

Foreword

The Rules

(Effective on and from 12 noon Greenwich Mean time on 20th February, 2008).

The UK P&I Club is a mutual protection and indemnity association, which operates through two legal entities: The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited and The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited.

In the case of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited these Rules were adopted in accordance with the powers conferred by The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited Consolidation & Amendment Act 1993 and the Bye-Laws of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited, which said Bye-Laws provide for the alteration, abrogation of or addition to the Rules by Resolution of the Association.

In the case of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited these Rules were adopted in accordance with the powers conferred by the articles of association of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited, which provide for the alteration abrogation of or addition to the Rules by Resolution of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited.

These Rules shall be the Rules of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited and the Rules of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited respectively, provided that the latter shall be read subject to and in accordance with the following:

- 1 References to “the Association” shall be references to The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited save for the references in the definitions of “Directors” and “Member” in Rule 44, where references to the Association shall remain references to The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited.
- 2 References to “the Act” shall be references to the Memorandum of Association of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited.
- 3 References to the “Bye-Laws” shall be references to the Articles of Association of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited.
- 4 For the avoidance of doubt for the purpose of Rule 14 no contract of insurance or reinsurance with The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited shall entitle any person to be or become a member of The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited.

The notes to the Rules are for guidance only and do not form part of the Rules.

Introductory

- 1 The standard cover afforded by the Association to an Owner who has entered his ship in the Association is set out in Rule 2.
- 2 The risks specified in Rule 2 are always subject to the conditions, exceptions, limitations and other terms set out in Rule 5 and in the remainder of these Rules.
- 3 The cover set out in these Rules may be excluded, limited, modified or otherwise altered by any special terms which have been agreed in writing between an Owner and the Managers.
- 4 By virtue of Rules 3 and 4 an Owner may be insured against risks other than those set out in Rule 2 where such special terms have been agreed in writing between the Owner and the Managers. Unless otherwise expressly agreed such special insurance shall be subject to the conditions, exceptions, limitations and other terms set out in Rule 5 and in the remainder of these Rules.
- 5 An Owner is only insured against loss, damage, liability or expense incurred by him which arises:
 - i out of events occurring during the period of entry of a ship in the Association;
 - ii in respect of the Owner's interest in the entered ship; and
 - iii in connection with the operation of the ship by or on behalf of the Owner.
- 6 An Owner who has entered his ship in the Association for insurance against any of the aforesaid risks is bound (subject to (7) below) to pay Calls to the Association in accordance with Rules 8 and 19 to 23 ("Call Entries").
- 7 By virtue of Rule 9 an Owner may be insured on the special terms that he is liable to pay a fixed premium to the Association ("Fixed Premium Entries"), provided that this has been expressly agreed in writing between the Owner and the Managers.
- 8 The cover provided by the Association as set out in these Rules is solely for the benefit of the Owner, and any Joint Owner, Group Affiliate, other association or insurer, or permitted assign, to the extent allowed by Rules 10, 11, 13 and 15. It is not intended that rights should be acquired by any third party, through the operation of the Contracts (Rights of Third Parties) Act 1999 of the United Kingdom or similar legislation.
- 9 The Associations shall, as far as possible and save as provided in the Rules or as the Directors shall in their discretion determine, be run on a unified basis and as one association.

Risks covered

Unless otherwise agreed between an Owner and the Managers, the risks covered by the Association are as set out in Sections 1 to 26 below, provided always as follows:

- i Unless and to the extent that the Directors otherwise decide, an Owner is only insured in respect of such sums as he has paid to discharge the liabilities or to pay the losses, costs or expenses referred to in those sections;
- ii The maximum amount recoverable by an Owner in respect of any one event may be limited by virtue of the limits set out in Rule 5(B), or by virtue of a resolution of the Directors made before the commencement of the relevant policy year;
- iii Unless otherwise agreed between an Owner and the Managers, an Owner's recovery from the Association shall be subject to the deductibles set out in Appendix B to this Rule.

Section 1

Liability to persons other than seamen

- A Liability to pay damages or compensation for personal injury, illness or death of any person (other than the persons specified in paragraphs (B) and (C) of this Section and in Sections 2 and 3) and hospital, medical or funeral expenses incurred in relation to such injury, illness or death.
- B Liability to pay damages or compensation for personal injury, illness or death of any person engaged to handle the cargo of an entered ship.
- PROVIDED ALWAYS that:
- a Cover under paragraphs (A) and (B) of this Section 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 pre-carrier 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 or indemnity and would not have arisen but for those terms, that liability is not covered under this Section but may be covered under and in accordance with Section 14 of this Rule.
 - 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 this Section but may be recoverable under and in accordance with Section 10(B) of this Rule.
- C Liability to pay damages or compensation:
- i for personal injury, illness or death of any passenger and hospital, medical or funeral expenses incurred in relation to such injury, illness or death;
 - ii to passengers on board an entered ship arising as a consequence of a casualty to that ship while they are on board, including the cost of forwarding passengers to destination or return to port of embarkation

- and of maintenance of passengers ashore;
- iii for loss of or damage to the effects of any passenger.

PROVIDED ALWAYS that:

- a The terms of the passage ticket or other contract between the passenger and the Owner have been approved by the Managers in writing and cover for the liabilities set out in this paragraph (C) has been agreed between the Owner and the Managers on such terms as the Managers may require.
- b There shall be no recovery from the Association under this paragraph (C) in respect of liabilities for personal injury or death, or loss of or damage to property, delay or any other consequential loss sustained by any passenger by reason of carriage by air, except where such liability occurs either
 - i during repatriation by air of injured or sick passengers or of passengers following a casualty to the entered ship; or
 - ii subject always to proviso (c) of this paragraph (C), during an excursion from the entered ship.
- c There shall be no recovery from the Association under this paragraph (C) in respect of the contractual liability of an Owner for death or injury to a passenger whilst 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 Owner, or
 - ii the Owner has waived any or all of his rights of recourse against any sub-contractor or other third party in respect of the excursion.
- d Unless and to the extent that the Owner has obtained appropriate special cover by agreement with the Managers, there shall be no recovery from the Association in respect of claims relating to cash, negotiable instruments, precious or rare metals or stones, valuables or objects of a rare or precious nature.
- e For the purpose of this paragraph (C), 'casualty' means 'an incident involving either: (i) collision, stranding, explosion, fire, or any other cause affecting the physical condition of the entered ship 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'.

Section 2

Injury and death of seamen

Liability to pay damages or compensation for personal injury or death of any seaman, and hospital, medical, funeral and other expenses necessarily incurred in relation to such injury or death, including expenses of repatriating the seaman and sending abroad a substitute to replace him.

PROVIDED ALWAYS that:

Where the liability arises or the costs or expenses are incurred under the terms of a crew agreement or other contract of service or employment and would not have arisen but for those terms, that liability is not covered by the Association unless and to the extent that those terms shall have been previously approved by the Managers in writing.

Rule 2 continued

Section 3 Illness and death of seamen

Liability to pay damages or compensation for illness and death resulting from illness of any seaman, and hospital, medical, funeral or other expenses necessarily incurred in relation to such illness or such death including expenses of repatriating the seaman and sending abroad a substitute to replace him.

PROVIDED ALWAYS that:

Where the liability arises or the costs or expenses are incurred under the terms of a crew agreement or other contract of service or employment and would not have arisen but for those terms, that liability is not covered by the Association unless and to the extent that those terms shall have been previously approved by the Managers in writing.

Section 4 Repatriation and substitute expenses

Repatriation and substitute expenses which are not recoverable under Sections 2 and 3 of this Rule and which are incurred in sending abroad a substitute to replace a seaman of an entered ship who has been left ashore, or incurred under statutory obligation in repatriating any seaman of the entered ship.

PROVIDED ALWAYS that:

This Section does not cover expenses which arise out of or are the consequence 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, or (ii) breach by the Owner of any agreement or other contract of service or employment, or (iii) sale of the ship, or (iv) any other act of the Owner in respect of the entered ship.

Section 5 Loss of and damage to the effects of seamen and others

Liability to pay damages or compensation for loss of or damage to the effects of:

- A Any seaman,
- B Any other person, on board an entered ship (other than the persons specified in paragraph (C) of Section 1).

PROVIDED ALWAYS that:

- a Unless and to the extent that the Owner has obtained appropriate special cover by agreement with the Managers, there shall be no recovery from the Association in respect of claims relating to cash, negotiable instruments, precious or rare metals or stones, valuables or objects of a rare or precious nature.

- b Where the liability arises under the terms of a contract and would not have arisen but for those terms, that liability is not covered by the Association unless and to the extent that those terms shall have been previously approved by the Managers in writing.

Section 6 **Shipwreck unemployment indemnity**

Liability to compensate any seaman for the loss of his employment caused in consequence of the actual or constructive total loss of an entered ship, where the wages or compensation are payable under statutory or other legal obligation or under the terms of any crew agreement or other contract of service or employment if and to the extent that those terms have previously been approved by the Managers.

Section 7 **Diversion expenses**

Expenses of diversion of an entered ship where and to the extent that those expenses (i) represent the net loss to the Owner (over and above such expenses as would have been incurred but for the diversion) in respect of the cost of fuel, insurance, wages, stores, provisions and port charges and (ii) 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, or for the purpose of saving life at sea.

Section 8 **Stowaways and refugees**

Expenses, other than those covered under Section 7 of this Rule, incurred by the Owner in discharging his obligations towards or making necessary arrangements for stowaways or refugees, but only if and to the extent that the Owner is legally liable for the expenses or they are incurred with the approval and agreement of the Managers.

Section 9 **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.

Rule 2 (continued)

Section 10 Collision with other ships

The liabilities, set out in paragraphs (A), (B) and (C) below, to pay costs and damages to any other person as a consequence of a collision between an entered ship and any other ship, but only if and to the extent that such liabilities are not recoverable under the collision liability clause contained in the Hull Policies of the entered ship:

- A One fourth, or such other proportion as may have been agreed in writing by the Managers, of the liabilities arising out of the collision other than the liabilities listed in paragraph (B) of this Section.
- B Four fourths of the liabilities arising out of the collision for or relating to
- i removal or disposal of obstructions, wrecks, cargoes or any other thing whatsoever,
 - 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, or general average contributions, special charges or salvage paid by the owners of that cargo or property,
 - iv loss of life, personal injury, illness, repatriation or substitute expenses,
 - v an escape or discharge (other than from the entered ship), of oil or any other substance, or the threat thereof, but excluding damage to other ships with which the entered ship is in collision and property on such other ships.
 - vi remuneration paid, pursuant to the Special Compensation P&I Club (SCOPIC) Clause, or any revision thereof, in respect of the salvage of a ship with which the entered ship is in collision.
- C That part of the Owner's liabilities arising out of the collision, other than the liabilities listed in paragraphs (A) and (B) of this Section, which exceeds the sum recoverable under the Hull Policies of the entered ship solely by reason of the fact that the sum of the liabilities arising out of the collision exceeds the valuation of the ship in those policies.
- PROVIDED ALWAYS that:
- a Unless and to the extent that the Directors in their discretion otherwise decide, recovery from the Association under paragraph (C) of this Section shall be limited to the excess (if any) of the amount which would have been recoverable under the Hull Policies of the entered ship if that ship had been insured thereunder at the proper value in accordance with Rule 5(D)
 - b Unless otherwise agreed by the Managers at the time of entry or of subsequent annual renewal, an Owner shall not be entitled to recover from the Association any franchise or deductible borne by him under the Hull Policies of the entered ship.
 - c If a claim arises under this Section in respect of a collision involving two ships belonging wholly or partly to the same Owner, he 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.

- d Unless otherwise agreed between the Owner and the Managers as a term of the ship's entry in the Association, if both ships are to blame, then where the liability of either or both of the ships in collision becomes limited by law, claims under this Section shall be settled upon the principle of single liability, but in all other cases claims under this Section shall be settled upon the principle of cross-liabilities, as if the owner 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 Owner of the entered ship in consequence of the collision.

Note: Any oil pollution element in a claim under this Section 10 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.

Section 11

Loss or damage to property

Liability to pay damages or compensation for any loss of or damage to any property (including infringement of rights) whether on land or water and whether fixed or moveable.

PROVIDED ALWAYS that:

- a There shall be no recovery by an Owner under this Section in respect of:
 - i Liability which arises under the terms of any contract or indemnity to the extent that it would not have arisen but for those terms.
 - ii Liability which is within the scope of the following Sections of this Rule, or within any proviso, limit, exclusion or deductible applicable to those Sections:
 - Section 1(C) Liability to persons other than seamen.
 - Section 5 The effects of seamen and others.
 - Section 10 Collision with other ships.
 - Section 12 Pollution risks.
 - Section 13 Liability arising out of towage of or by an entered ship.
 - Section 15 Wreck liabilities.
 - Section 17 Cargo liabilities.
 - Section 18 Property on the entered ship.
 - iii Any franchise or deductible borne by the Owner under the Hull Policies of the entered ship.
- b If an entered ship causes loss or damage to property or infringes rights belonging wholly or in part to the Owner of the entered ship, the Owner shall have the same rights of recovery from the Association as if such property or rights belonged wholly to different owners.

Note: Any oil pollution element in a claim under this Section 11 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.

Rule 2 (continued)

Section 12 Pollution risks

The liabilities, losses, damages, costs and expenses set out in paragraphs (A) to (E) below when and to the extent that they are caused by or incurred in consequence of the discharge or escape from an entered ship of oil or any other substance, or the threat of such discharge or escape:

PROVIDED ALWAYS that

- a There shall be no recovery in respect of any liability, loss, damage, cost or expense arising as a consequence of the presence in, or the escape or discharge or threat of escape or discharge from, any land-based dump, storage or disposal facility, of any substance previously carried on the entered ship, whether or not as cargo, fuel, stores or waste, except to the extent that the Directors in their discretion, and without having to give any reasons for their decision, otherwise determine.
 - b Unless and to the extent that special cover has been agreed in writing by the Managers, the Association shall not reimburse any liability, loss, cost or expense which would have been recoverable in general average if the cargo of the entered ship had been carried on terms no less favourable to the Owner than those of the York-Antwerp Rules 1994.
 - c Unless the Managers otherwise agree in writing, the Owner of an entered ship which is a "relevant ship" as defined in the Small Tanker Oil Pollution Indemnification Agreement 2006 (STOPIA 2006) shall during the currency of that Agreement be a party to STOPIA 2006 for the period of entry of such ship in the Association and, unless the Directors otherwise determine, shall not be entitled to any recovery under this Rule 2, Section 12 in respect of such ship in relation to any casualty, event or matter occurring during a period when the Owner is not a party to STOPIA 2006.
 - d Unless the Managers otherwise agree in writing, the Owner of an entered ship which is a "relevant ship" as defined in the Tanker Oil Pollution Indemnification Agreement (TOPIA) shall during the currency of that Agreement be a party to TOPIA for the period of entry of such ship in the Association and, unless the Directors otherwise determine, shall not be entitled to any recovery under this Rule 2, Section 12 in respect of such ship in relation to any casualty, event or matter occurring during a period when the Owner is not a party to TOPIA.
- A Liability for loss, damage or contamination.
- B Any loss, damage or expense which the Owner incurs, or for which he is liable, as a party to any agreement approved by the Directors, including the costs and expenses incurred by the Owner in performing his obligations under such agreements.
- C The costs of any measures reasonably taken for the purpose of avoiding or minimizing pollution or any resulting loss or damage together with any liability for loss of or damage to property caused by measures so taken.

- D The costs of any measures reasonably taken to prevent an imminent danger of the discharge or escape from the entered ship of oil or any substance which may cause pollution.
- E 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:
 - a such compliance is not a requirement for the normal operation or salvage or repair of the entered ship; and
 - b such costs or liabilities are not recoverable under the Hull Policies of the entered ship.

Note: Oil pollution claims under this Section 12 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.

Section 13

Liability arising out of towage of or by an entered ship

A Customary towage of an entered ship

Liability, other than for the cost of the contracted services, under the terms of a contract for the customary towage of an entered ship, that is to say:

- i towage for the purpose of entering or leaving port or manoeuvring within the port during the ordinary course of trading, or
- ii towage of such entered ships as are habitually towed in the ordinary course of trading from port to port or from place to place, to the extent that the Owner is not insured against such liability under the Hull Policies of the entered ship.

B Towage of an entered ship other than customary towage

Liability under the terms of a contract for towage of an entered ship other than the customary towage covered under paragraph (A) of this Section but only if and to the extent that cover for such liability has been agreed with the Managers upon such terms as the Managers may require.

C Towage by an entered ship

Liability arising out of the towage of another ship or object by an entered ship but only if and to the extent that:

- i cover for such liability has been agreed with the Managers upon such terms as the Managers may require, or
- ii the Directors shall in their discretion decide that having regard to all the circumstances the claim falls within the scope of the Association and that the Owner should be reimbursed.

Note: Any oil pollution element in a claim under this Section 13 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.

Rule 2 (continued)

Section 14

Liability arising under certain indemnities and contracts

Liability for loss of life, personal injury or illness, or for loss of or damage to property, arising under the terms of an indemnity or contract given or made by or on behalf of the Owner relating to facilities or services provided or to be provided to or in connection with an entered ship, but only if and to the extent that:

- i the terms have previously been approved by the Managers and cover for the liability has been agreed between the Owner and the Managers on such terms as the Managers may require, or
- ii the Directors in their discretion decide that the Owner should be reimbursed.

Note: Any oil pollution element in a claim under this Section 14 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.

Section 15

Wreck liabilities

- A Costs or expenses relating to the raising, removal, destruction, lighting or marking of the wreck of an entered ship, when such raising, removal, destruction, lighting or marking is compulsory by law or the costs thereof are legally recoverable from the Owner.
- B Costs or expenses relating to the raising, removal or destruction of any property being carried or having been carried on an entered ship, not being oil or any other substance within the scope of Section 12 of this Rule, when such raising, removal or destruction is compulsory by law or the costs thereof are legally recoverable from the Owner but only if and to the extent that:
 - i such property does not form part of the entered ship and is not owned or leased by the Owner or by any company associated with or under the same management as the Owner; and
 - ii the Owner is unable to recover such costs or expenses from the owner or insurer of such property, or from any other party.
- C Liabilities incurred by an Owner as the result of any such raising, removal or destruction of the wreck of an entered ship or any property as is referred to in paragraphs (A) and (B) of this Section, or any attempt thereat.
- D Liabilities incurred by an Owner as the result of the presence or involuntary shifting of the wreck of an entered ship or as a result of his failure to remove, destroy, light or mark such wreck, including liability arising from the discharge or escape from such wreck of oil or any other substance.
PROVIDED ALWAYS that:
 - a The entered ship became a wreck as the result of a casualty or event occurring during the period of that ship's entry in the Association, in which case the Association shall continue to be liable for the claim notwithstanding that in other respects the liability of the Association shall have terminated pursuant to Rule 29(C).

- b In respect of a claim under paragraph (A) of this Section, the value of all stores and materials saved, as well as the wreck itself, shall first be deducted from such costs or expenses and only the balance thereof, if any, shall be recoverable from the Association.
- c Nothing shall be recoverable from the Association under this section if the Owner shall, without the consent of the Managers in writing, have transferred his interest in the wreck, otherwise than by abandonment, prior to the raising, removal, destruction, lighting or marking of the wreck or prior to the incident giving rise to the liabilities, costs and expenses referred to in this Section.
- d Where the liability arises under the terms of an indemnity or contract, and would not have arisen but for those terms, such costs and expenses are only recoverable under this Section if and to the extent that
 - (i) the terms of the indemnity or contract have previously been approved by the Managers and cover has been agreed between the Owner and the Managers on such terms as the Managers may require, or
 - (ii) the Directors in their discretion decide that the Owner should be reimbursed.

Note: Any oil pollution element in a claim under this Section 15 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.

Section 16 **Quarantine expenses**

Additional expenses incurred by the Owner of an entered ship as a direct consequence of an outbreak of infectious disease on that ship, including quarantine and disinfection expenses and the net loss to the Owner (over and above such expenses as would have been incurred but for the outbreak) in respect of the cost of fuel, insurance, wages, stores, provisions and port charges.

Section 17 **Cargo liabilities**

The liabilities and costs set out in paragraphs (A) to (D) below when and to the extent that they relate to cargo intended to be or being or having been carried in an entered ship:

A Loss, shortage, damage or other responsibility

Liability for loss, shortage, damage or other responsibility arising out of any breach by the Owner, 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.

Rule 2 (continued)

B Disposing of damaged cargo

The additional costs (over and above those which would have been incurred by him if the cargo had not been damaged) incurred by the Owner in discharging or disposing of damaged cargo, but only if and to the extent that the Owner has no recourse to recover those costs from any other party.

C Failure of consignee to remove cargo

The liabilities and additional costs (over and above the costs which would have been incurred by him if the cargo had been collected or removed) incurred by an Owner solely by reason of the total failure of a consignee to collect or remove cargo at the port of discharge or place of delivery, but only if and to the extent that such liabilities or costs exceed the proceeds of sale of the cargo and the Owner has no recourse to recover those liabilities or costs from any other party.

D Through or transshipment bills of lading

Liability for loss, shortage, damage or other responsibility in respect of cargo carried by a means of transport other than the entered ship, when the liability arises under a through or transshipment bill of lading, or other form of contract, approved by the managers, providing for carriage partly to be performed by the entered ship.

Note: By Resolution passed on 22nd January, 1981, the Directors decided that there shall be no recovery from the Association for loss or damage to cargo carried under Through Bills of Lading from ports in the Rivers Paraguay and Parana, and arising prior to shipment in the entered ship unless the Owner shall have given prior notice of such carriage to the Managers, and have agreed with them special cover on such terms as they may think appropriate.

Note: For the purpose of paragraph D, a contract is deemed to be approved if it incorporates the ICC Rules or the internationally accepted conventions such as CMR 1956 (Convention relative au Contrat de transport international de Marchandises par Route), CIM 1980 (Les règles uniformes concernant le Contrat de transport International ferroviaire de Marchandises), or the Warsaw Convention 1929 or 1955, as appropriate.

PROVIDED ALWAYS that:

a Standard Terms of Contracts of Carriage

Unless and to the extent that the Directors in their discretion otherwise decide, or special cover has been agreed in writing by the Managers, there shall be no recovery from the Association in respect of liabilities which would not have been incurred or sums which would not have been payable by the Owner if the cargo (including cargo on deck) had been carried under a contract incorporating terms no less favourable to the Owner than the Association's recommended standard terms of carriage which shall be the Hague Visby Rules and/or such other rules and/or conventions as the Directors may from time to time determine.

Note: For the 2008 policy year the Standard Terms of Contracts of Carriage are the Hague Visby Rules, i.e. the Rules contained in the International Convention for the Unification of Certain Rules relating to Bills of Lading signed at Brussels on 25th August, 1924, as amended by the Protocol to that Convention signed at Brussels on 23rd February, 1968.

b Deviation

Unless and to the extent that the Directors in their discretion otherwise decide, or cover has been confirmed in writing by the Managers prior to the deviation, there shall be no recovery from the Association in respect of liabilities costs and expenses which arise out of or which are incurred as a consequence of a deviation, in the sense of a departure from the contractually agreed voyage or adventure which deprives the Owner of the right to rely on defences or rights of limitation which would otherwise have been available to him on the basis of the standard terms of carriage referred to in proviso (a) above to reduce or eliminate his liability.

c Claims payable only at the discretion of the Directors

Unless and to the extent that the Directors in their discretion otherwise decide there shall be no recovery from the Association in respect of liabilities, costs or expenses arising out of:

- i Discharge of cargo at a port or place other than the port or place provided in the contract of carriage;
- ii Delivery of cargo carried under a negotiable bill of lading or similar document of title without production of that bill of lading or document by the person to whom delivery is made, except where cargo has been carried on the entered ship under the terms of a non-negotiable bill of lading, waybill or other non-negotiable document, and has been properly delivered as required by that document, notwithstanding that the Owner of that entered ship may be liable under the terms of a negotiable bill of lading or other similar document of title issued by or on behalf of a party other than that Owner providing for carriage partly by a means of transport other than the entered ship;
- iii The issue of an ante dated or post dated bill of lading, waybill or other document containing or evidencing the contract of carriage, that is to say a bill of lading, waybill or other document recording the loading or shipment or receipt for shipment on a date prior or subsequent to the date on which the cargo was in fact loaded, shipped or received as the case may be;
- iv A bill of lading, waybill or other document containing or evidencing the contract of carriage, issued with the knowledge of the Owner or the Master of the entered ship with an incorrect description of the cargo or its quantity or its condition;
- v Either the failure to arrive or late arrival of the entered ship at a port of loading, or the failure to load any particular cargo or cargoes in an entered ship other than liabilities, loss and expenses arising under a bill of lading already issued.

Rule 2 (continued)

d Ad Valorem Bills of Lading

Unless and to the extent that special cover has been agreed in writing by the Managers, the Association shall not be liable for payments to cargo claimants of amounts exceeding whichever is the higher of US\$2,500 per unit, piece or package or the limitation per unit, piece or package specified in the standard terms of carriage, in respect of shipments of goods carried under an ad valorem bill of lading, waybill or other document containing or evidencing the contract of carriage in which the value of the relevant unit, piece or package has been stated to be in excess of US\$2,500.

e Rare and valuable cargo

Unless and to the extent that special cover has been agreed in writing by the Managers, there shall be no recovery from the Association in respect of claims relating to the carriage of specie, bullion, precious or rare metals or stone, plate or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments.

f Property of the Owner

In the event that any cargo lost or damaged on board the entered ship shall be the property of the Owner, such Owner 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 Owner on the terms of the Association's recommended standard terms of carriage.

Section 18

Property on the entered ship

Liability of an Owner for loss of or damage to any containers, equipment, fuel or other property on board the entered ship.

PROVIDED ALWAYS that:

- a Such property is not within the scope of Section 1(C) or Section 5 of this Rule (the effects of passengers, seamen and others) or Section 17 of this Rule (cargo liabilities) or within any proviso, exclusion, limit or deductible applicable to those Sections;
- b Such property does not form part of the entered ship and is not owned or leased by the Owner or by any company associated with or under the same management as the Owner; and
- c Unless and to the extent that the Owner has obtained appropriate special cover by agreement with the Managers, the Association shall not reimburse an Owner to the extent that any liability arises under a contract or indemnity entered into by the Owner and would not have arisen but for such contract or indemnity.

Section 19

Unrecoverable general average contributions

The proportion of general average, special charges or salvage which an Owner may be entitled to claim from cargo or from some other party to the marine

adventure and which is not legally recoverable solely by reason of a breach of the contract of carriage.

PROVIDED ALWAYS that:

Proviso (a) (Standard terms of carriage), Proviso (b) (Deviation) and Proviso (c) (Claims payable only at the discretion of the Directors) of Section 17 of this Rule shall apply to any claim under this Section.

Section 20

Ship's proportion of general average

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:

Unless and to the extent that the Directors in their discretion otherwise decide, recovery from the Association under this Section shall be limited to the amount (if any) of the ship's proportion which would not have been recoverable under the Hull Policies if the ship had been insured thereunder at the proper value in accordance with Rule 5(D).

Section 21

Special compensation to salvors

Liability of an Owner to pay special compensation to a salvor of an entered ship, but only to the extent that such liability:

- i is imposed on the Owner pursuant to Article 14 of the International Convention on Salvage, 1989, or is assumed by the Owner under the terms of a standard form of salvage agreement approved by the Directors, and
- ii is not payable by those interested in the salvaged property.

Note: Any oil pollution element in a claim under this Section 21 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.

Note: At 20th February 2008, the Directors have approved

- (a) *Lloyd's Standard Forms of Salvage Agreement LOF 90, LOF 95 and LOF 2000, and any other standard form of salvage contract incorporating the provisions of the International Convention on Salvage 1989, to the extent of the liability of the owner to pay special compensation pursuant to Article 14 of the Convention or to pay remuneration pursuant to the Special Compensation P&I Clause (SCOPIC) or its revision (SCOPIC 2000), if incorporated in such contract, and*
- (b) *Lloyd's Standard Form of Salvage Agreement, 1980, to the extent of the liability of the owner of a tanker to reimburse a salvor for his "reasonably incurred expenses" (together with any increment awarded thereon) under the exception to the principle of "No cure-no pay" contained in clause 1(a) of that Agreement.*

Rule 2 (continued)

Section 22

Fines

- A Fines as set out in paragraphs (B) to (F) below when and to the extent that they are imposed in respect of an entered ship by any court, tribunal or authority and are imposed:
- i upon the Owner, or
 - ii upon any person whom the Owner may be legally liable to reimburse (other than under the terms of a contract or indemnity) or reasonably reimburses with the approval of the Managers, or
 - iii upon any person whom the Owner may be legally liable to reimburse under the terms of a contract or indemnity, but only if and to the extent that such terms have previously been approved by the Managers in writing.
- B Fines for short or overlanded or over delivery of cargo, or for failure to comply with regulations relating to declaration of goods or to documentation of the entered ship in respect of her cargo;
- C Fines for smuggling or for any infringement of any customs law or customs regulation relating to the construction, adaptation, alteration or fitment of the entered ship;
- D Fines for contravention of any law or regulation relating to immigration;
- E Fines in respect of an accidental discharge or escape of oil or other substance, or the threat thereof;
- PROVIDED ALWAYS that:
- There shall be no recovery from the Association in respect of fines arising out of
- a the overloading of an entered ship or
 - b infringements or violations of or non-compliance with the provisions regarding construction, adaptation and equipment of ships contained in the International Convention for the Prevention of Pollution from Ships, 1973, as modified or amended by the Protocol of 1978 and any subsequent Protocol, or such of those aforesaid provisions as are contained in the laws of any State giving effect to that Convention or to such Protocol.
- F Any fine (other than those specified in paragraphs B - E above) to the extent that (i) the Owner has satisfied the Directors that he took such steps as appear to the Directors to be reasonable to avoid the event giving rise to such fine and (ii) the Directors in their discretion and without having to give any reasons for their decision, decide that the Owner should recover.
- G Notwithstanding the terms of Rule 5(G)(i), the Directors in their discretion may authorise the payment, in whole or in part, of an Owner's claim for loss of an entered ship following confiscation of the ship by any legally empowered court, tribunal or authority by reason of the infringement of any customs law or customs regulation:

PROVIDED ALWAYS that:

- a the amount recoverable from the Association shall under no circumstances exceed the market value of the ship without commitment at the date of the confiscation;
- b the Owner shall have satisfied the Directors that he took such steps as appear to the Directors 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 (G) of Section 22 shall be recoverable to such extent only as the Directors in their discretion may determine without having to give any reasons for their decision.

Note: Claims relating to oil pollution fines under this Section 22 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.

Section 23 **Enquiry expenses**

Costs and expenses incurred by an Owner in defending himself or in protecting his interests before a formal enquiry into the loss of or into a casualty involving the entered ship but only to the extent and on such conditions as the Directors in their discretion may determine.

Section 24 **Expenses incidental to the operation of ships**

Liabilities, costs and expenses incidental to the business of owning, operating or managing ships which in the opinion of the Directors fall within the scope of the Association;

PROVIDED ALWAYS that:

- a Subject to paragraph (b) of this proviso there shall be no recovery under this Section in respect of liabilities, costs and expenses, which are expressly excluded by other provisions of these Rules;
- b The Directors may authorise payment of claims which are excluded by Rule 5(G) of these Rules but only if a majority of three-quarters of those Directors present when the claim is considered so decides;
- c Any amount claimed under this Section shall be recoverable to such extent only as the Directors in their discretion may determine without having to give any reasons for their decision.

Section 25 **Sue and labour and legal costs**

- A Extraordinary costs and expenses (other than those set out in paragraph (B) of this Section) reasonably incurred on or after the occurrence of any casualty, event or matter liable to give rise to a claim upon the Association and incurred solely for the purpose of avoiding or minimizing any liability or

Rule 2 (continued)

expenditure against which the Owner is wholly or, by reason of a deductible, partly insured by the Association, but only to the extent that those costs and expenses have been incurred with the agreement of the Managers or to the extent that the Directors in their discretion decide that the Owner should recover from the Association.

- B Legal costs and expenses relating to any liability or expenditure against which the Owner is wholly, or, by reason of a deductible, partly insured by the Association, but only to the extent that those costs and expenses have been incurred with the agreement of the Managers or to the extent that the Directors in their discretion decide that the Owner should recover from the Association.

Section 26

Expenses incurred by direction of the Association

Costs, expenses and loss which an Owner may incur either (i) by reason of a special direction of the Directors in cases in which the Directors decide that it is in the interests of the Association that the direction be given, or (ii), in the absence of such special direction, as a result of action which he has taken or refrained from taking if the Directors in their discretion decide that such action was in the interests of the Association and that the Owner should recover from the Association.

Appendix A to Rule 2 Association's liability for oil pollution claims

- A The Association's liability for claims in respect of or relating to an escape or discharge of oil (other than for loss of or damage to such oil), howsoever arising, whether under Section 12 or any other Section or combination of Sections of Rule 2, shall be limited to such sum or sums as the Directors may determine pursuant to Rule 5(B)(ii) and shall be subject to such terms and conditions as the Directors may from time to time determine.
- B Without prejudice to the generality of paragraph A of this Appendix the Directors may determine prior to the commencement of the policy year that cover in respect of oil pollution liabilities, whether arising under any convention, statute, law, agreement or otherwise and whether arising in any geographical area or trade or otherwise shall be excluded, restricted or afforded only on terms that an additional premium is payable in respect of such cover, in which event such additional premium shall be payable in such amount and on such terms as the Directors may determine or as may be agreed between the Owner and the Managers.

Note: For the 2008 policy year the Directors have determined that the Owners of ships carrying persistent oil as cargo to or from any port or place in the Exclusive Economic Zone of the United States of America shall pay an additional premium in respect of oil pollution risks. The terms and conditions applying to cover for oil pollution risks in the United States are set out in the Association's U.S. Oil Pollution Clause 20/2/2008.

Appendix B to Rule 2 Deductibles

Unless otherwise agreed between the Owner and the Managers as part of the terms upon which the ship is entered in the Association, the Owner's recovery from the Association shall be subject to the following deductibles:

i Crew illness and related expenses

Claims under Section 3 of this Rule relating to illness of crew shall be limited to the excess of US\$2,000 in any one port each time the ship calls at that port, unless claims at two or more ports arise out of the same illness in which case the deductible will only be applied once to the aggregate of those claims.

ii Cargo claims and cargo's proportion of general average

Claims under Sections 17 and 19 of this Rule shall be limited to the excess of US\$5,000 each single voyage, the deductible being applied to the aggregate of the claims under Sections 17 and 19 on that voyage.

iii Fines

Claims under Section 22 of this Rule shall be limited to the excess of US\$2,000 any one event in the case of fines for pollution and each port (each time the ship calls at that port) in the case of all other fines.

Rule 3

Special cover

- A Subject to the Act, the Managers may accept entries of ships on terms which afford cover to an Owner against any special or additional risks not set out in Rule 2. The nature and extent of the risks and the terms of the cover shall be as agreed in writing between the Owners and the Managers.

- B Notwithstanding Rule 1(5), an Owner may be insured on the special term that the risks insured may arise otherwise than in respect of the entered ship or otherwise than in connection with the operation of the entered ship provided always that this shall have been expressly agreed in writing between the Owners and the Managers.

- C Without prejudice to the generality of Rule 13C, the Managers may reinsure in whole or in part the risk or risks of the Association insured under this Rule 3, or under Rule 4, and where such reinsurance is arranged the Owner shall be entitled to recover 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.

Special Cover for Charterers, Specialist Operations and Passenger Ships

Without prejudice to the generality of Rule 3, an Owner may be insured against such of the risks set out below as may be appropriate to his interest in an entered ship or to his operations as an Owner, but only by special agreement in writing with the Managers and upon such terms and conditions as the Managers may require.

Section 1 Charterers

Where the entry of a ship in the Association is in the name of or on behalf of a charterer, the following liabilities, losses, costs and expenses may be covered on such terms and conditions as may be agreed by the Managers in writing:

- A Liability of the charterer, together with costs and expenses incidental thereto, to indemnify the owner or disponent owner of the entered ship in respect of the risks set out in Rule 2.
- B Notwithstanding the provisions of sub-paragraphs (i), (ii) and (iii) of Rule 5(G) the charterer's liability, together with costs and expenses incidental thereto, for loss of or damage to the entered ship.
- C Notwithstanding the provisions of sub-paragraph (ii) of Rule 5(G) the loss incurred by the charterer as a result of loss of or damage to bunkers, fuel or other property of the charterer onboard the entered ship.

Section 2 Specialist operations

An Owner may be insured against any of the liabilities, fines, losses, costs or expenses which arise out of or during any of those operations in respect of which cover is excluded or restricted either under Rule 5(H) or otherwise under these Rules upon such terms and conditions as may be expressly agreed in writing between the Owner and the Managers.

Note: The terms and conditions which the Managers will normally require to be agreed in respect of the risks referred to in this section are set out in a separate document, available from the Managers, entitled "Standard Terms and Conditions of Cover under Rule 4 Section 2".

Rule 4 (continued)

Section 3 Passenger ships

The Owner of a passenger ship may be insured against any of the following risks upon such terms and conditions as may be agreed by the Managers in writing:

- A Liability for loss of or damage to the effects of any passenger or personal injury, illness or death of any passenger and hospital, medical or funeral expenses incurred in connection therewith to the extent that such liability, costs or expenses are not recoverable under Section 1(C) of Rule 2.
- B Notwithstanding the provisions of sub-paragraph (vi) of Rule 5(G) liability to pay damages or compensation to passengers intended to be carried on board an entered ship arising as a consequence of a casualty to that ship, including the costs of travel and maintenance.
- C Liability to pay damages or compensation to passengers for breach of contract or warranty in respect of failure to provide facilities on board or in connection with a voyage on board an entered ship in accordance with the Owner's legal obligations.

Conditions, Exceptions and Limitations

A Payment first by the Owner

Unless the Directors in their discretion otherwise decide, it is a condition precedent of an Owner'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 by way of loan or otherwise.

B Limitation of the Association's liability

i General

Subject to these Rules and to any special terms and conditions upon which a ship may be entered, the Association insures the liability of the Owner in respect of an entered ship as this liability may be determined and fixed by law including any laws pertaining to limitation of liability. The Association shall in no circumstances be liable for any sum in excess of such legal liability. If less than the full tonnage of a ship is entered in the Association, the Owner shall, unless the entry of the ship has been accepted on special terms which otherwise provide, be entitled only to recover such proportion of his claim as the entered tonnage bears to the full tonnage. Such proportion shall, if the Owner's claim is subject to any other limits under these Rules, be applied after the application of such limits.

ii Oil Pollution

For the purpose of this sub-paragraph and the provisos thereto, and without prejudice to anything elsewhere contained in these Rules, a "claim in respect of oil pollution" shall mean a liability, cost, loss or expense, howsoever incurred, in respect of or relating to an escape or discharge of oil or any threat or consequence of such escape or discharge, but excluding liability for loss of or damage to such oil.

Unless otherwise limited to a lesser sum, the Association's liability for any and all claims in respect of oil pollution shall be limited to such sum or sums as the Directors may from time to time determine.

Such limit shall, unless the Directors otherwise decide, apply in respect of any one entered ship each event and shall apply irrespective of whether the event involves the escape or threatened escape of oil from one or more than one ship and to all claims in respect of oil pollution brought by the Owner or Joint Owners of the entered ship whether under one Section or more than one Section of Rule 2. If the aggregate of such claims exceeds that limit, the liability of the Association for each claim shall be limited to such proportion of that limit as such claim bears to the aggregate of all such claims.

PROVIDED ALWAYS that:

- a Where the entered ship provides salvage or other assistance to another ship following a casualty, a claim by the Owner of the entered ship in respect of oil pollution arising out of the salvage, the assistance or the

Rule 5 (continued)

casualty shall be aggregated with any liabilities or costs incurred in respect of oil pollution by any other ship similarly engaged in connection with the same casualty when such other ships are insured for oil pollution risks by the Association or by any other insurer which participates in the Pooling Agreement. In these circumstances the limit of the Association's liability shall be such proportion of the limit determined by the Directors pursuant to sub-paragraph (ii) of this Rule 5(B) as the claim of the Owner bears to the aggregate of the said claims.

- b Where a ship entered in the Association by or on behalf of any person (except a charterer other than a demise or bareboat charterer) is also separately insured in the name of or on behalf of the same or any other such person by the Association or by any other insurer which is a party to the Pooling Agreement for claims in respect of oil pollution, the aggregate recovery in respect of all such claims arising out of any one event shall not exceed the limit determined by the Directors pursuant to sub-paragraph (ii) of this Rule 5(B) and the liability of the Association to each such person insured by the Association shall be limited to such proportion of that limit as the maximum claim otherwise recoverable by such person from the Association bears to the aggregate of all such claims otherwise recoverable from the Association and from all such insurers.
- c If and to the extent that the Owner has, in relation to any claim in respect of oil pollution, other insurance not being solely in excess of the limit determined by the Directors pursuant to this sub-paragraph (ii) of Rule 5(B) nor being a quota share arrangement agreed in advance with the Association in writing, then (1) the amount of the said limit shall, as applied to such claim, be reduced by the amount of the stated limit of such other insurance and (2) the Association shall not pay such claim to the extent that it does not exceed the stated limit of such other insurance.

Note: For the 2008 policy year, the Directors have determined that the sums to which the Association's aggregate liability for any and all claims in respect of oil pollution shall be limited are; US\$1000 million each event in respect of each ship entered by or on behalf of an Owner not being a charterer other than a demise or bareboat charterer.

iii **Passenger/Seaman**

For the purpose of this sub-paragraph and the provisos thereto, and without prejudice to anything elsewhere contained in the Rules, a "Passenger" shall mean a person carried onboard 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 and a "Seaman" shall mean any other person onboard a ship who is not a Passenger.

Unless otherwise limited to a lesser sum, the Association's aggregate liability for any and all claims arising out of any one event shall not exceed (1) in respect of liability to Passengers US\$2,000 million; and (2) in respect

of liability to Passengers and Seamen US\$3,000 million, for each ship entered by or on behalf of an Owner not being a charterer other than a demise or bareboat charterer.

PROVIDED ALWAYS that:

Where a ship entered in the Association by or on behalf of any person (except a charterer other than a demise or bareboat charterer) is also separately insured in the name of or on behalf of the same or any other such person by the Association or by any other insurer which is a party to the Pooling Agreement

- a. the aggregate of claims in respect of liability to Passengers recoverable from the Association and/or such other insurers shall not exceed US\$2,000 million any one event and the liability of the Association shall be limited to such proportion of that sum as the claims recoverable by such persons from the Association bears to the aggregate of all such claims otherwise recoverable from the Association and all such insurers;
- b. the aggregate of all claims in respect of liability to Passengers and Seamen recoverable from the Association and/or such other insurers shall not exceed US\$3,000 million any one event 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 million in accordance with proviso (a) to such proportion of the balance of US\$1,000 million as the claims recoverable by such persons in respect of liability to Seamen bear to the aggregate of all such claims otherwise recoverable from the Association and all such insurers; and
 - ii.) in all other cases, to such proportion of US\$3,000 million as the claims recoverable by such persons in respect of liability to Passengers and Seamen bear to the aggregate of all such claims otherwise recoverable from the Association and all such insurers.

C Set-off

Without prejudice to anything elsewhere contained in these Rules the Association shall be entitled to set off any amount due from an Owner against any amount due to such Owner from the Association.

D Exclusion of sums insurable under hull policies

Unless and to the extent that the Directors in their discretion otherwise decide, or the Managers agree in writing as a term of entry, the Association shall not indemnify the Owner of an entered ship against any liabilities, costs or expenses against which that Owner would have been insured if at the time of the incident giving rise to those liabilities, costs or expenses the ship had been fully insured for its proper value under Hull Policies on terms equivalent to those of the Lloyd's Marine Policy MAR form 1/1/82 with the Institute Time Clauses Hulls 1/10/83 attached. For the purposes of these Rules "proper value" shall mean the market value of the ship, without commitment, at the date of the incident referred to above.

Note: When considering the proper value for which an entered ship should be insured or deemed to be insured for the purposes of claims under Rule 2

Rule 5 (continued)

Sections 10 and 20, the Directors will require to be satisfied that the hull and/or excess liability policies of the Owner concerned have been the subject of periodic review as market conditions may require, so that the total amount of liability coverage contained in those policies is maintained at levels approximating to the market value of the ship without commitment. Owners are recommended to consult their brokers and/or shipvaluers to assess periodically in the light of the above, the proper amount for which insurances should be effected to cover against collision and general average or salvage liabilities. Provided the necessary insurances are placed on the basis of the advice received, the Directors will give every consideration to a claim if, as may transpire, the values and amounts upon which the insurances have been placed are lower than the values which may have been assessed by a Court or Tribunal for general average or salvage purposes.

E Exclusion of War Risks

The Association shall not indemnify an Owner 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 Owner or on the part of the Owner's 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 caused by:

- i War, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power, or any act of terrorism.
- ii Capture, seizure, arrest, restraint or detainment (barratry and piracy excepted) and the consequences thereof or any attempt thereat;
- iii Mines, torpedoes, bombs, rockets, shells, explosives or other similar weapons of war (save for those liabilities, costs or expenses which arise solely by reason of the transport of any such weapons whether on board the entered ship or not), provided always that this exclusion shall not apply to the use of such weapons either as a result of government order or with the written agreement of the Directors or the Managers 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:

- a In the event of any dispute as to whether or not an act constitutes an act of terrorism, the decision of the Directors shall be final.
- b The exclusions in this paragraph (E) shall not apply to liabilities, costs or expenses of an Owner insofar only as they are discharged by the Association on behalf of the Owner 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 Pollution Compensation Fund 1992 in connection with the Small Tanker Oil Pollution Indemnification Agreement 2006 (STOPIA 2006), to the extent that such liabilities, costs and expenses are not recovered by the Owner under any other policy of insurance or extension to the cover provided by the Association, and
- c where any such guarantee, undertaking or certificate is provided by the Association on behalf of the Owner as guarantor or otherwise, the Owner agrees that any payment by the Association thereunder in discharge of the said liabilities, costs and expenses shall, to the extent of any amount recovered under any other policy of insurance or extension to the cover provided by the Association, be deemed to be by way of loan and that there shall be assigned to the Association all the rights of the Owner under any other insurance and against any third party.
- d The Directors may resolve that special cover be provided to the Owner against any or all of the risks set out in Rule 2 notwithstanding that those liabilities, costs or expenses would otherwise be excluded by this paragraph (E) and that such special cover should be limited to such sum or sums and be subject to such terms and conditions as the Directors may from time to time determine.

F Exclusion of nuclear risks

The Association shall not indemnify an Owner 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 Owner or on the part of the Owner's 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:

- i ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel
- ii the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof
- iii any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter
- iv the radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter

PROVIDED ALWAYS that:

- a this exclusion shall not apply to liabilities, losses, costs or expenses arising out of the carriage of "excepted matter" as cargo on an entered ship. For this purpose "excepted matter" consists of certain radio isotopes, used in or intended to be used for any industrial, commercial, agricultural, medical or scientific purpose and such further exceptions as the Directors may approve within the scope of the definition of "excepted matter" contained in the Nuclear Installations Act 1965 of the United Kingdom and any regulations made thereunder.
- b The Directors may resolve that special cover be provided to the Owner against any or all of the risks set out in Rule 2 notwithstanding that those liabilities,

Rule 5 (continued)

losses, costs, or expenses would otherwise be excluded by this paragraph (F) and that such special cover should be limited to such sum or sums and be subject to such terms and conditions as the Directors may determine.

G Exclusion of damage to entered ship, loss of hire, etc.

Subject to paragraph (F) of Section 22 and to Section 24 of Rule 2, the Association shall not, except as otherwise provided in this paragraph, pay for:

- i Loss of or damage to the entered ship or any part thereof;
- ii Loss of or damage to any equipment on board the entered ship or to any containers, lashings, stores or fuel thereon, to the extent that the same are owned or leased by the Owner or by any company associated with or under the same management as the Owner;
- iii The cost of repairs to the entered ship or any charges or expenses in connection therewith;
- iv Claims by or against the Owner relating to loss of freight or hire of an entered ship or any proportion thereof unless such loss of freight or hire forms part of a claim recoverable from the Owner for liabilities in respect of cargo or is, with the consent of the Managers, included in the settlement of such a claim;
- v Salvage or services in the nature of salvage and any costs and expenses in connection therewith;
- vi Loss arising out of cancellation of a charter or other engagement of an entered ship;
- vii Loss arising out of irrecoverable debts or out of the insolvency of any person, including insolvency of agents;
- viii Claims by or against the Owner relating to demurrage on, detention of or delay to an entered ship unless such demurrage, detention or delay forms part of a claim recoverable from the Owner for liabilities in respect of cargo within the scope of these Rules or is, with the consent of the Managers, included in the settlement of such a claim.

PROVIDED ALWAYS that:

The foregoing exceptions shall not apply to claims under the following Sections of Rule 2:

Section 9 Life Salvage, Section 19 Unrecoverable general average contributions, Section 20 Ship's proportion of general average, Section 21 Special compensation to Salvors, Section 25 Sue and labour and legal costs, Section 26 Expenses incurred by direction of the Association.

H Exclusion of certain liabilities, costs and expenses of salvage ships, drilling ships, dredgers and others

Unless and to the extent that special cover shall have been agreed between the Owner and the Managers in accordance with the provisions of Rules 3 or 4, the Association shall not be liable for any claim relating to liabilities, costs and expenses incurred by the Owner of:

- i An entered ship which is a salvage tug or firefighting ship or other ship used or intended to be used for salvage or firefighting operations, when the claim arises out of any salvage or firefighting service or attempted salvage or firefighting service;

- ii An entered ship which is used for or in connection with drilling or oil or gas production operations, when the claim arises out of or during those operations;
- iii An entered ship which is used for the operations of dredging, blasting, piledriving, well-stimulation, laying, maintaining or removing cables or pipes, core sampling, depositing of spoil, professional oil spill response or professional oil spill response training and tank cleaning (otherwise than on the entered ship), or other specialist operations, when the claim arises out of those operations;
- iv An entered ship which is used for waste disposal or incineration operations, when the claim arises out of those operations;
- v An entered ship which is used for or in connection with the operations of submarines or underwater vessels or equipment, or an entered ship which is used for or in connection with professional or commercial diving operations, when the claim arises out of those operations.
- vi An entered ship which is moored (otherwise than on a temporary basis) and is open to the public as a hotel, restaurant, bar or other place of entertainment, when the claim is in respect of hotel or restaurant guests or other visitors or catering crew of such ship.
- vii An entered ship which is used as an accommodation vessel, when the claim is in respect of personnel (other than marine crew) on board such ship employed otherwise than by the Owner, where there has not been a contractual allocation of risks as between the Owner and the employer of the personnel which has been approved by the Managers.
- viii An entered ship which is a semi-submersible heavy lift vessel or which is designed exclusively for the carriage of heavy lift cargo, when the claim is in respect of loss of or damage to or wreck removal of cargo, save where the cargo is carried under a contract on HeavyCon terms or any other terms approved in writing by the Managers.

I 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:

- i apart from any terms in such other insurance excluding or limiting liability on the ground of double insurance; and
- ii if the ship had not been entered in the Association with cover against the risks set out in these Rules.

J Contraband, blockade running, unlawful trade, imprudent or hazardous operations

No claim shall be recoverable from the Association if it arises out of or is consequent upon an entered ship carrying contraband, blockade running or being employed in an unlawful trade or if the Directors, having regard to all the circumstances, shall be of the opinion that the carriage, trade or voyage was imprudent, unsafe, unduly hazardous or improper.

Rule 5 (continued)

K Classification and statutory requirements

Unless otherwise agreed in writing between the Owner and the Managers, the following conditions are terms of the insurance of every entered ship:

- i The ship must be and remain throughout the period of entry classed with a Classification Society approved by the Managers, and
- ii Any incident or condition in respect of which that Classification Society might make recommendations as to repairs or other action to be taken by the Owner must be promptly reported to that Classification Society.☒
- iii The Owner must comply with all the Rules, recommendations and requirements of the Classification Society relating to the entered ship within the time or times specified by the Society.
- iv The Owner 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.
- v The Owner must immediately inform the Managers if, at any time during the period of entry, the Classification Society with which the 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.
- vi The Owner must comply with all statutory requirements of the state of the ship's flag relating to the construction, adaptation, condition, fitment, equipment and manning of the entered ship and must at all times maintain the validity of such statutory certificates as are issued by or on behalf of the state of the ship's flag in relation to such requirements and in relation to the International Safety Management (ISM) Code and the International Ship and Port Facility Security (ISPS) Code.

Unless and to the extent that the Directors otherwise decide, an Owner shall not be entitled to any recovery from the Association in respect of any claim arising during a period when that Owner is not fulfilling or has not fulfilled those conditions.

PROVIDED ALWAYS that:

where the entry of a ship is solely in the name of or on behalf of a charterer other than a demise or bareboat charterer the rights of recovery of such charterer shall not be dependent on the fulfilment of conditions (ii), (iii), (iv), (v), or (vi) of this paragraph (K).

L Rules subject to Marine Insurance Act

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, of the United Kingdom and any statutory modifications thereof except insofar as such Act or modifications may have been excluded by these Rules or by any term of such contracts.

M Obligation to Sue and Labour

Upon the occurrence of any casualty, event or matter liable to give rise to a claim by an Owner upon the Association, it shall be the duty of the Owner and his agents to take and to continue to take all such steps as may be reasonable for the purpose of averting or minimizing any expense or liability in respect whereof he may be insured by the Association. In the event that an Owner commits any breach of this obligation, the Directors may in their discretion reject any claim by the Owner against the Association arising out of the casualty, event or matter, or reduce the sum payable by the Association in respect thereof by such amount as they may determine.

N Obligations with regard to claims

- i An Owner must promptly notify the Managers of every casualty, event or claim upon him which is liable to give rise to a claim upon the Association, and of every event or matter which is liable to cause the Owner to incur liabilities, costs or expenses for which he may be insured by the Association.
- ii An Owner must promptly notify the Managers of every survey or opportunity for survey in connection with a matter referred to under (i).
- iii An Owner must at all times promptly notify the Managers of any information, documents or reports in his or his agents' possession, power or knowledge relevant to such casualty, event or matter as is referred to under (i) and shall further, whenever so requested by the Managers, promptly produce to the Association and/or allow the Association or its agents to inspect, copy or photograph, all relevant documents of whatsoever nature in his or his agents' possession or power and shall further permit the Association or its agents to interview any servant, agent or other person who may have been employed by the Owner at the material time or at any time thereafter or whom the Association may consider likely to have any direct or indirect knowledge of the matter or who may have been under a duty at any time to report to the Owner in connection therewith.
- iv An Owner shall not settle or admit liability for any claim for which he may be insured by the Association without prior written consent of the Managers.

In the event that an Owner commits any breach of his obligations referred to in (i) to (iv) above, the Directors may in their discretion reject any claim by the Owner against the Association arising out of the casualty, event or matter, or reduce the sum payable by the Association in respect thereof by such amount as they may determine.

O Time Bar

In the event that:

- i an Owner fails to notify the Managers of any casualty, event or claim referred to in paragraph (N) (i) of this Rule within one year after he has knowledge thereof; or
- ii an Owner fails to submit a claim to the Managers for reimbursement of any liabilities, costs or expenses within one year after discharging or settling the same;

Rule 5 (continued)

the Owner's claim against the Association shall be discharged and the Association shall be under no further liability in respect thereof unless the Directors in their discretion shall otherwise determine.

P Recoveries

Unless otherwise agreed in writing by the Managers, where the Association has paid a claim to or on behalf of an Owner the whole of any recovery from a third party in respect of that claim shall be credited and paid to the Association up to an amount corresponding with the sum paid by the Association together with any interest element on that sum comprised in the recovery, provided however that where, because of a deductible in his terms of entry, the Owner has contributed to settlement of the claim, any such interest element shall be apportioned between the Owner and the Association taking into account the payments made by each and the dates on which those payments were made.

Q Surveys of ships

The Managers at any time in their discretion may appoint a surveyor or such other person as they may think fit to inspect an entered ship on behalf of the Association. The Owner (i) shall afford such facilities as may be required for such inspection, and (ii) shall comply with such recommendations as the Managers may make following such inspection.

Unless and to the extent that the Directors in their discretion otherwise decide, an Owner who commits any breach of his obligations referred to in (i) to (ii) above shall not be entitled, in relation to any casualty, event or matter occurring during the period of the breach, to any recovery from the Association in respect of any claim arising out of such casualty, event or matter.

Notwithstanding the above and in addition thereto, the Directors may, in the light of such inspection or in the event of any breach of the obligations referred to in (i) to (ii) above, terminate the Owner's entry forthwith whereupon the Owner shall cease to be insured in respect of the entered ship.

R Surveys of ships after lay-up

- i If an entered ship has been laid-up for a period of six months or more, whether the ship has been entered in the Association for all or part of the period of lay-up and whether or not laid-up returns have been claimed or paid in accordance with Rule 27, the Owner shall give the Managers notice that the ship is to be recommissioned not less than seven days before the ship leaves the place of lay-up.
- ii Upon receipt of such notice the Managers in their discretion may appoint a surveyor or such other person as they may think fit to inspect the ship on behalf of the Association and the Owner shall afford such facilities as may be required for such inspection.
- iii The Owner shall comply with such recommendations as the Managers may make following such inspection.

Unless and to the extent that the Directors in their discretion otherwise

decide, an Owner who commits any breach of his obligations referred to in (i) to (iii) above shall not be entitled, in relation to any casualty, event or matter occurring during the period of the breach, to any recovery from the Association in respect of any claim arising out of such casualty, event or matter. A breach of the obligation in (i) above shall be deemed to have ended at such time as the Owner has complied with his obligations referred to in (ii) above.

Notwithstanding the above and in addition thereto, the Directors may, in the light of such inspection or in the event of any breach of the obligations referred to in (ii) to (iii) above, terminate the Owner's entry forthwith whereupon the Owner shall cease to be insured in respect of the entered ship.

S Electronic communication

The Association's logs and records of any electronic communication sent or received by the Association shall, in the absence of manifest error, be conclusive evidence of such communication and of its despatch or receipt.

T Interest

In no case shall interest be paid upon sums due from the Association.