incurred arising out of the towage of an Entered Ship:
- (i) under the terms of a contract entered into for the purpose of entering or leaving port or manoeuvring within the port during the ordinary course of trading;
- (ii) in the ordinary course of trading of an Entered Ship which is habitually towed from port to port or from place to place and which has been declared to the Association to be so trading but only to the extent that the Member is not insured against such liabilities under the Hull Policies of the Entered Ship;
- (iii) under the terms of any contract other than for customary towage as covered under Rule 19(15)(a)(i) but only if the towage contract has been approved by the Managers and the Member has paid, or agreed to pay, such additional premium as may be required by the Association.

- (b) Liabilities, costs and expenses arising out of towage by an Entered Ship of any ship or object.

PROVIDED ALWAYS THAT in Rule 19(15)(b) unless the towage is for the purpose of saving or attempting to save life or property at sea:

- (A) the towage contract has been approved by the Managers and the Member has paid or agreed to pay such additional premium as may be required by the Association, or
- (B) the Members Board in its discretion, having regard to all the circumstances, considers the terms of the towage contract as reasonable and the liabilities as coming within the scope of the cover afforded by the Association.

Note: The Managers will normally approve contracts which have been made on or incorporate the following terms and conditions:

1. *United Kingdom, Netherlands or Scandinavian standard towage conditions;*
2. *Towcon and Towhire;*
3. *Any current Lloyd's standard form of salvage agreement – no cure no pay.*

- (c) There shall be no recovery in respect of any liabilities, costs or expenses arising out of towage of or by an Entered Ship except insofar as such liabilities, costs and expenses relate to risks set out under Rule 19, and also fulfil the requirements of this Rule 19(15).

19 (16) **CONTRACTS, INDEMNITIES AND GUARANTEES**

Liabilities, costs and expenses relating to risks set out under Rule 19 which would not have arisen but for the terms of a contract, indemnity or guarantee made by or on behalf of a Member relating to facilities or services provided or to be provided by or to an Entered Ship.

PROVIDED ALWAYS THAT in Rule 19(16):

- (A) that contract, indemnity or guarantee has been approved by the Managers in writing and the Member has paid, or agreed to pay, such additional premium as may be required by the Association and (unless the Managers have otherwise agreed in writing) that the provisions of any other applicable Rule, or section of this Rule 19, have been satisfied, or
- (B) the Members Board in its absolute discretion decides that the Member should be reimbursed.

19 (17) **LIABILITIES IN RESPECT OF CARGO**

The liabilities, costs and expenses set out in paragraphs (a) to (e) below in respect of cargo intended to be, or being, or having been carried in an Entered Ship or another Ship as provided for in Rule 19(17)(e).

(a) Liabilities for loss, shortage, damage or other responsibility arising out of any breach by the Member or by any person for whose acts, neglect or default he may be legally liable, of his obligation properly to load, handle, stow, carry, keep, care for, discharge or deliver the cargo or out of unseaworthiness or unfitness of the Entered Ship.

(b) Additional costs (in excess of the costs which would normally have been incurred under the contract of carriage) incurred in discharging or disposing of damaged or worthless cargo provided that the Member is liable for such costs and is not entitled to recover them from any other party.

PROVIDED ALWAYS THAT in Rule 19(17)(b) the value of any cargo retained by the Member or any sums recovered by or due to the Member in respect of the sale of such cargo shall either be credited to the Association or deducted from any recovery due from the Association.

(c) Additional costs of discharging and disposing of, or of restowing, cargo which are necessarily incurred in order to continue the safe prosecution of the voyage following a casualty, provided that the Member is liable for such costs and is not entitled to recover them from any other party.

(d) Liabilities for loss, shortage, damage or other responsibility for cargo carried by means of transport other than the Entered Ship when the liabilities, costs and expenses arise under a through or transshipment bill of lading or other form of contract providing for carriage partly to be performed by the Entered Ship.

PROVIDED ALWAYS THAT in Rule 19(17)(d):

(A) there shall be no recovery unless cover has been specifically extended in writing by the Managers and the Member has paid, or agreed to pay, such additional premium as may be required by the Association; and

(B) such bill of lading or contract has been approved by the Managers.

(e) Liabilities for loss, shortage, damage or other responsibility when the liabilities, costs and expenses arise out of the carriage of cargo on a Consortium Ship under a consortium agreement or other agreement for the reciprocal sharing of cargo space.

PROVIDED ALWAYS THAT in Rule 19(17)(e):

(A) there shall be no recovery unless cover has been specifically extended in writing by the Managers and the Member has paid, or agreed to pay, such additional premium as may be required by the Association,

(B) such consortium agreement or other agreement has been approved by the Managers,

(C) such Consortium Ship shall be deemed to be entered as a Charterer's Entry for the purposes of these Rules, and all conditions, exclusions, limitations and warranties in these Rules applicable to an Entered Ship shall also apply to the Consortium Ship and

(D) Rule 19(17)(d) and the Provisos thereto shall apply where liabilities, costs and expenses arise under a through or transhipment bill of lading or other form of contract providing for carriage partly to be performed by such Consortium Ship and in such case the Association's liability shall be limited in accordance with Rule 22(2).

PROVIDED ALWAYS THAT in Rule 19(17):

(A) HAGUE RULES EXCEPTIONS

where the cargo is carried by sea other than under a contract of carriage which is subject to the provisions of the Hague Rules or the Hague-Visby Rules or to exemptions which in the event confer as wide a measure of protection on the carrier as either the Hague Rules or Hague-Visby Rules, (save where the contract of carriage is on such terms solely by reason of the incorporation by operation of law of the Hamburg Rules) there shall be no recovery in respect of any claim to the extent that the Members Board considers it would have been reduced if the cargo had been carried under a contract of carriage which was subject to the Hague-Visby Rules unless and to the extent that the Members Board in its discretion otherwise decides, or special cover has been agreed in writing by the Managers;

(B) DEVIATION

there shall be no recovery where the Member has become liable in consequence of a deviation unless in the case of a deviation authorised by the Member prior notice of the intended deviation has been given to the Managers or in the case of a deviation without the Member's authority the earliest possible notice has been given to the Managers after the Member has received information thereof and in either case, the Managers have confirmed to the Member that his cover under this Rule continues unprejudiced. Nevertheless, the Members Board may allow such a claim either in part or in whole, if in its discretion, it considers that the Member had reasonable grounds for believing that no deviation was to be or had been made. If upon receiving information of the deviation, the Managers advise the Member that his cover under this Rule is prejudiced and the Member then requests the Managers to arrange a special insurance to cover his liabilities under this Rule, the cost of such insurance shall be borne by the Member;

(C) DECK CARGO

unless and to the extent that the Members Board in its discretion otherwise decides or special cover has been agreed in writing by the Managers, there shall be no recovery where cargo is carried on deck unless:

- (i) the cargo is suitable for carriage on deck of the Entered Ship, and
- (ii) the contract of carriage contains an appropriate liberty to carry cargo on deck; and
- (iii) the contract of carriage is specially claused to the effect that the cargo is carried on deck and that either the carrier is exempted from all liability for loss or damage to such cargo howsoever caused, or that the Hague Rules or the Hague-Visby Rules apply to carriage on deck notwithstanding Article 1(c) of the said Rules.

Note: Members are referred to the Association's Recommended Clauses for the carriage of deck cargo.

(D) DISCHARGE AT WRONG PORT ETC.

unless the Members Board in the exercise of its discretion shall otherwise determine no claim on the Association shall be allowed in respect of a Member's liability arising out of:

- (i) discharge of cargo at a port or place other than that provided in the contract of carriage;
- (ii) the failure to arrive or late arrival of an Entered Ship at a port of loading, or any delay in loading or failure to load any particular cargo or cargoes in an Entered Ship other than any such liabilities, costs and expenses arising under a bill of lading already issued;
- (iii) delivery of cargo carried under a negotiable bill of lading or similar document of title (including an electronic bill of lading) without production (or the equivalent thereof in the case of an electronic bill of lading) of that bill of lading or document by the person to whom delivery is made (unless in the case of an electronic bill of lading there has been proper delivery to the person so entitled in accordance with the terms of an electronic trading system approved pursuant to Proviso (l) of this Rule);
- (iv) delivery of cargo carried under a non-negotiable bill of lading or waybill or similar document to a person other than the party named in such bill of lading, waybill or document as the person to whom delivery should be made, or where there has been no proper delivery as required by that document by its express terms and/or by operation of law;
- (v) the issue of an antedated or post-dated bill of lading, waybill or other document containing or evidencing the contract of carriage;
- (vi) a bill of lading, waybill or other document containing or evidencing the contract of carriage issued with the knowledge of the Member or the Master with an incorrect description of the cargo or its quantity or its condition;

(E) AD VALOREM BILLS OF LADING

where cargo or other property is carried under an *ad valorem* bill of lading or other document of title, contract of carriage or waybill and the value per unit piece or package has been stated to be in excess of US\$2,500 (or the equivalent in any other currency) there shall be no recovery of more than US\$2,500 per unit piece or package or the limitation per unit, piece or package specified in the Hague-Visby Rules whichever be the higher;

(F) REFRIGERATED CARGO

the Managers may at any time require to be satisfied as to the spaces, plant and apparatus used and the instructions given for the carriage of cargo in insulated or refrigerated chambers or containers and the terms of contract of carriage under which such cargo is to be carried and the Member shall upon request supply the relevant information to the Managers. If the Managers are not so satisfied and therefore withhold their approval and so notify the Member, such Member shall not be entitled to recover from the Association in respect of any loss of or damage to such cargo the carriage of which began after the serving of the notice;

(G) RARE AND VALUABLE CARGO

there shall be no recovery in respect of loss of or damage to specie, bullion, precious or rare metals or stones, plate, jewellery, works of art or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments whether the value is declared or not unless the contract of carriage and the spaces, apparatus and means used for the carriage and the instructions given for the safe custody thereof have been approved by the Managers;

(H) PROPERTY OF THE MEMBER

in the event that any cargo lost or damaged on board the Entered Ship shall be the property of the Member, such Member shall be entitled to recover from the Association the same amount as would have been recoverable from him if the cargo had belonged to a third party and that third party had concluded a contract of carriage of the cargo with the Member on the terms of the Association's recommended standard terms of carriage referred to in Proviso (A) above.

(I) PAPERLESS TRADING

There shall be no recovery from the Association for any liability, cost or expense arising from the use of any electronic trading system, other than an electronic trading system approved in writing by the Managers, to the extent that such liability, cost or expense would not (save insofar as the Members Board in its sole discretion shall otherwise determine) have arisen under a paper trading system.

For the purposes of this Proviso:

- (a) an electronic trading system is any system which replaces or is intended to replace paper documents used for the sale of goods and/or their carriage by sea or partly by sea and other means of transport and which:
 - (i) are documents of title, or
 - (ii) entitle the holder to delivery or possession of the goods referred to in such documents, or
 - (iii) evidence a contract of carriage under which the rights and obligations of either of the contracting parties may be transferred to a third party.
- (b) a “document” shall mean anything in which information of any description is recorded including, but not limited to, computer or other electronically generated information.

19 (18)

GENERAL AVERAGE

- (a) If the Members Board in its discretion so authorises, the Entered Ship's proportion of general average, special charges or salvage not recoverable under the Hull Policies by reason of the value of the Ship being assessed for contribution to general average or salvage at a sound value in excess of the insured value under the Hull Policies.

PROVIDED ALWAYS THAT in Rule 19(18)(a) there shall be excluded from the claim any loss which arises from the insured value in those policies being, in the opinion of the Members Board, less than the proper value of the Ship.

Note: In determining whether the Ship was insured for a proper value the Members Board will need to be satisfied that the said policies have been the subject of periodic review in the light of proper advice on market conditions. A proper value will be a figure which is reasonably close to the equivalent of the free uncommitted market value of the Ship at the time of the General Average Act.

- (b) The proportion of general average, special charges or salvage which may be chargeable to cargo or some other party to the marine adventure and which is not legally recoverable, or for which the Member may become liable, solely by reason of a breach of the contract of carriage.

PROVIDED ALWAYS THAT in Rule 19(18)(b) Proviso (A) (Hague Rules), Proviso (B) (Deviation) and Proviso (D) (Discharge at Wrong Port, etc.) of Rule 19(17) shall apply to a claim under Rule 19(18)(b) unless the Members Board in its discretion shall otherwise determine or unless a special agreement has been made with the Managers in accordance with the terms of Rule 19(17).

19 (19)

FINES

Fines or other penalties, together with costs and expenses incidental thereto, imposed in respect of an Entered Ship by any court, tribunal, or authority of competent jurisdiction, upon a Member or upon any person whom the Member may be legally liable to reimburse or reasonably reimburses with the approval of the Managers:

- (a) for short or over delivery of cargo or for failure to comply with regulations relating to the declaration of goods or to documentation of the cargo: but subject always to the Member having cover for his liabilities in respect of the cargo under Rule 19(17);
- (b) for smuggling or for any infringement of customs laws or regulations;
- (c) for contravention of immigration laws or regulations;
- (d) in respect of the accidental escape or discharge of oil or any other substance or threat thereof; but subject always to the Member having cover for his liabilities in respect of pollution under Rule 19(13);
- (e) any fine (other than those specified in Rules 19(19)(a) to (d) inclusive of this Rule) to the extent that:
 - (i) the Member has satisfied the Members Board that he took such steps as appear to the Members Board to be reasonable to avoid the event giving rise to such fine or penalty, and
 - (ii) the Members Board in its absolute discretion decides that the Member should recover.
- (f) notwithstanding the terms of Rule 27(1) the Members Board in its discretion may authorise the payment in whole or in part of a Member's claim for loss of an Entered Ship following confiscation of that Ship by any legally empowered court, tribunal or authority by reason of the infringement of any customs law or customs regulation.

PROVIDED ALWAYS THAT in Rule 19(19)(f):

- (A) the total aggregate amount recoverable from the Association shall under no circumstances exceed the market value of the Ship without commitment at the date of confiscation;
- (B) the Member shall have satisfied the Members Board that he took such steps as may appear to the Members Board to be reasonable to prevent the infringement of the customs law or regulation giving rise to the confiscation;
- (C) any amount claimed under this paragraph shall be recoverable to such extent only as the Members Board in its sole discretion may determine without having to give any reasons for their decision;
- (D) no such claim shall be considered by the Members Board until such time as the Member has been deprived of his interest in the Entered Ship.

PROVIDED ALWAYS THAT in Rule 19(19) the Association shall not in any event indemnify a Member against a fine or penalty imposed upon him for the overloading of an Entered Ship or for illegal fishing or against the legal costs and expenses relating thereto.

19 (20) LEGAL COSTS, SUE AND LABOUR

(a) LEGAL COSTS

Costs and expenses which a Member may incur in respect of any liability or expenditure against which the Member is insured under these Rules.

(B) SUE AND LABOUR

Losses, costs and expenses necessarily incurred by a Member after an incident in order to avoid or reduce a liability or expenditure against which the Member is insured by the Association even if such losses, costs and expenses would otherwise be excluded by these Rules.

(c) SPECIAL DIRECTION

Losses, costs and expenses which a Member may be required to incur by special direction of the Association in cases where the Members Board decides that it is in the interests of the Association that the directions be given even if such losses, costs and expenses would otherwise be excluded by these Rules.

PROVIDED ALWAYS THAT in Rule 19(20)(c):

- (A) no such losses, costs or expenses shall be recoverable unless either they have been incurred with the prior agreement of the Managers, or the Members Board shall determine that such losses, costs and expenses were reasonably incurred;
- (B) costs and expenses incurred in respect of a formal enquiry into a casualty involving an Entered Ship shall be recoverable to such extent only as the Members Board may determine.

19 (21) RISKS INCIDENTAL TO SHIP OWNING

Liabilities, costs and expenses incidental to the business of owning, operating, chartering or managing ships which in the opinion of the Members Board fall within the scope of the cover afforded by the Association but only to the extent that the Members Board in its absolute discretion may decide that the Member should recover from the Association.

19 (22) SPECIAL COVER

Subject always to the Memorandum and Articles of Association of the Association, and save insofar as expressly prohibited by these Rules, the Managers may insure a Member against the risks specified in these Rules whether or not such risks arise in connection with an Entered Ship (notwithstanding the provisions of Rule 3(1)).

PROVIDED ALWAYS THAT in Rule 19(22) the nature and extent of the risks and the terms of the cover shall have been expressly agreed in writing between the Member and the Managers.

19 (23) SPECIAL COVER FOR SALVORS

(a) Without prejudice to Rule 19(22) a Member may be insured, but only by special agreement in writing with the Managers and upon such terms as may be required by the Managers, against any of the liabilities, fines, losses, costs or expenses which arise as a result of any salvage service or attempted salvage service performed or to be performed by the Member and which arise out of the operation of and in respect of that Member's interest in an Entered Ship.

(b) The cover referred to in paragraph (a) of this Rule may be given on terms that the liabilities, fines, losses, costs or expenses need not arise in respect of any Entered Ship or out of the operation of any Entered Ship.

PROVIDED ALWAYS THAT in Rule 19(23)(a) and (b) they arise in connection with the Member's business as a salvor.

(c) It shall be a condition precedent of every insurance on the terms referred to in paragraph (b) of this Rule that the Member and any company which is a subsidiary or holding company of the Member or a subsidiary of the Member's holding company shall, at the time when the insurance is given and thereafter within thirty days before the beginning of each Policy Year, apply to enter for insurance in the Association every ship intended to be used in connection with salvage operations of which it is then in possession or control on terms that every such application may be accepted in respect of such one or more Ships as the Association in its discretion may determine.

PROVIDED ALWAYS THAT in Rule 19(23) the cover given shall be in all respects the same as that given under Rule 19(1) to 19(21) inclusive. Nothing in this Proviso shall derogate from or prejudice the provisions of paragraph (b) of this Rule 19(23).

19 (24)

SPECIAL COVER FOR CONTAINERS

Without prejudice to Rule 19(22) a Member may be insured against liabilities, costs and expenses incurred by reason of his interest in a Container to the same extent as is provided for in this Rule 19 in relation to his interest in an Entered Ship and whether or not such Container is intended to be or is being or has been carried in an Entered Ship (notwithstanding Rule 3(1) and Rule 19(4) Proviso (A)).

PROVIDED ALWAYS THAT in Rule 19(24):

(A) SPECIFIC COVER

there shall be no recovery under this Rule unless cover has been specifically extended in writing by the Managers and the Member has paid, or agreed to pay, such additional premium as may be required by the Association;

(B) CONTRACTS

in respect of liabilities arising under a contract of through carriage or other contract, that contract has been approved by the Managers and the Member has paid, or agreed to pay, such additional premium as may be required by the Association;

(C) RIGHTS OF RECOURSE

a Member shall not waive any rights of recourse against any person and in the event that the Member is the carrier under a bill of lading, or contract of through carriage, issued in respect of the Container, the Association shall have the same rights as if the carrier was a third party;

(D) CONTAINERS

a Member shall not be insured by the Association under this Rule against any liability or loss arising out of the ownership, possession, operation or use by a Member, or by any person employed by him, of any Ship, railway wagon or aircraft, or any road vehicle;

(E) PERIOD OF INSURANCE

the insurance of a Member under this Rule shall cease immediately upon the happening of any of the events specified in Rule 37 (Cesser of all Insurances) or at the end of the Policy Year in which that Member's insurance with the Association ceases in respect of all Ships under Rule 38 (Cesser of Ship Entry);

(F) CONDITIONS AND WARRANTIES

the cover given in connection with Containers shall be in all respects subject to the same conditions, exceptions and warranties, insofar as they are capable of application and not in contradiction with this Rule 19(24) as are provided for elsewhere in these Rules in respect of the insurance of a Member's interest in an Entered Ship in connection with the operation of Ships.

19 (25)

SPECIAL PROVISIONS FOR CHARTERER'S ENTRY

Without prejudice to the generality of Rule 19(22) a Member may be insured against liabilities, together with costs and expenses incidental thereto, which may be incurred by reason of his interest as charterer other than a charterer by demise of a Ship which he has entered for insurance in accordance with these Rules and his Certificate of Entry. The following may be covered on such special terms as may be agreed in writing by the Managers:

(a) P AND I

the Member's liability, together with costs and expenses incidental thereto for risks covered in accordance with Rules 19(1) to 19(24) inclusive;

(b) HULL DAMAGE

the Member's liability, together with costs and expenses incidental thereto, for damage to or loss of the Entered Ship;

(c) BUNKERS

loss incurred by the Member as a result of the loss of or damage to bunkers, fuel or other property of the Member on board the Entered Ship;

(d) LOSS OF FREIGHT OR HIRE

loss of freight or hire payable under a charter party.



SECTION 4

Conditions, Exclusions, Limitations and Warranties

Subject to the provisions of Rule 46 (Forbearance), Rules 20 to 32 apply to every risk insured by the Association and override any part of these Rules which may be inconsistent with their application.

Rule 20 Payment First by the Member

20 (1) GENERAL

Unless the Directors in their discretion otherwise decide, it is a condition precedent of a Member's right to recover from the funds of the Association in respect of any liabilities, costs or expenses that he shall first have discharged or paid the same out of funds belonging to him unconditionally and not advanced expressly or impliedly for that purpose by way of loan or otherwise.

20 (2) SEAMEN

Notwithstanding the provisions of Rule 20(1), where a Member has failed to discharge a liability to pay damages or compensation for death, personal injury or illness of a Seaman under Rule 19(1)(a) (a "Crew Claim"), or an MLC 2006 Liability, the Association shall pay such Crew Claim or discharge such MLC 2006 Liability on the Member's behalf directly to such Seaman or dependant thereof.

PROVIDED ALWAYS THAT:

- (A) the Seaman or dependant has no enforceable right of recovery against any other party and would otherwise be uncompensated,
- (B) subject to (D) below, the amount payable by the Association shall under no circumstances exceed the amount which the Member would have been able to recover from the Association under the Rules and the Member's terms of entry,
- (C) the Member shall be liable to reimburse the Association in full any MLC 2006 Liability save to the extent that any part thereof is recoverable under Rule 19(1)(d),
- (D) where the Association is under no liability to the Member in respect of a Crew Claim or an MLC 2006 Liability in accordance with Rule 17(1) or Rule 37, the Association shall nevertheless discharge or pay that Crew Claim or MLC 2006 Liability to the extent only that either arises from an obligation created or an event occurring prior to the date of Cesser, but as agent only of the Member, and the Member shall be liable to reimburse the Association for the full amount of such payment.

20 (3) PRIORITY OF CERTIFIED LIABILITIES

Where liabilities to Passengers include liabilities arising under a non-war certificate issued by the Association in compliance with either Article 4 bis of the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974 and the Protocol thereto of 2002 or Regulation (EC) No.392/2009 of the European Parliament and of the Council of 23rd April 2009 on the liability of carriers of passengers by sea in the event of accidents ("Certified Liabilities") and all such liabilities to Passengers exceed or may exceed in the aggregate the limit of cover specified in Rule 22:

- (a) the Managers may in their absolute discretion defer payment of a claim in respect of other liabilities to Passengers or any part thereof until the Certified Liabilities, or such part of the Certified Liabilities as the Managers may decide, have been discharged; and
- (b) if and to the extent any Certified Liabilities discharged by the Association exceed the said limit any payment by the Association in respect thereof shall be by way of loan and the Member shall indemnify the Association promptly and upon demand in respect of such payment.

Rule 21 Deductibles

- 21 (1) The Member's recovery from the Association in respect of a liability against which the Member is insured under these Rules shall be subject to the deductibles set out in the Certificate of Entry.

- 21 (2) Unless otherwise agreed between the Member and the Managers in writing as part of the terms upon which the Ship is entered in the Association, the Member's recovery from the Association in respect of fees, costs and expenses incurred in respect of a liability against which the Member is or may be insured under these Rules shall be subject to a deductible of 25%, with a minimum contribution of US\$1,000 and a maximum contribution of US\$10,000 per claim.

Note: for an illustration of how the fees, costs and expenses deductible operates follow the attached link: **P&I Fees Deductible**.

Rule 22 Limitation of Cover

22 (1) GENERAL

Subject to these Rules and to any special terms and conditions upon which a Ship may be entered, the liability of the Member shall be insured by the Association in respect of his interest in an Entered Ship to the extent that such liability may ultimately be determined and fixed by law, including any laws pertaining to limitation of shipowners' liability, which a Member shall not prejudice by contract. The Association shall in no circumstances be liable for any sum in excess of such legal liability. If the Ship is entered for less than her Full Tonnage the liability of the Association shall be limited to the proportion that the Entered Tonnage bears to the Full Tonnage. In the event that any court or tribunal permits any third party to sue the Association it shall be entitled to adopt each and every denial, defence and right to limitation of liability that would have been available to the Member in such proceedings were the Member and not the Association to be the party sued.

22 (2)

CHARTERERS

Unless otherwise provided under the relevant Certificate of Entry, or as the Directors may from time to time determine, the liability of the Association in respect of all claims which arise:

- (a) under a Charterer's Entry, or in respect of a charterer affiliated to or associated with the Senior Member or any joint member under an Owner's Entry, and
- (b) out of any one event,

shall be limited in the aggregate to US\$350,000,000 for each Entry.

PROVIDED ALWAYS THAT in this Rule 22(2), where a claim arises out of the carriage of cargo on a Ship other than an Entered Ship, a Consortium Ship, under a consortium agreement or other agreement for the reciprocal sharing of cargo space and the Member has the benefit of cover under this and any other entry in this Association or in any other Association which participates in the Pooling Agreement, the aggregate of all claims against this Association and/or all other Associations from any one such Consortium Ship shall not exceed US\$350,000,000 from any one event.

22 (3)

OIL POLLUTION

Unless otherwise provided under the relevant Certificate of Entry, or as the Directors may from time to time determine, the liability of the Association for claims in respect of oil pollution or the threat thereof which arise under an Owner's Entry shall be limited to US\$1,000,000,000 in the aggregate for all claims arising out of any one event under each Owner's Entry.

PROVIDED ALWAYS THAT in Rule 22:

- (A) where there is more than one Owner's Entry in respect of an Entered Ship with the Association or any other P&I Association which participates in the reinsurance arrangements of the International Group of P&I Clubs, the aggregate of all claims for oil pollution or the threat thereof following an event brought against the Association and/or such other Association shall be limited to US\$1,000,000,000. In these circumstances, the limit of liability shall be such proportion of US\$1,000,000,000 as the claims recoverable under an Owner's Entry in the Association bear to the aggregate of all the said claims recoverable under all Owners' Entries in respect of that Ship with this or any other Association;

- (B) when an Entered Ship provides salvage or other assistance to another Ship following a casualty, any liabilities and costs incurred by the Entered Ship in respect of oil pollution or the threat thereof shall be aggregated with any liabilities or costs incurred in respect of oil pollution or the threat thereof by any other Ship whilst engaged in providing salvage or other assistance in connection with the same casualty when and to the extent that those other Ships either (i) are entered in the Association and covered for oil pollution or the threat thereof risks or (ii) are covered for those risks with any other Association which participates in the same pooling and reinsurance arrangements as this Association. In these circumstances, the limit of liability of the Association shall be such proportion of US\$1,000,000,000 in respect of an Owner's Entry and US\$350,000,000 in respect of a Charterer's Entry as the claims recoverable under an Owner's Entry, or as the case may be, a Charterer's Entry, in the Association bear to the aggregate of all the said claims recoverable under all Owners' Entries of all Ships insured with this or any other Association or as the case may be under all Charterers' Entries of all Ships insured with this or any other Association;
- (C) if and to the extent that the Member has, in relation to any claim in respect of oil pollution or the threat thereof, other insurance not being solely in respect of the excess of the relevant limit in accordance with Rule 22, the amount of that limit as applied to that claim shall be reduced by the amount of the stated limit of such other insurance;
- (D) in the event of legislation coming into force anywhere in the world during the currency of an Entry, affecting Member's liabilities for oil pollution or the threat of claims, the Association shall have the right to increase the rate of contribution or, in appropriate circumstances, to charge an additional premium.

22 (4) PASSENGERS AND SEAMEN

For the purposes of this Rule 22(4) the following additional definitions apply:

PASSENGER

A person carried on board a Ship under a contract of carriage or who, with the consent of the carrier, is accompanying a vehicle or live animals covered by a contract for the carriage of goods.

SEAMAN

A person on board a Ship who is not a Passenger.

Unless otherwise provided under the Certificate of Entry or as the Directors may from time to time determine, the liability of the Association in respect of all claims which arise:

(a) under an Owner's Entry, and

(b) out of any one event,

shall not exceed:

(i) in respect of liability to Passengers US\$2,000,000,000; and

(ii) in respect of liability to Passengers and Seamen US\$3,000,000,000.

PROVIDED ALWAYS THAT where there is more than one Owner's Entry in respect of the Entered Ship in this Association or any other P&I Association which participates in the Pooling Agreement:

(A) the aggregate of all claims in respect of liability to Passengers brought against the Association and/or such other Associations shall be limited to US\$2,000,000,000 and the liability of the Association shall be limited to such proportion of US\$2,000,000,000 as the claims recoverable under an Owner's Entry in the Association bear to the aggregate of all such claims recoverable under all Owner's Entries in respect of that Ship with this or any other Association;

(B) the aggregate of all claims in respect of liability to Passengers and Seamen brought against the Association and/or such other Associations shall be limited to US\$3,000,000,000 and the liability of the Association shall be limited:

(i) where claims in respect of liability to Passengers have been limited to US\$2,000,000,000 in accordance with Proviso (A), to such proportion of the balance of US\$1,000,000,000 as the claims recoverable under an Owner's Entry in the Association in respect of liability to Seamen bear to the aggregate of all such claims under all Owner's Entries in respect of that Ship with this or any other Association; and

(ii) in all other cases, to such proportion of US\$3,000,000,000 as the claims recoverable under an Owner's Entry in the Association in respect of liability to Passengers and Seamen bear to the aggregate of all such claims under all Owner's Entries in respect of that Ship with this or any other Association.

22 (5)

OVERSPILL CLAIMS

The liability of the Association in respect of Overspill Claims shall be further limited in accordance with Rule 36.

Rule 23 Exclusion of Risks Covered by Hull Policies

Unless otherwise agreed in writing the Association shall not, except only as provided by Rule 19(10)(a) and (c) (Collision) Rule 19(12)(b) (Damage to Property) and Rule 19(18)(a) (General Average), insure a Member to any extent whatsoever against any of the risks, liabilities, costs or expenses against which the Member would be insured if the Entered Ship were fully insured under Hull Policies on terms not less wide than both:

- (i) those of the Lloyd's Marine Policy with Institute Time Clauses (Hulls) 1.10.83 attached and with no deductible or franchise applicable to claims under those policies, and
- (ii) those of the Lloyd's Marine Policy with Institute Time Clauses (Hulls) 1.11.95 attached and with no deductible or franchise applicable to claims under those policies.

Rule 24 War Risks

24 (1) Save as provided in Rule 24(2) there shall be no recovery from the Association against any liabilities, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or on the part of the Member's servants, or agents) when the loss or damage, injury, illness or death or any other accident in respect of which such liability arises or costs or expenses is incurred, was caused by:

- (a) war, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, any hostile act by or against a belligerent power, or any act of terrorism;
PROVIDED ALWAYS THAT in this Rule 24(1)(a), in the event of any dispute as to whether or not any act constitutes an act of terrorism, the decision of the Directors shall be final.
- (b) capture, seizure, arrest, restraint or detainment (barratry and piracy excepted) and the consequences thereof or any attempt thereat;
- (c) mines, torpedoes, bombs, rockets, shells, explosives or other similar weapons of war provided that this exclusion shall not apply to liabilities, costs or expenses which arise solely by reason of:
 - (i) the transport of any such weapons whether on board the Entered Ship or not, or
 - (ii) the use of such weapons, either as a result of government order or with the written agreement of the Managers or the Directors, where the reason for such use is the avoidance or mitigation of liabilities, costs or expenses which would otherwise fall within the cover given by the Association.

PROVIDED ALWAYS THAT in this Rule 24(1):

- (A) these exclusions shall not apply to liabilities, costs and expenses of a Member insofar only as they are discharged by the Association pursuant to a demand made under any guarantee, undertaking or certificate referred to in Rule 31(1)(a), and
- (B) where such guarantee, undertaking or certificate is provided by the Association on behalf of the Member as guarantor or otherwise, the Member agrees to indemnify the Association to the extent required by Rule 31(1)(a) and to be bound by Rule 31(1)(b).

24 (2) Notwithstanding the provisions of Rule 24(1) unless otherwise provided under the relevant Certificate of Entry, cover shall extend to claims:

- (a) which do not exceed US\$500,000,000 for any one event, and
- (b) which are in excess of the greater of:
 - (i) the amounts recoverable under the Entered Ship's hull and/or war risks policies and any P&I inclusion clauses attached thereto, or
 - (ii) except where the entry is a Charterer's Entry, the proper value of the Entered Ship from any one event, and
- (c) which are not in respect of prohibited areas as may be from time to time advised to the Member.

PROVIDED ALWAYS THAT in this Rule 24(2) in respect of liabilities, costs and expenses caused by any of the matters recited in Rule 24(1)(a),(b) or (c) above:

- (A) The proper value is an amount reasonably close to the equivalent of the free uncommitted market value of the Entered Ship and for the purposes of this Rule 24(2) the proper value shall be deemed not to exceed US\$100,000,000.
- (B) cover may be cancelled by the Managers giving seven days' notice (such cancellation becoming effective on the expiry of seven days from midnight on the day on which notice of cancellation is issued by the Managers);
- (C) whether or not such notice of cancellation has been given, cover shall terminate automatically:
 - (i) upon the outbreak of war (whether there be a declaration of war or not) between any of the following countries:

United Kingdom, United States of America, France, The Russian Federation, the People's Republic of China and this insurance excludes loss, damage, liability or expense arising from such outbreak of war;

- (ii) in the event of the Entered Ship being requisitioned either for title or use and this insurance excludes loss, damage, liability or expense arising from such requisition;
- (D) cover shall not become effective if, subsequent to acceptance by the Association and prior to the intended time of attachment of risk, there has occurred any event which would have automatically terminated cover under the provisions of this Rule;
- (E) where there is more than one Owner's Entry or Charterer's Entry in respect of an Entered Ship with the Association or any other P&I Association which participates in the reinsurance arrangements of the International Group of P&I Clubs, the aggregate of all claims following an event brought against the Association and/or such other Association shall be limited to US\$500,000,000. In these circumstances, the limit of liability shall be such proportion of US\$500,000,000 as the claims recoverable under an Owner's Entry or Charterer's Entry in the Association bear to the aggregate of all the said claims recoverable under all Owner's Entries and Charterer's Entries in respect of that Ship with this or any other Association;
- (F) the Association shall not be liable for any losses, liabilities, costs or expenses directly or indirectly caused by or contributed to by or arising from:
 - (i) any chemical, biological, bio-chemical or electromagnetic weapon;
 - (ii) the use or operation, as a means for inflicting harm, of any computer virus.
- (G) The Association shall not provide insurance for any liabilities, costs or expenses if the provision of such insurance would create a liability for the Member under the Tanker Oil Pollution Indemnification Agreement 2006 (TOPIA 2006) to contribute to the IOPC Supplementary Fund.

Rule 25 Radioactive Materials

- No claim on the Association shall be allowed to any extent whatsoever against liabilities, costs and expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or his servants or agents) when the loss or damage, injury, illness or death or other accident in respect of which such liability arises or cost or expense is incurred, was directly or indirectly caused by or arises from:
- (a) ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the composition of nuclear fuel, or
 - (b) the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof, or
 - (c) any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter, or
 - (d) the radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter.

PROVIDED ALWAYS THAT:

(A) this Rule 25 shall not apply to “excepted matter” (as defined in the Nuclear Installations Act 1965 of the United Kingdom or any regulations made thereunder) carried as cargo in an Entered Ship, and

(B) this Rule 25 shall not apply to liabilities, costs and expenses of a Member insofar only as they are discharged by the Association pursuant to a demand made under any guarantee, undertaking or certificate referred to in Rule 31(1)(a), and

(C) where any guarantee, undertaking or certificate is provided by the Association on behalf of the Member as guarantor or otherwise, the Member agrees to indemnify the Association to the extent required by Rule 31(1)(a) and to be bound by Rule 31(1)(b).

Note: The United Kingdom Nuclear Installations Act 1965 reflects the provisions of the OECD Paris Convention on Carriage of Nuclear Material. “Excepted matter” is nuclear matter consisting only of one or more of the following:

(i) isotopes prepared for use for industrial, commercial, agricultural, medical or scientific purposes;

(ii) natural or depleted uranium;

(iii) small quantities of nuclear matter as prescribed (see United Kingdom Nuclear Installations (Excepted Matter) Regulations 1978).

Rule 26 **Imprudent or Hazardous Operations, Contraband, Blockade Running, or Unlawful Trading, Wilful Misconduct or Privity**

No claim on the Association shall be allowed:

- 26 (1) if it arises out of or is consequent upon an Entered Ship carrying contraband, blockade running or being employed in an unlawful trade, or
- 26 (2) if the Members Board, having regard to all the circumstances, shall be of the opinion that the nature of the carriage, trade or voyage in which the Ship was engaged was imprudent, unsafe, unduly hazardous or improper, or
- 26 (3) if the Members Board, having regard to all the circumstances, shall be of the opinion that the claim arose out of the wilful misconduct of any Insured Party or his managers or managing agents, (being an act intentionally done, or a deliberate omission with knowledge that the performance or omission will probably result in loss, damage or injury, or an act done or omitted in such a way as to allow an inference of a reckless disregard of the probable consequences), or
- 26 (4) if the Members Board, having regard to all the circumstances, shall be of the opinion that the claim arose out of the sending to sea of the Entered Ship in an unseaworthy state with the privity of the Member or his managers or managing agents.

Rule 27 Risks Specifically Excluded

Unless otherwise agreed by the Managers in writing there shall be no recovery from the Association, except as otherwise provided in this Rule, in respect of:

27 (1) DAMAGE TO THE ENTERED SHIP

loss of or damage to the Entered Ship or any part thereof except as may be allowed under paragraph (f) of Rule 19(19), or specifically covered by agreement in writing under Rule 19(25) (Charterer's Entry);

27 (2) EQUIPMENT

loss of or damage to any equipment on board the Entered Ship or any containers, lashings, stores or fuel thereon to the extent that the same are owned or leased by the Member or by any associated person of the Member or by any company under the same management as the Member;

27 (3) REPAIRS TO THE ENTERED SHIP

- (a)** the cost of repairs to the Entered Ship or any charges or expenses in connection therewith other than such as may be covered under Rule 19(18), (General Average), or specifically covered by agreement in writing under Rule 19(25) (Charterer's Entry);
- (b)** the cost of cleaning any part of the Entered Ship or any charges or expenses in connection therewith other than such as may be covered under Rule 19(13) (Pollution);

27 (4) FREIGHT

claims by or against the Member for loss of freight or hire or liability for freight or hire unless such liability is covered under Rule 19(10)(b)(iii) (Collision), Rule 19(17) (Cargo) or Rule 19(18)(b) (General Average);

27 (5) POLLUTION

losses occasioned by pollution other than in accordance with Rule 19(13);

27 (6) SALVAGE

salvage of an Entered Ship or services in the nature of salvage provided to an Entered Ship and any costs and expenses in connection therewith other than such as may be covered under Rule 19(7) (Life Salvage) Rule 19(13)(e) (Pollution) or Rule 19(18) (General Average);

27 (7) CHARTER PARTIES

loss arising out of cancellation of a charter or other engagement of an Entered Ship;

27 (8) BAD DEBTS

loss arising out of irrecoverable debts or out of the insolvency of any person or out of the fraud of agents;

- 27 (9) ROAD TRAFFIC ACTS**
liabilities arising under any statute regulating the use or insurance of road vehicles;
- 27 (10) DEMURRAGE**
claims relating to demurrage on, detention of or delay to an Entered Ship unless such loss is covered under Rule 19(17) (Cargo);
- 27 (11) TOWAGE**
losses arising out of towage other than in accordance with Rule 19(15);
- 27 (12) MEMBERS' OTHER INTERESTS**
any liabilities, costs and expenses incurred by a Member in a capacity other than that in which he has entered the Ship, including (without limitation) any losses incurred by a Member in his capacity as owner of cargo save as provided for in Proviso (H) to Rule 19(17).
PROVIDED ALWAYS THAT this Rule 27 shall not apply to losses, costs and expenses incurred under Rule 19(20) either to avoid or reduce a liability or expenditure or by the special direction of the Association.

Rule 28 Exclusion of Certain Risks Relating to Specialist Operations

Unless otherwise agreed by the Managers in writing there shall be no recovery from the Association in respect of any claim relating to:

- 28 (1) SPECIALIST OPERATIONS**
Liabilities, costs and expenses incurred by a Member during the course of performing specialist operations including but not limited to dredging, blasting, pile-driving, well stimulation, cable or pipe laying, construction, installation or maintenance work, core sampling, depositing of spoil, professional oil spill response or professional oil spill response training and tank cleaning (otherwise than on the Entered Ship) (but excluding fire fighting) to the extent that such liabilities, costs and expenses arise as a consequence of:
- (a)** claims brought by any party for whose benefit the work has been performed, or by any third party (whether connected with any party for whose benefit the work has been performed or not), in respect of the specialist nature of the operations, or
 - (b)** the failure to perform such specialist operations by the Member or the fitness for purpose or quality of the Member's work, products or services, including any defect in the Member's work, products or services, or
 - (c)** any loss of or damage to the contract work.

PROVIDED ALWAYS THAT this Rule 28(1) shall not exclude liabilities, costs and expenses incurred by a Member in respect of:

- (A) loss of life, injury or illness of crew and other personnel on board the Entered Ship, or
 - (B) the wreck removal of the Entered Ship, or
 - (C) oil pollution emanating from the Entered Ship or the threat thereof
- but only to the extent that such liabilities, costs and expenses are covered by the terms of entry.

28 (2) DRILLING AND PRODUCTION OPERATIONS

- (a) Liabilities, costs and expenses incurred in respect of an Entered Ship carrying out drilling or production operations in connection with oil or gas exploration or production, including any accommodation unit moored or positioned on site as an integral part of any such operations, to the extent that such liabilities, costs or expenses arise out of or during drilling or production operations.
- (b) For the purposes of Rule 28(2):
 - (i) an Entered Ship shall be deemed to be carrying out production operations if (inter alia) it is a storage tanker or other vessel engaged in the storage of oil, and either:
 - (ia) the oil is transferred directly from a producing well to the storage vessel; or
 - (ib) the storage vessel has oil and gas separation equipment on board and gas is being separated from oil whilst on board the storage vessel other than by natural venting; and
 - (ii) in respect of any Entered Ship employed to carry out production operations in connection with oil or gas production, the exclusion shall apply:
 - (iia) from the time that a connection, whether directly or indirectly, has been established between the Entered Ship and the well until such time that the Entered Ship has been disconnected from the well as part of a planned procedure to leave the site for the purpose of navigation to shore or to another production site; or
 - (iib) where the Entered Ship is unintentionally, as well as intentionally as an emergency response, disconnected from the well; or
 - (iic) where the Entered Ship remains connected to the well, but the production is shut down, whether or not as an emergency response.

28 (3) WASTE DISPOSAL AND SUB-SEA ACTIVITIES

Liabilities, costs and expenses incurred by a Member in connection with any claim brought against it arising out of:

- (a) waste incineration or disposal operations carried out by the Entered Ship (other than any such operations carried out as an incidental part of other commercial activities), not being specialist operations;
- (b) the operation by the Member of submarines, diving bells or remotely operated vehicles;
- (c) the activities of professional or commercial divers where the Member is responsible for such activities other than:
 - (i) activities arising out of salvage operations being conducted by an Entered Ship where the divers form part of the crew of that Entered Ship (or of diving bells or other similar equipment or craft operating from the Entered Ship) and where the Member, having obtained a specific extension of cover under Rule 19(23), is responsible for the activities of such divers, or
 - (ii) incidental diving operations carried out in relation to the inspection, repair or maintenance of the Entered Ship or in relation to damage caused by the Entered Ship, or
 - (iii) recreational diving activities.

28 (4) SALVAGE TUGS

Liabilities, costs and expenses incurred in respect of an Entered Ship being a salvage tug or other Ship used or intended to be used for salvage operations, when the claim arises as a result of any salvage service or attempted salvage service, other than for the purpose of saving or attempting to save life at sea, unless cover has been specifically extended for such operations under Rule 19(23).

28 (5) ACCOMMODATION VESSELS

Liabilities, costs and expenses incurred by a Member in respect of personnel (other than marine crew) on board the Entered Ship (being an accommodation vessel) employed otherwise than by the Member where there has not been a contractual allocation of risks as between the Member and the employer of the personnel which has been approved by the Managers.

28 (6) HOTELS AND RESTAURANTS

Liabilities, costs and expenses incurred by a Member in respect of hotel and restaurant guests and other visitors and catering crew of the Entered Ship when moored (otherwise than on a temporary basis) and open to the public as a hotel, restaurant, bar or other place of entertainment.

PROVIDED ALWAYS THAT in Rule 28 special cover may be agreed between the Member and the Managers in accordance with the Rules.

28 (7)

HEAVY LIFT SHIPS

Loss of or damage to or wreck removal of cargo carried on a semi-submersible heavy lift Ship or any other Ship designed exclusively for the carriage of heavy lift cargo, save to the extent that such cargo is being carried under the terms of a contract on Heavycon terms or any other terms approved in writing by the Association.

Rule 29 Classification and Statutory Requirements

Unless otherwise agreed in writing between the Member and the Managers, the following are conditions of the insurance of an Entered Ship.

- (a)**

 - (i)** The Ship must be and remain throughout the period of entry fully classed with a classification society approved by the Managers, and
 - (ii)** The Member must promptly report to that classification society any incident or condition in respect of which it might make recommendations as to repairs or other action to be taken by the Member.
 - (iii)** The Member authorises the Managers to inspect any information, relating to the maintenance of class of the Entered Ship, in the possession of any classification society with which that Ship is or at any time has been classed, and will where necessary authorise such classification society or societies to disclose and make available that information to the Managers upon request by the Managers and for whatsoever purposes the Managers may consider necessary.
 - (iv)** The Member must immediately inform the Managers if, at any time during the period of entry, the classification society with which the Entered Ship is classed is changed and advise the Managers of all outstanding recommendations, requirements or restrictions specified by any classification society relating to that Ship as at the date of such change.
 - (v)** A Member shall cease to be insured by the Association in respect of an Entered Ship from the happening of any failure to comply with this Rule 29(a) in relation to such Ship.
- (b)**

 - (i)** The Member must comply with all statutory requirements of the flag state of the Ship relating to the manning, construction, adaptation, condition, fitment and equipment of the Entered Ship and must at all times maintain the validity of all statutory certificates as are issued by or on behalf of the flag state of the Ship in relation to such requirements and in relation to safety management systems and maritime security.
 - (ii)** A Member shall not be entitled to any recovery from the Association in respect of any claim arising in respect of the Entered Ship during a period when that Member is not complying with or has not complied with Rule 29(b)(i) in relation to such Ship.

PROVIDED ALWAYS THAT in Rule 29:

(A) the Member shall not be relieved from compliance with the requirements of this Rule nor shall the Association be deemed to have waived such compliance by the Association's knowledge by any means whatsoever of any circumstance obliging the Member to comply with this Rule.

(B) where the entry is a Charterer's Entry, the liability of the Association shall not be dependent on compliance with Rule 29(a)(ii), (iii), (iv) or Rule 29(b)(i).

Rule 30 Obligations of the Member in Respect of Surveys

- (a)** The Managers may at any time require a Member to submit his Ship to be surveyed, by a surveyor nominated by the Managers but at the expense of the Member, within such period as may be specified by the Managers. No claim for recovery from the Association as a result of an incident arising after the expiry of such period shall be allowed save in the sole discretion of the Members Board if the Ship shall not have been made available for survey within the period specified.
- (b)** In the light of the survey and any recommendations by the surveyor as to the repairs or other action to be taken by the Member, the Managers shall have the power, in their discretion, to:
- (i)** terminate the Member's entry forthwith whereupon the Member shall cease to be insured and shall be allowed a return of premium pro rata for the period in respect of which the insurance has ceased;
 - (ii)** amend or vary the terms of entry in such manner as they think fit;
 - (iii)** impose conditions on the terms of entry in such form as they think fit including, without limitation, the exclusion of all or part of the risks specified in Rule 19 unless and until the Member has complied with the recommendations of the surveyor as to repairs or other action to be taken by the Member within such time as may be specified by the Managers to the satisfaction of the Managers and their surveyor;
- (c)** Without prejudice to the generality of Rule 46, nothing said, seen or done by the surveyor appointed by the Association or advice given prior to, during, or after survey and/or inspection shall be taken as in any way derogating from the Member's responsibility for the safety and seaworthiness of the Ship and its mandatory compliance with any classification, statutory, flag state or port state requirement or any other issues relating to the safety of the Ship, its crew, cargo, and any other person, places or entities which may be affected by the operation of the Ship.

- (d)** By applying to enter or upon the Entry or the continuation of the Entry of a Ship in this Class of the Association, the Member or any person who has made an application to become a Member as the case may be:
- (i)** consents to and authorises the disclosure by the Managers to any Association which is a party to the Pooling Agreement of any survey or inspection of such Ship undertaken on behalf of the Association either pursuant to an application for Entry or whilst entered in the Association, and
 - (ii)** waives any rights or claims against the Association of whatsoever nature arising in respect of or relating to the contents of or opinions expressed in any survey or inspection so disclosed.
- PROVIDED ALWAYS THAT in Rule 30(d):*
- (A)** such survey or inspection may only be disclosed to another Association when an application for entry of such Ship is made thereto, and
 - (B)** the disclosure of the survey or inspection shall be for the limited purpose only of that Association considering an application to enter such Ship for insurance.

Rule 31 Member's Other Insurances

31 (1) OBLIGATIONS OF THE MEMBER IN RESPECT OF EXCLUDED RISKS

- (a)** Where the liabilities, costs and expenses of a Member are discharged by the Association pursuant to a demand made under:
- (i)** a guarantee or other undertaking given by the Association to the Federal Maritime Commission under Section 2 of US Public Law 89-777, or
 - (ii)** a certificate issued by the Association in compliance with Article VII of the International Conventions on Civil Liability for Oil Pollution Damage 1969 or 1992 or any amendments thereof, or
 - (iii)** an undertaking given by the Association to the International Oil Compensation Fund 1992 in connection with the Small Tanker Oil Pollution Indemnification Agreement (STOPIA), or
 - (iv)** an undertaking given by the Association to the International Oil Pollution Compensation Fund 1992 in connection with the Tanker Oil Pollution Indemnification Agreement 2006 (TOPIA), or

(v) a certificate issued by the Association in compliance with Article 7 of the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001,

(vi) a certificate issued by the Association in compliance with Article 12 of the Nairobi International Convention on the Removal of Wrecks 2007,

notwithstanding the exclusions in Rule 24(1) War Risks and/or Rule 25 Radioactive Materials, the Member shall indemnify the Association to the extent that any payment under such guarantee, undertaking or certificate in discharge of the said liabilities, costs and expenses is or would have been recoverable in whole or in part under a standard P&I war risk policy had the Member complied with the terms and conditions thereof.

PROVIDED ALWAYS THAT:

(A) a standard P&I war risk policy shall mean an insurance against such risks and for such amounts as the Association in its discretion shall decide was reasonable for the Member to have obtained, and

(B) the Association shall not provide insurance for any liabilities, costs or expenses if the provision of such insurance would create a liability for the Member under the Tanker Oil Pollution Indemnification Agreement 2006 (TOPIA 2006) to contribute to the IOPC Supplementary Fund.

(b) The Member agrees that:

(i) any payment by the Association under any such guarantee, undertaking or certificate in discharge of the said liabilities, costs and expenses shall, to the extent of any amount recovered under any other policy of insurance or under Rule 24(2), be by way of loan, and

(ii) there shall be assigned to the Association to the extent and on the terms that the Association determines in its discretion to be practicable all the rights of the Member under any other insurance and against any third party.

31 (2)

DOUBLE INSURANCE

The Association shall not, unless and to the extent that the Directors in their discretion otherwise decide, be liable for any liabilities, costs or expenses recoverable under any other insurance or which would have been so recoverable:

(a) apart from any terms in such other insurance excluding or limiting liability on the grounds of double insurance, and

(b) if the Ship had not been entered in the Association with cover against the risks set out in these Rules.

Rule 32 Circulars

- 32 (1) The Directors or the Managers may from time to time issue a Circular in respect of any matter as they see fit.
- 32 (2) The Directors or the Managers may from time to time make a recommendation to any Member or to all Members in connection with the operation of any or all Entered Ships. Notice of such a recommendation shall be given by Circular either at the commencement of or during the period of insurance and shall take effect as set out in Rule 50(3) unless the Circular specifies some later date.
- 32 (3) A Member shall use his best endeavours to comply with such a recommendation and the Members Board may, in its absolute discretion, reject or reduce any claim made by the Member to the extent to which it would not have arisen if the Member had complied with the recommendation and the burden of proving in each case that the liability, cost or expense (or portion thereof) could not have been avoided by such a compliance shall be on the Member.

Note: Copies of Circulars should be viewed at or downloaded from the 'News' section of the Association's website: www.nepia.com



SECTION 5

Claims

Rule 33 Obligations of the Member in Respect of Claims

33 (1) NOTICE

Every Member shall be bound to give prompt notice in writing to the Managers of every incident which could reasonably be expected to give rise to a claim under these Rules and shall furnish the Managers as soon as reasonably possible with all documents or information relevant thereto.

33 (2) MITIGATION OF LOSS

Upon the occurrence of any incident which may give rise to a claim under these Rules, the Member shall take such steps as at the time shall appear proper for the purpose of averting or minimising any loss, damage, expense or liability in respect of which the Member may be insured under these Rules.

33 (3) INFORMATION

A Member must at all times promptly notify the Managers of any information, documents or reports in his or his agents' possession or knowledge relevant to any incident referred to under Rule 33(1). Further he shall, whenever so requested by the Managers, give the Association or its representatives free access to such information, documents or reports with liberty to inspect and copy. Such free access shall include the right to conduct a survey, or to interview any officer, servant or agent of the Member who may in the opinion of the Association be in possession of information relevant to the said incident.

33 (4) TIME LIMIT FOR NOTICE

Every claim against the Member in respect of an incident referred to in Rule 33(1), shall be notified to the Association as soon as possible, but in no case later than twelve months after the Member has received notice that the claim is being, or may be, made against him in respect of such incident.

33 (5) TIME LIMIT FOR REIMBURSEMENT

All requests by a Member for reimbursement of any losses, costs or expenses recoverable from the Association under these Rules and the Certificate of Entry must be made to the Association within twelve months of the incurring of the loss or the payment of the cost or expense by the Member.

PROVIDED ALWAYS THAT in Rule 33(1), 33(3), 33(4) and 33(5), unless and to the extent that the Members Board in its discretion otherwise decides, compliance with the provisions of this Rule shall be a condition precedent to a Member's right to recover from the funds of the Association.

Rule 34 Powers of the Managers Relating to the Handling and Settlement of Claims

34 (1) The Managers shall have the right, if they so decide, to control or direct the conduct of any claim or legal or other proceedings relating to any matter which may result in loss, damage, expense or liability in respect of which the Member is or may be insured under these Rules and the Certificate of Entry and to require the Member to settle, compromise or otherwise dispose of such claim or proceedings in such manner and upon such terms as the Managers see fit.

34 (2) If the Member does not settle, compromise, or dispose of a claim or of proceedings after being required to do so by the Managers in accordance with Rule 34(1), any eventual recovery by the Member from the Association in respect of such claim or proceedings shall be limited to the amount he would have recovered if he had acted as required by the Managers.

34 (3) ABANDONMENT

In the event of an Entered Ship becoming an actual or constructive total loss, the Association shall, subject to the hull underwriters' rights in the matter, be entitled to request the Member concerned to abandon the Ship to the Association or to such other person (including the world at large) as the Association shall nominate. If the Member concerned does not abandon the Ship having received such a request from the Association, the Association shall not be responsible for any claim that could have been avoided had the Member abandoned the Ship as aforesaid, and the burden of proving that the claim could not have been avoided by such abandonment shall be upon the Member.

34 (4) APPOINTMENT

(a) Without prejudice to any other provision of these Rules and without waiving any of the Association's rights hereunder, the Managers may at any and all times appoint on behalf of the Member, upon such terms as the Managers may think fit, lawyers, surveyors or other persons with a view to advising them upon, investigating or dealing with any matter which may result in loss, damage, expense or liability in respect of which the Member is or may be insured under these Rules, including taking or defending legal or other proceedings in connection therewith. The Managers may also at any time discontinue such employment if they think fit.

- (b) All lawyers, surveyors or other persons appointed by the Managers on behalf of the Member, or appointed by the Member with the prior consent of the Managers, shall at all times be and be deemed to be appointed and employed on the terms:
- (i) that they have been instructed by the Member at all times (both while so acting and after having retired from the matter) to give advice and to report to the Association in connection with the matter without prior reference to the Member and to produce to the Association without prior reference to the Member any documents or information in their possession or power relating to such matter, all as if such person had been appointed to act and had at all times been acting on behalf of the Association;
 - (ii) that any advice they may give to the Member is that of an independent contractor employed by the Member and shall in no way bind the Association.
- (c) Without prejudice to the generality of the above provisions or Rule 46, nothing said, seen or done by the surveyor appointed by the Association or advice given prior to, during, or after survey and/or inspection shall be taken as in any way derogating from the Member's responsibility for the safety and seaworthiness of the Ship and its mandatory compliance with any classification, statutory, flag state or port state requirement or any other issues relating to the safety of the Ship, its crew, cargo, and any other person, places or entities which may be affected by the operation of the Ship.

34 (5)

BAIL

- (a) The Association is under no obligation to provide bail or other security on behalf of any Member, but where the same is provided it shall be on such terms as the Managers may consider appropriate and shall not constitute any admission of liability by the Association for the claim in respect of which the bail or other security is given. Unless the Directors in the exercise of their discretion shall otherwise determine in no case shall cash deposits be made by the Association.
- (b) It shall be a condition of the provision of bail or other security on behalf of any Member, that the Member shall indemnify the Association for any costs associated with the provision of such bail or other security and for any liability the Association may incur to a third party under or in connection with such bail or other security.
- PROVIDED ALWAYS THAT* in Rule 34(5)(b) the indemnity shall not extend to those amounts that the Member would have been entitled to recover from the Association under these Rules had he paid them directly.
- (c) The Member agrees that by authorising the provision of bail or other security, the Association is given full power to conduct and control all related proceedings (including the power to settle, compromise or dispose of such proceedings) and the Member shall provide or execute any documents required to allow the Association to effect such conduct or control.

Rule 35 Powers of the Directors Relating to the Settlement of Claims on the Association

35 (1) MEETINGS

The Directors shall meet as often as may be required for settlement of claims which shall be paid by the Association as the Directors may determine in accordance with these Rules, but the Directors shall have power from time to time to authorise the Managers to effect payment of claims without prior reference to the Directors. No Director shall take part in the consideration of or vote upon any claim against the Association in which he is interested.

35 (2) CLAIMS

Without prejudice to any other provisions of these Rules, the Members Board shall have power in its discretion to reject a claim or reduce the sum payable by the Association in respect thereof if the Members shall have failed to comply with any of the provisions of Rules 33 and 34.

35 (3) INTEREST AND CONSEQUENTIAL LOSS

In no case shall a Member be entitled to be paid interest on his claim against the Association. Unless the Members Board in its discretion shall otherwise determine, a Member shall have no rights to recover any losses suffered as a consequence of delay or failure on the part of the Association to reimburse a Member.

Rule 36 Provisions Relating to Overspill Claims

36 (1) RECOVERABILITY

(a) Without prejudice to any other applicable limit, any Overspill Claim incurred by the Association shall not be recoverable from the Association in excess of the aggregate of:

(i) that part of the Overspill Claim which is eligible for pooling under the Pooling Agreement but which, under the terms of the Pooling Agreement, is to be borne by the Association, and

(ii) the maximum amount that the Association is able to recover from the other parties to the Pooling Agreement as their contributions to the Overspill Claim.

(b) The aggregate amount referred to in Rule 36(1)(a) shall be reduced to the extent that the Association can evidence:

(i) that costs have been properly incurred by it in collecting or seeking to collect:

(a) Overspill Calls levied to provide funds to pay that part of the Overspill Claim referred to in Rule 36(1)(a)(i), or

(b) the amount referred to in 36(1)(a)(ii), or

(ii) that it is unable to collect an amount equal to that part of the Overspill Claim referred to in Rule 36(1)(a)(i) which it had intended to pay out of the levy of Overspill Calls because any Overspill Calls so levied, or parts thereof, are not economically recoverable, provided that if, due to a change in circumstances, such amounts subsequently become economically recoverable, the aggregate amount referred to in Rule 36(1)(a) shall be reinstated to that extent.

(c) In evidencing the matters referred to in Rule 36(1)(b)(ii) the Association shall be required to show that:

(i) it has levied Overspill Calls in respect of the Overspill Claim referred to in Rule 36(1)(a) on all Members entered in the Association on the Overspill Claim Date in accordance with and in the maximum amounts permitted under Rule 13, and

(ii) it has levied those Overspill Calls in a timely manner, has not released or otherwise waived a Member's obligation to pay those calls and has taken all reasonable steps to recover those calls.

36 (2)

PAYMENT

(a)

The funds required to pay any Overspill Claim incurred by the Association shall be provided:

(i) from such sums as the Association is able to recover from the other parties to the Pooling Agreement as their contributions to the Overspill Claim, and

(ii) from such sums as the Association is able to recover from any special insurance which may, in the discretion of the Managers, have been effected to protect the Association against the risk of payments of Overspill Claims, and

(iii) from such proportion as the Directors in their discretion determine of any sums standing to the credit of such Overspill Reserves as the Directors may in their discretion have established, and

(iv) by levying one or more Overspill Calls in accordance with Rule 13, irrespective of whether the Association has sought to recover or has recovered all or any of the sums referred to in Rule 36(2)(a)(ii) but provided the Directors shall first have made a determination in accordance with Rule 36(2)(a)(iii), and

(v) from any interest accruing to the Association on any funds provided as aforesaid.

- (b) The funds required to pay such proportion of any Overspill Claim incurred by any other party to the Pooling Agreement which the Association is liable to contribute under the terms of the Pooling Agreement shall be provided in the manner specified in Rule 36(2)(a) paragraphs (ii)-(v).
- (c) To the extent that the Association intends to provide funds required to pay any Overspill Claim incurred by it in the manner specified in Rule 36(2)(a)(iv), the Association shall only be required to pay such Overspill Claim as and when such funds are received by it, provided that it can show from time to time that, in seeking to collect such funds, it has taken the steps referred to in Rule 36(1)(c).

36 (3) EXPERT DETERMINATIONS

- (a) Any of the issues referred to in Rule 36(3)(b) on which the Association and a Member cannot agree shall be referred to a panel (the “Panel”) constituted in accordance with arrangements established in the Pooling Agreement which, acting as a body of experts and not as an arbitration tribunal, shall determine the issue.
- (b) This Rule 36(3) shall apply to any issue of whether, for the purpose of applying any of Rules 36(1)(b), 36(1)(c) and 36(2)(c) in relation to any Overspill Claim (the “relevant Overspill Claim”):
 - (i) costs have been properly incurred in collecting or seeking to collect Overspill Calls, or
 - (ii) any Overspill Call or part thereof is economically recoverable, or
 - (iii) in seeking to collect the funds referred to in Rule 36(2)(c), the Association has taken the steps referred to in that Rule.
- (c) If the Panel has not been constituted at a time when a Member wishes to refer an issue to it, the Association shall, on request by the Member, give a direction for the constitution of the Panel as required under the Pooling Agreement.
- (d) The Association may (and, on the direction of the Member, shall) give such direction as is required under the Pooling Agreement for the formal instruction of the Panel to investigate any issue and to give its determination as soon as reasonably practicable.
- (e) The Panel shall in its discretion decide what information, documents, evidence and submissions it requires in order to determine an issue and how to obtain these, and the Association and the Member shall co-operate fully with the Panel.

- (f) In determining any issue referred to it under this Rule 36(3) the Panel shall endeavour to follow the same procedures as it follows in determining issues arising in respect of the relevant Overspill Claim which are referred to it under the Pooling Agreement.
- (g) In determining an issue the members of the Panel:
 - (i) shall rely on their own knowledge and expertise, and
 - (ii) may rely on any information, documents, evidence or submission provided to it by the Association or the Member as the Panel sees fit.
- (h) If the three members of the Panel cannot agree on any matter, the view of the majority shall prevail.
- (i) The Panel shall not be required to give reasons for any determination.
- (j) The Panel's determination shall be final and binding upon the Association and the Member (subject only to Rule 36(3)(k) and there shall be no right of appeal from such determination.
- (k) If the Panel makes a determination on an issue referred to in Rule 36(3)(b) paragraphs (ii) or (iii) the Association or the Member may refer the issue back to the Panel, notwithstanding Rule 36(3)(j), if it considers that the position has materially changed since the Panel made its determination.
- (l) The costs of the Panel shall be paid by the Association.
- (m) Costs, indemnities and other sums payable to the Panel by the Association in relation to any Overspill Claim, whether the reference to the Panel has been made under this Rule 36(3) or under the Pooling Agreement, shall be deemed to be costs properly incurred by the Association in respect of that Overspill Claim for the purposes specified in Rule 36(1)(b)(i).

SECTION 6

Cesser of Insurance

Rule 37 Cesser of All Insurances

A Member shall cease to be insured by the Association in respect of any and all Ships entered by him or on his behalf (or in a Fleet Entry in which any one or all of his Ships are entered) upon the happening of any of the following events:

- (a) where the Member, being a company or corporation:
- (i) has a receiver, manager, administrator, administrative receiver, liquidator (provisional or otherwise) supervisor or nominee proposed or appointed, or
 - (ii) passes a resolution for winding up (otherwise than for the purpose of a solvent amalgamation or reconstruction), or
 - (iii) proposes, enters into or is subject to any composition or arrangement with his creditors, or
 - (iv) has an administration order made in relation to him, or
 - (v) becomes the subject of a voluntary arrangement, or
 - (vi) makes or is the subject of an application to a court (or its equivalent) of competent jurisdiction for protection from his creditors, or
 - (vii) is the subject of a court order to the effect stipulated in (i) to (vi) above, or
 - (viii) files a petition, passes any resolution or takes any other step to procure the commencement of any proceedings or process of a nature described in (i) to (vii) above or there commences any similar proceeding against him or his assets under applicable bankruptcy or insolvency laws in any jurisdiction, or
 - (ix) ceases to trade, is struck off or dissolved.

- (b) where the Member, being an individual or partnership:
- (i) applies for an interim order, or
 - (ii) proposes or enters into an individual voluntary arrangement or is made bankrupt, or
 - (iii) proposes, enters into or is subject to any composition or arrangement with his creditors, or
 - (iv) has a receiver or manager appointed over any of his assets, business or income, or
 - (v) proposes, makes or is the subject of an application to or order by a court for his winding up or administration, or
 - (vi) makes or is the subject of an application to a court (or its equivalent) of competent jurisdiction for protection from his creditors, or
 - (vii) files a petition, passes any resolution or takes any other step to procure the commencement of any proceedings or process of a nature described in (i) to (vi) above or there commences any similar proceeding against him or his assets under applicable bankruptcy or insolvency laws in any jurisdiction, or
 - (viii) ceases to trade and where the Member is a partnership, is dissolved, or
 - (ix) dies or becomes incapable by reason of mental disorder of managing and administering his property and affairs (and if a partnership, all of the partners die or become mentally incapable);
- (c) if having failed to pay when due and demanded by the Managers any sum due from him to the Association, he is served with a notice by or on behalf of the Managers or the Association requiring to pay such sum on or before any date which may be specified in such notice and he fails to pay such sum in full on or before the date so specified.

Rule 38 Cesser of Ship Entry

A Member shall cease to be insured by the Association in respect of an Entered Ship upon the happening of any of the following events in relation to such Ship:

TRANSFER OF INTEREST

- (a) if the Member shall cease to have a legal, beneficial or other interest in the Ship, or if entire control and possession is transferred whether by demise charter or otherwise;
- (b) if the managers or operators of the Ship shall be changed;

PROVIDED ALWAYS THAT the Managers at their sole discretion may waive this Rule 38(b).

TOTAL LOSS

- (c) if the Ship becomes a total loss or is accepted by the hull underwriters as being a constructive, compromised or arranged total loss or upon a decision by the Managers that the Ship is deemed to be a constructive, compromised or arranged total loss, except as regards liabilities covered by these Rules and flowing from the casualty which gave rise to such total loss or deemed total loss of the Ship;
- (d) if the Ship shall be missing for 10 days from the date she was last heard of or from her being posted at Lloyd's as missing, whichever shall be the earlier;

MORTGAGE

- (e) if the Ship be mortgaged or otherwise hypothecated, unless an undertaking or guarantee approved by the Managers is given to pay all Contributions due or to become due in respect of the Ship;

PROVIDED ALWAYS THAT the Managers may waive this Rule 38(e).

CLASSIFICATION

- (f) if the Member fails to meet the requirements of Rule 29(a) (Classification);

TERMINATION

- (g) if the entry of the Ship shall have been terminated in accordance with Rule 11(3) (Termination at the end of the Policy Year) or Rule 11(4) (Termination by Directors or Managers) or Rule 30 (Obligations of the Member in Respect of Surveys) or Proviso (B)(iii) to Rule 19(13) (OPA 1990);

SANCTIONS, PROHIBITION AND ADVERSE ACTION

- (h) if the Entered Ship is employed by the Member in a carriage, trade or on a voyage which, or the provision of insurance for which, will thereby in any way howsoever expose the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation.

Rule 39 Effect of Cesser of Insurance

39 (1) FOR FAILURE TO PAY

If the cesser of insurance shall have occurred by virtue of Rule 37(c) (Failure to pay sums due), the provisions of Rule 17(1) shall apply.

39 (2) FOR ANY OTHER REASON

Except as provided in Rule 17(2) and 41, if the cesser of insurance shall have occurred by virtue of any other reason the Association shall remain liable for all claims under these Rules arising by reason of any incident which occurred before the cesser but shall be under no liability whatsoever by reason of any incident which occurred after the cesser.

Rule 40 Amounts Due on Cesser of Insurance

40 (1)

Subject to his liability being otherwise agreed or assessed under Rule 16 (Release), a Member whose Entered Ship or Ships cease to be insured by the Association for any reason, shall be and remain liable to pay to the Association all Contributions in respect of such Ship or Ships for the Policy Year in which the insurance ceases which, under Rule 12 (Contribution) such Member would have been liable to pay had the insurance of such Ship or Ships not ceased.

PROVIDED ALWAYS THAT in Rule 40(1) with the exception of Overspill Calls the Member shall be liable for Contributions for such Policy Year pro rata only for the period beginning with the date of entry and ending with the happening of the event that occasioned the cesser of insurance if:

- (i) such cesser arises by virtue of Rule 11(4) (Termination of cover by Directors or Managers) or Rule 30 (Obligations of the Member in Respect of Surveys), or
- (ii) such cesser arises upon the happening of the events specified under Rule 38(a) to (f) and the Member gives notice of the event in writing to the Managers within one month of the date thereof, or
- (iii) such cesser arises by virtue of Rule 38(h).

40 (2)

SET-OFF

For the purpose of determining whether any (and if so, what) sum is due for the purposes of Rule 40(1) or otherwise under these Rules no account shall be taken of any amount due or alleged to be due by the Association or, for the avoidance of doubt, by North of England (Bermuda) to the Member in his capacity as a member of North of England (Bermuda) for any reason whatsoever, and no set-off of any kind (including any set-off which might otherwise have arisen by reason of the bankruptcy or winding up of the Member) shall be allowed against such sum (whether or not any set-off against Contributions or Fixed Premiums has been allowed at any time in the past) except to the extent (if any) to which any sum demanded by the Managers as due, and required to be paid in a notice served under Rule 37(c) (Cesser for Non-Payment) may (in the Managers' discretion) in itself have already allowed for a set-off or credit in favour of the Member.

40 (3)

A Member whose Entered Ship or Ships cease to be insured by the Association for any reason shall immediately become liable to pay to the Association a sum equivalent to any deductible under the Member's terms of entry for any claim for which bail or other security has been provided by the Association under Rule 34(5).

Rule 41 Security for Overspill Calls on Cesser

- 41 (1) IF:
- (a) the Directors make a declaration in accordance with Rule 42(1) or 42(3) that a Policy Year shall remain open for the purpose of levying an Overspill Call or Calls, and
- (b) a Member who is liable to pay any such Overspill Call or Calls as may be levied by the Directors in accordance with Rule 13 ceases or has ceased to be insured by the Association for any reason, or the Association determines that the insurance of any such Member shall cease, the Managers may require such Member to provide to the Association by such date as the Managers may determine (the “due date”) a guarantee or other security in respect of the Member’s estimated future liability for such Overspill Call or Calls, such guarantee or other security to be in such form and amount (the “guarantee amount”) and upon such terms as the Managers in their discretion may deem to be appropriate in the circumstances.
- 41 (2) Unless and until such guarantee or other security as is required by the Managers has been provided by the Member, the Member shall not be entitled to recovery from the Association of any claims whatsoever and whensoever arising in respect of any Entered Ship for any Policy Year.
- 41 (3) If such guarantee or other security is not provided by the Member to the Association by the due date, a sum equal to the guarantee amount shall be due and payable by the Member to the Association on the due date, and shall be retained by the Association as a security deposit on such terms as the Managers in their discretion may deem to be appropriate in the circumstances.
- 41 (4) The provision of a guarantee or other security as required by the Managers (including a payment in accordance with Rule 41(3)) shall in no way restrict or limit the Member’s liability to pay such Overspill Call or Calls as may be levied by the Directors in accordance with Rule 13.



SECTION 7

The Funds of the Association

Rule 42 Closing of Policy Years

42 (1) CLOSING OF POLICY YEARS FOR OVERSPILL CALLS

If at any time prior to the expiry of a period of 36 months from the commencement of a Policy Year (the “relevant Policy Year”), any of the parties to the Pooling Agreement sends a notice (an “Overspill Notice”) in accordance with the Pooling Agreement that an incident or occurrence has occurred in the relevant Policy Year which has given or at any time may give rise to an Overspill Claim, the Directors shall as soon as practicable declare that the relevant Policy Year shall remain open for the purpose of levying an Overspill Call or Calls in respect of that claim and the relevant Policy Year shall not be closed for the purpose of making an Overspill Call or Calls in respect of that claim until such date as the Directors shall determine.

42 (2) If at the expiry of the period of 36 months provided for in Rule 42(1), no Overspill Notice as therein provided for has been sent, the relevant Policy Year shall be closed automatically for the purpose of levying Overspill Calls only, whether or not closed for any other purposes, such closure to have effect from the date falling 36 months after the commencement of the relevant Policy Year.

42 (3) If at any time after a Policy Year has been closed in accordance with the provisions of Rules 42(1) and 42(2), any of the parties to the Pooling Agreement sends a notice (an “Overspill Notice”) in accordance with the Pooling Agreement that an incident or occurrence has occurred in the relevant Policy Year which has given or at any time may give rise to an Overspill Claim, the Directors shall as soon as practicable declare that the earliest subsequent open Policy Year (not being a Policy Year in respect of which the Directors have already made a declaration in accordance with Rule 42(1) or 42(3)) shall remain open for the purpose of levying an Overspill Call or Calls in respect of that claim and such open Policy Year shall not be closed for the purpose of making an Overspill Call or Calls in respect of that claim until such date as the Directors shall determine.

42 (4) A Policy Year shall not be closed for the purpose of levying Overspill Calls save in accordance with these Rules 42(1) to (4).

42 (5) CLOSING OF POLICY YEARS FOR OTHER PURPOSES

For all purposes other than levying Overspill Calls the Directors shall with effect from such date after the end of each Policy Year as they think fit declare that such Policy Year shall be closed.

42 (6) If upon the closing of any Policy Year it shall appear to the Directors that the whole of the Contributions (other than Overspill Calls) and other receipts in respect of such Policy Year (and of all transfers from reserves and provisions made for the credit of or in respect of such Policy Year) are unlikely to be required to meet the claims, expenses and outgoings arising in respect of that Policy Year (as referred to in Rule 12) then the Directors may decide to dispose of any excess which in their opinion is not so required in one or both of the following ways:

- (a) by transferring the excess or any part thereof to the reserves of the Association in accordance with Rule 44;
- (b) by returning it in whole or in part to the Members who paid such Contributions in proportion to their respective Contributions save that no return shall be made in respect of any Ship which has been subject to a release under Rule 16 or which was entered on special terms which specially excluded liability to contribute to Additional Calls or the entry of which ceased by reason of the application of Rule 37(c) (Cesser for Non-Payment).

42 (7) If at any time or times after a Policy Year shall have been closed it shall appear to the Directors that the claims, expenses and outgoings arising in respect of that Policy Year (as referred to in Rule 12) exceed or are likely to exceed the totality of the Contributions and other receipts in respect of such Policy Year (and of all transfers from reserves and provisions made for the credit of or in respect of such Policy Year) then the Directors may decide to provide for such deficiency in any one or more of the following ways:

- (a) by transferring funds from the reserves of the Association;
- (b) by transferring funds standing to the credit of any different closed Policy Year;
- (c) by making an Additional Call in respect of an open Policy Year with the intention (as permitted by Rule 12(1)(c)) of applying a part thereof to meet any such deficiency.

If the Directors shall resolve as set out in sub-paragraph (c) above, then the Managers shall inform the Members entered for such Policy Year on or before the time that payment is demanded.

- 42 (8) At any time after any Policy Year shall have been closed the Directors may resolve to amalgamate the accounts of any two or more closed Policy Years and to pool the amounts standing to the credit of the same. If the Directors shall so resolve then the two or more closed Policy Years concerned shall for all purposes be treated as though they constituted a single closed Policy Year.

Rule 43 Reinsurance

43 (1) RISKS OF THE ASSOCIATION

The Managers may reinsure or cede on behalf of the Association the whole or any part of the risks of the Association (including any risk which may arise under the Pooling Agreement) with such reinsurers and on such terms as the Managers shall consider appropriate.

43 (2) POOLING AGREEMENT

The Association may continue to be a party to the Pooling Agreement or to any other agreement of a similar nature or purpose.

43 (3) SANCTIONS – RECOVERY FROM REINSURANCE RULE

The Association shall in no circumstances have a liability to a Member in respect of that part of any liabilities, costs and expenses which is not recovered by the Association from parties to any such reinsurance contract including but not limited to the Pooling Agreement, and/or the Group Excess Loss Reinsurance Contract because of a shortfall in recovery from such parties or reinsurers by reason of any sanction, prohibition or adverse action against them by any state or international organisation or the risk thereof if payment were to be made by such parties or reinsurers.

Rule 44 Reserves

- 44 (1) The Directors may establish and maintain such reserve funds or other accounts for such contingencies or purposes as they think fit including, but not limited to, an Overspill Reserve and a Contingency Account.

44 (2) OVERSPILL RESERVE

The Directors may, in their discretion, establish and maintain a reserve (an "Overspill Reserve") to provide a source of funds which may be applied towards meeting any Overspill Claim or Claims.

- 44 (3) Funds to be applied to the Overspill Reserve may be raised in any of the following ways:

- (a) the Directors when deciding on the rate of any Contribution or Fixed Premium for any Policy Year, may resolve that any specified amount or proportion of such Contribution or Fixed Premium shall be transferred to and applied for the purposes of the Overspill Reserve;

- (b) the Directors may on the closing of any Policy Year or at any time or times thereafter resolve that any specified amount or proportion of the funds standing to the credit of that Policy Year shall be transferred to and applied for the purposes of the Overspill Reserve;
- (c) the Directors may transfer to the Overspill Reserve any balance of an Overspill Call not required to satisfy the Overspill Claim in respect of which it was levied, as contemplated in Rule 13(7)(a).

44 (4) CONTINGENCY ACCOUNT AND OTHER RESERVES

The Directors may establish and maintain reserves which may include a Contingency Account to provide a source of funds which can be applied for any general purposes of the Association including the following; to stabilise the level of the Additional Calls and to eliminate or reduce the need to levy an Additional Call in respect of any Policy Year, past, present or future, to eliminate or reduce a deficiency which has occurred or may be thought likely to occur in respect of any closed Policy Year; to protect the Association against any actual or potential losses on exchange, or in connection with its investments, realised or unrealised.

- 44 (5) The Directors may apply the sums standing to the credit of any reserve (other than the Overspill Reserve) for any of the purposes for which that reserve was maintained even though the sum be paid in respect of any different Policy Year or Years from that from which the funds originated. The Directors may also apply the sums standing to the credit of that reserve for any other or different purposes whenever the Directors consider this to be in the interests of the Association or its Members. The Directors may also at any time transfer sums from one reserve (not being the Overspill Reserve) to another.

- 44 (6) The funds required to establish such reserves or accounts (other than the Overspill Reserve) may be raised in either or both of the following ways:

- (a) the Directors, when deciding on the rate of any Contribution or Fixed Premium for any Policy Year, may resolve that any specified amount or proportion of such Contribution or Fixed Premium shall be transferred to and applied to the purposes of any such reserve or account;
- (b) the Directors may on the closing of any Policy Year or at any time or times thereafter resolve that any specified amount or proportion of the funds standing to the credit of that Policy Year shall be transferred to and applied for the purposes of any such reserve or account.

- 44 (7) If the Directors shall resolve as set out in Rule 44(6)(a) then the Managers shall inform the Members entered for such Policy Year on or before the time that payment is demanded.

Rule 45 Investment

- 45 (1) The funds of the Association may (subject to the general supervision of the Directors) be invested by the Managers by means of the purchase of such stocks, shares, bonds, debentures or other securities or the purchase of such currencies, commodities, or other real or personal property, or by means of being deposited in such accounts as the Managers may think fit. The funds of the Association may also be invested by such other method as the Directors may approve.
- 45 (2) Unless the Directors otherwise decide, all the funds standing to the credit of any Policy Year or of any reserve or account shall be pooled and invested as one fund.
- 45 (3) When funds are pooled as provided in Rule 45(2) the investment income arising on the pooled funds (including capital gains and losses and gains and losses on foreign exchange transactions) may be applied to or apportioned between one or more Policy Years, reserve, fund or account at the Directors' sole discretion, irrespective of the Policy Year from which the funds originated.
- 45 (4) Without prejudice to Rule 45(3), the Directors may direct that after the closing of any Policy Year that Year shall not be credited with any share of the apportionments made under that paragraph and that its share shall instead be credited to any reserve or account maintained by the Association.

SECTION 8

General Terms and Conditions

Rule 46 Forbearance

46 (1) No act, omission, course of dealing, forbearance, delay, indulgence or conduct (including negligence) of the Association whatsoever and whensoever occurring, whether by or through its officers, servants or agents or otherwise, shall constitute any admission or promise that the Association will forego any of its rights under these Rules or relevant statutory enactments.

46 (2) **WAIVER BY DIRECTORS AND MANAGERS**

(a) The Directors and/or the Managers may in their sole discretion reinstate insurance (whether retroactively or otherwise) where such insurance has ceased pursuant to the provisions of these Rules from such date and to such extent and upon such terms and conditions as the Directors and/or the Managers may determine.

(b) Although the Association shall at all times and without notice be entitled to insist on the strict application of these Rules or relevant statutory enactments, the Directors and/or the Managers may in their sole discretion waive any of the Association's rights arising from any neglect or non-compliance therewith, or breach thereof by a Member, and may pass and pay in full or in part any claim which they think fit.

PROVIDED ALWAYS THAT in Rule 46(2)(b) where such neglect, non-compliance or breach of any of these Rules by a Member has resulted in his insurance ceasing, the Directors and/or the Managers shall have first determined that such insurance should be reinstated in accordance with Rule 46(2)(a).

Rule 47 Assignment

47 (1) No insurance given by the Association and no interest under these Rules or under any contract between the Association and any Member, may be assigned without the written consent of the Managers who shall have the right in their discretion to give or refuse such consent without stating any reason or to give such consent upon any such terms or conditions as they may think fit.

47 (2)

SET-OFF

The Association shall be entitled before making any payment to an assignee to deduct or retain such amount as the Managers may then estimate to be sufficient to discharge any liabilities or potential liabilities of the Member to the Association.

Rule 48 Delegation

48 (1)

Whenever any power, duty or discretion is stated in these Rules to be vested in the Directors such power, duty or discretion shall be exercisable by the Directors unless the same shall have been delegated to any sub-committee of the Directors or to the Managers or to the Members Board (as the case may be) in accordance with the provisions as regards delegation contained in the Memorandum and Articles of Association of the Association in which event the power, duty or discretion may be exercised by any person to whom the same shall have been so delegated.

48 (2)

Whenever any power, duty or discretion is stated in these Rules to be vested in the Members Board such power, duty or discretion shall be exercisable by the Members Board unless the same shall have been delegated to any committee of the Members Board or to the Managers (as the case may be) in accordance with the provisions as regards delegation contained in the Memorandum and Articles of Association of the Association in which event the power, duty or discretion may be exercised by any person to whom the same shall have been so delegated.

Rule 49 Disputes, Differences and Debt

49 (1)

Except as provided in Rules 36(3) and 49(3), any difference or dispute which arises between an Insured Party and the Association out of or in connection with these Rules or any contract between them or as to the rights or obligations of the Association or the Insured Party thereunder or in connection therewith, shall in the first instance be referred to and adjudicated upon by the Directors. Such reference shall be on written submissions only.

49 (2)

If the Insured Party concerned in such difference or dispute does not accept the decision of the Directors it shall be referred to the arbitration in London of two Arbitrators (one to be appointed by the Association and the other by such Insured Party) and an Umpire to be appointed by the Arbitrators, and the submission to arbitration and all the proceedings therein shall be subject to the provisions of the English Arbitration Act, 1996 and any statutory modification or re-enactment thereof. Such arbitration shall be commenced within one (1) year of the date when notice of the decision of the Directors is given to the Insured Party, failing which any such dispute or difference shall be time barred.

49 (3) SUMS PAYABLE TO THE ASSOCIATION

Notwithstanding Rule 49(1), the Association may, in its sole discretion, recover any monies from time to time payable by a Member either:

- (a) by court proceedings. Where a Member is domiciled within a State which is an original and/or acceding party to the 1968 Brussels Convention and/or 1988 Lugano Convention on Jurisdiction and the Enforcement of Judgements in Civil and Commercial Matters, the English courts will have jurisdiction in respect of court proceedings commenced for the recovery of any such monies payable by that Member, or
- (b) by arbitration in London before two Arbitrators (one to be appointed by the Association and the other by the Member) and an Umpire to be appointed by the Arbitrators, with the submission to arbitration and all the proceedings therein being subject to the English Arbitration Act 1996 and any statutory modification or re-enactment thereof.

49 (4) SOLE REMEDY

Except as provided in Rule 36(3), no Insured Party shall be entitled to maintain any demand, claim, counterclaim or set-off in any legal proceedings whatsoever whether commenced by or against the Association or any action, suit or other legal proceedings whatsoever against the Association otherwise than in accordance with the procedures laid down in Rule 49(1) and Rule 49(2) and may only commence proceedings other than the arbitration under Rule 49(2) so as to enforce an award under such arbitration and then only for such sum if any as the award may direct to be paid by the Association. The sole obligation of the Association to such Insured Party under these Rules and any Certificate of Entry in respect of such difference or dispute shall be to pay such sum as may be directed by such an award.

PROVIDED ALWAYS THAT notwithstanding Rules 49(1), (2) and (3) the Association shall be entitled at any time to take whatever action is deemed necessary by the Managers to obtain security for any claims the Association may have against the Insured Party, including the right of the Association to take action and/or commence proceedings in any jurisdiction to enforce its right of lien on ships.

Rule 50 Notices

50 (1) ON THE ASSOCIATION

A notice or other document required under these Rules to be served on the Association may be served in writing by sending it through the post in a prepaid letter or by sending it by courier, facsimile, email (to general@nepia.com) or other electronic communication addressed to the Association at the Association's registered office for the time being.

50 (2) ON AN INSURED PARTY

A notice or other document required under these Rules or the Articles of Association to be served on an Insured Party may be served in writing by sending it through the post in a pre-paid letter or by sending it by courier, facsimile, email or other electronic communication addressed to the Member at his address appearing in the Association's records or to his broker or agent. In the case of joint members notice shall be served on any such Member or on his broker or agent and such service shall be sufficient service upon all joint members.

50 (3) DATE OF SERVICE

Any notice or other document, if served by post or courier, shall be deemed to have been served on the day following the day on which the letter containing the same was put in the post or handed to the courier and in proving such service it shall be sufficient to prove that the letter containing the notice or other document was properly addressed and put into the post in a pre-paid letter or handed to the courier. Any such notice or other document served by facsimile, email or other electronic communication, shall be deemed to have been served on the day on which it was despatched and in proving such service it shall be sufficient to prove that such facsimile, email or other electronic communication was duly despatched.

50 (4) SUCCESSORS

The successors of anyone who is or was at any time an Insured Party of the Association shall be bound by a notice or other document served as aforesaid if sent to the last such address of the member or of his broker or agent notwithstanding that the Association may have notice of the Insured Party's death, disability, lunacy, bankruptcy or liquidation.

Rule 51 Jurisdiction

These Rules and any contract of insurance between the Association and a Member shall be governed by and construed in accordance with English law, subject to the right of the Association under Rule 49(3) to enforce its right of lien in any jurisdiction in accordance with the local law of such jurisdiction.

Recommended Clauses

Copies of the Clauses referred to in this list are available to view and download at: www.nepia.com

BOTH TO BLAME COLLISION CLAUSE

(for use in bills of lading)

DECK CARGO CLAUSE FOR VOYAGES TO AND FROM PORTS IN THE USA ONLY

GENERAL DECK CARGO CLAUSE

HIMALAYA CLAUSE FOR BILLS OF LADING AND OTHER CONTRACTS

Exemptions and Immunities of all Servants and Agents of the Carrier

NEW JASON CLAUSE

(for use in bills of lading)

GENERAL CLAUSE PARAMOUNT

(for use in bills of lading, voyage charter parties and waybills)

GENERAL CLAUSE PARAMOUNT FOR VOYAGES TO OR FROM CANADIAN PORTS

(for use in bills of lading, voyage charter parties and waybills)

GENERAL CLAUSE PARAMOUNT FOR VOYAGES TO OR FROM UNITED STATES PORTS

(for use in bills of lading, voyage charter parties and waybills)

BULK CARRIER SAFETY CLAUSE

(for use in voyage charter parties)

CARRIAGE OF NUCLEAR MATERIALS CLAUSE

(for use in charter parties)

VOYWAR 2004

(War Risks Clause for voyage charter parties)

BIMCO PIRACY CLAUSE FOR TIME CHARTER PARTIES 2009

CONWARTIME 2004

(War Risks Clause for use in time charter parties)

P&I BUNKERING CLAUSE

(for use in voyage charter parties)

BUNKER QUALITY CONTROL CLAUSE

(for use in time charter parties)

STRIKE CLAUSE

(for use in bills of lading and charter parties)

GENERAL STRIKE CLAUSE

(for use in voyage charter parties)

FINANCIAL SECURITY IN RESPECT OF POLLUTION

BIMCO ISPS/MTSA CLAUSE FOR VOYAGE CHARTER PARTIES 2005

BIMCO ISPS/MTSA CLAUSE FOR TIME CHARTER PARTIES 2005

STOWAWAYS CLAUSE FOR TIME CHARTER PARTIES 2009

**BIMCO BUNKER FUEL SULPHUR CONTENT CLAUSE FOR
TIME CHARTER PARTIES 2005**

BIMCO DISPUTE RESOLUTION CLAUSE 2015

**BIMCO STEVEDORE DAMAGE CLAUSE FOR FIO VOYAGE
CHARTER PARTIES 2008**

BIMCO STEVEDORE DAMAGE CLAUSE FOR TIME CHARTER PARTIES 2008

BIMCO ICE CLAUSE FOR VOYAGE CHARTER PARTIES

BIMCO ICE CLAUSE FOR TIME CHARTER PARTIES

**BIMCO SOLID BULK CARGOES THAT CAN LIQUEFY CLAUSE
FOR CHARTER PARTIES**

BIMCO SANCTIONS CLAUSE FOR TIME CHARTER PARTIES

Standard Form Letters of Indemnity

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Important Note when using these texts

- 1) Attention is drawn to P&I Class Rule 19(17)(D) Discharge at Wrong Port etc
- 2) Charterer Members should contact the Association for the appropriate wording where Charterers are receiving a Letter of Indemnity as Disponent Owners
- 3) Members should also refer to Club Circulars *BILLS OF LADING – DELIVERY OF CARGO*, 01 February 2001, *INTERNATIONAL GROUP STANDARD FORM LETTERS OF INDEMNITY* dated 01 October 2010 and 18 October 2010. Copies are available upon request from the Association or may be found on the Association's website: www.nepia.com

● 1A Standard Form Letter of Indemnity to be given in return for Delivering Cargo Without Production of the Original Bill of Lading

To: [insert name of Owners] [insert date]
The Owners of the [insert name of ship]
[insert address]

Dear Sirs

Ship: [insert name of ship]
Voyage: [insert load and discharge ports as stated in the bill of lading]
Cargo: [insert description of cargo]
Bill of Lading: [insert identification numbers, date and place of issue]

The above cargo was shipped on the above ship by [insert name of shipper] and consigned to [insert name of consignee or party to whose order the bill of lading is made out, as appropriate] for delivery at the port of [insert name of discharge port stated in the bill of lading] but the bill of lading has not arrived and we, [insert name of party requesting delivery], hereby request you to deliver the said cargo to [insert name of the party to whom delivery is to be given] or to such party as you believe to be or to represent [insert same name] or to be acting on behalf of [insert same name] at [insert place where delivery is to be made] without production of the original bill of lading.

In consideration of your complying with our above request, we hereby agree as follows:

1. To indemnify you, your servants and agents and to hold all of you harmless in respect of any liability, loss, damage or expense of whatsoever nature which you may sustain by reason of delivering the cargo in accordance with our request.
2. In the event of any proceedings being commenced against you or any of your servants or agents in connection with the delivery of the cargo as aforesaid, to provide you or them on demand with sufficient funds to defend the same.

3. If, in connection with the delivery of the cargo as aforesaid, the ship, or any other ship or property in the same or associated ownership, management or control, should be arrested or detained or should the arrest or detention thereof be threatened, or should there be any interference in the use or trading of the vessel (whether by virtue of a caveat being entered on the ship's registry or otherwise howsoever), to provide on demand such bail or other security as may be required to prevent such arrest or detention or to secure the release of such ship or property or to remove such interference and to indemnify you in respect of any liability, loss, damage or expense caused by such arrest or detention or threatened arrest or detention or such interference, whether or not such arrest or detention or threatened arrest or detention or such interference may be justified.
4. If the place at which we have asked you to make delivery is a bulk liquid or gas terminal or facility, or another ship, lighter or barge, then delivery to such terminal, facility, ship, lighter or barge shall be deemed to be delivery to the party to whom we have requested you to make such delivery.
5. As soon as all original bills of lading for the above cargo shall have come into our possession, to deliver the same to you, or otherwise to cause all original bills of lading to be delivered to you, whereupon our liability hereunder shall cease.
6. The liability of each and every person under this indemnity shall be joint and several and shall not be conditional upon your proceeding first against any person, whether or not such person is party to or liable under this indemnity.
7. This indemnity shall be governed by and construed in accordance with English law and each and every person liable under this indemnity shall at your request submit to the jurisdiction of the High Court of Justice of England.

Yours faithfully

For and on behalf of

[insert name of Requestor]

The Requestor

Signature

.....

Important Note when using these texts

- 1) Attention is drawn to P&I Class Rule 19(17)(D) Discharge at Wrong Port etc
- 2) Charterer Members should contact the Association for the appropriate wording where Charterers are receiving a Letter of Indemnity as Disponent Owners
- 3) Members should also refer to Club Circulars *BILLS OF LADING – DELIVERY OF CARGO*, 01 February 2001, *INTERNATIONAL GROUP STANDARD FORM LETTERS OF INDEMNITY dated 01 October 2010 and 18 October 2010*. Copies are available upon request from the Association or may be found on the Association's website: www.nepia.com

● 1B **Standard Form Letter of Indemnity to be given in return for
Delivering Cargo Without Production of the Original Bill of Lading
Incorporating a Bank's Agreement to join in the Letter of Indemnity**

To: [insert name of Owners] [insert date]
The Owners of the [insert name of ship]
[insert address]

Dear Sirs

Ship: [insert name of ship]
Voyage: [insert load and discharge ports as stated in the bill of lading]
Cargo: [insert description of cargo]
Bill of Lading: [insert identification numbers, date and place of issue]

The above cargo was shipped on the above ship by [insert name of shipper] and consigned to [insert name of consignee or party to whose order the bill of lading is made out, as appropriate] for delivery at the port of [insert name of discharge port stated in the bill of lading] but the bill of lading has not arrived and we, [insert name of party requesting delivery], hereby request you to deliver the said cargo to [insert name of the party to whom delivery is to be given] or to such party as you believe to be or to represent [insert same name] or to be acting on behalf of [insert same name] at [insert place where delivery is to be made] without production of the original bill of lading.

In consideration of your complying with our above request, we hereby agree as follows:

1. To indemnify you, your servants and agents and to hold all of you harmless in respect of any liability, loss, damage or expense of whatsoever nature which you may sustain by reason of delivering the cargo in accordance with our request.
2. In the event of any proceedings being commenced against you or any of your servants or agents in connection with the delivery of the cargo as aforesaid, to provide you or them on demand with sufficient funds to defend the same.

3. If, in connection with the delivery of the cargo as aforesaid, the ship, or any other ship or property in the same or associated ownership, management or control, should be arrested or detained or should the arrest or detention thereof be threatened, or should there be any interference in the use or trading of the vessel (whether by virtue of a caveat being entered on the ship's registry or otherwise howsoever), to provide on demand such bail or other security as may be required to prevent such arrest or detention or to secure the release of such ship or property or to remove such interference and to indemnify you in respect of any liability, loss, damage or expense caused by such arrest or detention or threatened arrest or detention or such interference, whether or not such arrest or detention or threatened arrest or detention or such interference may be justified.
4. If the place at which we have asked you to make delivery is a bulk liquid or gas terminal or facility, or another ship, lighter or barge, then delivery to such terminal, facility, ship, lighter or barge shall be deemed to be delivery to the party to whom we have requested you to make such delivery.
5. As soon as all original bills of lading for the above cargo shall have come into our possession, to deliver the same to you, or otherwise to cause all original bills of lading to be delivered to you, whereupon our liability hereunder shall cease.
6. The liability of each and every person under this indemnity shall be joint and several and shall not be conditional upon your proceeding first against any person, whether or not such person is party to or liable under this indemnity.
7. This indemnity shall be governed by and construed in accordance with English law and each and every person liable under this indemnity shall at your request submit to the jurisdiction of the High Court of Justice of England.

Yours faithfully

For and on behalf of

[insert name of Requestor]

The Requestor

Signature

.....

We, [insert name of the Bank], hereby agree to join in this Indemnity providing always that the Bank's liability:

1. shall be restricted to payment of specified sums of money demanded in relation to the Indemnity (and shall not extend to the provision of bail or other security)
2. shall be to make payment to you forthwith on your written demand in the form of a signed letter certifying that the amount demanded is a sum due to be paid to you under the terms of the Indemnity and has not been paid to you by the Requestor or is a sum which represents monetary compensation due to you in respect of the failure by the Requestor to fulfil its obligations to you under the Indemnity. For the avoidance of doubt the Bank hereby confirms that:
 - (a) such compensation shall include, but not be limited to, payment of any amount up to the amount stated in proviso 3 below in order to enable you to arrange the provision of security to release the ship (or any other ship in the same or associated ownership, management or control) from arrest or to prevent any such arrest or to prevent any interference in the use or trading of the ship, or other ship as aforesaid, and
 - (b) in the event that the amount of compensation so paid is less than the amount stated in proviso 3 below, the liability of the Bank hereunder shall continue but shall be reduced by the amount of compensation paid.
3. shall be limited to a sum or sums not exceeding in aggregate [insert currency and amount in figures and words]
4. subject to proviso 5 below, shall terminate on [date six years from the date of the Indemnity] (the 'Termination Date'), except in respect of any demands for payment received by the Bank hereunder at the address indicated below on or before that date
5. shall be extended at your request from time to time for a period of two calendar years at a time provided that:
 - (a) the Bank shall receive a written notice signed by you and stating that the Indemnity is required by you to remain in force for a further period of two years, and
 - (b) such notice is received by the Bank at the address indicated below on or before the then current Termination Date.

Any such extension shall be for a period of two years from the then current Termination Date and, should the Bank for any reason be unwilling to extend the Termination Date, the Bank shall discharge its liability by the payment to you of the maximum sum payable hereunder (or such lesser sum as you may require).

However, in the event of the Bank receiving a written notice signed by you, on or before the then current Termination Date, stating that legal proceedings have been commenced against you as a result of your having delivered the said cargo as specified in the Indemnity, the Bank agrees that its liability hereunder will not terminate until receipt by the Bank of your signed written notice stating that all legal proceedings have been concluded and that any sum or sums payable to you by the Requestor and/or the Bank in connection therewith have been paid and received in full and final settlement of all liabilities arising under the Indemnity.

6. shall be governed by and construed in accordance with the law governing the Indemnity and the Bank agrees to submit to the jurisdiction of the court stated within the Indemnity.

It should be understood that, where appropriate, the Bank will only produce and deliver to you all original bills of lading should the same come into the Bank's possession, but the Bank agrees that, in that event, it shall do so.

The Bank agrees to promptly notify you in the event of any change in the full details of the office to which any demand or notice is to be addressed and which is stated below and it is agreed that you shall also promptly notify the Bank in the event of any change in your address as stated above.

Please quote the Bank's Indemnity Ref in all correspondence with the Bank and any demands for payment and notices hereunder.

Yours faithfully

For and on behalf of

[insert name of bank]

[insert full details of the office to which any demand or notice is to be addressed]

Signature

.....

Important Note when using these texts

- 1) Attention is drawn to P&I Class Rule 19(17)(D) Discharge at Wrong Port etc
- 2) Charterer Members should contact the Association for the appropriate wording where Charterers are receiving a Letter of Indemnity as Disponent Owners
- 3) Members should also refer to Club Circulars *BILLS OF LADING – DELIVERY OF CARGO*, 01 February 2001, *INTERNATIONAL GROUP STANDARD FORM LETTERS OF INDEMNITY* dated 01 October 2010 and 18 October 2010. Copies are available upon request from the Association or may be found on the Association's website: www.nepia.com

● 2A Standard Form Letter of Indemnity to be given in return for Delivering Cargo at a Port other than that Stated in the Bill of Lading

To: [insert name of Owners] [insert date]
The Owners of the [insert name of ship]
[insert address]

Dear Sirs

Ship: [insert name of ship]
Voyage: [insert load and discharge ports as stated in the bill of lading]
Cargo: [insert description of cargo]
Bill of Lading: [insert identification numbers, date and place of issue]

The above cargo was shipped on the above ship by [insert name of shipper] and consigned to [insert name of consignee or party to whose order the bill of lading is made out, as appropriate] for delivery at the port of [insert name of discharge port stated in the bill of lading] but we, [insert name of party requesting substituted delivery], hereby request you to order the ship to proceed to and deliver the said cargo at [insert name of substitute port or place of delivery] against production of at least one original bill of lading.

In consideration of your complying with our above request, we hereby agree as follows:

1. To indemnify you, your servants and agents and to hold all of you harmless in respect of any liability, loss, damage or expense of whatsoever nature which you may sustain by reason of the ship proceeding and giving delivery of the cargo against production of at least one original bill of lading in accordance with our request.
2. In the event of any proceedings being commenced against you or any of your servants or agents in connection with the ship proceeding and giving delivery of the cargo as aforesaid, to provide you or them on demand with sufficient funds to defend the same.

3. If, in connection with the delivery of the cargo as aforesaid, the ship, or any other ship or property in the same or associated ownership, management or control, should be arrested or detained or should the arrest or detention thereof be threatened, or should there be any interference in the use or trading of the vessel (whether by virtue of a caveat being entered on the ship's registry or otherwise howsoever), to provide on demand such bail or other security as may be required to prevent such arrest or detention or to secure the release of such ship or property or to remove such interference and to indemnify you in respect of any liability, loss, damage or expense caused by such arrest or detention or threatened arrest or detention or such interference, whether or not such arrest or detention or threatened arrest or detention or such interference may be justified.
4. The liability of each and every person under this indemnity shall be joint and several and shall not be conditional upon your proceeding first against any person, whether or not such person is party to or liable under this indemnity.
5. This indemnity shall be governed by and construed in accordance with English law and each and every person liable under this indemnity shall at your request submit to the jurisdiction of the High Court of Justice of England.

Yours faithfully

For and on behalf of

[insert name of Requestor]

The Requestor

Signature

.....

Important Note when using these texts

- 1) Attention is drawn to P&I Class Rule 19(17)(D) Discharge at Wrong Port etc
- 2) Charterer Members should contact the Association for the appropriate wording where Charterers are receiving a Letter of Indemnity as Disponent Owners
- 3) Members should also refer to Club Circulars *BILLS OF LADING – DELIVERY OF CARGO*, 01 February 2001, *INTERNATIONAL GROUP STANDARD FORM LETTERS OF INDEMNITY* dated 01 October 2010 and 18 October 2010. Copies are available upon request from the Association or may be found on the Association's website: www.nepia.com

● 2B **Standard Form Letter of Indemnity to be given in return for Delivering Cargo at a Port other than that Stated in the Bill of Lading Incorporating a Bank's Agreement to join in the Letter of Indemnity**

To: [insert name of Owners] [insert date]
The Owners of the [insert name of ship]
[insert address]

Dear Sirs

Ship: [insert name of ship]
Voyage: [insert load and discharge ports as stated in the bill of lading]
Cargo: [insert description of cargo]
Bill of Lading: [insert identification numbers, date and place of issue]

The above cargo was shipped on the above ship by [insert name of shipper] and consigned to [insert name of consignee or party to whose order the bill of lading is made out, as appropriate] for delivery at the port of [insert name of discharge port stated in the bill of lading] but we, [insert name of party requesting substituted delivery], hereby request you to order the ship to proceed to and deliver the said cargo at [insert name of substitute port or place of delivery] against production of at least one original bill of lading.

In consideration of your complying with our above request, we hereby agree as follows:

1. To indemnify you, your servants and agents and to hold all of you harmless in respect of any liability, loss, damage or expense of whatsoever nature which you may sustain by reason of the ship proceeding and giving delivery of the cargo against production of at least one original bill of lading in accordance with our request.
2. In the event of any proceedings being commenced against you or any of your servants or agents in connection with the ship proceeding and giving delivery of the cargo as aforesaid, to provide you or them on demand with sufficient funds to defend the same.

3. If, in connection with the delivery of the cargo as aforesaid, the ship, or any other ship or property in the same or associated ownership, management or control, should be arrested or detained or should the arrest or detention thereof be threatened, or should there be any interference in the use or trading of the vessel (whether by virtue of a caveat being entered on the ship's registry or otherwise howsoever), to provide on demand such bail or other security as may be required to prevent such arrest or detention or to secure the release of such ship or property or to remove such interference and to indemnify you in respect of any liability, loss, damage or expense caused by such arrest or detention or threatened arrest or detention or such interference, whether or not such arrest or detention or threatened arrest or detention or such interference may be justified.
4. The liability of each and every person under this indemnity shall be joint and several and shall not be conditional upon your proceeding first against any person, whether or not such person is party to or liable under this indemnity.
5. This indemnity shall be governed by and construed in accordance with English law and each and every person liable under this indemnity shall at your request submit to the jurisdiction of the High Court of Justice of England.

Yours faithfully

For and on behalf of

[insert name of Requestor]

The Requestor

Signature

We, [insert name of the Bank], hereby agree to join in this Indemnity providing always that the Bank's liability:

1. shall be restricted to payment of specified sums of money demanded in relation to the Indemnity (and shall not extend to the provision of bail or other security)
2. shall be to make payment to you forthwith on your written demand in the form of a signed letter certifying that the amount demanded is a sum due to be paid to you under the terms of the Indemnity and has not been paid to you by the Requestor or is a sum which represents monetary compensation due to you in respect of the failure by the Requestor to fulfil its obligations to you under the Indemnity. For the avoidance of doubt the Bank hereby confirms that:
 - (a) such compensation shall include, but not be limited to, payment of any amount up to the amount stated in proviso 3 below in order to enable you to arrange the provision of security to release the ship (or any other ship in the same or associated ownership, management or control) from arrest or to prevent any such arrest or to prevent any interference in the use or trading of the ship, or other ship as aforesaid, and
 - (b) in the event that the amount of compensation so paid is less than the amount stated in proviso 3 below, the liability of the Bank hereunder shall continue but shall be reduced by the amount of compensation paid.
3. shall be limited to a sum or sums not exceeding in aggregate [insert currency and amount in figures and words]
4. subject to proviso 5 below, shall terminate on [date six years from the date of the Indemnity] (the 'Termination Date'), except in respect of any demands for payment received by the Bank hereunder at the address indicated below on or before that date.
5. shall be extended at your request from time to time for a period of two calendar years at a time provided that:
 - (a) the Bank shall receive a written notice signed by you and stating that the Indemnity is required by you to remain in force for a further period of two years, and
 - (b) such notice is received by the Bank at the address indicated below on or before the then current Termination Date.

Any such extension shall be for a period of two years from the then current Termination Date and, should the Bank for any reason be unwilling to extend the Termination Date, the Bank shall discharge its liability by the payment to you of the maximum sum payable hereunder (or such lesser sum as you may require).

However, in the event of the Bank receiving a written notice signed by you, on or before the then current Termination Date, stating that legal proceedings have been commenced against you as a result of your having delivered the said cargo as specified in the Indemnity, the Bank agrees that its liability hereunder will not terminate until receipt by the Bank of your signed written notice stating that all legal proceedings have been concluded and that any sum or sums payable to you by the Requestor and/or the Bank in connection therewith have been paid and received in full and final settlement of all liabilities arising under the Indemnity.

6. shall be governed by and construed in accordance with the law governing the Indemnity and the Bank agrees to submit to the jurisdiction of the court stated within the Indemnity.

It should be understood that, where appropriate, the Bank will only produce and deliver to you all original bills of lading should the same come into the Bank's possession, but the Bank agrees that, in that event, it shall do so.

The Bank agrees to promptly notify you in the event of any change in the full details of the office to which any demand or notice is to be addressed and which is stated below and it is agreed that you shall also promptly notify the Bank in the event of any change in your address as stated above.

Please quote the Bank's Indemnity Ref in all correspondence with the Bank and any demands for payment and notices hereunder.

Yours faithfully

For and on behalf of

[insert name of bank]

[insert full details of the office to which any demand or notice is to be addressed]

Signature

.....

Important Note when using these texts

- 1) Attention is drawn to P&I Class Rule 19(17)(D) Discharge at Wrong Port etc
- 2) Charterer Members should contact the Association for the appropriate wording where Charterers are receiving a Letter of Indemnity as Disponent Owners
- 3) Members should also refer to Club Circulars *BILLS OF LADING – DELIVERY OF CARGO*, 01 February 2001, *INTERNATIONAL GROUP STANDARD FORM LETTERS OF INDEMNITY* dated 01 October 2010 and 18 October 2010. Copies are available upon request from the Association or may be found on the Association's website: www.nepia.com

● 3A **Standard Form Letter of Indemnity to be given in return for Delivering Cargo at a Port other than that Stated in the Bill of Lading and Without Production of the Original Bill of Lading**

To: [insert name of Owners] [insert date]
The Owners of the [insert name of ship]
[insert address]

Dear Sirs

Ship: [insert name of ship]
Voyage: [insert load and discharge ports as stated in the bill of lading]
Cargo: [insert description of cargo]
Bill of Lading: [insert identification numbers, date and place of issue]

The above cargo was shipped on the above vessel by [insert name of shipper] and consigned to [insert name of consignee or party to whose order the bills of lading are made out, as appropriate] for delivery at the port of [insert name of discharge port stated in the bills of lading] but we, [insert name of party requesting substituted delivery], hereby request you to order the vessel to proceed to and deliver the said cargo at [insert name of substitute port or place of delivery] to [insert name of the party to whom delivery is to be given] or to such party as you believe to be or to represent [insert same name] or to be acting on behalf of [insert same name] without production of the original bill of lading.

In consideration of your complying with our above request, we hereby agree as follows:

1. To indemnify you, your servants and agents and to hold all of you harmless in respect of any liability, loss, damage or expense of whatsoever nature which you may sustain by reason of the ship proceeding and giving delivery of the cargo in accordance with our request.
2. In the event of any proceedings being commenced against you or any of your servants or agents in connection with the ship proceeding and giving delivery of the cargo as aforesaid, to provide you or them on demand with sufficient funds to defend the same.
3. If, in connection with the delivery of the cargo as aforesaid, the ship, or any other ship or property in the same or associated ownership, management or control, should be arrested or detained or should the arrest or detention thereof be threatened, or should there be any interference in the use or trading of the vessel (whether by virtue of a caveat being entered on the ship's registry or otherwise howsoever), to provide on demand such

bail or other security as may be required to prevent such arrest or detention or to secure the release of such ship or property or to remove such interference and to indemnify you in respect of any liability, loss, damage or expense caused by such arrest or detention or threatened arrest or detention or such interference, whether or not such arrest or detention or threatened arrest or detention or such interference may be justified.

4. If the place at which we have asked you to make delivery is a bulk liquid or gas terminal or facility, or another ship, lighter or barge, then delivery to such terminal, facility, ship, lighter or barge shall be deemed to be delivery to the party to whom we have requested you to make such delivery.
5. As soon as all original bills of lading for the above cargo shall have come into our possession, to deliver the same to you, or otherwise to cause all original bills of lading to be delivered to you.
6. The liability of each and every person under this indemnity shall be joint and several and shall not be conditional upon your proceeding first against any person, whether or not such person is party to or liable under this indemnity.
7. This indemnity shall be governed by and construed in accordance with English law and each and every person liable under this indemnity shall at your request submit to the jurisdiction of the High Court of Justice of England.

Yours faithfully

For and on behalf of

[insert name of Requestor]

The Requestor

Signature

.....

Important Note when using these texts

- 1) Attention is drawn to P&I Class Rule 19(17)(D) Discharge at Wrong Port etc
- 2) Charterer Members should contact the Association for the appropriate wording where Charterers are receiving a Letter of Indemnity as Disponent Owners
- 3) Members should also refer to Club Circulars *BILLS OF LADING – DELIVERY OF CARGO*, 01 February 2001, *INTERNATIONAL GROUP STANDARD FORM LETTERS OF INDEMNITY* dated 01 October 2010 and 18 October 2010. Copies are available upon request from the Association or may be found on the Association's website: www.nepia.com

● 3B **Standard Form Letter of Indemnity to be given in return for Delivering Cargo at a Port other than that Stated in the Bill of Lading and Without Production of the Original Bill of Lading Incorporating a Bank's Agreement to join in the Letter of Indemnity**

To: [insert name of Owners] [insert date]
The Owners of the [insert name of ship]
[insert address]

Dear Sirs

Ship: [insert name of ship]
Voyage: [insert load and discharge ports as stated in the bill of lading]
Cargo: [insert description of cargo]
Bill of Lading: [insert identification numbers, date and place of issue]

The above cargo was shipped on the above vessel by [insert name of shipper] and consigned to [insert name of consignee or party to whose order the bills of lading are made out, as appropriate] for delivery at the port of [insert name of discharge port stated in the bills of lading] but we, [insert name of party requesting substituted delivery], hereby request you to order the vessel to proceed to and deliver the said cargo at [insert name of substitute port or place of delivery] to [insert name of the party to whom delivery is to be given] or to such party as you believe to be or to represent [insert same name] or to be acting on behalf of [insert same name] without production of the original bill of lading.

In consideration of your complying with our above request, we hereby agree as follows:

1. To indemnify you, your servants and agents and to hold all of you harmless in respect of any liability, loss, damage or expense of whatsoever nature which you may sustain by reason of the ship proceeding and giving delivery of the cargo in accordance with our request.
2. In the event of any proceedings being commenced against you or any of your servants or agents in connection with the ship proceeding and giving delivery of the cargo as aforesaid, to provide you or them on demand with sufficient funds to defend the same.

3. If, in connection with the delivery of the cargo as aforesaid, the ship, or any other ship or property in the same or associated ownership, management or control, should be arrested or detained or should the arrest or detention thereof be threatened, or should there be any interference in the use or trading of the vessel (whether by virtue of a caveat being entered on the ship's registry or otherwise howsoever), to provide on demand such bail or other security as may be required to prevent such arrest or detention or to secure the release of such ship or property or to remove such interference and to indemnify you in respect of any liability, loss, damage or expense caused by such arrest or detention or threatened arrest or detention or such interference, whether or not such arrest or detention or threatened arrest or detention or such interference may be justified.
4. If the place at which we have asked you to make delivery is a bulk liquid or gas terminal or facility, or another ship, lighter or barge, then delivery to such terminal, facility, ship, lighter or barge shall be deemed to be delivery to the party to whom we have requested you to make such delivery.
5. As soon as all original bills of lading for the above cargo shall have come into our possession, to deliver the same to you, or otherwise to cause all original bills of lading to be delivered to you.
6. The liability of each and every person under this indemnity shall be joint and several and shall not be conditional upon your proceeding first against any person, whether or not such person is party to or liable under this indemnity.
7. This indemnity shall be governed by and construed in accordance with English law and each and every person liable under this indemnity shall at your request submit to the jurisdiction of the High Court of Justice of England.

Yours faithfully

For and on behalf of

[insert name of Requestor]

The Requestor

Signature

We, [insert name of the Bank], hereby agree to join in this Indemnity providing always that the Bank's liability:

1. shall be restricted to payment of specified sums of money demanded in relation to the Indemnity (and shall not extend to the provision of bail or other security)
2. shall be to make payment to you forthwith on your written demand in the form of a signed letter certifying that the amount demanded is a sum due to be paid to you under the terms of the Indemnity and has not been paid to you by the Requestor or is a sum which represents monetary compensation due to you in respect of the failure by the Requestor to fulfil its obligations to you under the Indemnity. For the avoidance of doubt the Bank hereby confirms that:
 - (a) such compensation shall include, but not be limited to, payment of any amount up to the amount stated in proviso 3 below in order to enable you to arrange the provision of security to release the ship (or any other ship in the same or associated ownership, management or control) from arrest or to prevent any such arrest or to prevent any interference in the use or trading of the ship, or other ship as aforesaid, and
 - (b) in the event that the amount of compensation so paid is less than the amount stated in proviso 3 below, the liability of the Bank hereunder shall continue but shall be reduced by the amount of compensation paid.
3. shall be limited to a sum or sums not exceeding in aggregate [insert currency and amount in figures and words]
4. subject to proviso 5 below, shall terminate on [date six years from the date of the Indemnity] (the 'Termination Date'), except in respect of any demands for payment received by the Bank hereunder at the address indicated below on or before that date.
5. shall be extended at your request from time to time for a period of two calendar years at a time provided that:
 - (a) the Bank shall receive a written notice signed by you and stating that the Indemnity is required by you to remain in force for a further period of two years, and
 - (b) such notice is received by the Bank at the address indicated below on or before the then current Termination Date.

Any such extension shall be for a period of two years from the then current Termination Date and, should the Bank for any reason be unwilling to extend the Termination Date, the Bank shall discharge its liability by the payment to you of the maximum sum payable hereunder (or such lesser sum as you may require).

However, in the event of the Bank receiving a written notice signed by you, on or before the then current Termination Date, stating that legal proceedings have been commenced against you as a result of your having delivered the said cargo as specified in the Indemnity, the Bank agrees that its liability hereunder will not terminate until receipt by the Bank of your signed written notice stating that all legal proceedings have been concluded and that any sum or sums payable to you by the Requestor and/or the Bank in connection therewith have been paid and received in full and final settlement of all liabilities arising under the Indemnity.

6. shall be governed by and construed in accordance with the law governing the Indemnity and the Bank agrees to submit to the jurisdiction of the court stated within the Indemnity.

It should be understood that, where appropriate, the Bank will only produce and deliver to you all original bills of lading should the same come into the Bank's possession, but the Bank agrees that, in that event, it shall do so.

The Bank agrees to promptly notify you in the event of any change in the full details of the office to which any demand or notice is to be addressed and which is stated below and it is agreed that you shall also promptly notify the Bank in the event of any change in your address as stated above.

Please quote the Bank's Indemnity Ref in all correspondence with the Bank and any demands for payment and notices hereunder.

Yours faithfully

For and on behalf of

[insert name of bank]

[insert full details of the office to which any demand or notice is to be addressed]

Signature

.....

Important Note when using these texts

- 1) Attention is drawn to P&I Class Rule 19(17)(D) Discharge at Wrong Port etc
- 2) Charterer Members should contact the Association for the appropriate wording where Charterers are receiving a Letter of Indemnity as Disponent Owners
- 3) Members should also refer to Club Circulars *BILLS OF LADING – DELIVERY OF CARGO*, 01 February 2001, *INTERNATIONAL GROUP STANDARD FORM LETTERS OF INDEMNITY* dated 01 October 2010 and 18 October 2010. Copies are available upon request from the Association or may be found on the Association's website: www.nepia.com

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