

«APPROVED BY»

GENERAL DIRECTOR
JSC «Military Insurance Company »

S.E. Almazov

03rd of October 2008 г.

SHIPOWNER'S LIABILITIES INSURANCE RULES № 67/1

GENERAL PROVISIONS

These Rules constitute the terms and conditions of contracts of marine insurance of shipowners' civil liability for damage to third parties concluded between the Insurer and the Insured (further on referred to as contracts of insurance).

These Rules shall cover sea going vessels and other floating objects, mixed navigation (river-sea going) vessels as well as vessels operating exclusively on the inland waterways of the Russian Federation.

1. BASIC TERMS AND DEFINITIONS

- 1.1 **Aggregate limit of liability (sum insured) under the contract of insurance** – a sum of money expressed in absolute terms of any country's currency stated in the contract of insurance (insurance policy) to the extent whereof the Insurer shall pay insurance compensation in the aggregate in relation to all the events occurred during the period of insurance and in the excess whereof no other payouts shall be made.
- 1.2 **Missing ship** – a ship shall be deemed to be missing if the ship fails to make contact for the period twice as long as the time normally taken for her passage from the place wherefrom she was last heard of to the port of destination. The period necessary for admitting the ship to be missing cannot be less than one month and more than three months from the date the ship was last heard of, and under war conditions shall not be more than 6 months.
- 1.3 **Inland waterways** – natural or artificial federal communication lines indicated with navigation marks or in a different way and used for navigation.
- 1.4 **Hydraulic engineering works** – dredging, sluicing, underwater technical and diving works, construction and repairs of piers, jetties, bridges, quays and other hydraulic structures, underwater cable and pipe laying.
- 1.5 **Cargo** – any things and goods (including objects used and intended to be used for packing or storing of goods), in respect whereof the shipowner enters into a contract of carriage. For the purposes of these Rules cargo shall not include containers or other equipment which is owned or leased by shipowner.
- 1.6 **Average adjustment** – statement on distribution of General Average sacrifices and expenditures.

- 1.7 **Average adjuster** – a person competent and experienced in the sphere of maritime law who is retained for assessing the amount of general average, determining the value of the property involved in general average and drawing up of average adjustment.
- 1.8 **Documents confirming the ship's lay-up and its duration:**
- extracts from the log book;
 - reference from the Harbour Master's Office or any other authorities in charge of the place of the lay-up;
 - confirmation of the shipowner's agent, presented in writing.
- 1.9 **Insured ship** - a self-propelled or non-self-propelled floating construction specified in the contract of insurance, which is operated for merchant shipping and inland navigation.
- 1.10 **Other persons** – physical persons other than those mentioned in clauses 1.15, 1.30.
- 1.11 **Limit of liability for any one insured event** – a sum of money expressed in absolute terms of any country's currency stated in the contract of insurance (insurance policy) to the extent whereof the Insurer shall pay insurance reimbursement in relation to any one insured event occurred during the period of insurance and in the excess whereof no payouts shall be made. An insured event is referred to all the Insured's losses arisen in the result of any one occurrence of one or a number of risks indicated in clause 5.2 of these Rules. Unless otherwise provided under the contract of insurance, upon the occurrence of several risks specified in clause 5.2 in the result of one and the same event the Insurer's liability shall be limited to the sum indicated in the contract of insurance (insurance policy), i.e. limits of liability for several risks shall not be summarized.
- 1.12 **General average** – damages or expenses incurred as a result of extraordinary expenditures or sacrifices intentionally and reasonably made for the sake of common safety with the purpose to save property exposed to common danger: the ship, freight and the cargo carried on board. For the purposes of these Rules general average losses and the principal of distribution shall be determined in compliance with the procedure stipulated in the documents of carriage.
- 1.13 **Customary towage** – towage of a non-self-propelled ship, towage of a self-propelled ship when entering or leaving port, maneuvering within the port.
- 1.14 **Laying-up** – a ship's staying in a port, point of laying-up or any other safe place approved by the Insurer subject to the following conditions:
- the ship shall not perform loading /discharging operations and/or any kinds of repair;
 - the crew shall be present on board in the minimum just necessary for security and maintenance of separate operating pieces of machinery, if necessary.
- 1.15 **Passenger** – any physical person carried on board a ship under a contract of a passenger carriage (other fee-based service contract) or with consent of the carrier with the aim to accompany a motor vehicle or an animal under the contract for the carriage of cargo.
- 1.16 **Register (Classification Society)** – supervisory organization controlling ship's technical condition.
- 1.17 **Information about the circumstances material for determining the extent of risk**– information provided by the Insured as per the Application for Insurance (Appendix №1).
- 1.18 **Co-insured** – other party named in the contract of insurance in relation whereof the risk of liability for damage to third party's life, health and property is insured in compliance with these Rules.
- 1.19 **Period of insurance** – a period of time indicated in the contract of insurance (insurance policy) in which insurance cover in accordance with these Rules is effective.
- 1.20 **Insurance payout (insurance compensation)** – a sum of money, specified under the contract of insurance and paid out by the Insurer to the Insured, co-insured or beneficiary upon the occurrence of an insured event.

- 1.21 **Insurance cover** – insurance terms and conditions indicated in the contract of insurance (insurance policy): period of insurance, set of insured risks, exclusions, limits and other conditions determining the scope of the Insurer's obligations.
- 1.22 **Shipowner** – a person operating the ship on his own behalf irrespective of whether he is the owner of the ship or operates her on any other legal ground.
- 1.23 **Inland navigation** – activities connected with operating ships in inland waters for:
- carriage of cargoes, passengers, luggage and mail;
 - towage of ships and other floating objects;
 - mineral exploration, survey and mining;
 - construction, engineering, hydraulic engineering, underwater technical and other similar works;
 - pilotage, icebreaker assistance;
 - salvage operations;
 - performing measures for protection of water objects and their preservation from pollution; wreck removal, sanitary and other control;
 - carrying out scientific researches;
 - educational, sporting, cultural and other purposes.
- 1.24 **Material variations with the subject of insurance or in respect to the subject of insurance** – variations as stated in clause 9.1 of these Rules, as well as other variations concerning the information stated in the application for insurance, which may result in increasing the risk for an insured event to occur or the amount of eventual losses.
- 1.25 **Time-charterer** – a legal entity or a self-employed entrepreneur operating a ship on the basis of a charter-party for a specific period (time-charter party).
- 1.26 **Merchant shipping** – activities connected with operating ships for:
- carriage of cargoes, passengers and their luggage;
 - catching biological water resources;
 - survey and development of mineral and other nonliving resources of the sea bottom and sub-bottom;
 - pilotage, icebreaker assistance;
 - search, rescue and towing operations;
 - wreck removal;
 - hydraulic engineering, underwater technical and other similar works;
 - sanitary, quarantine and other control;
 - protection and preservation of marine environment;
 - carrying out naval scientific researches;
 - educational, sporting, cultural and other purposes.
- 1.27 **Requirements of the flag state** – requirements of international conventions ratified by the state of the flag flown by the insured ship.
- 1.28 **Loss** – expenses, which have been paid by the party whose rights were infringed or are to be paid by this party to restore the infringed right; loss of or damage to his property (actual damages); as well as loss of income which would have been received by this party under the usual conditions of the civil circulation, if the right had not been infringed (loss of profit).
- 1.29 **Deductible** – part of the losses not recoverable from the Insurer under terms and conditions of the contract of insurance and is left on the Insured's own responsibility.

- 1.30 **Crew members** – the Master and other officers and members of a crew, being in labour relations with the Insured and allowed to hold a position in accordance with the crew roll and on the basis of standard diplomas and certificates of competence, also including those proceeding to or from a ship.
Unless otherwise agreed, persons, being on board and carrying out their duties stipulated by documents other than those mentioned above, shall not be related to crew members.

- 1.31 **Penalty** is a sum of money determined by law or a contract, which a debtor is obliged to pay to a creditor in case of failure to fulfill or improper fulfillment of obligation, particularly in the event of delay in performance.

2. PARTIES TO THE INSURANCE

- 2.1 Insurer – Joint Stock Company “Military Insurance Company”, acting in compliance with the Licence.
- 2.2 Insured – a legal person, or a self-employed entrepreneur, or a legally capable physical body, who has concluded the contract of insurance with the Insurer.
The Master, officers, crew and pilots shall not be regarded as the Insured or his representative by implication irrespective of whether they are holders of the shipowning company or not.
- 2.3 Beneficiary (a third party) – a party, in whose relation there has arisen a shipowner’s legal or contractual liability for paying compensation for damages caused by or in the course of the ship’s operation and in whose favour the shipowner has insured his liability under these Rules.

3. SUBJECT OF INSURANCE

Subject of insurance - the Insured’s valuable interests connected with the obligation to recover losses, as stipulated by civil law, inflicted to third parties in the course of activities connected with operating a ship in merchant shipping or navigation on inland waterways.

4. SHIP CLASSIFICATION AND STATUTORY REQUIREMENTS

- 4.1 The ship must be and remain throughout the period of insurance classed with a classification society stipulated in the contract of insurance.
- 4.2 The Insured must promptly report to that classification society any incident or other facts and circumstances in respect of which it might make recommendations as to repairs or other action to be taken by the Insured.
- 4.3 The Insured must comply with all the rules, recommendations and requirements established by a classification society in relation to the insured ship within the period stated by the society.
- 4.4 The Insured authorizes the Insurer to inspect any documents and information, relating to the maintenance of class of the insured ship, in the possession of any classification society with which that ship is or at any time has been classed.
- 4.5 The Insured must comply with all statutory requirements of the state of the ship’s flag relating to the construction, condition and equipment of the insured ship and must at all times maintain the validity of all statutory certificates as are issued by or on behalf of the state of the ship’s flag confirming that the ship corresponds to such requirements.
- 4.6 A contract of insurance may stipulate the ship not to be classed with any classification society. Requirements of clauses 4.1 – 4.4 of this section shall not be applied to such a ship.

5. INSURED EVENT, INSURED RISKS, SCOPE OF THE INSURER’S OBLIGATIONS

- 5.1 An insured event is an accrual of obligation of the Insured to pay compensation as stipulated by civil law for

damage caused to third parties as a consequence of the occurrence within the period of insurance of the insured risks indicated in clause 5.2, which entails the Insurer's obligation to make insurance payout to the Insured, the beneficiary or other third parties.

5.2 The following anticipated events are the risks insured against:

5.2.1 the Insured's civil liabilities for damages or compensations payable to physical persons other than crew members of the ship:

- Section 1. Liabilities in respect of passengers on the insured ship.
- Section 2. Liabilities in respect of physical persons (except for crew members and passengers on the insured ship).
- Section 3. Liabilities in respect of stowaways and refugees.
- Section 4. Expenses of diversion of an insured ship.
- Section 5. Expenses connected with life salvage;

5.2.2 liabilities arising from collision with any other ship or causing non-contact damage to any other ship;

5.2.3 loss of or damage to property belonging to third parties;

5.2.4 pollution of environment;

5.2.5 wreck removal;

5.2.6 liabilities for loss, shortage or damage in respect to cargo or a towed object;

5.2.7 liabilities for damages caused to third parties during towage of an insured ship;

5.2.8 quarantine expenses;

5.2.9 general average and salvage;

5.2.10 loss of or damage to property on an insured ship;

5.2.11 liabilities for special compensation payable to salvor;

5.2.12 the costs connected with claims lodged by any state competent authorities against the Insured;

5.2.13 Sue and labour and legal costs.

5.2.14 In particular cases stipulated in the contract of insurance compensation shall be paid in relation to the Insured's losses connected with arising of the following civil liabilities:

- Section 1. Civil liability for any damage inflicted during the salvage operations provided by an insured ship.
- Section 2. Civil liability for any damage inflicted during the hydraulic engineering works performed by an insured ship.
- Section 3. Time-charterer's civil liability.
- Section 4. War risks.

5.3 An event shall not be deemed to be an insured one, if the Insured's liability to compensate for damage caused to third parties as stipulated by civil law arises as a consequence of:

5.3.1 sending of a ship to sea in an unseaworthy (unfit for sailing) state, unless the unseaworthy state is caused by the ship's latent defects;

- 5.3.2 dilapidation of a ship and her equipment, their tear and wear;
- 5.3.3 loading of explosive and spontaneously igniting substances and objects with the privity of the Insured or the beneficiary, or his representative, but without the Insurer's knowledge;
- 5.3.4 misusing of a ship;
- 5.3.5 intent or gross negligence of the Insured or the beneficiary or his representative (in cases stipulated by law);
- 5.3.6
 - a) cargo loss, shortage or damage as a result of:
 - discharge of cargo at a port or place other than that provided in the contract of carriage;
 - 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;
 - delivery of cargo carried under a non-negotiable bill of lading or similar document of carriage to a person other than the party named in such bill of lading or document as the person to whom delivery should be made;
 - b) the issue of a bill of lading or other document evidencing the fact of receipt of cargo for carriage, which:
 - is dated earlier or later than the actual date of loading, shipping or receipt of cargo (antedated or post-dated);
 - is issued, with the knowledge of the Insured and the ship staff in charge, with incorrect information about the cargo quantity or its condition;
 - is not specially claused to the effect that the cargo is carried on deck in case such clause must be inserted into the bill of lading;
 - c) failure to arrive or late arrival of the Ship at a port of loading;
 - d) loss of or damage to cargo outside the ship, either discharged or prepared for loading;
 - e) performance of discharging operations in case of non-approval of such operations on the part of the Insurer;
 - f) carriage of specie, bullion, precious or rare metals or stones or other objects of a rare or precious nature, works of art, bank notes or other forms of currency, bonds or other negotiable instruments;
 - g) impossibility to discharge cargo completely, unless it is proved that all possible and reasonable measures have been taken for such discharging;
 - h) shortage in weight of packaged and container cargo in case of the packing (seals) being intact;
 - j) shortage in weight of bulk cargoes, which is within the limits of permissible losses when such cargo is carried by sea;
 - k) shortage of some ends of sawn wood inside intact packages;

- 1) loss of the right of limitation due to deviation of the ship from the route stipulated in the contract of carriage;
- 5.3.7 Carriage of cargoes (including carriage of cargoes on deck) on terms and conditions less favourable for the carrier than the standard terms and conditions of the carriage provided by:
 1. the Hague Visby Rules (i.e. The International Convention for the Unification of Certain Rules Relating to Bills of Lading signed at Brussels on 25 August 1924 as amended by the Protocol signed at Brussels on 23 February 1968);
 2. the Merchant Shipping Code of the Russian Federation;
 3. the Inland Water Transport Code of the Russian Federation, unless otherwise provided under the contract of insurance.
 - 5.3.8 overloading of the insured ship;
 - 5.3.9 carriage of live animals on board, unless otherwise provided under the contract of insurance;
 - 5.3.10 participation of the ship in unlawful fisheries;
 - 5.3.11 participation of the ship in contraband or other unlawful operations or the attempts to carry out such operations;
 - 5.3.12 putting a lien on the cargo by the Insured or selling the cargo;
 - 5.3.13 usage of non-specialized ships as a salvage, drill, dredge, cablelaying and pipelaying or diving ship;
 - 5.3.14 cancellation of any contract for carriage of cargo, contract for carriage of a passenger, towage contract, time-charter, bareboat charter or other contract for use of the insured ship;
 - 5.3.15 strikes, lockout and disturbances organized by any persons;
 - 5.3.16 loss of or damage to money in cash, cheques, banking documents and other negotiable instruments, works of art and antiques, precious and rare metals, precious stones, and items from them, object of a rare and precious nature belonging to physical persons other than crew members, including passengers;
 - 5.3.17 act of terrorism perpetrated by any persons for political reasons;
 - 5.3.18 war, civil war, revolution, rebellion, insurrection or civil strife, or hostile act by any party against another party;
 - 5.3.19 capture, seizure, arrest, restraint or detainment (barratry excepted) and the consequences thereof or any attempt thereat;
 - 5.3.20 explosion of mines, torpedoes, bombs or other thrown down weapons of war unless the terms and conditions of these risks cover have been agreed with the Insurer;
 - 5.3.21 explosive detonation;
 - 5.3.22 the effect of any war weapon;
 - 5.3.23 the effect of ionizing radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste generated from utilization of nuclear fuel;

- 5.3.24 the radioactive, toxic, explosive or other hazardous properties of any nuclear installation or nuclear component thereof;
- 5.3.25 the effect of any weapon employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter;
- 5.3.26 being of a crew member when on duty in the state of intoxication from alcohol or under the influence of narcotic drugs;
- 5.3.27 deficiencies (defects) revealed by the Insurer during the inspection of the ship's condition;
- 5.3.28 the incident occurred with the insured ship outside the geographical limits agreed under the contract of insurance (region of navigation);
- 5.3.29 the breakdown or possible breakdown, or the failure of any computer, electronic device, part of this device, system, software, or any other electronic device or component belonging to the Insured or being at his disposal, to identify and determine the date, week, year or century correctly and explicitly, to identify and determine any date after the 31st of December 1998 correctly, to continue to operate with a correct current date as before the 1st of January 1999;
- 5.3.30 and in the period when the Insured failed or fails to comply with the requirements of clauses 4.1 - 4.5.
- 5.3.31 the damage sustained by a passenger of the insured ship when attending an excursion arranged by the ship's administration in the port of call, unless otherwise provided under the contract of insurance.

The contract of insurance may stipulate other exclusions to the insurance cover.

5.4 Unless otherwise agreed under the contract of insurance, an event shall not be deemed to be an insured one, if the Insured's liability to compensate for damage, caused to third parties in connection with loss of or damage to a towed object, as stipulated by civil law, arises as a consequence of the towage carried out on the terms and conditions other than:

- 5.4.1 the terms and conditions established by Chapter XII of the Merchant Shipping Code of the Russian Federation;
- 5.4.2 United Kingdom, Netherlands or Scandinavian standard towage conditions;
- 5.4.3 international ocean towage contracts "Towcon" and "Towhire";
- 5.4.4 the terms and conditions established by Chapters XII and XV of the Inland Water Transport Code of the Russian Federation.

5.5 There shall be no recovery of the expenses and losses of the Insured (the beneficiary) in respect of:

- 5.5.1 loss of or damage to the insured ship (except for expenses indicated in clause 12.6.5);
- 5.5.2 repairs to the insured ship, any charges or expenses in connection therewith;
- 5.5.3 loss of freight in relation to the insured ship;
- 5.5.4 salvage of an insured ship in compliance with a salvage agreement the Insured or the Master entered into, as well as costs and expenses for assistance rendered to the insured ship in compliance with other contracts the Insured or the Master of the ship entered into, except for the costs and expenses covered under clause 5.2.9 of these Rules;

5.5.5 claims lodged against the Insured or by the Insured himself in connection with loss of freight or demurrage, or delay of an insured ship, except for cases when the sum of such loss is a part of the claim paid by the Insured for shortage of or damage to cargo.

6. SUM INSURED. LIMIT OF LIABILITY

6.1 Sum insured is a monetary amount stipulated by the contract of insurance on the basis of which the amount of insurance premium (insurance instalments) and the insurance compensation payable upon the occurrence of an insured event are determined.

The sum insured is to be indicated by the Insurer in the Application for insurance (Appendix № 1).

6.2 While concluding a contract of insurance any limits on the insurance compensation payable in relation to any one insured risk and any one occurrence, or an aggregate limit of liability under the contract of insurance may be set out.

6.3 Insurance compensation payable in relation to any insured event occurred during the currency of the contract of insurance under no circumstances may exceed the amount of the insured sum stipulated under this contract of insurance.

6.4 The following costs and expenses shall be reimbursed by the Insurer irrespective of whether these costs and expenses together with losses subject for compensation, may exceed the insured sum (limit of liability) under the contract of insurance:

- the costs and expenses incurred for the purpose of preventing and minimizing losses;
- the costs and expenses connected with ascertainment of damages recoverable from the Insurer.

7. INSURANCE PREMIUM: AMOUNT, PROCEDURE, TERMS AND METHOD OF PAYMENT, REFUNDING PROCEDURE

7.1 Insurance premium definition and amount

7.1.1 Insurance premium is a payment for insurance payable by the Insured (the beneficiary) in compliance with the payment procedure and terms stipulated in the contract of insurance.

7.1.2 The amount of insurance premium is calculated by the Insurer on the basis of the information produced by the Insured as per clauses 8.1 and 8.2.

If the contract of insurance covers one voyage, insurance premium shall be calculated in proportion to the insurance premium calculated for a period.

7.2 Insurance premium payment procedure, terms and method

7.2.1 Insurance premium shall be paid by a lump sum single payment or by instalment (by way of payment of some instalments of the insurance premium).

The procedure of payment of insurance premium (lumpsum or by instalment) shall be determined by mutual agreement of the parties in the contract of insurance.

7.2.2 Insurance premium payment shall be effected by bank transfer to the Insurer's settlement account or by payment at the desk in the Insurer's office.

The date of crediting the Insurer's settlement account with funds or receipt of cash by the Insurer shall be deemed to be the date of insurance premium payment.

7.3 Consequences of the failure to pay insurance premium or a part thereof within the period stipulated by the contract of insurance

7.3.1 Unless otherwise provided under the contract of insurance, if the Insured fails to pay insurance premium (in case of lump sum single payment) or its first instalment (in case of payment by instalments) in the amount and within the periods stipulated by the contract of insurance, the contract is to be considered not to have come into effect.

7.3.2 If the Insured fails to pay a regular instalment of insurance premium before the date specified for payment in the contract of insurance the Insurer is entitled to renounce the fulfillment of the contract of insurance, producing a written notice thereof to the Insured. The contract shall be considered denounced from the moment of receipt of such notice by the Insured, unless other date of denunciation is stipulated in the notice or determined by mutual agreement of the parties.

7.4 Insurance premium refunding procedure

7.4.1 If any part of premium is subject to refunding to the Insured in case of early termination of the contract of insurance (except for clause 8.6.3) or when the ship has been laid up, it is calculated on net basis pro rata for the period left before completion of the contractual period of insurance. Net premium is calculated by deducting from the premium subject to return of brokerage, agency commission, risk assessment expenses and other expenses incurred by the Insurer while entering into the contract of insurance.

8. CONCLUSION AND TERMINATION OF THE CONTRACT OF INSURANCE. EFFECTIVENESS OF THE CONTRACT OF INSURANCE. PERIOD OF INSURANCE AND VALIDITY PERIOD OF THE CONTRACT OF INSURANCE. NAVIGATION AREA

8.1 Grounds for concluding a contract of insurance

A contract of insurance is concluded in writing on the ground of the Insured's written application for insurance in the form produced in Appendix № 1, which is an integral part of the contract of insurance.

8.2 List of data and documents required for concluding a contract of insurance

When entering into a contract of insurance the Insured is obliged to inform the Insurer about all the circumstances material for determining the risk for an insured event to occur and the extent of damage which may arise therefrom.

The mentioned above circumstances must be specifically stipulated in the standard form of the contract of insurance (insurance policy) and/or application for insurance (Appendix №1).

In addition to the information specified in Appendix №1, the Insured is obliged to attach on the Insurer's demand copies of the ship's documents, as well as to provide additional information requested by the Insurer.

8.3 Pre-entry condition survey

8.3.1 When entering into a contract of insurance the Insurer is entitled to demand the ship to be surveyed to reveal the actual condition of the ship. In this connection the Insured is obliged to:

- a) render assistance to the Insurer and create favourable conditions when the ship is being surveyed;
- b) comply with the Insurer's recommendations in the light of the ship's inspection.

The Insurer may grant delay in the carrying out of the survey, but for not more than 30 days from the date when the contract of insurance came into effect.

- 8.3.2 If in the light of the ship's survey the conclusion about the existence of deficiencies in her technical condition has been made, when entering into a contract of insurance the Insurer is entitled to:
- reject from entering into the contract of insurance;
 - impose additional exclusions to the insurance cover, and in case of the Insured's disagreement with the additional exclusions – to reject from entering into the contract of insurance.
- In case the contract of insurance has come into effect before the carrying out of the survey, the Insurer is entitled to:
- dissolve the contract of insurance unilaterally;
 - impose additional exclusions to the insurance cover, and in case of the Insured's disagreement with the additional exclusions – to dissolve the contract of insurance unilaterally.

8.4 Consequences of the Insured's failure to disclose information or his supplying of false information after entering into a contract of insurance

- 8.4.1 In case of the Insured's failure to disclose information about the circumstances material for determining the degree of risk, or in case of his supplying of false information, the Insurer is entitled to denounce the fulfillment of the contract of insurance, producing a written notice thereof to the Insured. The contract shall be considered denounced from the moment of receipt of such notice by the Insured, unless other date of denunciation is stipulated in the notice or determined by mutual agreement of the parties.
- 8.4.2 The amount of insurance premium proportional to the period of the contract validity shall be due to the Insurer and shall be paid by the Insured, unless the Insured shows that his failure to disclose information or his supplying of false information had occurred not through his fault. The Insurer is not entitled to reject to fulfill the contract if the circumstances which are material for determining the degree of risk and which had not been disclosed by the Insured, have fallen away.

8.5 Commencement and validity period of the contract of insurance. Territory of the contract

- 8.5.1 Unless otherwise stipulated in the contract of insurance it shall come into effect on the date stated therein.
- 8.5.2 The contract of insurance may be concluded for a period or a voyage.
- 8.5.2.1 In case of concluding a contract of insurance 'for a period' the insurance may commence at a calendar date or from an event which is to happen inevitably.
The period of insurance may cease at a calendar date or at the expiry of the period expressed in terms of years, months, weeks, days and hours.
- 8.5.2.2 In case of concluding a contract of insurance 'for a voyage' the insurance may commence at a calendar date or from an indicated event.
The period of insurance may cease at a calendar date or on completion of the voyage and/or at the expiry of a period expressed in terms of years, months, weeks, days and hours.
- 8.5.3 Unless otherwise provided under the contract of insurance, the contract is concluded for the period of one year.
- 8.5.4 The contract of insurance shall be valid only within the agreed geographical limits (territory of insurance).
This clause shall not be considered breached in case of deviation of a ship outside the agreed geographical limits with the purpose of saving the life of any person, as well as deviation caused by real necessity for ensuring the safe prosecution of the voyage.

8.6 Procedure of termination of a contract of insurance

8.6.1 A contract of insurance shall be terminated in the following cases:

- a) expiration of the contract of insurance;
- b) fulfillment of Insurer's obligations to the Insured (the beneficiary) in full;
- c) court judgment on invalidation of the contract of insurance.

8.6.2 A contract of insurance shall be early terminated in the following cases:

- a) if after attachment of the insurance probability of the event insured against disappears and the insured risk ceases to exist due to the reasons other than the insured event;
- b) the Insured's repudiation of the contract of insurance for any reason;
- c) the Insurer's repudiation of the contract in case of the Insured's failure to pay insurance instalments in the time specified by the contract;
- d) the Insurer's repudiation of the contract in case of the Insured's failure to disclose the information about the circumstance material for determining the degree of risk, or his supplying of false information;
- e) the Insurer's repudiation of the contract, if in the light of the ship's survey the conclusion about the existence of deficiencies in her technical condition has been made;
- f) the Insured's disagreement with alteration of the contract or an additional premium fixed by the Insurer in connection with the variations increasing the risk;
- g) the Insurer's repudiation of the contract in case of the Insured's failure to disclose the information about any material variation, which has occurred with the insured subject or in relation to the insured subject;
- h) dissolution of the Insured (a legal entity); discontinuing of business by the Insured (a self-employed entrepreneur), in compliance with the procedure stipulated by the law of the Russian Federation;
- j) dissolution of the Insurer in compliance with the procedure stipulated by the law of the Russian Federation;
- k) in other cases stipulated by the law of the Russian Federation.

8.6.3 In case of early termination of the contract of insurance when probability of the event insured against has fallen away and the insured risk has ceased to exist due to circumstances other than the insured event, the Insurer is eligible for part of the insurance premium pro rata for the period when the insurance was valid.

8.6.4 In case of the Insured's early repudiation of the contract of insurance the insurance premium paid to the Insurer is not subject to refunding, unless otherwise provided under the contract of insurance.

8.6.5 In case of alienation of an insured ship, including bareboat charter, the contract of insurance shall cease from the moment of the ship's alienation.

In case of alienation of an insured ship during a voyage at the request of the Insured, the contract of insurance shall be left in force till the completion of the voyage, and all the rights and liabilities shall be transferred to the acquirer of such ship.

9. CONSEQUENCIES OF VARIATION OF THE DEGREE OF RISK

9.1 As soon as it becomes known to the Insured or the beneficiary, he shall immediately notify the Insurer of any material variation which has occurred with the ship indicated in the contract of insurance. In particular, such variations include:

- change of the ship's owner, voluntary or not;
- change of the ship's name, flag, managing company;
- change of the classification society;
- delivery of the ship in a long-term charter;
- deviation from the provisions of clause 8.5.4;
- delay of the ship when she is insured for a voyage;
- laying up the ship for winter-time;
- operating the ship in the way other than that indicated in the ship's documentation;
- selling of the ship for scrapping;
- departure from the requirements of the documents regulating loading, stowage, trimming and distribution of cargo;
- loading and discharging of cargo by an abnormal method;
- ballasting of the ship in the way not specified by relevant documents, when this is necessary for carrying out any works or a survey;
- any towage, except for a customary one, or when the ship must be towed to the first safe port or place, where assistance will be provided to her;
- suspension of classification documents and documents confirming the compliance with the requirements of the flag state in relation to the ship's construction, technical condition and equipment;
- class withdrawal or additional requirements or restrictions imposed by a classification society agreed under the contract of insurance, or the party acting on behalf of the flag state.

9.2 In case of arising of variations in circumstances which entail increasing the degree of the risk insured against unless such variations are caused by saving life, ship or cargo or necessity for the safe prosecution of the voyage, the Insurer is entitled to demand alteration of the contract of insurance or payment of additional insurance premium.

9.3 If the Insurer disagrees with the alteration of the contract of insurance or additional insurance premium, the contract shall cease from the moment of arising of any variation referred to in clause 9.1.

9.4 The failure of the Insured or the beneficiary to execute the obligations stipulated in clause 9.1 shall release the Insurer from execution of the contract of insurance from the moment of arising of the material variation which has occurred with the insured ship or in relation to the ship. The Insurer shall produce to the Insured a written notice of denunciation of the contract of insurance.

The contract shall be considered denounced from the moment of arising of the material variation which has occurred with the insured ship or in relation to the ship.

9.5 The Insurer shall remain entitled to insurance premium, unless the Insured or the beneficiary proves that the failure of fulfill the obligations under clause 9.1 occurred through no fault of him.

10. RIGHTS AND OBLIGATIONS OF THE PARTIES

10.1 The Insured is entitled:

- 10.1.1 to get insurance compensation upon the happening of the insured event specified in the contract of insurance;
- 10.1.2 to get back a part of the insurance premium paid to the Insurer in case of early termination of the contract of insurance due to the circumstances specified in clause 8.6.2a;
- 10.1.3 to denounce the contract of insurance, unless by the moment of such denunciation the probability of the occurrence of the event insured against has fallen away and the insured risk has ceased to exist due to circumstances other than the insured event;
- 10.1.4 to apply to the Insurer with a request to provide a security in case of lodging a claim by third parties to prevent a threatened arrest of the insured ship or to lift such arrest;
- 10.1.5 to alter the contract of insurance as stipulated by the insurance rules;
- 10.1.6 to get reimbursement of expenses incurred to mitigate the losses arisen out of the occurrence of an insured event, if such expenses were reasonable or incurred for fulfillment of the Insurer's instructions;
- 10.1.7 When a Ship shall have been laid up in any safe port having no cargo on board and not being under repairs or renovation for a period of more than thirty consecutive days, the Insured shall be entitled to the return of a part of the insurance premium.
The insurance premium shall be refunded on the basis of a relevant application of the Insured (Appendix №2) and the documents confirming the ship's laying-up and its duration. The insurance premium subject to refunding shall be calculated in compliance with clause 7.4.1 of these Rules.

10.2 The Insurer is entitled:

- 10.2.1 to demand the ship's survey to be performed to reveal the actual technical condition of the ship when entering into the contract of insurance;
- 10.2.2 to have the ship inspected for his own account during the period of insurance with the aim to reveal the actual condition of the ship;
- 10.2.3 to apply for information and/or documents directly to the Classification society with which the ship is classed;
- 10.2.4 to denounce the contract of insurance in case of the Insured's failure to disclose information about the circumstance material for determining the degree of risk, or his supplying of false information requested by the Insured as per clause 8.2;
- 10.2.5 to denounce the contract of insurance in case of the Insured's (the beneficiary's) failure to fulfill the obligation to put the Insurer on notice about variations in circumstances which entail increasing the degree of risk;
- 10.2.6 to demand alteration of the contract of insurance or payment of additional insurance premium in case of variations in circumstances as stipulated by clause 9.2 or to terminate the contact of insurance as per clause 9.3;
- 10.2.7 when determining the amount of insurance compensation payable under the contract of insurance, to set off the sum of overdue insurance premium, if the insured event has occurred before its settlement;

- 10.2.8 in case of early termination of the contract of insurance due to the circumstances specified in clause 8.6.2a to get the part of the insurance premium pro rata for the period when the insurance was effective;
- 10.2.9 to demand from the beneficiary to fulfill the obligations under the contract of insurance, including those lying with the Insured, but undischarged by him, in case of the beneficiary's making a claim for insurance compensation processing;
- 10.2.10 to apply to competent authorities and other organizations with the request for relevant documents and information confirming the fact of and cause for the occurrence of an insured event, if necessary;
- 10.2.11 to exercise the right of recourse against the party liable for losses lapsed to the Insurer after the payment of insurance compensation;
- 10.2.12 to demand refunding of the insurance payout or its relevant part, if the Insured has waived his right of recourse against the party liable for losses made up by the Insurer, or when execution of such right became impossible through the Insured's fault.

10.3 The Insured is obliged:

- 10.3.1 to pay insurance premium in the time stipulated in the contract of insurance;
- 10.3.2 to maintain the ship in a seaworthy condition (suitable for sailing) throughout the period of insurance, i.e.: to ensure technical readiness of the ship for navigation, to fit and equip the ship properly, to man and supply her with everything necessary, as well as to render the ship's holds and other compartments where a cargo is carried in the condition ensuring proper loading, carriage and safe custody of cargo;
- 10.3.3 when it comes to his knowledge to promptly report to the Insurer any material variation which has happened with the ship or in relation to the ship;
- 10.3.4 to promptly report to the classification society any incident or damage to the ship in respect of which it might make recommendations as to repairs or other action to be taken;
- 10.3.5 to ensure the timely fulfillment of any recommendations, requirements or restrictions imposed by the Classification society;
- 10.3.6 to remove all the deficiencies revealed during the ship's survey stipulated under clauses 8.3 and 10.2.2 for his own account;
- 10.3.7 on receipt of the insurance payout to pass over to the Insurer all the documentation and evidence and to provide him with all the information required for execution by the Insurer of the lapsed right of recourse against the party liable for the losses inflicted;
- 10.3.8 to render assistance to the Insurer in executing his right in compliance with clause 10.2.2;
- 10.3.9 in case of receipt of compensation for damages from other insurers or from the party liable for the losses inflicted, to refund to the Insurer the insurance payouts, earlier received in relation to these losses;
- 10.3.10 to transfer the sum of deductible stipulated by clause 12.5 to the Insurer's bank account, if the latter confirms the issuance of a guarantee in compliance with the provisions of clause 10.5;
- 10.3.11 to provide the Insurer with the relevant documents confirming the ship's laying-up and its duration for receiving the return of the part of insurance premium as per clause 10.1.7 of these Rules.

10.4 The Insurer is obliged:

- 10.4.1 to make insurance payout to the Insured (the beneficiary) upon the occurrence of an insured event in the time stipulated by clause 12.3;
- 10.4.2 in case of denial of insurance payout, to advise the Insured about this decision in writing, providing motivated reasoning for such denial;
- 10.4.3 not to disclose the information, obtained in the result of Insurer's professional activities, about the Insured, the beneficiary, the state of their health, as well as about their property status, except for cases stipulated by the law of the Russian Federation;
- 10.4.4 in case of the Insured's early repudiation of the contract of insurance, to refund to the Insured the part of insurance premium for the unexpired period of insurance in compliance with the procedure stipulated in the contract of insurance;
- 10.4.5 to reimburse the Insured's (the beneficiary's) expenses incurred to mitigate the losses resulting from the occurrence of an insured event, if such expenses were reasonable or incurred to fulfill the Insurer's instructions.

10.5 Issuance of security in case of lodging a claim by third parties

- 10.5.1 In case of the Insured's application in compliance with clause 10.14 the Insurer may, although is not obliged to, provide guarantee of fulfillment of his obligations under the contract of insurance to the extent of the sum insured.
- 10.5.2 In case the security referred to in clause 10.5.1 has been provided by the Insurer, if after investigation it is ascertained that arising of the Insured's liability to compensate for damages as stipulated by civil law is not an insured event, the Insured is obliged to reimburse the Insurer for the sum paid by him at the Insured's request, to reimburse for all costs and losses and to pay interest for use of money on the basis of the current refinancing rate of the Central Bank of the Russian Federation within reasonable time specified by the Insurer in the relevant written claim addressed to the Insured.

10.6 Terms of including co-insured (jointly insured parties) in the contract of insurance

- 10.6.1 The Insurer agrees hereby with including other parties as co-insured into the contract of insurance in relation to an insured ship on the following conditions:
 - 10.6.1.1 the co-insureds have the same rights and bear the same obligations under the contract of insurance as the Insured;
 - 10.6.1.2 the Insured and the co-insured bear joint and several obligation to pay any premium due to the Insurer;
 - 10.6.1.3 the co-insureds are entitled to the Insurer's compensation for any damages or expenses reimbursable under the contract of insurance;
 - 10.6.1.4 the co-insured's losses and expenses are not subject to reimbursement if they are not connected with the actions for which the Insured shall be liable as a shipowner.
 - 10.6.1.5 the Insurer shall not reimburse the Insured and the co-insureds for losses and expenses which arise in connection with any disputes between the Insurer and the co-insured or between the co-insureds.

10.6.1.6 any information provided to the Insured or to any of the co-insureds by the Insurer shall be considered to have been provided to the Insurer and all the co-insureds.

10.6.1.7 Any insurance payout made by the Insurer in compliance with the contract of insurance shall be considered also to have been made in favour of the Insurer and all the co-insureds.

11 ACTIONS OF THE PARTIES UPON THE OCCURANCE OF AN INSURED EVENT WHICH MAY ENTAIL INSURANCE PAYOUT

11.1 The moment the occurrence of any accident, which may bring about the insurance payout under the contract of insurance, came to the Insured's knowledge, he must promptly notify the Insurer and/or his representative thereof by any means. If the contract stipulates the period and (or) manner of notification, it must be done in the period fixed and the manner indicated in the contract.

The obligation of notification of an occurrence is also imposed on the beneficiary who is aware of concluding the contract of insurance in his favour, if he intends exercising the right to insurance compensation.

11.2 The Insurer is entitled to appoint a surveyor to determine the reasons for and the sum of the losses sustained and is entitled to perform any necessary investigation.

11.3 The Insured is entitled to appoint a surveyor for investigation with prior notice given to the Insurer.

11.4 The Insured shall take all measures reasonable and available in the circumstances to prevent or mitigate losses, as well as to ascertain and determine the extent of damage reimbursable from the Insurer, and to follow the directions of the Insurer, if such directions are given.

11.5 The Insured must not admit his liability expressly or by implications in relation to the claims reimbursable from the Insurer without the prior agreement with the Insurer.

11.6 The Insurer's taking measures in relation to the subject of insurance shall not mean his admitting the responsibility for compensation for the losses sustained or his becoming liable under the contract.

11.7 The Insured is obliged to render necessary assistance to the Insurer in performing the investigation mentioned in clause 11.2.

11.8 When general average is declared, an average adjuster shall be appointed by the Insured but with the advice and consent of the Insurer.

12 INSURANCE PAYOUT PROCESSING (COMPENSATION PROCEDURE)

12.1 General provisions

12.1.1 Unless otherwise provided under the contract of insurance, insurance payout shall be made to compensate the Insured for direct and indirect expenses stipulated by the contract of insurance. The Insurer shall reimburse the Insured for the damages after they have been actually paid by the Insured or his agent.

12.1.2 The loss and expenses incurred as a consequence of severe weather conditions during a voyage or between two consecutive ports, shall be considered to have occurred as a result of one and the same occurrence.

12.1.3 In case the Insured or the beneficiary have received from third parties compensation for the losses sustained, the Insurer shall be exempted from insurance payout to the extent of the sum of the compensation received.

- 12.1.4 When making insurance payout the Insurer is entitled to decrease its sum by the amount of an overdue or delayed payment of the next instalment of insurance premium.
- 12.1.5 When determining a maximum amount of insurance payouts in respect of any insured event, the insured sum specified in the contract of insurance shall not be decreased by the sum of the insurance payout.
- 12.1.6 When determining an aggregate limit of liability (an insured sum) under the contract of insurance, the insured sum specified in the contract shall be decreased by the sum of the insurance payout.
The Insured is entitled to restore the insured sum to the amount specified in the contract of insurance by paying additional insurance premium set by the Insurer.

12.2 Recipient of insurance payout

- 12.2.1 Recipient of insurance payout shall be the Insured, the co-insured, the beneficiary or any third party subject to written instructions of the Insured, the co-insured or the beneficiary.
- 12.2.2 The beneficiary cannot be changed to another person after he has fulfilled any of the obligations under the contract of insurance or has filed an application to the Insurer for insurance compensation, as well as if the beneficiary is a party who has got a legal right to apply for compensation directly to the Insurer.

12.3 Period of insurance payout processing

- 12.3.1 Provided that the Insured complies with the requirements of these Rules, unless otherwise stipulated under the contract of insurance, insurance payout shall be effected within thirty banking days from the moment an occurrence is acknowledged as the insured event and the final or interim sum of the loss is determined.
- 12.3.2 In case criminal action or law suit has commenced in connection with an incident which may be acknowledged as an insured event, the Insurer is entitled to postpone the decision with regard to the acknowledgement of this occurrence as an insured event until the completion of the investigation or the trial.

12.4 Documents required for taking decision in relation to insurance payout and assessment of damages

For performance of investigation by the Insurer as stipulated by clause 11.2, the Insured is obliged to present the following documents:

- insurance policy, application for insurance compensation payout, invoice for the sum of the payout;
- claim of the suffered person for damages;
- court decision, placing obligation upon the Insured to compensate for damages caused (in case the claim for damages has been considered in a court of law);
- amicable agreement between the Insured and third parties, duly approved by the Insurer;
- extracts from the ship's log book (rough and smooth), the engine log book (rough and smooth), the bilge water and garbage record book, the radio log and other ship's documents;
- reports on investigation performed on board the ship and in the company office;
- classification society's confirmation of the valid ship's class at the moment of the incident;
- survey report;
- investigation report of the Harbour Master and the Head of the Basin State River Shipping Inspectorate;
- bill of lading, cargo manifest;
- mate's receipts and tally sheets;
- holds readiness certificates;
- the company's document of compliance;
- correspondence with contracting parties during loading and discharging of the ship;
- average statement drawn up in relation to general average.

In all the cases when law enforcement bodies were involved in the investigation of the circumstance resulting in the damages, the Insured is obliged to present the copies of resolution on commencement of prosecution or resolution on denial of prosecution.

The above list is not complete and depending on the circumstances of each particular event the Insurer is entitled to demand other documents relevant to this event.

12.5 Consideration of deductible

12.5.1 Insurance payout in relation to each insured event shall be made less the deductible agreed upon. The agreed amount of the deductible shall be taken from the aggregate loss sustained by the Insured.

12.5.2 Unless otherwise provided under the contract of insurance, in case several risks arise as a result of any one occurrence stipulated under clause 5.2 of these Rules, the deductible shall be applied once.

12.6 Procedure of determining and payment of compensation amount

In compliance with the scope of insurance obligations agreed in the contract of insurance the Insurer shall reimburse the Insured for the following losses:

12.6.1 Under clause 5.2.1, section 1:

- a) In case of a passenger's injury, illness or loss of life: expenses for hospitalization, medical expenses, the expenses for delivery of passengers to the place of destination or their returning to the port of departure (including expenses for meals and accommodation), funeral expenses, other expenses in compliance with the applicable law.
- b) In case of shipwreck: the expenses for delivery of passengers to the place of destination or their returning to the place of departure, the expenses for delivery and care of passenger onshore (including expenses for meals and accommodation);
- b) Expenses connected with loss of or damage to passengers' luggage and personal belongings, including personal cars.

Under clause 5.2.1, section 2:

In case of a physical person's injury, illness or loss of life: expenses for hospitalization, medical service, funeral expenses, other expenses in compliance with the applicable law.

Under clause 5.2.1, section 3:

Expenses incurred by the Insured when discharging his liability to stowaways or refugees (except for the expenses recoverable under clause 5.2.1, section 4), but only if the Insured's liability has been determined by a final court decision, which has come into force, or with the prior agreement of the Insurer.

Under clause 5.2.1, section 4:

Expenses reasonably incurred by the Insured in connection with the deviation of the insured ship from a planned route (voyage) exclusively for:

- a) delivery of a sick or injured physical person, other than a crew member of the ship, to the nearest port to render medical aid to him;
- b) evacuation of a deceased physical person;
- c) disembarkation of stowaways or refugees.

The following expenses shall be referred to deviation expenses:

- a) cost of extra fuel consumed;
- b) cost of extra foodstuffs consumed;
- b) extra crew wages;
- r) port charges and dues.

Under clause 5.2.1, section 5:

Costs and expenses connected with the Insured's liability to pay the amounts due to third parties in compliance with statutory requirements in connection with salvage of life of the persons on board the insured ship or overboard provided always that such amounts do not relate to salvage of the insured ship and are not recoverable within general average declared by the Insured.

12.6.2 Under clause 5.2.2:

Costs and expenses to the extent of 1/4 or 4/4 of the total sum of the costs and expenses as may be agreed in the contract of insurance, in relation to:

- a) loss or damage repairs of the other ship, any property on board the other ship, including cargo carried, the other ship's wreck removal, the other ship's contribution to general average and salvage;
- b) pollution as a consequence of escape or discharge of oil and/or other polluting substances from the other ship;
- b) compensation for injury or loss of life of physical persons on board the other ship;
- r) the costs and expenses incurred by the other ship's owner for preventing and reducing of losses, ascertaining and determining the extent of damage;
- b) delay or unavailability of the other ship or the property on this ship;

12.6.2.1 In case of a collision between the insured ship and any other ship and if both ships are to blame, the liability of each ship for damages shall be determined in proportion to the degree of fault, however, if it is impossible to determine the degree of fault of each of the ships on the basis of the circumstances of the collision, the liability for damages shall be equally distributed between them.

12.6.2.2 In case the insured vessel commits a collision or if salvage services are provided to the insured ship by any other ship completely or partly belonging to the same owners, the Insured shall have the same rights as if the ship had not been connected by any type of ownership with the insured ship, but in such cases the determination of the degree of liability for collision or the amount payable for the rendered services shall be referred to a sole arbitrator agreed upon between the Insurer and the Insured;

12.6.3 Under clause 5.2.3:

Costs and expenses arisen out of loss, repairs or substitution of a damaged fixed on the land or water surface property belonging to third parties, as well as expenses for wreck removal, inspection and preparatory and auxiliary works;

12.6.4 Under clause 5.2.4:

Costs and expenses incurred for cleaning-up any oil or other contaminating substances pollution, measures taken reasonably or compliance with any directions given by authorities with the aim to prevent pollution, any fines in respect of oil or other contaminating substances pollution, incidental costs and expenses;

12.6.5 Under clause 5.2.5:

Costs and expenses in relation to raising, removal, selling, destruction, lighting and marking of the wreck of the insured ship and the property carried on board the insured ship;

12.6.6 Under clause 5.2.6:

Losses in connection with loss / shortage of or damage to the cargo carried in the insured ship, a towed object, discharging, distribution, storage, selling of damaged cargo, additional costs (in excess of the costs which would normally have been incurred if the cargo had not been damaged), discharging, distribution of cargo in case of damage to the ship, rejection from taking delivery of damaged cargo in the port of loading, penalty in connection with loss, shortage of or damage to the cargo carried in the ship.

Unless otherwise provided under the contract of insurance, the Insurer's liability to reimburse the Insured for losses and expenses under clause 5.2.6 shall be limited to USD 2,500 per unit piece or package. This provision shall refer also to cases of cargo carriage under ad valorem bills of lading, waybill or other document evidencing the contract, if the cargo value is indicated in these documents and is in excess of USD 2,500.

12.6.7 Under clause 5.2.7:

Costs and losses (other than those which arise out of liability for breach of towage contract) incurred by the Insured as a consequence of the damage caused to third parties by the insured ship during customary towage of the insured ship but only if the Insured is not insured against such liability under the Hull Policy.

Costs and losses (other than those which arise out of liability for breach of towage contract) incurred by the Insured as a consequence of the damage caused to third parties by the insured ship during towage under the terms of any contract other than for customary towage, but only if the terms and conditions of such towage and the volume of the insurance cover have been agreed upon with the Insurer;

12.6.8 Under clause 5.2.8:

Costs and expenses incurred by the Insurer as a direct consequence of the outbreak of an infectious disease on board the insured ship, including costs and expenses in relation to quarantine measures and disinfection, as well as the Insured's expenses for fuel, stores, foodstuffs, wages, port dues in excess of the costs which would have been incurred during the normal operation of the ship;

12.6.9 Under clause 5.2.9:

The insured ship's proportion of general average or salvage which the Insured has the right to receive from other parties to the contract of carriage by sea, but which is not legally recoverable solely by reason of a breach of the contract of carriage by the Insured.

The insured ship's proportion of general average or salvage not recoverable under the Hull Policy by reason of the contributory value of the Ship being assessed for contribution to general average or salvage at a value in excess of the insured value under the Hull Policy;

12.6.10 Under clause 5.2.10:

Costs and expenses incurred by the Insured in relation to loss of or damage to containers, equipment, fuel or other property which is or was carried on board the insured ship, if such property:

- does not relate to personal effects of crew members, passengers or other physical persons;
- is not cargo;
- is not part of the insured ship, does not belong to the Insured and/or is not owned by him on any legal grounds;

12.6.11 Under clause 5.2.11:

Costs and expenses of the Insured in relation to his liability to reimburse a salvor of the insured ship for special compensation in respect of work done and measures taken to prevent or minimize damage to the environment under the provisions of Article 14 of the International Convention on Salvage 1989, clause 14 of the Merchant Shipping Code of the Russian Federation, clause 129 of the Inland Water Transport Code of the Russian Federation, or if such liability is accepted by the Insured under the terms of a salvage agreement approved by the Insurer;

12.6.13 Under clause 5.2.12:

Costs and expenses incurred by the Insured in connection with any claims of state competent authorities lodged due to:

- over delivery of cargo or failure to comply with regulations relating to the declaration of goods or to documentation of the cargo;
- contravention of immigration laws or regulations;

These costs and expenses are recoverable provided always that the Insured have satisfied the Insurer that he took all necessary steps as may appear to the Insurer to be reasonable to prevent the event giving rise to such claim;

12.6.14 Under clause 5.2.13:

Costs and expenses reasonably incurred by the Insured with the prior agreement of the Insurer for:

- preventing the threat of occurrence of an insured event;
- determining the extent of damage to third parties as a result of the occurrence of an insured event and investigation of the circumstances of this occurrence;
- reducing the amount of a claim of third parties or its rejecting (including that in judicial instances) upon the occurrence of an insured event.

12.6.15 Under clause 5.2.14, section 1:

Costs and expenses in relation to the Insured's liability to compensate, as stipulated by civil law, for damage to third parties arisen as a result of any salvage service or attempted salvage service carried out by the Insured.

Under clause 5.2.14, section 2:

Costs and expenses in relation to the Insured's liability to compensate, as stipulated by civil law, for damage to third parties arisen as a result of hydraulic engineering works carried out by the Insured.

Under clause 5.2.14, section 3:

1. Costs and expenses connected with the liabilities of the Insured, being a time-charterer, to compensate, as stipulated by civil law, for damage caused to third parties within the period of insurance as a result of the occurrence of the insured risks specified in clauses 5.2.1 – 5.2.14 of these Rules.
2. Costs and expenses connected with the liabilities of the Insured, being a time-charterer, to compensate, as stipulated by civil law, for damage to hull, equipment and mechanisms of the insured ship.

Under clause 5.2.14, section 4

Cost and expenses in relation to the Insured's liabilities to compensate, as stipulated by civil law, for damage to third parties arisen out of the events listed in clauses 5.3.17-5.3.22 of these Rules.

12.7 Cases of denial of insurance payout

12.7.1 Save as provided in clauses 5.3, 5.4, 12.8.2, when the Insurer is released from the liability to compensate for losses, he is entitled to reject to fulfill the contract of insurance (obligations) in the following cases:

- 12.7.1.1 in the event the losses arisen out of the Insured's deliberate failure to take reasonable and available measures to mitigate eventual losses (in breach of obligation stipulated under clause 11.4);
- 12.7.1.2 in the event the losses arose as a consequence of the Insured's failure to remove deficiencies revealed in the course of the survey carried out in compliance with clause 10.3.6;
- 12.7.1.3 in the event of the Insured's failure to disclose information about the circumstances material for determining the degree of risk, or providing false information (clause 8.2.1);

- 12.7.1.4 in the event of the Insured's failure to notify the Insurer of any material variation which has occurred with the ship indicated in the contract of insurance, and gave rise to the occurrence of an insured event (clause 9.4);
 - 12.7.1.5 in case the Insured or the beneficiary has waived his right of recourse against the party liable for losses reimbursable from the Insurer;
 - 12.7.1.6 in case of losses arisen in relation to penalty imposed by state competent authorities for non-compliance or breach of the regulations governing the construction, fitment and equipment of ships contained in the [International Convention for the Prevention of Pollution from Ships](#), 1973 as modified by the Protocol of 1978 and subsequent protocols.
- 12.7.2 Application for insurance payout shall be forwarded to the Insurer not later than 2 years after the date of the Insured's settlement of a claim. Non-compliance with this provision shall entitle the Insured to reject the Insured's request for the insurance compensation.
- 12.7.3 The Insurer is entitled to denounce the contract of insurance, producing a written notice thereof to the Insured, in the following cases:
- 12.7.3.1 if the reason for the occurrence of an insured event is a combination of factors stipulated under clause 5.2 (insured risks) and clauses 5.3, 5.4 (list of exclusions), the Insurer is entitled to reject insurance payout partially as stipulated under clause 310 and item 3 of clause 450 of the Civil Code of the Russian Federation;
 - 12.7.3.2 In case the Insured had been entitled to limit his liability in accordance with law or a contract, but had failed to exercise this right, there shall be no recovery in respect of the part of the claim to the extent that the Insurer considers the Insured could have avoided the losses/liabilities, with burden of proof for the contrary lying with the Insured.

12.8 Subrogation

- 12.8.1 The right of recovery from the third party liable for losses of the amount paid is transferred to the Insurer, who has made the insurance payout. This right of recourse shall be executed by the Insurer in full compliance with the procedure established for the person who has received the insurance payout.
- 12.8.2 In case the Insured or the beneficiary waives his right of recourse against the party liable for losses caused, or when execution of such right becomes impossible through the Insured's or the beneficiary's fault the Insurer shall be discharged from the liability to make insurance payout in full or in relevant part.

13. PROCEDURE FOR INSERTING ALTERATIONS AND AMENDMENTS INTO THE CONTRACT OF INSURANCE. INVALIDATION OF THE CONTRACT OF INSURANCE

13.1 Procedure for alteration of the contract of insurance

- 13.1.1 Alteration or denunciation of the contract of insurance shall be agreed in writing.
- 13.1.2 The contract of insurance shall be deemed to be altered or amended from the moment of signing of supplementary agreement by the authorized representatives of the parties.

13.2 Insurance contract invalidation conditions

- 13.2.1 Non-observance of the written form shall entail invalidation of the contract of insurance, its alteration or amendments.

13.2.2 Lack of the agreement between the Insurer and the Insured in the contract of insurance in relation to the essence of insurance contract indicated in clause 942 of the Civil Code of the Russian Federation shall entail invalidation of the contract of insurance, its alterations and amendments.

14. DISPUTES SETTLEMENT PROCEDURE

Unless otherwise provided under the contract of insurance, all disputes, disagreements and claims arising out of the contract of insurance or in connection with it, including those concerning its execution, violation, termination or invalidation, shall be referred to the Arbitration Tribunal under the Central Transport Agency.