



Rules 2016



Gard Rules 2016

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Gard AS is acting as the agent of both Assuranceforeningen Gard -gjensidig- and Gard P. & I. (Bermuda) Ltd. Gard AS has prepared, and the two associations' Board of Directors have approved a joint set of standard terms of cover for P&I risks ("Rules") for the 2016 policy year.

For entries in Assuranceforeningen Gard -gjensidig-, the insurer is Assuranceforeningen Gard -gjensidig-. Likewise, for entries in Gard P. & I. (Bermuda) Ltd, the insurer is Gard P. & I. (Bermuda) Ltd.

The Statutes of Assuranceforeningen Gard -gjensidig- and the Bye-Laws of Gard P. & I. (Bermuda) Ltd. are available on request and published on the Gard website.

The Rules for the 2016 policy year which runs from 20 February 2016 to 20 February 2017 contains some alterations to the Rules which applied for the 2015 policy year. Further details of the alterations can be found in Circular no 11/2015 "Amendments to the Rules for 2016" which was sent to the Members in January 2016. The circular can also be found on the Gard website.

www.gard.no

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The Board of Directors of Gard P. & I. (Bermuda) Ltd

Bengt Hermelin, <i>Chairman</i>	Samco Shipholding Pte. Ltd, Singapore
Kenneth Hvid, <i>Deputy Chairman</i>	Teekay Shipping (Canada) Ltd., Vancouver
Nils Aden	E.R. Schifffahrt GmbH & Cie. KG, Hamburg
Yngvil Åsheim	BW Maritime Pte. Ltd., Singapore
Ian Beveridge	Bernhard Schulte GmbH & Co. KG, Hamburg
K. C. Chang	Evergreen Marine Corp. (Taiwan) Ltd., Taipei
Trond Eilertsen	Oslo
Timothy C. Faries	Bermuda
Costas Gerapetritis	Navios Shipmanagement Inc., Piraeus
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Herbjørn Hansson	Nordic American Tankers Limited, Bermuda
Morten W. Høegh	Leif Høegh (UK) Ltd., London
Hans Peter Jebsen	Kristian Gerhard Jebsen Skipsrederi AS, Oslo
Robert E. Johnston	Overseas Shipholding Group Inc., Tampa
Stephen Knudtzon	Oslo
Tadeusz Niszczota	Polish Steamship Co., Szczecin
Halvor Ribe	J.J. Uglan Companies, Grimstad
Saleh Al-Shamekh	The National Shipping Company of Saudi Arabia (Bahri), Saudi Arabia
Jane Sy	Stolt Tankers B.V., Rotterdam
Kazuya Uchida	Meiji Shipping Co. Ltd., Tokyo
Jan Eyvin Wang	Wilh. Wilhelmsen ASA, Oslo
Rolf Thore Roppestad, <i>President</i>	Arendal

Executive Committee of Gard P. & I. (Bermuda) Ltd

Trond Eilertsen, <i>Chairman</i>	Oslo
Tadeusz Niszczota	Polish Steamship Co., Szczecin
Morten W. Høegh	Leif Høegh (UK) Ltd., London
Jane Sy	Stolt Tankers B.V., Rotterdam
Ian Beveridge	Bernhard Schulte GmbH & Co. KG, Hamburg
Carl Johan Hagman	Stena Rederi AB, Gothenburg
Rolf Thore Roppestad, <i>President</i>	Arendal

Board of Directors of Assuranceforeningen Gard -gjensidig-

Trond Eilertsen, <i>Chairman</i>	Oslo
Yngvil Åsheim	BW Maritime Pte. Ltd., Singapore
Morten W. Høegh	Leif Høegh (UK) Ltd., London
Jane Sy	Stolt Tankers B.V., Rotterdam
Ian Beveridge	Bernhard Schulte GmbH & Co. KG, Hamburg

Lingard Limited, Hamilton	
Office address	Trott & Duncan Building, 17A Brunswick Street, Hamilton HM 10, Bermuda
Postal address	P.O. Box HM 3038, Hamilton HM NX, Bermuda
Telephone	+1 441 292 6766
Fax	+1 441 292 7120

Gard AS (Head office)	
Office address	Kittelsbuktveien 31, NO-4836 Arendal, Norway
Postal address	P.O. Box 789 Stoa, NO-4809 Arendal, Norway
Telephone	+47 37 01 91 00
Fax	47 37 02 48 10
Website	www.gard.no

Gard AS, Bergen	
Office address	Skipsbyggerhallen, Solheimsgaten 11, NO-5058 Bergen, Norway
Telephone	+47 37 01 91 00
Fax	+47 55 17 40 01

Gard AS, Oslo	
Office address	Støperigata 2, Aker Brygge, NO-0250 Oslo, Norway
Postal address	P.O. Box 1271 Vika, NO-0111 Oslo, Norway
Telephone	+47 37 01 91 00
Fax	+47 24 13 22 77

Gard (UK) Limited, London	
Office address	85 Gracechurch Street, London EC3V 0AA, United Kingdom
Telephone	+44 (0)20 7444 7200
Fax	+44 (0)20 7623 8657

Gard (Japan) K.K., Tokyo	
Office address	Shiodome City Center 8F, 1-5-2 Higashi Shinbashi, Minato-ku, Tokyo 105-7108, Japan
Telephone	+81 (0)3 5537 7266
Fax	+81 (0)3 3571 1586

Gard (Japan) K.K., Imabari	
Office address	Vogue 406, 3-9-36 Higashimura, Imabari-City 799-1506, Japan
Telephone	+81 (0)898 35 3901
Fax	+81 (0)898 35 3902

Gard (HK) Ltd., Hong Kong	
Office address	Room 3505, 35/F, The Centrium, 60 Wyndham Street, Central, Hong Kong
Telephone	+852 2901 8688
Fax	+852 2869 1645

Oy Gard (Baltic) Ab, Helsinki	
Office address	Bulevardi 46, FIN-00120 Helsinki, Finland
Telephone	+358 (0)30 600 3400
Fax	+358 (0)9 6121 000

Gard (North America) Inc., New York	
Office address	40 Fulton Street, New York, NY 10038, USA
Telephone	+1 212 425 5100
Fax	+1 212 425 8147

Gard (Greece) Ltd., Piraeus	
Office address	2, A. Papanastassiou Avenue, 185 34 Kastella, Piraeus, Greece
Telephone	+30 210 413 8752
Fax	+30 210 413 8751

Gard Marine & Energy – Escritório de Representação no Brasil Ltda	
Office address	Rua Lauro Muller 116 – Suite 2402, Botafogo, 22290-160, Rio de Janeiro, RJ, Brazil
Telephone	+55 21 3037 9764

Gard (Singapore) Pte. Ltd., Singapore	
Office address	72 Anson Rd, #13-02 Anson House, Singapore 079911, Singapore
Telephone	+65 6709 8450

CATASTROPHE TELEPHONE NUMBER

This telephone is manned on a 24 hour basis and should be used in the event of a catastrophic incident requiring the urgent assistance of Gard.

International: +47 90 52 41 00	National (Norway): 90 52 41 00
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OUTSIDE OFFICE HOURS TELEPHONE NUMBERS

These telephones may be used in the event of an incident requiring the urgent assistance of Gard.

Gard AS	International: +47 90 52 41 00	National (Norway): 90 52 41 00
Gard (UK) Ltd	International: +44 7747 021 224	National (UK): 07747 021 224
Gard (Japan) K.K.	International: +81 3 3571 1585	National (Japan): 03 3571 1585
Oy Gard (Baltic) AB	International: +358 50 402 7777	National (Finland): 050 402 7777
Gard (HK) Ltd	International: +852 9461 6361	National (HK): 9461 6361
Gard (North America) Inc.	International: +1 917 856 6664	National (USA): 0917 856 6664
Gard (Greece) Ltd.	International: +30 6936 600 603	National (Greece): 6936 600 603
Gard M&E Escritorio de Rep (Brazil)	International: +55 21 97445 9668	National (Brazil): 021 97445 9668
Gard (Singapore) Pte. Ltd.	International: +65 6709 8462	National (Singapore): 6709 8462

We list below the staff members whom our Members, clients or correspondents should contact for assistance. In matters of urgency outside office hours, please feel free to use the listed home telephone numbers at any time of day or night.

For international calls to Gard's offices in Norway, please use the dialling code 47.

For calls to Gard (UK) Ltd. from outside the United Kingdom, please use the international dialling code 44 and omit the 0 at the beginning of the domestic area code.

For calls to Gard (Japan) K.K. from outside Japan, please use the international dialling code 81 and omit the 0 at the beginning of the domestic area code.

For calls to Oy Gard (Baltic) AB from outside Finland, please use the dialling code 358 and omit the 0 at the beginning of the domestic area code.

For calls to Gard (HK) Ltd. from outside Hong Kong, please use the dialling code 852.

For calls to Gard (Singapore) Pte. Ltd. from outside Singapore, please use the dialling code 65.

For calls to Gard (Greece) Ltd. from outside Greece, please use the dialling code 30.

For calls to Gard (North America) Inc. from outside the United States, please use the dialling code 1.

LINGARD LIMITED

Graham Everard , <i>Managing Director</i>	Mobile +1 (441) 330 3445	graham.everard@lingard.bm
Jackie Stirling , <i>Corporate Lawyer</i>	Mobile +1 (441) 305 3445	jackie.stirling@lingard.bm
Cymone Williams , <i>Personal Assistant</i>	Mobile +1 (441) 337 3445	cymone.williams@lingard.bm

GARD**ADMINISTRATION**

Rolf Thore Roppestad , <i>Chief Executive Officer</i>	Mobile +47 97 55 92 45	rolf.thore.roppestad@gard.no
Svein A. Andersen , <i>Special Adviser</i>	Mobile +47 97 55 91 92	svein.andersen@gard.no
Svein Buvik , <i>Chief Human Resource Officer</i>	Mobile +47 97 55 93 18	svein.buvik@gard.no
Steinar Bye , <i>Chief Financial Officer (CFO)</i>	Mobile +47 99 29 22 10	steinar.bye@gard.no
Kristian Dalene , <i>Chief Investment Officer (CIO)</i>	Mobile +47 97 55 91 42	kristian.dalene@gard.no
Ole Rikard Rønning , <i>Chief Digital Officer</i>	Mobile +47 90 72 36 07	ole.rikard.ronning@gard.no
Jan-Erik Braathen , <i>Vice President, Risk Management and Analysis</i>	Mobile +47 99 28 41 01	jan-erik.braathen@gard.no

Line Dahle , Vice President, Corporate Relations	Mobile +47 99 28 40 53	line.dahle@gard.no
Peter Janssen , Vice President, Technology and Business Transformation	Mobile +47 97 55 91 46	peter.janssen@gard.no
Svein Just , Vice President, Property, Service and Maintenance	Mobile +47 94 52 91 07	svein.just@gard.no
Inge Liltved , Vice President, Accounts	Mobile +47 97 55 91 25	inge.liltved@gard.no
Christopher Mackrill , Vice President, Chief Innovation Officer	Mobile +47 97 55 93 61	christopher.mackrill@gard.no
Jens Martinius Nilsen , Vice President, Head of Gard Academy	Mobile +47 97 55 92 80	jens.martinius.nilsen@gard.no
Trond Willy Olsen , Vice President, PMO	Mobile +47 97 55 93 46	trond.willy.olsen@gard.no
Roar Rasten , Vice President, Controller	Mobile +47 99 29 22 80	roar.rasten@gard.no
Steffen Schøler , Vice President, Human Resources	Mobile +47 97 55 91 24	steffen.scholer@gard.no
Nicolas Wilmot , Special Adviser	Mobile +47 99 28 40 11	nicolas.wilmot@gard.no

GROUP LEGAL

Kjetil Eivindstad , Chief Legal Counsel	Mobile +47 97 55 92 18	kjetil.eivindstad@gard.no
Lars Lislegard-Bækken , Vice President, Head of Compliance and Quality Management	Mobile +47 97 55 91 96	lars.lislegard-bakken@gard.no
Tore A. Svinøy , Senior Lawyer	Mobile +47 97 55 92 01	toreandre.svinoy@gard.no
Malin Petré Gustavi , Lawyer	Mobile +47 94 52 96 54	malin.gustavi@gard.no
Stig Garmann Tønnesen , Lawyer	Mobile +47 94 52 91 15	stig.tonnesen@gard.no

CLAIMS**CLAIMS MANAGEMENT**

Christen Guddal , Chief Claims Officer	Mobile +47 97 55 92 95	christen.guddal@gard.no
Leif Erik Abrahamsen , Vice President, Marine Claims	Mobile +47 99 28 41 12	leif.erik.abrahamsen@gard.no
Joakim Bronder , Vice President, People Claims	Mobile +44 (0)7825 518447/ +47 97 55 91 19	joakim.bronder@gard.no
Jan-Hugo Marthinsen , Vice President, Offshore Energy Claims	Mobile +47 99 29 22 40	jan-hugo.marthinsen@gard.no
Lene-Camilla Nordlie , Vice President	Mobile +47 97 55 92 42	lene-camilla.nordlie@gard.no

Nick Platt , Vice President, Environmental Claims	Mobile +44 (0)7768 547402	nick.platt@gard.no
Ajaz Peermohamed , Vice President, Collision Claims	Mobile +44 (0)7747 758978	ajaz.peermohamed@gard.no
Mark Russell , Vice President, Cargo claims	Mobile +44 (0)7747 758789	mark.russell@gard.no
Geir Sandnes , Vice President	Mobile +47 97 55 91 63	geir.sandnes@gard.no

PEOPLE CLAIMS (ARENDA)

Joakim Bronder , Vice President	Mobile +47 97 55 91 19	joakim.bronder@gard.no
Cecilie Holm Nilsen , Senior Manager, Lawyer	Mobile +47 94 52 91 80	cecilie.holm.nilsen@gard.no
Kristin Aanonsen , Senior Claims Executive	Mobile +47 97 55 92 47	kristin.aanonsen@gard.no
Per Fredrik Jensen , Senior Claims Executive	Mobile +47 97 55 91 91	per.fredrik.jensen@gard.no
Christopher Petrie , Senior Claims Executive, Lawyer	Mobile +47 97 55 93 28	christopher.petrie@gard.no
Gudrun Mortensen Aaserud , Claims Executive	Mobile +47 97 55 91 17	gudrun.aaserud@gard.no
Lisbeth Christensen , Claims Executive	Mobile +47 97 55 92 75	lisbeth.christensen@gard.no
Trond Denstad , Claims Executive	Mobile +47 97 55 91 90	trond.denstad@gard.no
Roy Kenneth Jenssveen , Claims Executive	Mobile +47 97 55 93 41	roy.kenneth.jenssveen@gard.no
Heidi Høvik Hansen , Deputy Claims Executive	Mobile +47 97 55 92 35	heidi.hansen@gard.no
Gillian Woodroffe , Deputy Claims Executive	Mobile +47 97 55 92 03	gillian.woodroffe@gard.no

DRY CARGO CLAIMS NORTH (ARENDA)

Stefan Bjarnelöf-Sovtic , Senior Manager	Mobile +47 94 52 96 75	stefan.bjarnelof-sovtic@gard.no
Einar Gulbrandsen , Senior Claims Executive	Mobile +47 97 55 91 64	einar.gulbrandsen@gard.no
Osmund Høivold Johnsen , Claims Executive	Mobile +47 94 52 96 16	osmund.johnsen@gard.no
Linn Therese Mostad , Claims Executive	Mobile +47 94 52 92 56	linn.therese.mostad@gard.no

Tom Bent Opsal Nielsen, Claims Executive	Mobile +47 94 52 93 62	tom.bent.nielsen@gard.no
Gitana Røyset, Claims Executive, Lawyer	Mobile +47 97 55 91 41	gitana.royset@gard.no
Grethe Øynes, Claims Executive	Mobile +47 97 55 91 77	grethe.oynes@gard.no

DRY CARGO CLAIMS SOUTH (ARENDA)

Andres Duran, Senior Manager	Mobile +47 97 55 92 61	andres.duran@gard.no
Morten Mauritz Seines, Senior Claims Executive, Lawyer	Mobile +47 97 55 91 82	morten.seines@gard.no
Torggrim Andersen, Claims Executive	Mobile +47 97 55 93 47	torggrim.andersen@gard.no
Hege Lunden, Claims Executive		hege.lunden@gard.no
Anja Lene Mathiesen, Claims Executive	Mobile +47 97 55 92 26	anja.mathiesen@gard.no
Jonas Sandberg, Claims Executive, Lawyer	Mobile +47 97 55 92 35	jonas.sandberg@gard.no
Beatriz Åsgård, Claims Executive	Mobile +47 97 55 92 91	beatriz.asgard@gard.no
Are Solum, Claims Executive, Lawyer	Mobile +47 94 52 93 96	are.solum@gard.no
Janne Stålesen, Deputy Claims Executive	Mobile +47 94 52 91 93	janne.staalesen@gard.no

CASUALTY, ENVIRONMENTAL & PROPERTY CLAIMS (ARENDA)

Andreas Brachel, Senior Manager	Mobile +47 97 55 91 49	andreas.brachel@gard.no
Tonje Castberg, Senior Claims Adviser	Mobile +47 97 55 91 36	tonje.castberg@gard.no
Isabel Martin de Nieto McMath, Senior Claims Executive, Lawyer	Mobile +47 94 52 96 19	isabel.martin@gard.no
Gunnar Espeland, Senior Claims Adviser	Mobile +47 97 55 92 53	gunnar.espeland@gard.no
Per Martin Langaas, Senior Claims Adviser	Mobile +47 97 55 92 68	per.martin.langaas@gard.no
Torgeir Bruborg, Senior Claims Executive, Lawyer	Mobile +47 94 52 96 18	torgeir.bruborg@gard.no
Ole Gunstein Aasbø, Claims Executive	Mobile +47 94 52 96 57	ole.gunstein.aasboe@gard.no
Gunnar Beisland, Claims Executive	Mobile +47 94 52 96 60	gunnar.beisland@gard.no
Grethe Ljøstad, Claims Executive	Mobile +47 97 55 92 16	grethe.ljostad@gard.no
Paul Andor Marskar, Claims Executive	Mobile +47 94 52 93 69	paul.marskar@gard.no
Inger Lill A. Jacobsen, Deputy Claims Executive	Mobile +47 97 55 92 44	inger.lill.jacobsen@gard.no
Ellen Evensen Leikvangen, Deputy Claims Executive	Mobile +47 97 55 93 14	ellen.leikvangen@gard.no

LIQUID CARGO CLAIMS (ARENDA)

Jannike Rognøy Olsson, Senior Manager	Mobile +47 97 55 91 94	jannike.olsson@gard.no
Severin Frigstad, Senior Claims Executive	Mobile +47 94 52 91 60	severin.frigstad@gard.no
Robert Skaare, Senior Claims Executive	Mobile +47 94 52 93 52	robert.skaare@gard.no
Alf Ove Stenhagen, Senior Claims Executive	Mobile +47 97 55 91 66	alf.ove.stenhagen@gard.no
Johan Svensson, Claims Executive	Mobile +47 94 52 96 55	johan.svensson@gard.no

P&I AND DEFENCE CLAIMS (OSLO)

Christopher Walker, Senior Manager	Mobile +47 99 29 22 75	christopher.walker@gard.no
Alejandra Hardisson Sterri, Senior Claims Executive, Lawyer	Mobile +47 99 29 22 71	alejandra.sterri@gard.no
Teresa Marie Cunningham, Claims Executive	Mobile +47 99 29 22 73	teresa.cunningham@gard.no
Frode Fugelsnes, Lawyer	Mobile +47 99 29 22 57	frode.fugelsnes@gard.no
Kine Haaland, Claims Executive, Lawyer	Mobile +47 94 52 22 52	kine.haaland@gard.no
Tove Kaasine Skjeldal, Claims Executive	Mobile +47 99 29 22 41	tove.skjeldal@gard.no
Anette Stinessen, Claims Executive	Mobile +47 94 52 22 45	anette.stinessen@gard.no

OFFSHORE ENERGY CLAIMS (OSLO)

Jan-Hugo Marthinsen, Vice President	Mobile +47 99 29 22 40	jan-hugo.marthinsen@gard.no
Monica Midteng, Manager	Mobile +47 24 13 22 61	monica.midteng@gard.no
Radmil Kranda, Senior Claims Executive	Mobile +47 99 29 22 13	radmil.kranda@gard.no
Torstein Søreng, Senior Claims Executive	Mobile +47 99 29 22 47	torstein.soreng@gard.no
Nils-Joakim Rosdahl, Claims Executive	Mobile +47 94 52 22 43	nils.joakim.rosdahl@gard.no

MARINE CLAIMS (OSLO)

Ivar Brynildsen, Vice President	Mobile +47 99 29 22 31	ivar.brynildsen@gard.no
Thomas Forssen, Senior Claims Executive	Mobile +47 99 29 22 21	thomas.forssen@gard.no
Karl Petter Mühlbradt, Senior Claims Adviser	Mobile +47 99 29 22 78	karl.p.muhlbradt@gard.no
Anne Glestad Lech, Senior Claims Adjuster	Mobile +47 99 29 22 76	anne.lech@gard.no

Atle Olav Nordbø , Senior Claims Adjuster	Mobile +47 94 52 22 24	atle.nordbo@gard.no
Helge Stian Ødegaard , Senior Claims Executive	Mobile +47 99 29 22 12	helge.stian.odegaard@gard.no
Thomas Christiansen , Claims Executive	Mobile +47 99 29 22 62	thomas.christiansen@gard.no
Hans Jørgen Hald , Claims Adjuster	Mobile +47 99 29 22 17	hans.hald@gard.no

MARINE CLAIMS (BERGEN)

Leif Erik Abrahamsen , Vice President	Mobile +47 99 28 41 12	leif.erik.abrahamsen@gard.no
Sveinung Måkestad , Vice President	Mobile +47 99 28 40 32	sveinung.makestad@gard.no
Svend Leo Larsen , Senior Claims Adviser	Mobile +47 99 28 40 22	leo.larsen@gard.no
Asbjørn Asbjørnsen , Senior Claims Executive	Mobile +47 94 52 40 41	asbjorn.asbjornsen@gard.no
Nicholas Mark Coleman , Senior Claims Executive	Mobile +47 99 28 40 72	nicholas.coleman@gard.no
Alf Inge Johannessen , Senior Claims Adjuster	Mobile +47 99 28 40 28	alf.inge.johannessen@gard.no
Trond Justad , Senior Claims Executive	Mobile +47 99 28 40 27	trond.justad@gard.no
Vidar Solemdal , Senior Claims Executive	Mobile +47 99 28 40 25	vidar.solemdal@gard.no
Påsan Vigerust , Senior Claims Executive	Mobile +47 99 28 40 71	pasan.vigerust@gard.no
Marit Bjørnethun , Claims Adjuster	Mobile +47 99 28 40 21	marit.bjornethun@gard.no
Merete Engevik , Claims Adjuster	Mobile +47 99 28 40 55	merete.engevik@gard.no
Adrian Moylan , Casualty Lawyer	Mobile +47 99 28 40 16	adrian.moylan@gard.no
Svein Arne Nilsen , Claims Adjuster	Mobile +47 99 28 40 34	svein.arne.nilsen@gard.no
Tutta Nygård , Claims Adjuster	Mobile +47 99 28 40 23	tutta.nygaard@gard.no
Bjørn Audun Vassenden , Claims Adjuster	Mobile +47 99 28 40 33	bjorn.vassenden@gard.no
Eirik Lee Westerlund , Claims Executive	Mobile +47 94 52 40 82	eirik.westerlund@gard.no
Heidi Floen , Team Leader, Marine non-lead Claims	Mobile +47 99 28 40 24	heidi.floen@gard.no
Marianne Grindeland , Deputy Claims Executive	Mobile +47 94 52 40 66	marianne.grindeland@gard.no
Gerda Høvik Mathiesen , Deputy Claims Executive		gerda.mathiesen@gard.no
Karen Smørholm , Deputy Claims Executive		karen.smorholm@gard.no

DEFENCE CLAIMS (ARENDA)

Lene-Camilla Nordlie , Vice President	Mobile +47 97 55 92 42	lene-camilla.nordlie@gard.no
Kim Jefferies , Vice President	Mobile +47 97 55 92 90	kim.jefferies@gard.no
Fredrik Doksrød Olsen , Senior Claims Executive, Lawyer	Mobile +47 97 55 92 32	fredrik.olsen@gard.no
Stuart Michael Kempson , Senior Lawyer	Mobile +47 94 52 96 83	stuart.kempson@gard.no
Arne Sætra , Senior Lawyer	Mobile +47 97 55 92 92	arne.sætra@gard.no
Philip Woodroffe , Senior Lawyer	Mobile +47 94 52 96 69	philip.woodroffe@gard.no
Inger Eidem , Claims Executive, Lawyer	Mobile +47 97 55 93 90	inger.eidem@gard.no
Fredrik Falck-Knutsen , Lawyer	Mobile +47 97 55 91 78	fredrik.falck-knutsen@gard.no
Veronica Villegas , Lawyer	Mobile +47 94 52 96 12	veronica.villegas@gard.no

LOSS PREVENTION & RISK ASSESSMENT (ARENDA/BERGEN/SINGAPORE)

Terje R. Paulsen , Vice President	Mobile +47 94 52 40 85	terje.paulsen@gard.no
Bjarne Augestad , Senior Marine Surveyor	Mobile +47 97 55 92 54	bjarne.augestad@gard.no
Per Arne Sæther , Senior Marine Surveyor	Mobile +47 99 28 40 29	per.arne.saether@gard.no
Marius Schönberg , Senior Loss Prevention Executive	Mobile +47 97 55 91 75	marius.schonberg@gard.no
Kristin Urdahl , Senior Loss Prevention Executive	Mobile +47 94 52 93 92	kristin.urdahl@gard.no
Kunal Pathak , Loss Prevention Executive	Mobile +65 9159 4530	kunal.pathak@gard.no
Per Haveland , Marine Surveyor	Mobile +47 97 55 93 17	per.haveland@gard.no
Valentin Klivnoy , Marine Surveyor	Mobile +47 99 28 40 14	valentin.klivnoy@gard.no
Magnar Birkeland , Senior Risk Assessment Executive	Mobile +47 99 28 40 18	magnar.birkeland@gard.no
Lise Neset , Risk Assessment Executive	Mobile +47 97 55 92 39	lise.neset@gard.no

ACCOUNTING

Solvor Ek Hayes , Senior Manager	Mobile +47 97 55 91 48	solvor.ek.hayes@gard.no
Jorunn Brekkestø Bjørkli , Senior Manager	Mobile +47 97 55 92 88	jorunn.bjorkli@gard.no

UNDERWRITING

Bjørnar Andresen , Chief Underwriting Officer Group	Mobile +47 99 29 22 90	bjornar.andresen@gard.no
Andre Kroneberg , Vice President, Chief Underwriting Officer Asia	Mobile +65 9159 4688	andre.kroneberg@gard.no
Audun Fjermedal Pettersen , Vice President, Chief Underwriting Officer Shipowners	Mobile +47 97 55 92 10	audun.pettersen@gard.no
Magne Nilssen , Vice President, Chief Underwriting Officer Specialty	Mobile +47 97 55 91 20	magne.nilssen@gard.no

PROCESS MANAGEMENT

Tonje Forøy Breivik , Manager	Mobile +47 97 55 93 58	tonje.breivik@gard.no
Wenche Dahle-Olsen , Underwriter	Mobile +47 97 55 92 71	wenche.dahle.olsen@gard.no
Karianne Hovet , Business Analyst	Mobile +47 94 52 96 72	karianne.hovet@gard.no

PORTFOLIO MANAGEMENT

Jun Lin , Vice President	Mobile +44 (0)7889 8116204	jun.lin@gard.no
Veith Huesmann , Senior Business Analyst	Mobile +47 94 52 22 92	veith.huesmann@gard.no
Kjersti Bruborg , Business Analyst	Mobile +47 97 55 91 89	kjersti.bruborg@gard.no
Magnus B. Olsen , Business Analyst	Mobile +47 97 55 91 05	magnus.olsen@gard.no
Yiting Xue , Business Analyst	Mobile +47 99 29 22 06	yiting.xue@gard.no

ASIA

Sid Lock , Area Manager	Mobile +852 9196 4210	sid.lock@gard.no
Sven Jensen , Senior Underwriter	Mobile +65 9150 2582	sven.jensen@gard.no
Thorbjörn Emanuelsson , Underwriter	Mobile +852 6021 1797	thorbjorn.emmanuelsson@gard.no
Sigvald Fossum , Underwriter	Mobile +852 9036 6561	sigvald.fossum@gard.no
Jiadi Sun , Underwriting Asia, Representative	Mobile +852 9878 9091	jiadi.sun@gard.no
Terje Holte , Vice President, Special Adviser	Mobile +65 9159 6831	terje.holte@gard.no
Fernando Iida , Underwriter	Mobile +81 80 4294 7788	fernando.iida@gard.no
Toshiyuki Kawana , Underwriter	Mobile +81 90 6479 2544	toshiyuki.kawana@gard.no
Eilanda Lui , Underwriter	Mobile +65 9159 9402	eilanda.lui@gard.no

AMERICAS, MIDDLE EAST AND LONDON

Iain Laird , Vice President	Mobile +44 (0)7768 547401	iain.laird@gard.no
Petter Eid Skalstad , Area Manager	Mobile +47 99 29 22 74	petter.skalstad@gard.no
Stephen Mulcahy , Senior Underwriter	Mobile +44 (0)7799 894670	stephen.mulcahy@gard.no
Samira Hmam , Underwriter	Mobile +44 (0)7990 591911	samira.hmam@gard.no

NORDIC AND NORTH AMERICA

Knut Goderstad , Vice President/Area Manager	Mobile +47 97 55 91 27	knut.goderstad@gard.no
Reidun Haahjem , Vice President/Senior Underwriter	Mobile +47 99 28 40 56	reidun.haahjem@gard.no
Patrik Palmgren , Manager	Mobile +358 (0)40 046 5852	patrik.palmgren@gard.no
Steinar Jørgensen , Senior Underwriter	Mobile +47 99 29 22 49	steinar.jorgensen@gard.no
Espen Olsen , Area Manager	Mobile +47 99 28 40 51	espen.olsen@gard.no
Mette Ellefsen , Underwriter	Mobile +47 94 52 92 69	mette.ellefsen@gard.no
Henry Hemtman , Underwriter	Mobile +358 (0)50 414 6943	henry.hemtman@gard.no
Ivar Rokne , Underwriter	Mobile +47 99 28 40 74	ivar.rokne@gard.no
Gabriella Svensson , Deputy Underwriter	Mobile +47 94 52 96 58	gabriella.svensson@gard.no

NORTHERN EUROPE

Bjørn Fremmerlid , Vice President/Area Manager	Mobile +47 97 55 92 43	bjorn.fremmerlid@gard.no
Inger Aasbø Flaten , Senior Underwriter	Mobile +47 97 55 93 12	inger.aasbo.flaten@gard.no
Karianne Skarli , Senior Underwriter	Mobile +47 97 55 92 72	karianne.skarli@gard.no
Jai Raymond Johansen , Underwriter	Mobile +47 94 52 96 34	jai.raymond.johansen@gard.no
Tor Halvor Løyte , Underwriter	Mobile +47 97 55 92 40	tor.halvor.loyte@gard.no
Tine Klemmetsen , Deputy Underwriter	Mobile +47 94 52 93 43	tine.klemmetsen@gard.no
Ingrid Vinje Stiansen , Deputy Underwriter	Mobile +47 94 52 93 98	ingrid.vinje.stiansen@gard.no

SOUTHERN EUROPE

Bart Mertens , Vice President/Area Manager	Mobile +47 94 52 96 32	bart.mertens@gard.no
Lisbet Fokstuen , Senior Underwriter	Mobile +47 99 28 40 54	lisbet.fokstuen@gard.no
Nina Hovland , Senior Underwriter	Mobile +47 99 28 40 62	nina.hovland@gard.no

Steinar Jørgensen , Senior Underwriter	Mobile +47 99 29 22 49	steinar.jorgensen@gard.no
Jostein Aasland , Deputy Underwriter	Mobile +47 97 55 91 03	jostein.aasland@gard.no
Anne Wenche Leland , Deputy Underwriter	Mobile +47 94 52 92 23	anne.wenche.leland@gard.no
Sigrun Ottersland , Deputy Underwriter	Mobile +47 97 55 92 97	sigrun.ottersland@gard.no

ENERGY

Gunnar Aasberg , Vice President/Area Manager	Mobile +47 99 29 22 25	gunnar.aasberg@gard.no
Sabine C. Mazay , Senior Underwriter	Mobile +47 99 29 22 30	sabine.mazay@gard.no
Liv Sand , Senior Underwriter	Mobile +47 99 29 22 19	liv.sand@gard.no
Liv Nordvik , Senior Underwriter	Mobile +47 99 29 22 18	liv.nordvik@gard.no
Henrik Aas , Underwriter	Mobile +47 99 29 22 05	henrik.aas@gard.no
Ingrid Helena Larsen , Underwriter	Mobile +47 99 29 22 15	ingrid.helena.larsen@gard.no

CHARTERERS

Terri Lynn Jay , Vice President/Area Manager	Mobile +47 97 55 93 25	terri.lynn.jay@gard.no
Liv Kristensen , Senior Underwriter	Mobile +47 97 55 91 21	liv.kristensen@gard.no
Vincent Gustavi , Underwriter	Mobile +47 94 52 93 44	vincent.gustavi@gard.no
Claudia Santander , Underwriter	Mobile +47 94 52 96 11	claudia.santander@gard.no

OFFSHORE

Tore Furnes , Vice President/Area Manager	Mobile +47 97 55 92 86	tore.furnes@gard.no
Gisle Brøvig , Senior Underwriter	Mobile +47 94 52 91 70	gisle.brovig@gard.no
Michaela Carlström , Senior Underwriter	Mobile +44 (0)7920 163586	michaela.carlstrom@gard.no
Marianne Bruun Mackrill , Senior Underwriter	Mobile +47 97 55 93 38	marianne.bruun.mackrill@gard.no
Kenneth Meyer , Senior Underwriter	Mobile +47 99 28 41 05	kenneth.meyer@gard.no
May Kristin Lillebø , Underwriter	Mobile +47 94 52 91 26	may.kristin.lillebo@gard.no
Atle Jonsborg Pedersen , Underwriter	Mobile +47 99 29 22 65	atle.jonsborg.pedersen@gard.no

MARINE BUILDERS' RISKS

Knut Morten Finckenhagen , Vice President/Area Manager	Mobile +47 99 29 22 50	knut.morten.finckenhagen@gard.no
Ingunn Brenna , Senior Underwriter	Mobile +47 99 29 22 55	ingunn.brenna@gard.no
Espen Lilloe-Olsen , Underwriter	Mobile +47 94 52 22 14	espen.lilloe.olsen@gard.no

TRADING CERTIFICATES

Inger-Helene Andersen , Underwriting Assistant	Mobile +47 94 52 93 27	inger.helene.andersen@gard.no
Liv Gundersen , Underwriting Assistant	Mobile +47 94 52 91 23	liv.gundersen@gard.no
Hanna Kristensen , Underwriting Assistant	Mobile +47 94 52 93 22	hanna.kristensen@gard.no
Ingebjörg Eliassen , Manager	Mobile +47 97 55 92 70	ingebjorg.eliassen@gard.no
Geir Kjebekk , Senior Product Adviser	Mobile +47 97 55 92 52	geir.kjebekk@gard.no

GARD (UK) LIMITED

Thomas Nordberg , Managing Director	Mobile +44 (0)7464 678866	thomas.nordberg@gard.no
Nick Platt , Vice President, Environmental Claims	Mobile +44 (0)7768 547402	nick.platt@gard.no
Mark Russell , Vice President, Cargo Claims	Mobile +44 (0)7747 758789	mark.russell@gard.no

UNDERWRITING

Iain Laird , Vice President	Mobile +44 (0)7768 547401	iain.laird@gard.no
Stephen Mulcahy , Senior Underwriter	Mobile +44 (0)7799 894670	stephen.mulcahy@gard.no
Michaela Carlström , Senior Underwriter	Mobile +44 (0)7920 163586	michaela.carlstrom@gard.no
Samira Hmam , Underwriter	Mobile +44 (0)7990 591911	samira.hmam@gard.no

CLAIMS (LONDON)

Ajaz Peermohamed , Vice President	Mobile +44 (0)7747 758978	ajaz.peermohamed@gard.no
Chris Connor , Senior Claims Executive	Mobile +44 (0)7747 758845	chris.connor@gard.no
Tina Lind Havdahl , Senior Claims Executive	Mobile +44 (0)7826 854156	tina.havdahl@gard.no
Adrian Hodgson , Senior Claims Executive	Mobile +44 (0)7747 758956	adrian.hodgson@gard.no

Nigel Wright , Senior Claims Executive	Mobile +44 (0)7795 843634	nigel.wright@gard.no
Jennie Gibson , Claims Executive	Mobile +44 (0)7786 915855	jennie.gibson@gard.no
Keri Marner , Claims Executive	Mobile +44 (0)7901 536231	keri.marner@gard.no
Misty Sung , Claims Executive	Mobile +44 (0)7881 921116	misty.sung@gard.no
Kelly Turner , Claims Executive	Mobile +44 (0)7748 646665	kelly.turner@gard.no
Weiyang Zhou , Claims Executive	Mobile +44 (0)7917 351450	weiyang.zhou@gard.no

DEFENCE CLAIMS (LONDON)

Michael Kougelis , Senior Manager	Mobile +44 (0)7525 590909	michael.kougelis@gard.no
Balvinder Ahluwalia , Senior Lawyer	Mobile +44 (0)7766 303047	balvinder.ahluwalia@gard.no
Peter M. Chard , Senior Lawyer	Mobile +44 (0)7766 251390/ +44 (0)7733 808051	peter.chard@gard.no

Hélène-Laurence Courties , Senior Lawyer	Mobile +44 (0)7917 195810	helene.courties@gard.no
---	---------------------------	-------------------------

Jim Edwards , Senior Lawyer	Mobile +44 (0)7879 235982/ +44 (0)7547 480246	jim.edwards@gard.no
------------------------------------	--	---------------------

James Hawes , Senior Lawyer	Mobile +44 (0)7887 508198	james.hawes@gard.no
Monica Kohli , Senior Lawyer	Mobile +44 (0)7920 423832	monica.kohli@gard.no
Helenka Leary , Senior Lawyer	Mobile +44 (0)7766 251387	helenka.leary@gard.no
Michael Moon , Senior Lawyer	Mobile +44 (0)7720 738465	michael.moon@gard.no
Helen Sandgren , Senior Lawyer	Mobile +44 (0)7901 530812	helen.sandgren@gard.no
Kelly Wagland , Senior Lawyer	Mobile +44 (0)7789 938200	kelly.wagland@gard.no

OY GARD (BALTIC) AB

Roberto Lencioni , Managing Director	Mobile +358 (0)50 500 0000	roberto.lencioni@gard.no
---	----------------------------	--------------------------

UNDERWRITING

Henry Hemtman , Underwriter	Mobile +358 (0)50 414 6943	henry.hemtman@gard.no
------------------------------------	----------------------------	-----------------------

CLAIMS (HELSINKI)

Johan Lång , Senior Manager	Mobile +358 (0)50 414 6941	johan.lang@gard.no
Riika Ahtiala , Claims Executive	Mobile +358 (0)50 414 6946	riika.ahtiala@gard.no
Martin Jansson , Claims Executive, Surveyor	Mobile +358 (0)50 414 6942	martin.jansson@gard.no

GARD (HK) LTD

Trygve Nøkleby , Managing Director	Mobile +852 6391 2627	trygve.nokleby@gard.no
---	-----------------------	------------------------

UNDERWRITING

Sid Lock , Area Manager	Mobile +852 9196 4210	sid.lock@gard.no
Thorbjörn Emanuelsson , Underwriter	Mobile +852 6021 1797	thorbjorn.emmanuelsson@gard.no
Sigvald Fossum , Underwriter	Mobile +852 9036 6561	sigvald.fossum@gard.no
Jiadi Sun , Underwriting Asia, Representative	Mobile +852 9878 9091	jiadi.sun@gard.no

CLAIMS (HONG KONG)

Einar Christensen , Claims Director	Mobile +852 9106 9262	einar.christensen@gard.no
Michelle Pun , Senior Claims Executive	Mobile +852 9337 6463	michelle.pun@gard.no
Wallace Yeung , Senior Claims Executive	Mobile +852 9124 6365	wallace.yeung@gard.no
Tracy Chan , Claims Executive	Mobile +852 6478 7263	tracy.chan@gard.no
Charmaine Chu , Claims Executive	Mobile +852 6478 7264	charmaine.chu@gard.no
Zoe Ho , Claims Executive	Mobile +852 6478 7262	zoe.ho@gard.no
Patrick Lee , Claims Executive	Mobile +852 9107 0302	patrick.lee@gard.no
Jonathan Mapp , Claims Executive	Mobile +852 6396 3191	jonathan.mapp@gard.no
Chengkang Zhu , Claims Executive	Mobile +852 9032 0502	chengkang.zhu@gard.no

DEFENCE (HONG KONG)

Tony Wong , Senior Lawyer	Mobile +852 6398 7265	tony.wong@gard.no
Joseph Liu , Lawyer	Mobile +852 6478 7260	joseph.liu@gard.no
Julia Zhu , Lawyer	Mobile +852 9766 9081	julia.zhu@gard.no

GARD (JAPAN) K.K.

Tadashi Sugimoto , Managing Director	Mobile +81 (0)80 4142 9688	tadashi.sugimoto@gard.no
---	----------------------------	--------------------------

CLAIMS (TOKYO)

Masamichi Yokoyama , Senior Manager	Mobile +81 (0)80 3546 5062	masamichi.yokoyama@gard.no
Roar S. Larsen , Senior Claims Executive	Mobile +81 (0)80 3216 3360	roar.larsen@gard.no
Louis Shepherd , Senior Lawyer	Mobile +81 (0)90 4709 5174	louis.shepherd@gard.no
Yoshio Imaizumi , Claims Executive	Mobile +81 (0)80 3585 5933	yoshio.imaizumi@gard.no

Hiroko Suzue , <i>Claims Executive</i>	Mobile +81 (0)80 4142 9718	hiroko.suzue@gard.no
Tatsuya Funatsu , <i>Claims Executive</i>	Mobile +81 (0)80 4939 9488	tatsuya.funatsu@gard.no
Asami Kazama , <i>Claims Executive</i>	Mobile +81 (0)80 4201 9314	asami.kazama@gard.no

UNDERWRITING

Toshiyuki Kawana , <i>Underwriter</i>	Mobile +81 (0)90 6479 2544	toshiyuki.kawana@gard.no
Fernando Iida , <i>Underwriter</i>	Mobile +81 (0)80 4294 7788	fernando.iida@gard.no

GARD (NORTH AMERICA) INC

Sandra Gluck , <i>President</i>	Mobile +1 (917) 670 3169	sandra.gluck@gard.no
--	--------------------------	----------------------

CLAIMS (NEW YORK)

Evanthia Coffee , <i>Senior Lawyer</i>	Mobile +1 (917) 399 5918	evanthia.coffee@gard.no
Frank Gonynor , <i>Senior Claims Adviser, Lawyer</i>	Mobile +1 (917) 670 3164	frank.gonynor@gard.no
John Scalia , <i>Senior Claims Adviser</i>	Mobile +1 (516) 551 1577	john.scalia@gard.no
Claudia Botero-Götz , <i>Senior Lawyer</i>	Mobile +1 (646) 248 8109	claudia.gotz@gard.no
Edward Fleureton , <i>Senior Claims Executive</i>	Mobile +1 (917) 670 3510	edward.fleureton@gard.no
Hugh Forde , <i>Senior Lawyer</i>	Mobile +1 (917) 670 3753	hugh.forde@gard.no
Kunbi Sowunmi , <i>Senior Lawyer</i>	Mobile +1 (646) 812 3447	kunbi.sowunmi@gard.no
Cheryl Acker , <i>Claims Executive</i>	Mobile +1 (203) 258 7059	cheryl.acker@gard.no
Dina Gallaro , <i>Claims Executive</i>	Mobile +1 (917) 670 3209	dina.gallaro@gard.no
Ann-Marie Roach , <i>Claims Executive</i>	Mobile +1 (646) 812 5644	ann.marie.roach@gard.no
Christine Thomas , <i>Claims Executive</i>	Mobile +1 (646) 812 3456	christine.thomas@gard.no

GARD (GREECE) LTD

George Karkas , <i>Managing Director</i>	Mobile +30 6944 513350	george.karkas@gard.no
---	------------------------	-----------------------

CLAIMS (ATHENS)

Anne Boye , <i>Senior Manager</i>	Mobile +30 693 613 3342	anne.boyegard.no
Alexandra Chatzimichailoglou , <i>Senior Claims Executive, Lawyer</i>	Mobile +30 6974 120812	alexandra.chatzimichailoglou@gard.no
Sarah Hamon-Mathiopoulou , <i>Senior Lawyer</i>	Mobile +30 6936 835210	sarah.hamon-mathiopoulou@gard.no

Dominic Hurst , <i>Senior Lawyer</i>	Mobile +30 6949 723460	dominic.hurst@gard.no
Peggy Lemou , <i>Senior Claims Executive</i>	Mobile +30 6946 460128	peggy.lemou@gard.no
Themis Ploumidakis , <i>Senior Claims Executive, Lawyer</i>	Mobile +30 6946 244965	themis.ploumidakis@gard.no
Dimitris Giginis , <i>Claims Executive</i>	Mobile +30 6981 031386	dimitris.giginis@gard.no
Christina Tsouni , <i>Claims Executive</i>	Mobile +30 6947 322230	christina.tsouni@gard.no
Betty Kalomiri , <i>Deputy Claims Executive</i>	Mobile +30 697 449 3257	betty.kalomiri@gard.no

GARD (SINGAPORE) PTE LTD

John Martin , <i>Managing Director/Branch CEO</i>	Mobile +65 9159 9452	john.martin@gard.no
Andre Kroneberg , <i>Vice President, Chief Underwriting Officer, Asia</i>	Mobile +65 9159 4688	andre.kroneberg@gard.no
Kunal Pathak , <i>Loss Prevention Executive, Asia</i>	Mobile +65 9129 4530	kunal.pathak@gard.no

CLAIMS (SINGAPORE)

Johan Henriksson , <i>Senior Manager, P&I and Marine Claims</i>	Mobile +65 9159 4589	johan.henriksson@gard.no
Ashley Beh , <i>Claims Executive</i>	Mobile +65 9159 4391	ashley.beh@gard.no
Rahul Singhal , <i>Claims Executive</i>	Mobile +65 9155 7189	rahul.singhal@gard.no
Puja Varaprasad , <i>Claims Executive, Lawyer</i>	Mobile +65 9155 0761	puja.varaprasad@gard.no

DEFENCE (SINGAPORE)

Craig Johnston , <i>Senior Manager, Defence</i>	Mobile +852 6130 6256	craig.johnston@gard.no
Wan Jing Tan , <i>Lawyer</i>	Mobile +852 6690 2839	wan.jing.tan@gard.no

UNDERWRITING (SINGAPORE)

Terje Holte , <i>Vice President</i>	Mobile +65 9159 6831	terje.holte@gard.no
Eilanda Lui , <i>Senior Underwriter</i>	Mobile +65 9159 9402	eilanda.lui@gard.no
Sven Jensen , <i>Senior Underwriter</i>	Mobile +65 9150 2582	sven.jensen@gard.no

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PART I	AVAILABILITY OF COVER
Chapter 1	Introductory provisions

Rule 1	<p>Interpretation</p> <p>1 In these Rules the following words or expressions shall have the following meanings:</p> <p><i>Advance Call</i> the initial premium payable for a Policy Year in respect of an entry (other than a fixed premium entry) and calculated in accordance with Rule 12.</p> <p><i>Affiliate</i> any person who is insured pursuant to Rule 78.1(a).</p> <p><i>Articles of Association</i> for entries with Assuranceforeningen Gard -gjensidig-, the Statutes of Assuranceforeningen Gard -gjensidig- and for entries with Gard P. & I. (Bermuda) Ltd, the Bye-Laws of Gard P. & I. (Bermuda) Ltd.</p> <p><i>Association</i> for entries with Assuranceforeningen Gard -gjensidig- the 'Association' means Assuranceforeningen Gard -gjensidig- and for entries with Gard P. & I. (Bermuda) Ltd the 'Association' means Gard P. & I. (Bermuda) Ltd.</p> <p><i>Bill of Lading</i> bill of lading or similar document of title.</p> <p><i>Certificate of Entry</i> document issued by the Association pursuant to Rule 5.1, including (where the context permits) any endorsement note in respect of the relevant entry issued pursuant to Rule 5.3, which evidences the terms and conditions of the contract of insurance in respect of the Ship.</p> <p><i>Charterer's Entry</i> an entry effected by a charterer and which does not insure any other person except as a Co-assured or an Affiliate.</p> <p><i>Consortium Agreement</i> shall have the meaning given to it in Appendix II</p> <p><i>Consortium Claim</i> shall have the meaning given to it in Appendix II.</p> <p><i>Consortium Vessel</i> shall have the meaning given to it in Appendix II.</p>
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Co-assured

any person who is insured pursuant to Rule 78.1(b).

Crew

officers, including the master, and seamen contractually obliged to serve on board the Ship, including substitutes and including such persons while proceeding to or from the Ship.

Defence cover and Defence entry

insurance by the Association for risks specified in Part IV of these Rules, and the entry of a Ship for such cover.

Deferred Call

the proportion of the Premium Rating for a Policy Year in respect of an entry (other than a fixed premium entry) which shall be deferred for payment in later years in accordance with Rule 12.

Group Excess Loss Policies

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

Group Reinsurance Limit

shall have the meaning given to it in Appendix VI.

Hull Policies

the insurance policies effected on the hull and machinery of the Ship, including any excess liability policy.

Insurance Premium Tax

Any taxes or other dues payable in respect of an entry of a Ship in the Association in the country where the Ship is registered, the country where the Member is resident, the country where the Member has a permanent place of business or in the country where the risk is located.

Joint Members

where the Ship is entered in the names of more than one Member, the named Members.

Member

an owner, operator or charterer (including a bareboat or demise charterer) of a ship entered in the Association who according to the Articles of Association and these Rules is entitled to membership of the Association, provided that, where the context allows, the term 'Member' shall, in these Rules, include a Co-assured and an Affiliate.

Overspill Call

shall have the meaning given to it in Appendix VI.

Overspill Claim

shall have the meaning given to it in Appendix VI.

Owner's Entry

an entry effected by an owner, bareboat or demise charterer or operator of the Ship and which does not insure a charterer of the Ship (other than a charterer insured as a Co-assured or an Affiliate).

P&I cover and P&I entry

insurance by the Association for risks specified in Part II of these Rules, and the entry of a Ship for such cover.

Policy Year

a year from noon GMT on 20th February in any year to immediately prior to noon GMT on the next following 20th February.

Pooling Agreement

an Agreement, to which the Association is a party, between certain protection and indemnity associations dated 20 February 1998 and any addendum to, or variation or replacement of such agreement.

Premium Rating

the agreed rating on which the Advance Call is payable to the Association, or the fixed premium payable to the Association on a fixed premium entry, according to the terms of the Ship's entry.

Release Call

any premium which may be payable on termination or cesser of an entry (other than a fixed premium entry) in accordance with Rule 15.1.

Ship

a ship or other floating structure entered in the Association (other than a mobile offshore unit entered in accordance with Part III of these Rules).

Supplementary Call

further premium payable for a Policy Year in respect of an entry (other than a fixed premium entry), in addition to the Advance Call and Deferred Call, but excluding any Overspill Call.

- 2 Headings and notes are for reference only, and shall not affect the construction of these Rules.
- 3 Any reference to a charterer shall be deemed (unless otherwise expressly indicated) to be a reference to a charterer other than a bareboat or demise charterer.
- 4 Any reference to a person shall be deemed to include a reference to an individual or a body corporate or unincorporate, as the context requires.
- 5 A person shall be deemed to be the manager or the operator of a Ship for the purposes of these Rules if the Association in its discretion shall so determine.
- 6 Where any matter requires the agreement, approval or consent of the Association, agreement, approval or consent shall only be deemed given if in writing.

Rule 2**The cover**

- 1 A Member shall be covered for such of the risks specified in Parts II, III and IV of these Rules as are agreed between the Member and the Association.
- 2 A Member with P&I cover shall be covered for such of the additional risks specified in Appendix I as are either
 - a expressed in Appendix I to be available to such a Member; or
 - b expressly agreed between the Member and the Association.

Note: The risks specified in Appendix I are separately treated as they are excluded from the Pooling Agreement and are subject to a separate reinsurance programme.
- 3 The cover afforded by the Association to a Member shall be subject to the Articles of Association and to these Rules and to any special conditions agreed between the Association and the Member.
- 4 A Member is only covered in respect of liabilities, losses, costs and expenses incurred by him which arise
 - a in direct connection with the operation of or, in the case of Defence cover, acquisition or disposal of the Ship; and
 - b in respect of the Member's interest in the Ship; and
 - c out of events occurring during the period of entry of the Ship for the relevant risk in the Association.

- 5 Subject always to the provisions of Rule 2.4, the Association may in its absolute discretion exercise powers conferred in the Articles of Association to pay compensation in respect of a liability, loss, cost or expense which is not otherwise covered under these Rules.
- 6 It shall be a condition of Defence cover that the Ship has valid and subsisting P&I cover with the Association, except in the case of building or purchase contracts where there must be an undertaking by the Member to enter the Ship for P&I cover at the latest on taking delivery of the same.

Chapter 2 **Entries and duration of cover**

Rule 3 **Entries**

- 1 Application for an entry of a ship may be made by any owner, operator, charterer (including a bareboat or demise charterer) or other insurer of that ship, and the entry shall be on the basis of either an Owner's Entry or Charterer's Entry.
- 2 A ship may be entered with the Association for less than its full tonnage.
- 3 Application for an entry of a ship shall be made in such form as may from time to time be required by the Association. The particulars given in any application form, together with any other particulars or information given in writing in the course of applying for insurance or negotiating changes in the terms of insurance, shall form the basis of the contract of insurance between the Member and the Association.
- 4 The Association may refuse to accept an application for the entry of a ship, or may accept an application for P&I cover but not for Defence cover, without stating grounds therefor, and whether or not the applicant is already a Member of the Association.

Rule 4 **Duration of cover**

The cover shall commence at the time and date agreed by the Association and shall continue until immediately prior to noon GMT on the 20th February next ensuing, and thereafter, unless terminated in accordance with these Rules, from Policy Year to Policy Year.

Rule 5**Certificate of Entry**

- 1 After an entry has been accepted, the Association shall issue a Certificate of Entry which shall evidence the terms and conditions of the contract of insurance.
- 2 The following provision will be deemed to be incorporated into all Certificates of Entry:

"This Certificate of Entry is evidence only of the contract of indemnity insurance between the above named Member(s) and the Association and shall not be construed as evidence of any undertaking, financial or otherwise, on the part of the Association to any other party.

In the event that a Member tenders this Certificate as evidence of insurance under any applicable law relating to financial responsibility, or otherwise shows or offers it to any other party as evidence of insurance, such use of this Certificate by the Member is not to be taken as any indication that the Association thereby consents to act as guarantor or to be sued directly in any jurisdiction whatsoever. The Association does not so consent."

- 3 If the Association and a Member shall at any time agree a variation in the terms and conditions of the contract of insurance the Association shall issue an endorsement note stating the terms of such variation and the date from which such variation is to be effective.

Chapter 3 **Conditions of cover**

Rule 6 **The Member's duty of disclosure**

- 1 The Member shall prior to the conclusion of the contract of insurance make full disclosure to the Association of all circumstances which would be of relevance to the Association in deciding whether and on what conditions to accept the entry. Should the Member subsequently become aware of any such circumstances as are mentioned above, or of any change in such circumstances as previously disclosed, he must without undue delay inform the Association.
- 2 Where the Member at the conclusion of the contract of insurance has neglected his duty of disclosure and the Association would not have accepted the entry at the Premium Rating agreed if the Member had made such disclosure as it was his duty to make, the Association is free from liability. Where the Association would have accepted the entry at the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under those conditions the Association would have accepted.
- 3 Where the Member neglects his duty of disclosure subsequent to the conclusion of the contract of insurance and the Association would not have accepted the entry at the same Premium Rating had it known of the circumstances prior to the conclusion of the contract, the Association is free from liability. Where the Association would have accepted the entry at the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under those conditions the Association would have accepted.

Rule 7 **Alteration of risk**

- 1 Where after the conclusion of the contract of insurance circumstances occur which result in an alteration of the risk, the Member shall disclose such circumstances to the Association without undue delay.

- 2 Where there is an alteration of the risk which has been intentionally caused or agreed to by the Member and the Association would not have accepted the entry at the same Premium Rating if it had known of such an alteration prior to the conclusion of the contract of insurance, the Association is free from liability to the extent that the liability, loss, cost or expense incurred by the Member was caused or increased by the alteration. Where the Association would have accepted the entry at the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under the conditions the Association would have accepted.

Rule 8**Classification and certification of the Ship**

- 1 Unless otherwise agreed in writing between the Member and the Association it shall be a condition of the insurance of the Ship that:
 - a the Ship shall be and remain throughout the period of entry classed with a classification society approved by the Association;
 - b the Member shall promptly call to the attention of that classification society any incident, occurrence or condition which has given or might have given rise to damage in respect of which the classification society might make recommendations as to repairs or other action to be taken by the Member;
 - c the Member shall comply with all the rules, recommendations and requirements of that classification society relating to the Ship within the time or times specified by the society;
 - d the Association is authorised to inspect any documents and obtain any information relating to the maintenance of class of the Ship in the possession of any classification society with which the Ship is or has at any time been classed prior to and during the period of insurance and such classification society or societies are authorised to disclose and make available such documents and information to the Association upon request by it and for whatsoever purpose the Association in its sole discretion may consider necessary;

- e the Member shall immediately inform the Association if, at any time during the period of entry, the classification society with which the Ship is classed is changed and advise the Association of all outstanding recommendations, requirements or restrictions specified by any classification society relating to the Ship as at the date of such change;
 - f the Member shall comply or procure compliance with all statutory requirements of the state of the Ship's flag relating to the construction, adaptation, condition, fitment, equipment, manning, safe operation, security and management of the ship and at all times maintain or procure the maintenance of 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 compliance.
- 2 The Association shall notify the Member when it intends to inspect classification documents or request information from a classification society in accordance with Rule 8.1.d.
 - 3 The Member shall not be entitled to any recovery from the Association in respect of any claim arising during a period when the Member is not fulfilling or has not fulfilled the conditions in Rule 8.1., provided always that where the entry of a Ship is solely in the name of or on behalf of a charterer, and the charterer is not responsible for the maintenance of the Ship, or for compliance with classification or statutory requirements, the rights of recovery of such charterer shall not be dependent on the fulfilment of the conditions in Rule 8.1(b), (c), (d), (e) and (f) above.

Rule 9**Survey**

- 1 The Association may at any time during the period of entry appoint a surveyor to inspect the Ship on behalf of the Association.
- 2 Where the Ship has been laid-up for a period exceeding six months, the Member shall give the Association not less than seven days notice prior to the Ship leaving the place of lay-up for recommissioning, to afford the Association an opportunity to inspect the Ship pursuant to Rule 9.1.

- 3 Should the Member refuse to co-operate in an inspection under Rule 9.1, or fail to give notice in accordance with Rule 9.2, the Association will thereafter be liable only to the extent that the Member can prove that any liability, cost or expense is not attributable to defects in the Ship that would have been detected in the course of an inspection under Rule 9.1.
- 4 Where an inspection reveals matters which, in the sole determination of the Association, represent a deficiency in the Ship, the Association may exclude specified liabilities, losses, costs and expenses from the cover until the deficiency has been repaired or otherwise remedied.
- 5 By applying for an entry of a ship or upon the continuation of the entry of the Ship in the Association, the Member;
 - a consents to and authorizes the disclosure by the Association to any association which is a party to the Pooling Agreement the findings of any survey or inspection of such ship undertaken on behalf of the Association either pursuant to an application for, or after entry in, the Association.
 - b waives any rights or claims against the Association of whatsoever nature arising in respect of or relating to the contents of or opinions expressed in any survey or inspection report so disclosed, provided that:
 - i such survey or inspection reports may only be disclosed to another association when an application for entry of such ship is made thereto; and
 - ii the disclosure of the survey or inspection shall be for the limited purpose only of that association considering an application to enter such ship for insurance.

Chapter 4 Premiums and Calls

Rule 10 Setting of Premium Ratings

- 1 Each Ship's Premium Rating shall be set taking into account all matters, including the Member's loss record, which the Association may consider relevant in assessing the degree of risk involved. All Ships under the same management may at the discretion of the Association be deemed, for the purpose of determining the loss record or otherwise for the determination of Premium Rating, to be owned by one Member.
- 2 A Ship may be entered on the basis of a fixed premium in an amount agreed between the Association and the Member. The provisions of Rules 12, 13, 15, 16, 17, 18 and 19 shall not apply to fixed premium entries.
- 3 The Association may, in its discretion, levy an additional fixed premium for cover made available pursuant to Rule 2.2. The provisions of Rule 12 shall not apply to any such fixed premium.

Rule 11 Variation of Premium Ratings

- 1 The Association may determine that for the next ensuing Policy Year the Premium Ratings of the Ships entered in the Association shall generally be varied by a fixed percentage, before any further adjustment is made in order to take account of the Member's loss record, alteration in the extent of the risk or any other factor the Association may deem relevant.
- 2 Notification of variation of Premium Ratings effective for the following Policy Year shall, if practicable, be given to Members prior to 20th December.

Rule 12 Advance Calls and Deferred Calls

- 1 Before the commencement of each Policy Year, the Association shall decide what percentage of the Premium Ratings of all Ships entered for that year is to be collected by way of Advance Calls in the Policy Year to which it relates and what proportion shall be deferred for call in later years (the Deferred Call).
- 2 The Association may at any time after the end of a Policy Year call for the Deferred Call in whole or in part. All Deferred Calls so made shall be calculated pro rata of the Advance Calls in the relevant Policy Year.

- 3 Notification of Advance Calls and Deferred Calls effective for the following Policy Year shall, if practicable, be given to Members prior to 20th January.
- 4 A Ship entered in the course of the Policy Year shall pay a daily pro rata proportion of the stipulated Advance Calls and Deferred Calls for the year.

Rule 13 Supplementary Calls

If the Advance Calls and Deferred Calls for a Policy Year are considered insufficient to cover the claims on, or costs, expenses and outgoings of the Association, including any allocation to reserves the Association may deem appropriate and including the excess, if any, of claims costs, expenses and outgoings of any closed Policy Year over the provisions or reserves made thereof, the Association may at any time during or after the end of the relevant Policy Year, call for one or more Supplementary Calls which shall be levied on each Member in proportion to the net Advance Calls for such year, unless the entry has been accepted on special terms which otherwise provide.

Rule 14 Determination of Supplementary Calls and Deferred Calls etc.

The Association may determine Advance Calls, Deferred Calls and Supplementary Calls and variations in the Premium Rating, either generally for all entries or separately for any entry or category of entries.

Rule 15 Release Calls

When an entry is terminated or shall cease, the Association may, without awaiting the fixing of Deferred Calls and Supplementary Calls, determine an additional premium for each open Policy year based on, but not limited to, the anticipated rate(s) of Deferred Calls and Supplementary Calls for each year. Upon payment of such Release Calls, the Member shall be released from all liabilities for further Deferred Calls and Supplementary Calls in respect of the said entry and shall under no circumstances be entitled to participate in the distribution of any surplus decided upon thereafter.

Rule 16 Closing of Policy Years

- 1 The Association may decide to close a Policy Year at such time as it deems expedient.
- 2 No further Deferred Calls and Supplementary Calls, other than Overspill Calls, shall be levied in respect of a closed Policy Year.

Rule 17 Repayment of premium

If, at the time of the closing of a Policy Year pursuant to Rule 16, the Advance Calls, Deferred Calls and Supplementary Calls in respect of that year shall exceed the claims, costs, expenses and outgoings of the year, the Association may decide that such excess shall be distributed, in whole or in part, to the Members entered in that Policy Year in proportion to their net Advance Calls.

Rule 18 Overspill Calls

If the Association shall at any time determine that funds are or may in the future be required to pay part of an Overspill Claim (whether incurred by the Association or by any other party to the Pooling Agreement), the Association may levy one or more Overspill Calls to meet the Association's liability for its proportion of such Overspill Claim, pursuant to the terms and conditions as set out in Appendix VI to these Rules.

Rule 19 Reserves

- 1 The Association may establish and maintain such reserves as it may deem appropriate and may decide that any part of such reserves shall be applied to reduce Deferred Calls and Supplementary Calls including Overspill Calls.
- 2 Reserve funds may not be distributed to the Members except as provided for in the Articles of Association.

Rule 20 Payment

- 1 Subject to Rule 20.3, Advance Calls are due in three instalments as follows:
 - a for the period 20th February – 20th June, on 20th March;
 - b for the period 20th June – 20th October, on 5th July;
 - c for the period 20th October – 20th February, on 5th November.
- 2 Where the Ship is entered in the course of a Policy Year, a pro rata Advance Call for the four-monthly period in which it is entered is due at once, with the remaining instalments, if any, due at the times specified in Rule 20.1.
- 3 Advance Calls for Defence cover and Advance Calls of less than USD 5,000 (or the equivalent in any other currency, as determined by the Association) per Ship are due in full on 20th March.
- 4 Fixed premiums are due on inception of cover.
- 5 Deferred Calls and Supplementary Calls, other than Release Calls, are due on the date specified by the Association.
- 6 Any other sums debited by the Association to a member, including Release Calls, Overspill Calls, Insurance Premium Tax for which the Member is liable, reimbursement of deductibles, interest, costs or expenses, are due on demand.
- 7 If any sums due to the Association from the Member are not paid on or before the due date interest is chargeable on such unpaid sums at such rate as the Association may from time to time determine.
- 8 Members' Advance Calls, Deferred Calls, Supplementary Calls, Overspill Calls, other premiums and other sums which cannot be collected shall be deemed to be an expense of the Association.

Rule 20A Insurance Premium Tax

The Member shall indemnify the Association and hold it harmless in respect of any liability, cost or expense incurred or amount paid by the Association in respect of any Insurance Premium Tax for which the Member is liable.

Rule 21**Set-off**

- 1 Without prejudice to anything elsewhere contained in the Articles of Association or these Rules, the Association shall be entitled to set off any amount due from a Member to the Association against any amount due from the Association to such Member or its Co-assureds or Affiliates.
- 2 A Member shall not set off against any amount due from it to the Association the amount of any claim it or its Co-assureds or Affiliates may have against the Association.

Rule 22**Laid-up returns**

- 1 Subject to any special terms which may have been agreed, if the Ship has been laid up with no cargo on board at a safe lay-up location for a period of at least 30 consecutive days, excluding the day of arrival at and the day of departure from the lay-up location, such proportion as the Association may decide of the Advance Call or of the fixed premium payable, pro rata for the period of the lay-up, shall be returned to the Member.
- 2 No claim for laid-up returns shall be recoverable from the Association unless the Member has informed the Association of the lay-up of the Ship within 30 days after the commencement of the lay-up and the claim for laid-up returns is made within 30 days of the end of the lay-up period.

Chapter 5**Termination and cesser****Rule 23****Termination by a Member**

A Member may terminate the entry with effect from the end of the Policy Year in respect of one or more Ships by giving written notice thereof prior to 20th January. Except with the agreement of the Association, a Ship may not be withdrawn nor may notice of termination be given with effect from any other date.

Rule 24**Termination by the Association**

- 1 The Association may terminate the entry with effect from the end of the Policy Year in respect of one or more Ships by giving written notice thereof prior to 20th January.
- 2 The Association may also terminate the insurance of any or all of the Ships entered by a Member:
 - a without notice, where a casualty or other event has been brought about by wilful misconduct on the part of the Member, as defined in Rule 72;
 - b on three days' notice, where the Member has failed to pay when due and demanded any Advance Call, Deferred Call, Supplementary Call or other amount due from him to the Association;
 - c on 14 days' notice, where the Member has neglected a duty of disclosure under Rule 6 or Rule 7 or where there has been an alteration of the risk after the conclusion of the contract of insurance;
 - d on 45 days' notice, without giving any reason.
- 3 Notwithstanding and without prejudice to Rules 24.1 and 24.2 and Rule 25.4, the Association may, on such notice in writing as the Association may decide, terminate the entry in respect of any and all Ship(s) in circumstances where the Member has exposed or may, in the opinion of the Association, expose the Member or the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by the State of the Ship(s) flag, by any State where the Association has its registered office or permanent place of business or by any State being a Major Power or by the United Nations

or the European Union. For the purpose of this Rule 24.3 “Major Power” means any of the following States: United Kingdom, United States of America, France, the Russian Federation and the People’s Republic of China.

Rule 25**Cesser**

- 1 A Member shall (subject to Rule 25.5) cease to be covered by the Association in respect of any and all Ships entered by him in the following circumstances:
 - a where the Member is a corporation, a resolution is passed for the voluntary winding up of the Member or an order is made for its compulsory winding up or it is dissolved or a receiver or similar official to all or part of its affairs is appointed or any secured party takes possession of any of its property or it seeks protection from its creditors under any applicable bankruptcy or insolvency laws or any similar event occurs (in the determination of the Association) in any applicable jurisdiction; and
 - b where the Member is an individual, the Member dies or becomes incapable by reason of mental disorder of managing or administering his property and affairs or he becomes bankrupt or he makes any composition or arrangement with his creditors generally or a receiving order is made against him or any secured party takes possession of any of his property or any similar event occurs (in the determination of the Association) in any applicable jurisdiction.
- 2 The Member shall (subject to Rule 25.5) cease to be covered by the Association in respect of any Ship entered by him in the following circumstances:
 - a the Ship becomes a total loss;
 - b the Ship is, in the determination of the Association, abandoned by the Member on account of its total loss appearing to be unavoidable;
 - c the Ship is accepted by the hull underwriters (whether of marine or war risks) as a constructive total loss;
 - d the Ship suffers damage and the cost of repairs (as determined by the Association) will equal or exceed the higher of 80% of its insured value or of its value in repaired condition (as determined by the Association);

- e the Ship is transferred to a new owner by sale or otherwise;
 - f new managers of the Ship are appointed or there is a change in the operator of the Ship;
 - g any mortgagee or other secured party enters into possession of the Ship;
 - h the Ship ceases to be classed with a classification society approved by the Association, or its class is suspended;
 - i the Ship is requisitioned;
 - j the Ship, with the consent or knowledge of the Member, is being used for the furtherance of illegal purposes.
- 3 Where a Ship disappears, it shall be deemed to be a total loss ten days from the day it is last heard of.
 - 4 Notwithstanding and without prejudice to Rules 25.1, 25.2 and 25.3, a Member shall forthwith cease to be insured by the Association in respect of any and all Ship(s) entered by him if any Ship is employed by the Member in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any State where the Association has its registered office or permanent place of business or by any State being a Major Power or by the United Nations or the European Union. For the purpose of this Rule 25.4 “Major Power” means any of the following States: United Kingdom, United States of America, France, the Russian Federation and the People’s Republic of China.
 - 5 Notwithstanding the provisions of Rules 25.1, 25.2 and 25.4, the Association may decide in any particular case that cover shall be continued without interruption, or that cover shall be reinstated, in either case on such terms as the Association shall determine.
 - 6 Notwithstanding the provisions of Rule 25.2. (a), (b), (c) and (d), the Association shall cover subject to these Rules and the terms of entry agreed, liabilities, losses, costs and expenses flowing from the casualty which gave rise to the total loss or constructive total loss of the Ship.

Rule 26**Effect of cesser or termination**

- 1 Where the insurance ceases or is terminated, the Member shall remain liable for all Advance Calls, Deferred Calls, Supplementary Calls, Overspill Calls and other premiums in respect of the then current Policy Year pro rata for the period up to the date of cesser or termination, and for all Deferred Calls, Supplementary Calls, Overspill Calls and premiums in respect of prior Policy Years.
- 2 The Association shall be under no liability whatsoever by reason of anything occurring after cessation or termination.

PART II**P&I COVER****Chapter 1****Risks covered****Rule 27****Liabilities in respect of Crew**

- 1 The Association shall cover:
 - a liability to pay hospital, medical, maintenance, funeral and other costs and expenses incurred in relation to the injury to, or illness or death of, a member of the Crew, including costs and expenses of repatriating the member of the Crew and his personal effects, or sending home an urn of ashes or coffin and personal effects in the case of death, and costs and expenses necessarily incurred in sending a substitute to replace the repatriated or dead man;
 - b liability to repatriate and compensate a member of the Crew for the loss of his employment caused in consequence of the actual or constructive total loss of the Ship or of a major casualty rendering the Ship unseaworthy and necessitating the signing off of the Crew;
 - c liability to pay compensation or damages in relation to the injury to, or illness or death of, a member of the Crew;
 - d liability for costs and expenses of travelling incurred by a member of the Crew when the travelling is occasioned by a close relative having died or become seriously ill after the Crew member signed on, and costs and expenses necessarily incurred in sending a substitute to replace that Crew member;
 - e liability for wages payable to an injured or sick member of the Crew or on death to his estate;
 - f liability in respect of loss of or damage to the personal effects of a Crew member,

provided that under this Rule 27.1:

 - i where the liability arises under the terms of a crew agreement or other contract of service or employment, and would not have arisen but for those terms, the liability is not covered by the Association unless those terms have been previously approved by the Association;
 - ii there shall be no recovery in relation to liability which arises under a contract of indemnity or guarantee between the Member and a third party;

- iii the cover shall not include liabilities, costs or expenses arising out of the carriage of specie, bullion, precious or rare metals or stones, plate or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments, whether the value is declared or not, unless the Association has been notified prior to any such carriage, and any directions made by the Association have been complied with.
 - iv references to personal effects shall exclude valuables and any other article which in the opinion of the Association is not an essential requirement of a Crew member.
- 2** The Association shall cover:
- a** costs and expenses which are not recoverable under Rule 27.1 and which are necessarily incurred in sending a substitute to replace a member of the Crew who has been left behind;
 - b** costs and expenses which are not recoverable under Rule 27.1, which are necessarily incurred under a statutory obligation in repatriating a member of the Crew of the Ship and in sending a substitute to replace him and which would not have been incurred had there been no such statutory obligation; and
 - c** costs and expenses incurred as a direct consequence of complying with an order for the deportation of a member of the Crew and in sending a substitute to replace him which would not have been incurred had no such order been made,
- provided that such costs or expenses as are referred to in paragraphs (a), (b) and (c) do not arise out of or in consequence of:
- i the termination of any agreement; or
 - ii breach by the Member of any agreement or other contract of service or employment; or
 - iii sale of the Ship; or
 - iv any other act of the Member in respect of the Ship.
- 3** The Association shall cover liability to repatriate a member of the Crew pursuant to any statutory enactment giving effect to the Maritime Labour Convention 2006 or any materially similar enactment, provided always that there shall be no recovery in respect of liabilities arising out of the

termination of any agreement, or the sale of the Ship, or any other act of the Member in respect of the Ship, save and to the extent permitted by this Rule 27.3 in respect of the Member's liability for such expense under the Maritime Labour Convention 2006.

Rule 28

Liabilities in respect of passengers

- 1** The Association shall cover:
- a** liability for injury to, or illness or death of, or loss of or damage to the effects of passengers and hospital, medical or funeral expenses incurred in relation to such injury, illness or death;
 - b** liability to pay damages or compensation to passengers on board the Ship where such liability arises in consequence of a casualty, including any liability to return passengers to their port of departure or to forward them to their port of destination and to pay for their maintenance ashore;
 - c** liability pursuant to mandatory rules of law for loss caused by delay in the carriage of passengers and their effects;
 - d** costs and expenses incurred as a direct consequence of complying with an order for the deportation of a passenger which would not have been incurred had no such order been made,
- provided that:
- i the Association's liability under paragraphs (a) and (b) above shall not exceed what it would have been had the passage contract relieved the Member of liability to the maximum extent permitted by applicable law;
 - ii the Association's liability under paragraph (d) above shall be subject to the provisos to Rule 27.2;
 - iii the cover shall be subject to proviso (iii) to Rule 27.1; and
 - iv for the purpose of paragraph (b) above a casualty shall be defined as an incident or condition on board involving either collision, stranding, explosion, fire or other cause rendering the Ship incapable of safe navigation to its intended destination or a threat to the life, health or safety of passengers.

- 2 Where liabilities to passengers include liabilities arising under a non-war certificate issued by the Association in compliance with either:
- a Article 4bis of the Athens Convention relating to the Carriage of Passengers and their Luggage by sea, 1974 and the Protocol thereto of 2002, or
 - b Regulation (EC) No.392/2009 of the European Parliament and of the Council of 23rd April 2009 on the liability of carriers of passengers by sea in the event of accidents,
- and such liabilities (“Certified Liabilities”) exceed or may exceed in the aggregate the limit of cover specified in Appendix IV:
- i the Association may in its absolute discretion defer payment of a claim in respect of those liabilities or any part thereof until the Certified Liabilities, or such part of the Certified Liabilities as the Association may decide, have been discharged; and
 - ii if and to the extent any Certified Liabilities discharged by the Association exceed the said limit any payment by the Association in respect thereof shall be by way of loan and the Member shall indemnify the Association in respect of such payment.

Rule 29**Liability for other persons carried on board**

- 1 The Association shall cover liability arising out of the injury to, or illness or death of, or liability for loss of or damage to the effects of persons carried on board other than Crew or passengers provided that:
 - i in the case of a person other than a close relative of a member of the Crew, the Association has approved the presence of such persons on board;
 - ii the cover shall be subject to proviso (iii) to Rule 27.1.
- 2 The Association shall cover costs and expenses incurred as a direct consequence of complying with an order for the deportation of any such other person carried on board which would not have been incurred had no such order been made, subject to the provisos to Rule 27.2.

Rule 30**Liability for persons not carried on board**

The Association shall cover liability resulting from the injury to, or illness or death of persons, other than Crew, passengers and other persons carried on board, provided that where the liability arises under the terms of a contract or indemnity and would not have arisen but for those terms, the liability shall only be covered when and to the extent that those terms have been approved by the Association.

Rule 31**Diversion expenses**

The Association shall cover extra costs of fuel, insurance, wages, stores, provisions and port charges attributable to a diversion, over and above the costs that would have been incurred but for the diversion, where these are incurred solely for the purpose of securing treatment for an injured or sick person on board, or for the purpose of searching for a person missing from the Ship, or necessarily incurred while awaiting a substitute for such person, or for the purpose of saving persons at sea.

Rule 32**Stowaways, refugees or persons saved at sea**

The Association shall cover costs and expenses directly and reasonably incurred in consequence of the Ship having stowaways, refugees or persons saved at sea on board, but only to the extent that the Member is legally liable for the costs and expenses or they are incurred with the approval of the Association. The cover does not include consequential loss of profit or depreciation.

Rule 33**Life salvage**

The Association shall cover 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 the Ship, but only if, and to the extent that, such payments are not recoverable under the Hull Policies or from cargo owners or underwriters.

Rule 34**Cargo liability**

- 1 The Association shall cover the following liabilities when and to the extent that they relate to cargo intended to be or being or having been carried on the Ship:
- a liability for loss, shortage, damage or other responsibility arising out of any breach by the Member, or by any person for whose acts, neglect or default he may be legally liable, of his obligation properly to load, handle, stow, carry, keep, care for, discharge or deliver the cargo or out of unseaworthiness or unfitness of the Ship;
 - b liability for loss, shortage, damage or other responsibility in respect of cargo carried by a means of transport other than the Ship, when the liability arises under a through or transshipment Bill of Lading, or other form of contract, providing for carriage partly to be performed by the Ship,
- provided that unless and to the extent that the Association in its discretion shall otherwise decide, the cover under this Rule 34.1 does not include:
- i liabilities, costs and expenses arising out of delivery of cargo under a negotiable Bill of Lading without production of that Bill of Lading by the person to whom delivery is made except where cargo has been carried on the 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 Member may be liable under the terms of a negotiable Bill of Lading issued by or on behalf of a party other than the Member providing for carriage in part upon the Ship and in part by another mode of transport;
 - ii liabilities, costs and expenses arising out of delivery of cargo carried under a non-negotiable bill of lading, waybill or similar document without production of such document by the person to whom delivery is made, where such production is required by the express terms of that document or the law to which that document, or the contract of carriage contained in or evidenced by it, is subject, except where the Member is required by any other law to which the Member is subject to deliver, or relinquish custody or control of, the cargo, without production of such document;

- iii liabilities, costs and expenses which would not have been incurred by the Member if the cargo had been carried on terms no less favourable to the Member than those laid down in the Hague or Hague-Visby Rules, save where the contract of carriage is on terms less favourable to the Member than those laid down in the Hague or Hague-Visby Rules solely because of the relevant terms of carriage being of mandatory application;
- iv liabilities, costs and expenses arising out of the discharge of cargo at a port or place other than that stipulated in the contract of carriage;
- v liabilities, costs and expenses arising out of the failure to arrive or late arrival of the Ship at port of loading, or the failure to load any particular cargo or cargoes in the Ship, other than liabilities, costs and expenses arising under a Bill of Lading already issued;
- vi liability arising out of carriage under an ad valorem Bill of Lading where a value of more than USD 2,500 (or the equivalent in any other currency) per unit, piece or package is declared and in the case of Bills of Lading subject to the Hague or Hague-Visby Rules where a value of more than USD 2,500 (or the equivalent in any other currency) per unit, piece or package is also inserted in the Bill of Lading, to the extent, in any such case, that such liabilities, costs and expenses exceed in the aggregate USD 2,500 (or the equivalent in any other currency) in respect of any unit, piece or package;
Note: The Association as agent can arrange additional cover for the shipment of cargo with a declared value.
- vii liabilities, costs and expenses arising out of the carriage of specie, bullion, precious or rare metals or stones, plate or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments, whether the value is declared or not, unless the Association has been notified prior to any such carriage, and any directions made by the Association have been complied with;
- viii liability for shortage arising from failure to discharge all cargo on board unless the Member can show that all reasonable and applicable discharge methods were attempted;

- ix liabilities, costs and expenses arising out of 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;
- x liabilities, costs and expenses arising out of the issue of a Bill of Lading, waybill or other document containing or evidencing the contract of carriage, known by the Member or the master to contain an incorrect description of the cargo or its quantity or its condition;
- xi liabilities, costs and expenses arising out of a deviation or departure from the contractually agreed voyage or adventure which deprives the Member of the right to rely on defences or rights of limitation which would otherwise have been available to him.

Note: Additional cover in respect of deviation is available pursuant to Rule 2.2 – See Appendix I paragraph 4.

- 2 The Association shall cover liability pursuant to compulsorily applicable rules of law for loss caused by delay in the carriage of cargo, provided that the Association shall in no circumstances cover liabilities, costs or expenses arising out of the failure to arrive or late arrival of the Ship at the port or place of loading.

Rule 35

Extra handling costs

The Association shall cover extra costs and expenses, in excess of the costs and expenses which would otherwise have been incurred:

- a in handling and discharging cargo where the extra costs and expenses are necessarily consequent upon damage to the cargo or damage to the Ship which would have been covered by the Hull Policies had the Ship been fully insured on standard terms without deductible;

b in discharging or disposing, including storing, of cargo which has been rejected by the person entitled to delivery, provided that there shall be no recovery under this Rule 35 of extra costs and expenses which:

- i the Member is able to recover from any other party; or
- ii are excepted from cover under Rule 46(a), or
- iii form part of the daily running costs and expenses of the Ship.

Rule 36

Collision with other ships

- 1 The Association shall cover liability to pay damages to any other person incurred as a result of a collision with another ship, if and to the extent that such liability is not covered under the Hull Policies on the Ship, including:
 - a
 - i one fourth of the liability incurred by the member; or
 - ii four fourths, of such liability; or
 - iii such other fraction of such liability as may be applicable and have been agreed with the Association;
 - b that part of the Member's liability which exceeds the sum recoverable under the Hull Policies solely by reason of the fact that the liability exceeds the sums insured under those policies, provided that:
 - i the Member shall not be entitled to recover from the Association any deductible borne by him under the Hull Policies; and
 - ii the cover under this Rule shall exclude liability in respect of persons or property on board the Ship.
- 2 Unless otherwise agreed between the Member and the Association 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 Rule 36.1 shall be settled upon the principle of single liability, but in all other cases claims under this Rule 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 Member in consequence of the collision.

Rule 37**Damage to fixed or floating objects**

The Association shall cover:

- a liability for loss of or damage to any fixed or floating object by reason of contact between the Ship and such object, when not covered under the Hull Policies;
- b that part of the Member's liability which exceeds the amount recoverable under the Hull Policies solely by reason of the fact that the liability exceeds the sums insured under those policies, provided that there shall be no recovery under this Rule 37 in respect of any deductible borne by the Member under the Hull Policies.

Rule 38**Pollution**

- 1 The Association shall cover:
 - a liabilities, costs and expenses (excluding fines) arising in consequence of the discharge or escape from the Ship of oil or any other substance or the threat of such discharge or escape;
 - b liabilities, costs and expenses incurred by the Member pursuant to any agreement approved by the Association for the purpose of this Rule.
- 2 A Member insured in respect of a Ship which is a "relevant ship" as defined in the Small Tanker Oil Pollution Indemnification Agreement, including any addendum to, or variation or replacement of such agreement ("STOPIA") shall, unless the Association otherwise agrees in writing, be a party to STOPIA for the period of entry of the Ship in the Association. Unless the Association has agreed in writing or unless the Association in its discretion otherwise determine, there shall be no cover under this Rule 38 in respect of such a Ship so long as the Member is not a party to STOPIA.
- 3 A Member insured in respect of a Ship which is eligible for entry in the Tanker Oil Pollution Indemnification Agreement ("TOPIA") shall, unless the Association otherwise agrees in writing, be a party to TOPIA for the period of entry of that Ship in the Association. Unless the Association has agreed in writing or unless the Association in its discretion otherwise determines, there shall be no cover under this Rule 38 in respect of such a Ship so long as the Member is not a party to TOPIA.

Rule 39**Loss of or damage to property**

The Association shall cover liability for loss of or damage to property not specified elsewhere in Part II of these Rules.

Rule 40**Liability for obstruction and wreck removal**

The Association shall cover:

- a costs and expenses relating to the raising, removal, destruction, lighting and marking of the Ship or of the wreck of the Ship or parts thereof or of its cargo lost as a result of a casualty, when such raising, removal, destruction, lighting and marking is compulsory by law or the costs or expenses thereof are legally recoverable from the Member;
- b liability incurred by reason of the Ship or the wreck of the Ship or parts thereof as a result of a casualty causing an obstruction, provided that:
 - i recovery from the Association under this Rule shall be conditional upon the Member not having transferred his interest in the wreck otherwise than by abandonment; and
 - ii the realised value of the wreck and other property saved shall be credited to the Association.

Rule 41**General average**

The Association shall cover:

- a the proportion of general average, special charges or salvage which a Member may be entitled to claim from cargo or from any other party to the marine adventure and which is not legally recoverable solely by reason of a breach of the contract of carriage. Where contributing cargo or any other contributing asset belongs to the Member, the Member shall be entitled to recover from the Association as if that contributing asset had belonged to a third party;
- b the Ship's proportion of general average, special charges or salvage not recoverable under the Hull Policies solely by reason of the value of the Ship being assessed for contribution to general average or salvage at a value in excess of the sums insured under the Hull Policies, provided that cover shall only be available under this Rule 41(b) in any particular case if the Association shall in its absolute discretion so determine.

Rule 42**Salvage**

The Association shall cover liability for special compensation awarded to a salvor

- a** pursuant to Article 14 of the International Convention on Salvage 1989; or
- b** pursuant to Article 14 of the International Convention on Salvage 1989, as incorporated into Lloyd's Open Form of Salvage Agreement (1980, 1990, 1995, 2000 or 2011), or into any other salvage contract approved by the Association; or
- c** pursuant to the Special Compensation P&I Clubs Clause (SCOPIIC) as incorporated into Lloyd's Open Form of Salvage Agreement or any other "No Cure – No Pay" salvage contract approved by the Association.

Rule 43**Towage**

- 1** The Association shall cover liabilities, costs and expenses arising out of the towage of the Ship, or out of the towage of a vessel by the Ship, provided that such liabilities, costs and expenses are:
 - a** within the cover available under any other Rule; and
 - b** not excluded by Rules 43.2 or 43.3.
- 2** The Association shall not cover liabilities, losses, costs or expenses incurred under or pursuant to the terms of a contract for the towage of the Ship other than:
 - a** a contract entered into for the purpose of entering or leaving port, or manoeuvring within the port, during the ordinary course of trading; or
 - b** a contract entered into in the ordinary course of trading for the towage of such ships as are habitually towed from place to place; or
 - c** a contract which has been approved by the Association.
- 3** The Association shall not cover liability for loss of or damage to or wreck removal of a vessel or other floating structure towed by the Ship or the cargo or other property on such tow (together with costs and expenses associated therewith), save insofar as:
 - a** the towage or attempt thereat is made for the purpose of saving or attempting to save life or property at sea; or

- b** the Ship is entered as a tug or otherwise on the basis that it will engage in towing in the ordinary course of business, and the tow is undertaken on contractual terms approved by the Association (whether or not the Member is a party to the contract); or
Notes: 1 The following standard terms of contracts are approved by the Association, provided they are not materially amended:
 (a) UK, Netherlands or Scandinavian standard towage conditions;
 (b) "Towcon" or "Towhire";
 (c) Lloyd's Standard form of Salvage Agreements.
 2 The Association will otherwise expect the contract to incorporate a term under which each Party is responsible for any loss or damage to its own property or equipment and for loss of life or personal injury to its own personnel, without any recourse against the other.
- c** cover has been agreed with the Association prior to the commencement of the towage.

Rule 44**Legal costs**

The Association shall cover legal costs and expenses relating to any liability, loss, cost or expense which, in the opinion of the Association, is (or, apart from any applicable deductible, would be) likely to result in a claim on the Association, but only to the extent that such legal costs and expenses have been incurred with the agreement of the Association.

Rule 45**Enquiry expenses**

The Association shall cover costs and expenses incurred by a Member in defending himself or in protecting his interests before a formal enquiry into the loss of or casualty involving the Ship, in cases in which, in the opinion of the Association, a claim upon the Association is likely to arise, but only to the extent that such costs and expenses have been incurred with the agreement of the Association.

Rule 46**Measures to avert or minimise loss**

The Association shall cover:

- a extraordinary costs and expenses reasonably incurred on or after the occurrence of a casualty or event for the purpose of avoiding or minimising any liability on the Association, other than:
 - i costs and expenses claimable in general average;
 - ii costs and expenses relating to the Ship being overloaded or the cargo being incorrectly stowed;
 - iii costs and expenses resulting from measures that have been or could have been accomplished by the Crew or by reasonable use of the Ship or its equipment;
 - iv costs and expenses resulting from making the Ship seaworthy for receiving cargo;
- b losses, costs and expenses incurred at the direction of the Association.

Rule 47**Fines**

- 1 The Association shall cover fines or other penalties imposed upon a Member (or, imposed upon a third party whom the Member is legally obliged to reimburse or whom the Member reimburses with the Agreement of the Association) in respect of the Ship by any court, tribunal or other authority of competent jurisdiction for or in respect of any of the following:
 - a short- or over-delivery of cargo, or failure to comply with regulations concerning the declaration of goods, or documentation of cargo, provided that the Member is insured by the Association for cargo liability under Rule 34;
 - b breach of any immigration law or regulations;
 - c the accidental escape or discharge of oil or any other substance or threat thereof, provided that the Member is insured for pollution liability by the Association under Rule 38, and subject to the applicable limit of liability under the P&I entry in respect of oil pollution risk;
 - d smuggling or any infringement of any custom law or regulation other than in relation to cargo carried on the Ship.

- 2 The Association may, in its sole discretion, cover in whole or in part a fine or penalty other than those listed in Rule 47.1 above imposed upon the Member (or imposed upon a third party whom the Member is legally obliged to reimburse), provided the Member has satisfied the Association that he took such steps as appear to the Association to be reasonable to avoid the event giving rise to the fine or penalty.
- 3 The Association shall be under no obligation to give reasons for its decision pursuant to Rule 47.2 above.

Rule 48**Disinfection and quarantine expenses**

The Association shall cover costs and expenses, other than the Ship's running costs and expenses, incurred by the Member in connection with quarantine orders or disinfection of the Ship or Crew on account of infectious diseases on board, except where the Ship has been ordered to a port where the Member knew or should have anticipated that she would be quarantined.

Rule 49**Confiscation of the Ship**

The Association may, in its discretion, authorise payment, in whole or in part, of a Member's claim for loss of the 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 regulations, or any fines involving such confiscation, provided 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 Member shall have satisfied the Association that he took such steps as appear to the Association to be reasonable to prevent the infringement of the customs law or regulation giving rise to the confiscation;
- c no such claim shall be considered by the Association until such time as the Member has been irrevocably deprived of his interest in the Ship;
- d the Association shall be under no obligation to give reasons for its decision.

Rule 50**Damage to Member's own property**

Notwithstanding the terms of Rule 2.4 (b):

- a if the Ship causes damage to property, other than cargo, belonging wholly or in part to the Member, the Member shall be entitled to recover from the Association under Rules 36 (collision with other ships), 37 (damage to fixed or floating object), 39 (loss of or damage to property) or 40 (b) (liabilities for obstruction) as if the property belonged to a third party; and
- b in the event that any cargo lost or damaged on board the Ship shall be the property of the Member, the Member shall be entitled to recover from the Association under Rule 34 (cargo liability) 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 with the Member on terms incorporating the Hague-Visby Rules.

Chapter 2**Limitations etc. on P&I cover**

Note: Limitations etc. which affect both P&I and Defence cover are set out in Part V.

Rule 51**General limitation of liability**

Where the Member or a Co-assured is entitled to limit his liability pursuant to any rule of law, the maximum recovery under a P&I entry is the amount to which the Member or the Co-assured may limit his liability.

Rule 51B**Limitation and payment of Overspill Claims**

- 1 Without prejudice to any other applicable limit, the Association's liability under a P&I entry for an Overspill Claim shall be limited pursuant to the terms and conditions as are set out in Appendix VI.
- 2 The Association's obligation to pay a compensation in respect of an Overspill Claim shall be subject to such terms and conditions as are set out in Appendix VI.

Rule 52**Limitations for charterers and Consortium Vessels**

The Association's liability under a P&I entry for any and all claims arising under Charterer's Entries or in respect of insurance of charterers under Owner's Entries or in respect of the Member's liability for a Consortium Claim arising out of the carriage of cargo on a Consortium Vessel shall be limited to such sum or sums and subject to such terms and conditions as are set out in Appendix II.

Rule 53**Limitations – oil pollution, passengers and seamen**

- 1 The Association's liability under an Owner's Entry for any and all claims in respect of oil pollution (including claims resulting from attempts to reduce or prevent oil pollution) shall be limited to such sum or sums and be subject to such terms and conditions as are set out in Appendix III.
- 2 The Association's liability under an Owner's Entry for any and all claims which arise in respect of passengers and seamen shall be limited to such sum or sums and be subject to such terms and conditions as are set out in Appendix IV.

Rule 54**Amounts saved by the Member**

Where the Member, as a result of an event for which he is covered by the Association, has obtained extra revenue, saved costs or expenses or avoided liability or loss which would otherwise have been incurred and which would not have been covered by the Association, the Association may deduct from the compensation payable under a P&I entry an amount corresponding to the benefit obtained.

Rule 55**Terms of contract**

The Association shall not cover under a P&I entry liabilities, losses, costs or expenses:

- a** which would not have arisen but for the terms of a contract or indemnity entered into by the Member, or by some other person acting on his behalf, unless the terms have previously been approved by the Association, or cover for such liabilities, losses, costs or expenses has been agreed between the Member and the Association, or the Association decides, in its discretion, that the Member should be reimbursed;
- b** which result from, or would not have arisen but for the Member, or some other person acting on his behalf having used terms of contract which the Association has prohibited, or omitted to use terms of contract which are specified in Appendix VII or which the Association has otherwise prescribed.

Rule 56**Non-marine personnel**

The Association shall not cover under a P&I entry liabilities, losses, costs or expenses incurred by the Member in respect of any of the following:

- a** personnel (other than marine crew) on board the Ship (being an accommodation vessel) employed otherwise than by the Member where there has not been a contractual allocation of risks as between the Member and the employer of the personnel which has been approved by the Association;
- b** hotel and restaurant guests and other visitors and catering crew of the Ship when the Ship is moored (otherwise than on a temporary basis) and is open to the public as a hotel restaurant, bar or other place of entertainment.

Rule 57**Liability occurring during through transports**

The Association shall not cover under a P&I entry:

- a** liabilities, losses, costs or expenses incurred by the Member in respect of death, personal injury, loss or damage to property, delay or other consequential loss sustained by any passenger by reason of carriage of that passenger by air or during any through carriage whilst the passenger is in the care of another carrier or during carriage to or from the Ship, except liability for illness, injury or death of, or loss of or damage to the effect of, passengers during:
 - i carriage to and from the Ship in its own boats, or in port by means of other boats, or
 - ii repatriation of injured or sick passengers or of passengers following a casualty to the Ship, or
 - iii shore excursions from the Ship (subject to the provisions of Rule 57(b) below);
- b** contractual liability in respect of passengers whilst on an excursion from the Ship in circumstances where either:
 - i a separate contract has been entered into by the passengers for the excursion whether or not with the Member, or
 - ii the Member has waived any or all of his rights of recourse against any subcontractor or other third party in respect of the excursion;
- c** liabilities, costs and expenses in respect of the carriage of cargo arising out of contracts of carriage providing for carriage partly to be performed by the Ship and partly by means of transport other than the Ship, unless the transport is performed under a form of contract approved by the Association.

Rule 58**War risks**

- 1** The Association shall not cover under a P&I entry liabilities, losses, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or his servants or agents) when the loss or damage, injury, illness or death or other accident in respect of which such liabilities arise or such losses, costs or expenses are incurred was caused by:
 - a** 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 (provided that, in the event of any dispute as to whether or not, for the purpose of this paragraph (a), an act constitutes an act of terrorism, the Association shall in its absolute discretion determine that dispute and the Association's decision shall be final);

- b** capture, seizure, arrest, restraint or detention, (barratry and piracy excepted), and the consequences thereof or any attempt thereat;
 - c** mines, torpedoes, bombs, rockets, shells, explosives, or other similar weapons of war (save for 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, whether as a result of government order or with the agreement of the Association, where the reason for such use is the mitigation of liability, cost or expenses which would otherwise fall within the cover given by the Association.
- 2** The exclusion in Rule 58.1 above shall not apply to liabilities, costs and expenses of a Member insofar only as they are discharged by the Association on behalf of the Member 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 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 (STOPIA), or
 - iv** a certificate issued by the Association in compliance with Article 7 of the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001
 - v** a certificate issued by an Association in compliance with Article 12 of the Nairobi International Convention on the Removal of Wrecks, 2007 to the extent such liabilities, costs and expenses are not recovered by the Member under any other policy of insurance or any extension to the cover provided by the Association. Where any such guarantee, undertaking or certificate is provided by the Association on behalf of the Member as guarantor or otherwise, the Member 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 by way of loan and that there shall be assigned to the Association to the extent and on the terms that it determines in its discretion to be practicable all the rights of the Member under any other insurance and against any third party.

Rule 59

Specialist operations

The Association shall not cover under a P&I entry liabilities, losses, costs and expenses incurred by the Member during the course of performing specialist operations including but not limited to dredging, blasting, pile-driving, well stimulation, cable or pipelaying, construction, installation or maintenance work, core sampling, depositing of spoil, professional oil spill response or professional oil spill response training and tank cleaning (otherwise than on the Ship), (but excluding fire-fighting), to the extent that such liabilities, losses, costs and expenses arise as a consequence of:

- a** claims brought by any party for whose benefit the work has been performed, or by any third party (whether connected with any party for whose benefit the work has been performed or not), in respect of the specialist nature of the operations; or
- b** the failure to perform such specialist operations by the Member or the fitness for purpose and quality of the Member's work, products or services, including any defect in the Member's work, products or services; or
- c** any loss of or damage to the contract work, provided that this exclusion shall not apply to liabilities, losses, costs and expenses incurred by the Member in respect of:
 - i** loss of life, injury or illness of crew and other personnel on board the Ship;
 - ii** the wreck removal of the Ship; or
 - iii** oil pollution from the Ship
 but only to the extent that such liabilities, costs and expenses are within the cover available under any other Rule or the terms of entry agreed.

Rule 60**Drilling, production and accommodation vessels, barges and heavy lift vessels**

- 1 For drilling vessels, barges and any other vessels or barges employed to carry out drilling or production operations in connection with oil or gas exploration or production, including accommodation units moored or positioned on site as an integral part of any such operations, the Association shall not cover under a P&I entry any liabilities, losses, costs or expenses arising out of or during drilling or production operations, provided that:
 - i for the purpose of this Rule 60.1 the Ship shall be deemed to be carrying out production operations if, inter alia, it is a storage tanker or other vessel engaged in the storage of oil, and either the oil is transferred directly from a producing well to the storage tanker or the storage tanker has oil and gas separation equipment on board and gas is being separated from oil whilst on board the storage tanker other than by natural venting.
 - ii in respect of any Ship employed to carry out production operations in connection with oil or gas production, the exclusion in this Rule 60.1 shall apply:
 - a from the time that a connection, whether directly or indirectly, has been established between the Ship and the well until such time that the Ship has been disconnected from the well as part of a planned procedure to leave the site for the purpose of navigation to shore or to another production site; or
 - b where the Ship is unintentionally, as well as intentionally, as an emergency response, disconnected from the well; or
 - c where the Ship remains connected to the well, but the production is shut down, whether or not as an emergency response.
- 2 For semi-submersible heavy lift vessels and any other vessels designed exclusively for the carriage of heavy lift cargo, the Association shall not cover under a P&I entry liability for loss of or damage to or wreck removal of cargo, save insofar as the carriage is undertaken on contractual terms approved by the Association.

Note: The HEAVYCON 2007 charter is approved provided it is not materially amended.

Rule 61**Submarines, diving bells and divers**

The Association shall not cover under a P&I entry liabilities, losses, costs or expenses arising out of

- a the operation by the Member of submarines, mini-submarines or diving bells; or
- b the activities of professional or commercial divers where the Member is responsible for such activities other than
 - i activities arising out of salvage operations being conducted by the Ship where the divers form part of the crew of that Ship (or of diving bells or other similar equipment or craft operating from the Ship) and where the Member is responsible for the activities of such divers; and
 - ii incidental diving operations carried out in relation to the inspection, repair or maintenance of the Ship or in relation to damage caused by the Ship; and
 - iii recreational diving activities.

Rule 62**Waste incineration, disposal operations and landfills**

- 1 The Association shall not cover under a P&I entry liabilities, losses, costs or expenses arising out of waste incineration or waste disposal operations carried out by the Ship (other than any such operations carried out as an incidental part of other commercial activities).
- 2 Unless and to the extent that the Association in its discretion shall otherwise decide, the cover under a P&I entry does not include any liability, loss, damage, cost or expense, including, without limitation, liability for the cost of any remedial works or clean up operations, arising as a result of the presence in, or the escape or discharge or threat of escape or discharge from, any land based dump, site storage or disposal facility of any substance previously carried on the Ship whether as cargo, fuel, stores or waste and whether at any time mixed in whole or in part with any other substance whatsoever.

Rule 63**Excluded losses**

- 1 The Association shall not cover under a P&I entry, except where and to the extent that they form a part of a claim for expenses under Rule 46 (measures to avert or minimise loss):
 - a loss of or damage to the Ship or any part thereof except to the extent that it forms part of a claim recoverable under Rule 49 (Confiscation of the Ship);
 - b loss of or damage to any equipment on board the Ship or to any containers, lashings, stores or fuel thereon, to the extent that the same are owned or leased by the Member or by any company associated with or under the same management as the Member;
 - c the cost of repairs to the Ship or any charges or expenses in connection therewith except to the extent that they form part of a claim recoverable under Rule 41 (General average);
 - d claims by or against the Member relating to loss of freight or hire on the Ship or any proportion thereof unless freight or hire forms part of a claim for liabilities in respect of cargo;
 - e costs of salvage or services in the nature of salvage, rendered to the Ship and any expenses in connection therewith except to the extent that they form part of a claim recoverable under Rule 33 (Life salvage), Rule 41 (General average) or Rule 42 (Salvage);
 - f liabilities, losses, costs or expenses arising out of salvage operations (including for the purpose of this sub-paragraph f, wreck removal) conducted by the Ship or provided by the Member, other than:
 - i liabilities, costs and expenses arising out of salvage operations conducted by the Ship for the purpose of saving or attempting to save life at sea; and
 - ii liabilities, costs and expenses incurred by a professional salvor which are covered by a special agreement between the Member and the Association, and which arise out of the operation of, and in respect of the Member's interest in the Ship;
 - g liabilities, losses, costs or expenses arising out of cancellation of a charter or other engagement of the Ship;
 - h claims by or against the Member relating to demurrage on, detention of or delay to the Ship, unless such demurrage, detention or delay is covered under Rule 34;
 - i liabilities, losses, costs or expenses which would have been recoverable in general average if the York Antwerp Rules 1994 had been incorporated into the charterparty or the contract of carriage;
 - j liabilities, losses, costs and expenses arising from the use of any electronic trading system, other than an electronic trading system approved in writing by the Association, to the extent that such liabilities, losses, costs and expenses would not (save insofar as the Association in its sole discretion otherwise determines) have arisen under a paper trading system. For the purposes of this sub-paragraph (j) an "electronic trading system" is any system which replaces or is intended to replace paper documents used for the sale of goods and/or their carriage by sea or partly by sea and other means of transport and which:
 - i are documents of title, or
 - ii entitle the holder to delivery or possession of the goods referred to in such documents, or
 - iii evidence a contract of carriage under which the rights and obligations of either of the contracting parties may be transferred to a third party.

For the purpose of this sub-paragraph (j) a "document" shall mean anything in which information of any description is recorded including, but not limited to, computer or other electronically generated information.
- 2 The Association shall not cover general monetary loss, or loss of time, loss through price or currency fluctuations, loss of market or similar loss resulting from delay, except where the Member is legally liable to a third party for such loss and such liability is covered by the Association under these Rules.

PART III **COVER FOR MOBILE OFFSHORE UNITS**

Rule 64 **Terms of cover**

Cover for mobile offshore units may be made available by the Association on the terms of separate Rules, and the provisions of the other parts of these Rules shall not apply thereto.

PART IV **DEFENCE COVER**

Chapter 1 **Risks covered****Rule 65** **Cases pertaining to the operation of the Ship**

The Association shall cover legal and other costs necessarily incurred in establishing or resisting claims concerning the following:

- a** contracts of affreightment, charterparties, bills of lading or other contracts of carriage;
- b** loading, lightering, stowing, trimming or discharge of cargo;
- c** passengers and passenger monies;
- d** loss of or damage to the Ship or general average;
- e** delay of the Ship;
- f** property damage, personal injury or loss of life;
- g** repairs or deliveries to the Ship;
- h** salvage or towage unless the Ship is respectively a salvage vessel or tug;
- i** agents or brokers;
- j** insurance contracts pertaining to the Ship;
- k** customs, harbour or other public or quasi-public authorities, but not legal and other costs incurred in connection with or relating to:
 - i** taxes or dues payable in countries where the Ship is registered, or where the Member is resident, or where the Member has a permanent place of business; or
 - ii** actual or alleged infringement(s) of legislation or regulations relating to safety, navigation or prevention of pollution.

Rule 66**Cases pertaining to acquisition or disposal of the Ship**

The Association shall cover legal and other costs necessarily incurred in establishing or resisting claims in connection with:

- a** building, purchase or mortgaging of the Ship, including claims in connection with the future employment of the Ship being built or purchased, provided always that the Ship has been entered in the Association for Defence cover at the latest on signing the relevant contract governing the building or purchase;
- b** sale of the entered Ship;
- c** conversion of or alterations to the Ship, including claims in connection with the future employment of the Ship being subject to conversion or alteration, provided always that a separate agreement, pursuant to which the Association agrees to provide Defence cover for such legal and other costs has been entered into with the Association at the latest on the signing of the relevant contract for the conversion of or the alterations to the Ship.

Chapter 2**Limitations etc. on Defence cover**

Note: Limitations etc which affect both Defence and P&I cover are set out in Part V.

Rule 67**Excluded costs**

- 1** The Association may decline to cover under a Defence entry all or part of the Member's costs, where it is of the opinion that:
 - a** there is no reasonable relation between the amount in dispute and the costs which are likely to be incurred;
 - b** there is no reasonable relation between the prospects of succeeding in establishing a claim or of having the claim enforced or the liability averted and the costs which are likely to be incurred;
 - c** the Member has failed to carry out his obligations under these Rules;
 - d** the claim is unreasonable or tainted with illegality or other improper conduct;
 - e** for any other reason Defence cover should not apply.
- 2** The Association shall be under no liability to reimburse a Member for costs incurred:
 - a** before the Association has been notified of a claim under the Defence cover;
 - b** by the employment of lawyers, experts and other advisers appointed by the Member without the Association's approval.

Rule 68**Disputes with the Association and other Members – unpaid sums**

- 1** The Association will not cover under a Defence entry costs of cases against the Association itself, its subsidiaries, agents, representatives or servants.
- 2** No cover shall be available under Defence entries to either party where a dispute arises between Joint Members, Co-assureds, affiliates or associates of the Member or Co-assureds or any combination thereof.
- 3** No Member shall be entitled to cover under a Defence entry so long as Advance Calls, Deferred Calls or Supplementary Calls or other sums of whatsoever nature owed to the Association, whether in respect of Defence or P&I cover or otherwise, remain unpaid.

Rule 69 **The Association's right to control and direct the handling of a case – withdrawal of cover**

- 1 The Association shall have the right, if it so decides, to control or direct the conduct or handling of any case or legal and other proceedings relating to any matter in respect whereof legal and other costs are covered under a Defence entry and to require the Member to settle, compromise or otherwise dispose of the case or legal and other proceedings in such manner and upon such terms as the Associations sees fit.
- 2 The Association may, in its sole discretion, at any stage of the handling of the case, decline to cover under a Defence entry the legal and other costs involved where:
 - a the Member, without the Association's authority, or contrary to its advice, proceeds with the case in a manner which in the view of the Association is undesirable;
 - b the Member refuses to settle the case on conditions which the Association recommends or which are recommended by lawyers acting on behalf of the Association or the Member;
 - c any of the circumstances set out in Rule 67 subsequently materialise or are brought to the attention of the Association.

Rule 70 **Limitation**

- 1 The Association shall not be obliged to compensate under a Defence entry legal and other costs falling within the scope of Rule 65 and legal and other costs incurred in establishing or resisting claims in connection with purchase and sale of the Ship, including claims in connection with the future employment of the Ship being purchased, falling within the scope of Rule 66 (a) and (b) in excess of USD 10 million per event.
- 2 The Association shall not be obliged to compensate under a Defence entry legal and other costs falling within the scope of Rule 66 (sale and purchase disputes exempted) in excess of USD 1 million per event.

- 3 The Association shall determine in its absolute discretion whether legal and other costs for the purpose of this Rule 70 shall be deemed to fall within the scope of Rule 65 or Rule 66 and whether the legal and other costs have arisen out of one or several events, irrespective of whether one or several Ships were involved.
- 4 The Association shall be under no obligation to give reasons for any of its decision under this Rule.

PART V GENERAL LIMITATIONS ETC. ON P&I AND DEFENCE COVER

Note: Limitations which affect only P&I cover or only Defence cover are set out in Parts II and IV respectively.

Rule 71**Other insurance**

- 1 The Association shall not cover:
 - a liabilities, losses, costs or expenses which are covered by the Hull Policies or would have been covered by the Hull Policies had the Ship been fully insured on standard terms, without deductible, for an insured value which is at all times not less than the market value from time to time of the Ship without commitment, provided that costs relating to claims for damage sustained by the Ship shall be covered under a Defence Entry to the extent that such damage is not recoverable under the Hull Policies by reason only of a deductible, and for the purposes of this proviso the deductible shall be deemed not to exceed one per cent of the Ship's insured value;
 - b liabilities, losses, costs or expenses recoverable under any other insurance or which would have been so recoverable:
 - i apart from any term 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;
 - c liabilities, losses, costs or expenses in relation to a person performing work in the service of the Ship covered by social insurance or by public or private insurance required by the legislation or collective wages agreement governing the contract of employment of such person, or which would have been so covered if such insurance had been effected.
- 2 The Association shall not cover under a Defence entry costs which are or can be covered under a P&I entry.

Rule 72**Conduct of Member**

The Association shall not cover any liabilities, losses, costs or expenses arising or incurred in circumstances where there has been wilful misconduct on the part of the Member, such misconduct being an act intentionally done, or a deliberate omission by the Member, with knowledge that the performance or omission will probably result in injury, or an act done or omitted in such a way as to allow an inference of a reckless disregard of the probable consequences.

Rule 73**Nuclear perils**

- 1 The Association shall not cover any liabilities, losses, costs or expenses directly or indirectly caused by or contributed to by or arising from:
 - a ionising radiations from, or the radioactive, toxic, explosive or other hazardous or contaminating properties of:
 - i any nuclear fuel or any nuclear waste or the combustion of nuclear fuel, or
 - ii any nuclear installation, reactor or other nuclear assembly or nuclear component thereof; or
 - b any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter,
 - c the radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter other than liabilities, costs and expenses arising out of carriage of "excepted matter" (as defined in the Nuclear Installations Act 1965 of the United Kingdom or any regulations made thereunder) as cargo on the Ship.
- 2 The exclusion in Rule 73.1 above shall not apply to liabilities, costs and expenses of a Member insofar only as they are discharged by the Association on behalf of the Member 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 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 (STOPIA), or
- iv a certificate issued by the Association in compliance with Article 7 of the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001, or
- v a certificate issued by the Association in compliance with Article 12 of the Nairobi International Convention on the Removal Wrecks, 2007 to the extent such liabilities, costs and expenses are not recovered by the Member under any other policy of insurance or any extension to the cover provided by the Association. Where any such guarantee, undertaking or certificate is provided by the Association on behalf of the Member as guarantor or otherwise, the Member 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 by way of loan and that there shall be assigned to the Association to the extent and on the terms that it determines in its discretion to be practicable all the rights of the Member under any other insurance and against any third party.

Rule 74 Unlawful trades etc.

The Association shall not cover liabilities, losses, costs or expenses arising out of or consequent upon the Ship carrying contraband, blockade running or being employed in or on an unlawful, unsafe or unduly hazardous trade or voyage.

Rule 75 Part tonnage

Where a Ship is entered with the Association for less than its full tonnage, the Association shall only be liable to the Member for such proportion of any liability, loss, cost or expense as the entered tonnage bears to the full tonnage.

Rule 76 Deductibles

Unless otherwise agreed, cover shall be subject to the Association's standard deductibles set out in Appendix V.

Rule 77 Administrative costs, insolvency and sanctions etc.

- 1 The Association shall not cover:
 - a the Member's internal administrative costs or expenses;
 - b liabilities, losses, costs and expenses arising out of the insolvency of the Member or any other person or out of overdue or irrecoverable debts or out of any of the circumstances described in Rules 25.1(a) and (b).
- 2 The Association shall not indemnify a Member against any liabilities, costs or expenses where the provision of cover, the payment of any claim or the provision of any benefit in respect of those liabilities, costs or expenses may expose the Association to any sanction, prohibition, restriction or adverse action by any competent authority or government.
- 3 The Member shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs or expenses which is not recovered by the Association from any party to the Pooling Agreement and/or from any reinsurer because of a shortfall in recovery from such party or reinsurer by reason of any sanction, prohibition or adverse action by a competent authority or government or the risk thereof if payment were to be made by such party or reinsurer. For the purposes of this paragraph, "shortfall" includes, but is not limited to, any failure or delay in recovery by the Association by reason of the said party or reinsurer making payment into a designated account in compliance with the requirements of any competent authority or government.

PART VI	MISCELLANEOUS PROVISIONS
Chapter 1	Joint Members, Co-assureds and Affiliates

Rule 78 Cover for Co-assureds and Affiliates

- 1 The Association may agree, subject to the provisions of this Rule 78 and to such other terms as may be required, to extend the cover afforded by the Association to the Member to:
 - a any person who is affiliated to or associated with the Member (not being a Co-assured or other Affiliate), and who shall not be specifically named in the terms of entry; and
 - b any other named co-assured.
- 2 Affiliates and Co-assured shall not be entitled to Membership of the Association.
- 3 The cover afforded to a Co-assured in categories (a), (b) and (c) below shall extend only to liabilities, losses, costs and expenses (or, in respect of Defence cover, to costs incurred in connection with claims) arising out of operations and/or activities customarily carried on by or at the risk and responsibility of shipowners (or, in the case of a Charterer's Entry, charterers):
 - a any person interested in the operation, management or manning of the Ship;
 - b the holding company or the beneficial owner of the Member or of any Co-assured falling within category (a) above;
 - c any mortgagee of the Ship.
- 4 The cover afforded to a Co-assured who is a charterer of the Ship and who is affiliated to or associated with the Member (other than a Co-assured expressly given cover by the Association in accordance with Rule 78.6) shall extend only to the risks, liabilities, losses, costs and expenses in respect of which that Member has cover, and shall be limited in accordance with Rule 52.

- 5 The cover afforded to a Co-assured who has entered into a contract with the Member for the provision of services to or by the Ship, and any sub-contractor of the Co-assured shall extend only to liabilities, losses, costs and expenses which are to be born by the Member under the terms of the contract and which would, if borne by the Member, be recoverable by the Member from the Association, provided that
 - a the contract has been approved by the Association; and
 - b the contract provides that each party shall be similarly responsible for any loss or damage to its own (or its sub-contractors') property or loss of life or personal injury to its own (or its sub-contractors) personnel.
- 6 The cover afforded to all other categories of Co-assured, other than those referred to in Rules 78.3, 78.4 and 78.5, shall only extend insofar as such Co-assured may be found liable to pay in the first instance for loss or damage which is properly the responsibility of the Member (or, in the case of Defence cover, insofar as such Co-assured may be required to resist a claim arising from such a liability), and nothing herein contained shall be construed as extending cover in respect of any amount which would not have been recoverable from the Association by the Member had the claim in respect of such loss or damage been made or enforced against him.
- 7 The cover afforded to an Affiliate shall extend only, in the case of P&I cover, to claims made or enforced through the Affiliate in respect of any liabilities for which the Member has cover and, in the case of Defence cover, to costs incurred in resisting claims which, if brought against the Member, would be within his cover, and nothing herein contained shall be construed as entitling an Affiliate to recover any amount which would not have been recoverable from the Association by the Member had the claim been made or enforced against the Member.
- 8 To the extent that the Association has indemnified a Co-assured (other than a Co-assured in the categories referred to in Rules 78.3 and 78.4) or an Affiliate in respect of a claim, it shall not be under any further liability and shall not make any further payment to any person whatsoever, including the Member, in respect of that claim or of the loss or damage in respect of which that claim was brought.

Rule 79**Joint Members, Co-assureds, Affiliates and Fleet Entries**

- 1 Joint Members and Co-assureds insured on any one entry shall be jointly and severally liable for all sums due to the Association in respect of such entry. Members, Joint Members and Co-assureds insured on any entry in respect of one or more Ship(s) forming part of a Fleet Entry shall be jointly and severally liable in respect of all sums due to the Association in respect of any or all Ships forming part of the Fleet Entry. For the purpose of this section a Fleet Entry shall mean the entry of more than one Ship by one or more Members on the basis that those Ships shall be treated together as a fleet.
- 2 Any payment by the Association to one of the Joint Members, Co-assureds or Affiliates shall fully discharge the obligations of the Association in respect of such payment.
- 3 Any communication by the Association to one Joint Member or Co-assured shall be deemed to be communication to all.
- 4 The conduct or omission of one Joint Member or Co-assured which under these Rules would constitute a breach of the contract of insurance, shall be deemed as the conduct or omission of all the Joint Members and Co-assureds.

Chapter 2**Claims etc.****Rule 80****Time of occurrence**

- 1 The event giving rise to a claim incurred by one Member in respect of damage to or loss of cargo (including claims in respect of cargo's contribution to general average payable by the Member solely by reason of breach of contract of carriage) shall be deemed to arise as follows:
 - a all loss of or damage to cargo carried on the same cargo carrying voyage shall be deemed to arise out of the same event (a "deemed event"), and that event shall be deemed to have occurred at the earliest of
 - i the first place of discharge or port at which such loss or damage was ascertained and at the time of such ascertainment; and
 - ii if such loss or damage was ascertained after discharge of the cargo from the Ship, at the time and place of discharge; and
 - iii where the Member sold the Ship (or otherwise disposed of his interest in the Ship) during a cargo carrying voyage, at the time when his last entry for the Ship with the Association or any other association which participates in the Pooling Agreement terminated and at the place where the Ship was at that time
 provided that
 - i any reference in this Rule 80.1 to a cargo carrying voyage shall include, in cases where cargo is carried under a contract of carriage partly in the Ship and partly by other means of transport, the entire through or combined transport of that cargo under that contract; and
 - ii whenever the Association can demonstrate that any loss or damage either actually arose out of a particular event and that that event occurred at or prior to the time of the deemed event, or actually arose out of an event which occurred after the deemed event (irrespective of whether the particular event or the date on which it actually occurred can be identified), the Association may require that such claim be treated separately from those other claims deemed as aforesaid to have arisen out of the deemed event.

- b all loss or damage to cargo carried under a contract for carriage partly in the Ship and partly by other means of transport, being a contract entered into during the period of entry of the Ship, arising out of an event occurring after the discharge of the relevant cargo from the Ship (or after the Member sells the Ship, or otherwise disposes of the interest in the Ship, if earlier) shall be deemed for the purpose of Rule 2.4.c to have occurred at the time of discharge of the relevant cargo from the Ship (or immediately prior to sale or disposal referred to above, if earlier).
- 2 Where the Member incurs a liability in respect of the death, disease or personal injury of an individual, and the specific date on which any event causing such death, disease or personal injury has not been ascertained, the Member shall be deemed to have incurred the liability at a uniform rate over the period during which the event or events causing the death, disease or personal injury occurred or may have occurred ("the period of exposure"), and any claim the Member may have against the Association shall be limited to such proportion of the liability as the period for which the Member has relevant cover bears to the period of exposure.
 - 3 For the purposes of Defence cover the event giving rise to a claim shall be deemed to arise as follows:
 - a claims arising out of contract (subject to paragraphs (b) and (c) below), in tort or under statute: when the cause of action accrues;
 - b claims for salvage or towage: when the services are commenced;
 - c claims arising in connection with the building of a ship: at the date of signing the building contract.

Rule 81**Time-bar**

- 1 The Member shall have no right to compensation unless he has given notice to the Association of any event which may give rise to a claim on the Association within six months of his becoming aware of it.
- 2 The Member's claim for compensation becomes time-barred three years from the date on which he became aware of his claim and of the circumstances that determine its extent.
- 3 Where a time-bar has not taken effect earlier, the Member's claim for compensation becomes time-barred ten years from the occurrence of

the event unless litigation or a general average adjustment is in progress, when the claim becomes time-barred one year after the issue of the final judgment or adjustment.

Rule 82**Obligations with respect to claims**

- 1 A Member shall:
 - a promptly notify the Association of any event which may give rise to a claim upon the Association, and of any formal enquiry into a loss or casualty involving the Ship;
 - b upon the occurrence of any event which may give rise to a claim upon the Association, take and continue to take all such steps as may be reasonable, including the preservation of any right of recourse against a third party, for the purpose of averting or minimising any liability, loss, cost or expense in respect whereof he may be insured by the Association;
 - c notify and, if possible, consult the Association prior to taking any action as described in Rule 82.1(b) above;
 - d promptly provide the Association with all documents and information which may be relevant to such event and which are required to enable the Association to determine whether the event is covered according to these Rules;
 - e allow the Association or its appointees to interview any person who in the opinion of the Association may have knowledge relevant to the event;
 - f not without the prior consent of the Association admit liability for or settle any claim for which he may be insured by the Association.
- 2 If a Member commits a breach of any of these obligations:
 - a the Association may reject any claim, or reduce the sum payable, in relation to such event; and
 - b the Member shall reimburse to the Association such part of any costs or expenses incurred by the Association in relation to such event as the Association shall determine.
- 3 The Association shall have the right if it so decides to control or direct the conduct of any claim or legal or other proceedings relating to any liability, loss, cost or expense in respect whereof the Member is or may

be insured, in whole or in part, and to instruct, on behalf of the Member, lawyers and other advisers and experts to assist and to require the Member to settle, compromise or otherwise dispose of such claim or proceedings in such manner and upon such terms as the Association sees fit, provided that no actions or directions of the Association shall imply an obligation to cover the liability, loss, cost or expense. If the Member does not settle, compromise or dispose of a claim or of proceedings after being required to do so by the Association, any recovery by the Member from the Association in respect of such claim or proceedings shall be limited to the amount he would have recovered if he had acted as required by the Association.

- 4 A Member shall, in respect of a dispute which falls under the cover, for his own account, obtain information, make calculations, attend meetings and otherwise provide assistance, where such work can be performed by him or by persons employed by him or regularly engaged by him to perform such services.

Rule 83 Exclusion of liability

- 1 The Association shall not be liable for errors or omissions in the handling of a case which may be committed by the Association's employees or by lawyers, advisers or other experts engaged by the Association on behalf of the Member.
- 2 The Association shall not be liable for monies which are lost, having been collected by persons engaged by the Association on behalf of the Member, or entrusted to such persons.
- 3 The Association shall not be liable to pay interest on any sums due from it to the Member.

Rule 84 Recoveries from third parties

- 1 When the Member has a right of recourse against a third party for any liability, loss, cost or expense covered by the Association, the Association shall be subrogated to the Member's right of recourse upon payment by the Association to the Member in respect of the liability, loss, cost or expense.

- 2 Where the Association has made a payment in respect of any liability, loss, cost or expense to or on behalf of a Member, the whole of any recovery from a third party in respect of that liability, loss, cost or expense shall be credited and paid to the Association up to an amount corresponding to the sum paid by the Association together with any interest element on that sum comprised in the recovery, provided however, that
 - a where because of a deductible in his terms of entry the Member has contributed towards a liability, loss, cost or expense any such interest element shall be apportioned between the Member and the Association taking into account the payments made by each and the dates on which those payments were made; and
 - b the Association shall retain the whole amount of any award of costs in respect of its own handling of any case; and
 - c In respect of a Defence Entry, any recovery from a third party in respect of legal and other costs or expenses (the "Recovery") shall be applied as follows and in the following order:
 - i first, if and to the extent a maximum deductible is agreed, the Recovery shall be credited and paid to the Association up to an amount corresponding to the sum of legal and other costs or expenses paid by the Association, in excess of the Member's maximum deductible, together with any interest element on that sum comprised in the Recovery;
 - ii secondly, if and to the extent the Association only has agreed to cover a percentage of legal and other costs or expenses incurred by the Member, the Association shall be credited and paid a proportion of the Recovery corresponding to the percentage of legal and other costs and expenses the Association has agreed to cover pursuant to these Rules and the terms of entry agreed;
 - iii finally when the requirements in (i) and (ii) above have been satisfied the Recovery shall be applied against the Member's minimum deductible.
- 3 Subject to Rule 84.2, all monies recovered for a Member with Defence cover shall be paid over to the Member, except that the Association may deduct from such monies and retain any amount due to the Association from the Member.

- 4 Where a Member settles or compromises a claim within its Defence cover for a lump sum which includes costs or without making provision as to costs, the Association shall determine what part of that lump sum shall be deemed attributable to costs.

Rule 85**Discharge**

Payment of a claim by the Association to a manager of the Ship or to any other agent of the Member shall fully discharge the Association's liability to the Member.

Rule 86**Currency of payments**

- 1 The Association shall make all payments for liabilities, losses, costs and expenses covered by the Association in the currency in which the Member's Premium Rating is calculated (the "premium currency").
- 2 Where the Member has made a payment in respect of any liability, loss, cost or expense which is covered by the Association in a currency other than the premium currency, that payment shall be converted into the premium currency at the rate of exchange ruling on the day payment was made by the Member.
- 3 Where a deductible under Rule 76 is expressed in Appendix V in a currency other than the premium currency, the deductible shall be converted into the premium currency at the rate of exchange ruling on the day payment was made by the Member.
- 4 Where a payment in respect of a liability, loss, cost or expense is due at a fixed time and the Member without valid reason neglects to make payment when due, the Member shall not be entitled to compensation at a higher rate of exchange than that ruling on the day on which payment was due.
- 5 All rates of exchange for the purposes of this Rule 86 shall be as conclusively certified by the Association.

Rule 87**Payment first by Member**

- 1 Unless the Association shall in its absolute discretion otherwise determine, it is a condition precedent to a Member's right to recover from the Association in respect of any liability, loss, cost or expense that he shall first have discharged or paid the same.
- 2 The Association shall not be obliged to compensate a Member for a payment made to a third party unless the Member's liability to make that payment has been determined by:
 - a a final judgement or order of a competent court; or
 - b a final arbitration award (if settlement of the dispute by arbitration was agreed upon before the dispute arose, or was, with the consent of the Association, agreed upon subsequently); or
 - c a final settlement of the dispute approved by the Association.
- 3 Notwithstanding sections 1 and 2 above, where a Member has failed to discharge a legal liability to pay damages or compensation for personal injury, illness or death of a member of the Crew, or in respect of repatriation under any statutory enactment giving effect to the Maritime Labour Convention 2006 or any materially similar enactment, the Association shall discharge or pay such claim on the Member's behalf directly to such member of the Crew or dependent thereof, provided always that;
 - a the member of the Crew or dependent has no enforceable right of recovery against any other party and would otherwise be uncompensated; and
 - b the amount payable by the Association shall under no circumstances exceed the amount which the Member would otherwise have been able to recover from the Association under the Rules and the Member's terms of entry, and
 - c with regard to liability, costs and expenses falling within Rule 27.3 any payment made by the Association shall be made as agent only of the Member, and the Member shall be liable to reimburse the Association for the full amount of such payment.

Rule 88**Payments and undertakings to third parties**

- 1 The Association shall be under no obligation to provide any guarantee, certificate, bail or other security or undertaking ("security") for or on behalf of a Member, or to pay the costs of such provision.
- 2 The Association may at its discretion provide security or pay the cost of such provision in relation to liabilities within the scope of a Member's cover, and may recover any costs incurred thereby from the Member.
- 3 The Member shall indemnify the Association for any liability the Association may incur to a third party under or in connection with any security issued by the Association for or on behalf of the Member and for any payment made by the Association to a third party for or on behalf of the Member (irrespective of whether that liability was incurred, or that payment was made during or after the period of the Member's insurance by the Association), save to the extent that, had that third party pursued its claims in respect of the relevant liability against the Member rather than against the Association, or had that payment been made by the Member rather than by the Association, the Member would have been entitled to reimbursement pursuant to these Rules.

Chapter 3**Assignment, law, arbitration and amendments to Rules****Rule 89****Assignment**

- 1 The Member shall not assign or otherwise transfer its rights under its contract of insurance with the Association or otherwise arising pursuant to these Rules, save as provided in Rule 89.2.
- 2 The Association may, in its absolute discretion, consent to an assignment or transfer by of a Member of its rights as referred to in Rule 89.1, subject to such terms and conditions as the Association deems fit and subject to the Association's right to deduct from any sum due or to become due from the Association to any assignee or transferee of the Member's rights such amount as the Association may estimate to be sufficient to discharge any existing or anticipated liability of the Member to the Association.

Rule 90**Governing law**

The legal relationship between the Association and the Member shall be governed by these Rules and Norwegian law, but the provisions of the Insurance Contracts Act of 16th June 1989 shall not apply.

Rule 91**Arbitration**

- 1 Unless otherwise agreed, disputes between the Association and a Member or a former Member or any other person arising out of the contract of insurance or these Rules shall be resolved by arbitration. Each party shall nominate one arbitrator and those so nominated shall appoint an Umpire. If the arbitrators cannot agree on an Umpire or a party fails to nominate his arbitrator, the nomination shall be made by the Chief Justice of the Oslo City Court. Reasons shall be given for the award. Arbitration proceedings shall take place in Oslo.
- 2 Any of the issues referred to in paragraph 4.2 of Appendix VI to these Rules on which the Association and a Member cannot agree shall be referred to a panel (the "Panel") constituted and acting pursuant to such terms and conditions as are set out in Appendix VI.

Rule 92**Amendments to the Rules**

- 1 The Rules may be amended at any time with effect from the beginning of the following Policy Year, and the Association shall, where practicable, give notice of amendments to Members before 20th January.
- 2 If, in the determination of the Association, a substantial alteration of risk occurs, as a result of new legislation or for any other reason, the Association may make such amendments to the Rules as the situation may require, giving (save in the case where the amendment involves only the making available of additional cover to the Member) at least two months' notice of the amendment.
- 3 When war has broken out or, in the determination of the Association threatens to break out, the Association may decide that amendments shall come into force at shorter notice.

APPENDICES**Appendix I Additional insurances****1 Introduction**

Additional insurances set out in this Appendix shall be subject to the Rules for P&I and Defence cover of Ships and other floating structures ("the Rules") save to the extent to which any of such Rules are inconsistent with the terms and conditions expressly agreed between the Member and the Association.

2 War risks

The Association has arranged an additional war risk insurance for the benefit of its Members.

Scope of cover

- 1 The special war risk P&I insurance will cover P&I risks set out in Part II, Chapter 1, of the Rules for Ships, caused by war risks as described in Rule 58 of the Rules for Ships, but subject always to special terms of entry agreed between the individual Association and the individual Member attached to or included in the Ship's certificate of entry. The cover is subject to a minimum deductible of USD 50,000 any one event each Ship. Further, the cover includes liabilities arising from acts of terrorism as defined in the US Terrorism Risk Insurance Act 2002 as amended. Details about additional premium for such liabilities will be sent out in a separate circular.

Notice of cancellation, automatic termination of cover and war and nuclear exclusion

- 2 The cover afforded is subject to Institute Notice of Cancellation, Automatic Termination of Cover and War and Nuclear Exclusion Clause, as set out below. The cover may be cancelled by the Managers giving seven days' notice (such cancellation becoming effective on the expiry of seven days from midnight on the day on which notice of cancellation is issued by the Managers).

Whether or not such notice of cancellation has been given, cover shall terminate automatically:

- i upon the outbreak of war (whether there be a declaration of war or not) between any of the following countries:
United Kingdom, United States of America, France, The Russian Federation, the People's Republic of China and this insurance excludes loss, damage, liability or expense arising from such outbreak of war;
- ii in the event of the Entered Ship being requisitioned either for title or use and this insurance excludes loss, damage, liability or expense arising from such requisition;

Cover shall not become effective if, subsequent to acceptance by the Association and prior to the intended time of attachment of risk, there has occurred any event which would have automatically terminated cover under the provisions of this Rule.

TOPIA

- 3 The cover excludes loss, damage or expense arising from an act of terrorism which the Member may incur or for which the Member may be liable under TOPIA 2006.

Bio chem and computer virus

- 4 The Association shall not be liable for any losses, liabilities, costs or expenses directly or indirectly caused by or contributed to by or arising from:
 - i any chemical, biological, bio-chemical or electromagnetic weapon;
 - ii the use or operation, as a means for inflicting harm, of any computer virus;
 - iii Clause 4 (ii) above will not operate to exclude losses (which would otherwise be covered under the terms of this policy) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.

However, the International Group has decided that the Bio-Chem Risks shall be covered through a special pooling facility, covering the Member's liability in respect of:

- i damages, compensation or expenses in consequence of personal injury to or illness or death of any seamen; and
- ii for legal costs and expenses incurred solely for the purpose of avoiding or minimising any other P&I liability arising from a Bio-Chem Risk.

The limit of cover for the special insurance against the Bio-Chem risks is USD 30 million per Ship in the aggregate. The detailed terms and conditions of the Bio-Chem cover are available in the special Bio-Chem clause, as set out below.

Limitation of cover

- 5 The cover for owners is limited to USD 500 million any one event each Ship in excess of the proper value of the entered Ship or any amounts recoverable under any other P&I war risks cover which the Member has arranged, whichever is greater. The minimum excess is the proper value of the Ship determined in accordance with Rule 71.1(a) of the Rules for Ships or USD 100 million, whichever is the lesser.
- 6 Where there is more than one Owner's Entry or Charterer's Entry in respect of an Entered Ship with the Association or any other P&I Association which participates in the reinsurance arrangements of the International Group of P&I Clubs, the aggregate of all claims following an event brought against the Association and/or such other Association shall be limited to USD 500,000,000. In these circumstances, the limit of liability shall be such proportion of USD 500,000,000 as the claims recoverable under an Owner's Entry or Charterer's Entry in the Association bear to the aggregate of all the said claims recoverable under all Owner's Entries and Charterer's Entries in respect of that Ship with this or any other Association.

Institute notice of cancellation, automatic termination of cover and war and nuclear exclusions clause – hulls

This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith

1 *Cancellation*

Cover hereunder in respect of the risks of war, etc. may be cancelled by either the Underwriters or the Assured giving 7 days' notice (such cancellation becoming effective on the expiry of 7 days from midnight of the day on which notice of cancellation is issued by or to the Underwriters). The Underwriters agree however to reinstate cover subject to agreement between the Underwriters and the Assured prior to the expiry of such notice of cancellation as to new rate of premium and/or conditions and/warranties.

2 *Automatic Termination of Cover*

Whether or not such notice of cancellation has been given cover hereunder in respect of the risks of war, etc, shall TERMINATE AUTOMATICALLY

- 2.1 upon the outbreak of war (whether there be a declaration of war or not) between any of the following: United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China;
- 2.2 in respect of any Ship, in connection with which cover is granted hereunder, in the event of such Ship being requisitioned either for title or use.

3 *Five Powers War and Nuclear Exclusions*

This insurance excludes

- 3.1 loss damage liability or expense arising from;
 - 3.1.1 the outbreak of war, whether there be a declaration of war or not, between any of the following: United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China;
 - 3.1.2 requisition either for title or use

- 3.2 loss damage liability or expense directly or indirectly caused by or arising from
 - 3.2.1 ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel
 - 3.2.2 the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof
 - 3.2.3 any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

4 *Law and Practice*

This clause is subject to English law and practice.

Bio-chem and computer virus clause

- 1.1 Subject to the terms and conditions and exclusions set out herein, cover is extended to include the liability of the Member:
 - a to pay damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitute expense and Shipwreck unemployment indemnity),
 - b for the legal costs and expenses incurred solely for the purpose of avoiding or minimising any liability or risk insured by the Association (other than under the Omnibus Rule)
- 1.2 where such liability would be recoverable under either
 - a cover provided by the Association for such liabilities, costs, losses and expenses as would be covered under the Rules for Ships but for the exclusion of war risks in Rule 58 of the Rules for Ships; or
 - b any other policy of insurance providing equivalent cover.
- 1.3 save only for the operation of an exclusion of liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising from
 - a any chemical, biological, biochemical or electromagnetic weapon

- b the use or operation, as a means for inflicting harm, of any computer, computer system, computer software program, malicious code, computer virus or process or any other electronic system,
 - c Clause 1.3 (b) shall not operate to exclude losses (which would otherwise be covered under the terms of this policy) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.
- 1.4 other than liabilities, costs, losses and expenses arising from
 - a explosives or the methods of the detonation or attachment thereof
 - b the use of the entered Ship or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon
 - c the use of any computer, computer system or computer software program or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.

2 *Excluded Areas*

- 2.1 Unless and to the extent the Association may in their discretion otherwise decide, there shall be no recovery in respect of any liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising out of any event, accident or occurrence within the ports, places, zones or areas or during such period as are specified below:
- 2.2 At any time or times before, or at the commencement of, or during the Policy Year, the Association may by notice to the Member change, vary, extend, add to or otherwise alter the ports, places, countries, zones and periods specified in Clause 2.1 from a date and time specified by the Association not being less than 24 hours from midnight on the day the notice is given to the Member.

3 *Cancellation*

Cover hereunder may by notice to the Member be cancelled by the Association from a date and time specified by the Association, not being less than 24 hours from midnight on the day notice of cancellation is given to the Member.

3 **Paperless trading**

The Association has arranged for the benefit of its Members an insurance for liabilities, costs or expenses that would be recoverable under the Rules but for the paperless trading exclusion in Rule 63.1 (j). Further details are available from the Association's underwriting department.

4 **Other additional insurances**

The Association may on terms and conditions expressly agreed between the Member and the Association provide or assist in arranging other additional insurances for a number of liabilities or risks not covered under the Rules. Further information about other additional insurances is available from the Association's underwriting department.

Appendix II Charterers' limits including special limit for Consortium Claims

1 Introduction

The cover afforded under Charterer's Entries and to charterers co-assured under Owners' Entries as described in Rule 78.4 is limited pursuant to Rule 52 in accordance with this Appendix II.

2 Charterers co-assured under an Owner's Entry

Cover afforded in respect of charterers co-assured under an Owner's Entry as described in Rule 78.4 is limited each incident or occurrence each entry to whichever is the lesser of the Limitation Amount (if any) and USD 350 million. Any reference in this Appendix II, section 2, to the "Limitation Amount" means the amount to which the registered owner of the Ship could have limited its liability in the respect of the relevant matter had the registered owner of the Ship sought and not been denied the right to limit.

3 Charterers' Entry – all categories of claims

Subject to the provisions in section 4 below, the cover afforded to all assured under a Charterer's Entry in respect of all liabilities, losses, costs or expenses falling within Part II, chapter 1 of the Rules, is limited each incident or occurrence each entry each Ship to USD 350 million.

4 Oil pollution – salvage

a Where the Ship provides salvage or other assistance to another ship following a casualty, a claim by the Member in respect of oil pollution arising out of the salvage, the assistance or the casualty shall be aggregated with any claim or claims for liabilities, losses, costs or expenses incurred in respect of oil pollution by any other ship(s) similarly engaged in connection with the same casualty when such other ship(s) are either:

- i insured by the Association in respect of oil pollution under Charterer's Entries; or
- ii covered for those risks under Charterer's Entries with any other association which participates in the Pooling Agreement.

In such circumstances the limit of liability of the Association shall be such proportion of the sum set out in section (b) below as the claim by the Member bears to the aggregate of all the said claims.

- b** Where a Ship is separately insured under more than one Charterer's Entries with the Association or with the Association and any other association(s) which participate(s) in the Pooling Agreement, the aggregate of all claims for oil pollution brought against the Association and/or such other association(s) following an incident or occurrence shall be limited to USD 350 million. The liability of the Association in respect of each such claim shall be limited to that proportion of USD 350 million that that claim bears to the aggregate of the claims against the Association or the Association and such other association(s), if any.

5 Consortium Claims**5.1 Definitions**

For the purpose of this section 5 to Appendix II to the Rules for Ships, the following words and expressions shall have the following meanings:

Consortium Agreement

any arrangement under which a Member agrees with other parties to the reciprocal exchange or sharing of cargo space on the Ship and Consortium Vessels.

Consortium Claim

means a claim as described in paragraph 5.2 of this section 5 to Appendix II to the Rules for Ships.

Consortium Vessel

means a ship, feeder vessel or space thereon, not being the Ship, employed to carry cargo under a Consortium Agreement.

5.2 *Consortium Claims*

A claim shall be a Consortium Claim where:

- a** it arises under a P&I entry of a Ship; and
- b** it arises out of the carriage of cargo on a Consortium Vessel; and
- c** that the Member and the operator of the Consortium Vessel are parties to a Consortium Agreement; and
- d** at the time cover pursuant to the special provisions in this section 5 initially attaches, the Member employs a Ship pursuant to that Consortium Agreement.

For the purpose of a Consortium Claim under this Appendix II to the Rules for Ships, the Consortium Vessel shall be treated as a Ship entered on behalf of the Member under a Charterer's Entry in the Association.

5.3 *Allocation of Consortium Claims*

Where a Ship under an Owner's Entry and a Ship under a Charterer's Entry are both employed by the Member pursuant to a Consortium Agreement at the time of the event giving rise to the Consortium Claim occurs, the Consortium Claim of the Member shall for the purpose of these Rules be treated as a claim arising in respect of the Owner's Entry of the Member.

5.4 *Aggregation*

- a** Where the Member has more than one ship employed pursuant to the Consortium Agreement at the time the event giving rise to a Consortium Claim occurs, all such ships shall be deemed to be an Entry of one Ship.
- b** Where a Member employs one or more ships pursuant to the Consortium Agreement at the time the event giving rise to a Consortium Claim occurs and the Member has an entry in respect of such ships in the Association and another association which is a party to the Pooling Agreement
 - i each such ship shall be deemed to be a part entry of one ship in the Association and the other association(s) which is a party to the Pooling Agreement, and
 - ii where the Consortium Claims incurred by the Association and the other association(s) in respect of the Ship arising from that event out of the carriage of cargo on a Consortium Vessel in the aggregate exceed the sum specified in paragraph 5 below, the liability of the Association for such Consortium Claims shall be limited to that proportion of the sum specified in paragraph 5 below that the Consortium Claims recoverable from the Association in respect of each part entry bears to the aggregate of all the Consortium Claims incurred by the Association and any other association which is a party to the Pooling Agreement.

5.5 *Limit of insurance*

The cover afforded for a Consortium Claim is limited pursuant to Rule 52 to USD 350 million each incident or occurrence in respect of all ships under any and all P&I entries of a Member in the Association and any other association which is a party to the Pooling Agreement.

Appendix III Oil pollution

1 Definitions

Any reference in this Appendix to

- a the "Limitation Amount" means the amount to which the registered owner of the Ship could have limited its liability in respect of the relevant matter had the registered owner of the Ship sought and not been denied the right to limit;
- b "oil pollution" includes attempts to reduce or prevent oil pollution;

2 Limit of insurance for Owner's Entries

- a The cover afforded for oil pollution for Owner's Entries is limited pursuant to Rule 53.1 in accordance with this paragraph 2.
- b Cover afforded to a charterer co-assured under an Owner's Entry, as described in Rule 78.4, is limited to whichever is the lesser of the Limitation Amount (if any) and USD 350 million.
- c The limit of insurance for any and all claims in respect of oil pollution is USD 1 billion each incident or occurrence each Owner's Entry, provided that if the total amount of claims against a Member in respect of oil pollution following any one incident or occurrence exceeds USD 1 billion the Association will not be liable to make any payment in respect of the amount by which any such claims exceed USD 1 billion.
- d Where the Ship provides salvage or other assistance to another ship following a casualty, a claim by the Member in respect of oil pollution arising out of the salvage, the assistance or the casualty shall be aggregated with any claim or claims for liabilities, losses, costs or expenses incurred in respect of oil pollution by any other ships similarly engaged in connection with the same casualty when such other ships are either:
 - i insured by the Association in respect of oil pollution under Owner's Entries; or

- ii covered for those risks under Owner's Entries with any other association which participates in the Pooling Agreement. In such circumstances the limit of the liability of the Association shall be such proportion of the sum set out in paragraph 2(c) above as the claim by the Member bears to the aggregate of all the said claims.
- e Where the Member and another party or other parties interested in the operation of the Ship are insured under separate Owner's Entries with the Association or with the Association and any other association(s) which participate(s) in the Pooling Agreement, the aggregate of all claims for oil pollution brought against the Association and/or such other association(s) following an accident or occurrence, shall be limited to the sum set out in paragraph 2(c) above. The liability of the Association in respect of each such claim shall be limited to that proportion of the sum set out in paragraph 2(c) above that that claim recoverable from the Association bears to the aggregate of the claims recoverable against the Association or the Association and such other association(s), if any.

Appendix IV Passengers and seamen

- 1 For the purposes of this Appendix IV, and without prejudice to anything else contained in these Rules for Ships, 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.
- 2 Unless otherwise limited to a lesser sum, the Association's aggregate liability arising under any one Owner's Entry shall not exceed
 - i in respect of liability to Passengers USD 2,000,000,000 any one event; and
 - ii in respect of liability to Passengers and Seamen USD 3,000,000,000 any one event.

Provided always that:

Where there is more than one Owner's Entry in respect of the same ship in the Association and/or or by any other association which participates in the Pooling Agreement

- a the aggregate of claims in respect of liability to Passengers recoverable from the Association and/or such other associations shall not exceed USD 2,000,000,000 any one event and the liability of the Association shall be limited to such proportion of that sum as the claim recoverable by such persons from the Association bears to the aggregate of all such claims otherwise recoverable from the Association and from all such associations;
- b the aggregate of all claims in respect of liability to Passengers and Seamen recoverable from the Association and/or such other associations shall not exceed USD 3,000,000,000 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 USD 2,000,000,000 in accordance with proviso (a) to such proportion of the balance of USD 1,000,000,000 as the claims recoverable by such persons in respect of liability to Seamen bears to the aggregate of all such claims otherwise recoverable from the Association and all such associations; and
 - ii in all other cases, to such proportion of USD 3,000,000,000 as the claims recoverable by such persons in respect of liability to Passengers and Seamen bears to the aggregate of all such claims claims otherwise recoverable from the Association and all such associations.
- 3 The Association's liability in respect of repatriation pursuant to Rule 27.3 shall be limited to an amount, per Ship per event, equal to the Club retention* under the Pooling Agreement in the Policy Year the event giving rise to the claim(s) occurred.

** In the 2015 Policy Year the Club retention will amount to USD 9 million.*

Appendix V Deductibles

1 Introduction

- a The Association's standard deductibles shall be as set out in this Appendix.
- b For the purposes of this Appendix, the Association shall determine in its absolute discretion under which Rule any particular liability, loss, cost or expense is covered.

2 P&I entries

- a The standard deductibles for liabilities, losses, costs and expenses incurred by all the assureds under any one P&I entry are as follows (subject to paragraphs 2(b) and (c) below):
 - i *Crew*
All liabilities, costs and expenses covered under Rule 27 and arising out of any one event: USD 7,000.
 - ii *Passengers and others carried on board*
All liabilities, costs and expenses covered under Rules 28 or 29 and arising out of any one event: USD 7,000.
 - iii *Cargo*
All liabilities, costs and expenses covered under Rule 34 and arising out of any one cargo carrying voyage: USD 19,000.
 - iv *Pollution*
All liabilities, costs and expenses covered under Rule 38 and arising out of any one event: USD 19,000.
 - v *Fines*
All liabilities, costs and expenses covered under Rule 47 and arising out of any one event: USD 19,000.
 - vi *Collision with other ships and damage to fixed or floating objects*
All liabilities, costs and expenses covered under Rule 36.1(a) and Rule 37(a) and arising out of any one event: USD 24,000.
 - vii *Other P&I liabilities etc.*
All liabilities, losses, costs and expenses covered under any Rule, other than Rules 27, 28, 29, 34, 36.1(a), 37(a), 38 and 47 and arising out of any one event: USD 7,000.

- b For the purpose of applying a deductible under this paragraph 2 there shall be added to the relevant liabilities, losses, costs and expenses ("the relevant liabilities") as described in sub-paragraph (a) above the amount of any losses, costs and expenses which are covered under any of Rules 44, 45 and 46 and which are incurred in relation to the relevant liabilities.
- c Where it is agreed in the terms of P&I entry that a separate deductible shall apply in respect of a particular category (but not all) of the liabilities, losses, costs or expenses referred to in any of paragraphs 2 (a) (i) to 2 (a) (vi) above, that separate deductible shall apply to all liabilities, losses, costs or expenses within that category and the standard deductible shall apply to all other liabilities, losses, costs or expenses covered under the same Rule or Rules and arising out of the same event or cargo carrying voyage.

3 Defence entries

- a The standard deductible for all legal and other costs covered under Rules 65 and 66 and incurred by all the assured under any one Defence entry and arising out of any one event shall be 25 per cent of the legal and other costs, subject to a minimum deductible of USD 5,000.
- b The Association shall determine in its absolute discretion in respect of the Defence cover whether legal and other costs and expenses have arisen out of one or several events, irrespective of whether one or several Ships are involved.

Appendix VI Rules on Overspill Claims and Overspill Calls and related matters

1 Interpretation

- 1.1 In this Appendix the following words and expressions shall have the following meanings:

Convention Limit

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

- a** when a ship is entered for a proportion (the "relevant proportion") of its tonnage only, the Convention Limit shall be the relevant proportion of the limit of liability calculated and converted as aforesaid, and
- b** each ship shall be deemed to be a seagoing ship to which the Convention applies, notwithstanding any provision in the Convention to the contrary.

Group Reinsurance Limit

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

Overspill Call

a call levied by the Association pursuant to paragraph 5 for the purpose of providing funds to pay part of an Overspill Claim.

Overspill Claim

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

Overspill Claim Date

in relation to any Overspill Call, the time and date on which there occurred the incident or occurrence giving rise to the Overspill Claim in respect of which the Overspill Call is made, or if the Policy Year in which such incident or occurrence has been closed in accordance with the provisions of paragraphs 6.1 and 6.2, noon GMT on 20th August of the Policy Year in respect of which the Association makes a declaration under paragraph 6.3.

- 1.2 All claims incurred by the Association or any other party to the Pooling Agreement under the entry of any one ship arising directly from any one incident or occurrence including any claim in respect of liability for the removal or non-removal of any wreck shall be treated for the purposes of this Appendix VI as if they were one claim.
- 1.3 Any reference to a claim incurred by the Association or by any other party to the Pooling Agreement shall be deemed to include the costs and expenses associated therewith.

2 Recoverability of Overspill Claims

- 2.1 Without prejudice to any other applicable limit, any Overspill Claim incurred by the Association shall not be recoverable from the Association in excess of the aggregate of
 - a** that part of the Overspill Claim which is eligible for pooling under the Pooling Agreement but which, under the terms of the Pooling Agreement, is to be borne by the Association, and
 - b** the maximum amount that the Association is able to recover from the other parties to the Pooling Agreement as their contributions to the Overspill Claim under the terms of the Pooling Agreement.

- 2.2 The aggregate amount referred to in paragraph 2.1 shall be reduced to the extent that the Association can evidence
- a that costs have been properly incurred by it in collecting or seeking to collect
 - i Overspill Call levied to provide funds to pay that part of the Overspill Claim referred to in paragraph 2.1(a) or,
 - ii the amount referred to in paragraph 2.1(b) or
 - b that it is unable to collect an amount equal to that part of the Overspill Call referred to in paragraph 2.1 sub-paragraph (a) which it had intended to pay out of the levy of Overspill Calls because any Overspill Calls so levied, or parts thereof, are not economically recoverable, provided that if due to change in circumstances such amounts subsequently become economically recoverable, the aggregate amount referred to in paragraph 2.1 shall be reinstated to that extent.
- 2.3 In evidencing the matters referred to in paragraph 2.2 sub-paragraph (b) the Association shall be required to show that
- a it has levied Overspill Calls on all of its Members in respect of the Overspill Claim referred to in paragraph 2.1. on all Members entered in the Association on the Overspill Claim Date in accordance with and in the maximum amount permitted under paragraph 5, and
 - b it has levied those Overspill Calls in a timely manner, has not released or otherwise waived a Member's obligation to pay those Calls and has taken all reasonable steps to recover those Calls.

3 Payment of Overspill Claims

- 3.1 The funds required to pay any Overspill Claim incurred by the Association shall be provided
- a from such sums as the Association is able to recover from the other parties to the Pooling Agreement as their contribution to the Overspill Claim, and
 - b from such sums as the Association is able to recover from any special insurance which may in the discretion of the Association have been effected to protect the Association against the risk of payments of the Overspill Claims, and

- c from such proportion as the Association in its discretion determines of any sums standing to the credit of the reserves as the Association may in its discretion have established, and
 - d by levying one or more Overspill Calls in accordance with paragraph 5, irrespective of whether the Association has sought to recover or has recovered all or any of the sums referred to in paragraph 3.1 sub-paragraph (b), but provided the Association shall first have made a determination in accordance with paragraph 3.1 sub-paragraph (c), and
 - e from any interest accruing to the Association on any funds provided as aforesaid.
- 3.2 The funds required to pay such proportion of any Overspill Claim incurred by any other party to the Pooling Agreement which the Association is liable to contribute under the terms of the Pooling Agreement shall be provided in the manner specified in paragraph 3.1 sub-paragraphs (b) – (e).
- 3.3 To the extent that the Association intends to provide funds required to pay any Overspill Claim incurred by it in the manner specified in paragraph 3.1 sub-paragraph (d), the Association shall only be required to pay such Overspill Claim as and when such funds are received by it, provided that it can show from time to time, in seeking to collect such funds, it has taken the steps referred to in paragraph 2.3 sub-paragraph (a) and (b).
- ### 4 Overspill Claims – expert determinations
- 4.1 Any of the issues referred to in paragraph 4.2 on which the Association and a Member cannot agree shall be referred to a panel (the Panel) constituted in accordance with the arrangements established in the Pooling Agreement, which, acting as a body of experts and not as an arbitration tribunal, shall determine the issue.

- 4.2 This paragraph 4 shall apply to any issue of whether, for the purpose of applying any of the provisions in paragraphs 2.2, 2.3 and 3.3 in relation to any Overspill Claim (the "relevant Overspill Claim"),
- a costs have been properly incurred in collecting or seeking to collect Overspill Claims,
 - b any Overspill Call or part thereof is economically recoverable, or
 - c in seeking to collect the funds referred to in paragraph 3.3, the Association has taken the steps referred to in that paragraph 3.3.
- 4.3 If the Panel has not been constituted at a time when the Member wishes to refer an issue to it, the Association shall, on request by the Member, give a direction for the constitution of the Panel as required under the Pooling Agreement.
- 4.4 The Association may (and, on the direction of the Member, shall) give such direction as is required under the Pooling Agreement for the formal instruction of the Panel to investigate any issue and to give its determination as soon as reasonably practicable.
- 4.5 The Panel shall in its discretion decide what information, documents, evidence and submissions it requires in order to determine an issue and how to obtain these, and the Association and the Member shall co-operate fully with the Panel.
- 4.6 In determining any issue referred to it under this paragraph 4 the Panel shall endeavour to follow the same procedure as it follows in determining issues arising in respect of the relevant Overspill Claim which are referred to it under the Pooling Agreement.
- 4.7 In determining an issue the members of the Panel
- a shall rely on their own knowledge and expertise, and
 - b may rely on any information documents evidence or submission provided to it by the Association or the Member as the Panel sees fit.

- 4.8 If the three members of the Panel cannot agree on any matter, the view of the majority shall prevail.
- 4.9 The Panel shall not be required to give reasons for any determination.
- 4.10 The Panel's determination shall be final and binding upon the Association and the Member (subject only to paragraph 4.11) and there shall be no right of appeal from such determination.
- 4.11 If the Panel makes a determination on an issue referred to in paragraph 4.2 sub-paragraphs (b) or (c) the Association or the Member may refer the issue back to the Panel, notwithstanding paragraph 4.10, if it considers that the position has materially changed since the Panel made its determination.
- 4.12 The costs of the Panel shall be paid by the Association.
- 4.13 Costs, indemnities and other sums payable to the Panel by the Association in relation to any Overspill Claim, whether the reference to the Panel has been made under this paragraph 4 or under the Pooling Agreement, shall be deemed to be costs properly incurred by the Association in respect of that Overspill Claim for the purposes specified in paragraph 2.2 sub-paragraph (a).

5 Levying of Overspill Calls

- 5.1 If
- a the Association shall at any time determine that funds are or may in future be required to pay part of an Overspill Claim (whether incurred by the Association or by any other party to the Pooling Agreement); and
 - b the Association shall have made a declaration under paragraphs 6.1 or 6.3 that a Policy Year shall remain open for the purpose of levying an Overspill Call or Calls in respect of that Overspill Claim, the Association in its discretion, at any time or times after such declaration has been made, may levy one or more Overspill Calls in respect of that Overspill Claim in accordance with paragraph 5.2.

- 5.2 The Association shall levy any such Overspill Call
- a on all Members entered in the Association on the Overspill Claim Date in respect of ships entered by them at that time, notwithstanding the fact that, if the Overspill Claim Date shall be in a Policy Year in respect of which the Association has made a declaration under paragraph 6.3, any such ship may not have been entered in the Association at the time the relevant incident or occurrence occurred, and
 - b at such percentage of the Convention Limit of each such ship as the Association in its discretion shall decide.
- 5.3 An Overspill Call shall not be levied in respect of any ship entered on the Overspill Claim Date with an overall limit of cover equal to or less than the Group Reinsurance Limit.
- 5.4 The Association shall not levy on any Member in respect of the entry of any ship an Overspill Call or Calls in respect of any one Overspill Claim exceeding in the aggregate two and a half per cent (2.5%) of the Convention Limit of that ship.
- 5.5 If at any time after the levying of an Overspill Call upon the Members entered in the Association in any Policy Year, it shall appear to the Association that the whole of such Overspill Call is unlikely to be required to meet the Overspill Claim in respect of which such Overspill Call was levied, the Association may decide to dispose of any excess which in the opinion of the Association is not so required in one or both of the following ways:
- a by transferring the excess or any part thereof to the reserve in accordance with Rule 19 in the Rules for Ships; or
 - b by returning the excess or any part thereof to those Members who have paid that Overspill Call or Calls in proportion to the payments made by them.

6 Closing of Policy Years for Overspill Calls

- 6.1 If at any time prior to the expiry of a period of thirty-six months from the commencement of a Policy Year (the "relevant Policy Year"), any of the parties to the Pooling Agreement sends a notice (an "Overspill Notice") in accordance with the Pooling Agreement that an incident or occurrence has occurred in the relevant Policy Year which has given or at any time may give rise to an Overspill Claim, the Association shall as soon as practicable declare that the relevant Policy Year shall remain open for the purpose of levying an Overspill Call or Calls in respect of that claim and the relevant Policy Year shall not be closed for the purpose of making an Overspill Call or Calls in respect of that claim until such date as the Association shall determine.
- 6.2 If at the expiry of the period of thirty-six months provided for in paragraph 6.1, no Overspill Notice as therein provided for has been sent, the relevant Policy Year shall be closed automatically for the purpose of levying Overspill Calls only, whether or not closed for any other purposes, such closure to have effect from the date falling thirty-six months after the commencement of the relevant Policy Year.
- 6.3 If at any time after a Policy Year has been closed in accordance with the provisions of paragraphs 6.1 and 6.2, it appears to the Association that an incident or occurrence which occurred during such closed Policy Year may then or at any time in the future give rise to an Overspill Claim, the Association shall as soon as practicable declare that the earliest subsequent open Policy Year (not being a Policy Year in respect of which the Association has already made a declaration in accordance with paragraphs 6.1 or 6.3) shall remain open for the purpose of levying an Overspill Call or Calls in respect of that claim, and such open Policy Year shall not be closed for the purpose of making an Overspill Call or Calls in respect of that claim until such date as the Association shall determine.
- 6.4 A Policy Year shall not be closed for the purpose of levying Overspill Calls save in accordance with this paragraph 6.

7 Security for Overspill Calls on termination or cessor

- 7.1 If
- a the Association makes a declaration in accordance with paragraphs 6.1 or 6.3 that a Policy Year shall remain open for the purpose of levying an Overspill Call or Calls, and
 - b a Member who is liable to pay any such Overspill Call or Calls as may be levied by the Association in accordance with paragraph 5 ceases or has ceased to be insured by the Association for any reason, or the Association determines that the insurance of any such Member cease, the Association may require such Member to provide to the Association by such date as the Association may determine (the "due date") a guarantee or other security in respect of the Member's estimated future liability for such Overspill Call or Calls, such guarantee or other security to be in such form and amount (the "guarantee amount") and upon such terms as the Association in its discretion may deem to be appropriate in the circumstances.
- 7.2 Unless and until such guarantee or other security as is required by the Association has been provided by the Member, the Member shall not be entitled to recovery from the Association of any claims whatsoever and whensoever arising in respect of any and all ships entered in the Association for any Policy Year by him or on his behalf.
- 7.3 If such guarantee or other security is not provided by the Member to the Association by the due date, a sum equal to the guarantee amount shall be due and payable by the Member to the Association on the due date, and shall be retained by the Association as a security deposit on such terms as the Association in its discretion may deem to be appropriate in the circumstances.
- 7.4 The provision of a guarantee or other security as required by the Association (including a payment in accordance with paragraph 7.3) shall in no way restrict or limit the Member's liability to pay such Overspill Call or Calls as may be levied by the Association in accordance with paragraph 5.

Appendix VII Particular clauses

The "New Jason Clause" and the "Both to Blame Collision Clause" are recommended inserted in all charterparties, Bills of Lading, waybills and other contracts containing or evidencing the contract of carriage used in international trade.

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Chapter 1 Introductory provisions

Rule 1 Interpretation

- 1** In these Rules the following words or expressions shall mean:

Affiliate

a person insured pursuant to Rule 47.

Articles of Association

for entries with Assuranceforeningen Gard -gjensidig-, the Statutes of Assuranceforeningen Gard -gjensidig- and for entries with Gard P. & I. (Bermuda) Ltd, the Bye-Laws of Gard P. & I. (Bermuda) Ltd.

Association

for entries with Assuranceforeningen Gard -gjensidig- the 'Association' means Assuranceforeningen Gard -gjensidig- and for entries with Gard P. & I. (Bermuda) Ltd the 'Association' means Gard P. & I. (Bermuda) Ltd.

Certificate of Entry

a document issued by the Association pursuant to Rule 5.1, including (where the context permits) any endorsement note in respect of the relevant entry issued pursuant to Rule 5.3, which evidences the terms and conditions of the contract of insurance in respect of the Vessel.

Co-assured

any person who is insured pursuant to Rule 46.1.

Crew

officers, including the platform manager or master, and workers contractually obliged to serve on board the Vessel, including substitutes and including such persons while proceeding to or from the Vessel.

Hull Policies

the insurance policies effected on the hull and machinery of the Vessel, including any excess liability policy.

Insurance Premium Tax

Any taxes or other dues payable in respect of an entry of a Vessel in the Association in the country where the Vessel is registered, the country where the Member is resident, the country where the Member has a permanent place of business or in the country where the risk is located.

Joint Members

where the Vessel is entered in the names of more than one Member, the named Members.

Member

an owner, operator or charterer of a vessel entered in the Association who according to the Articles of Association and these Rules is entitled to membership of the Association, provided that, where the context allows, the term "Member" shall, in these Rules, include an Co-assured and an Affiliate.

Policy Year

a year from noon GMT on 20th February in any year to immediately prior to noon GMT on the next following 20th February.

Premium Rating

the fixed premium payable to the Association according to the terms of the Vessel's entry.

Protective Co-assured

any person who is insured pursuant to Rule 46.3.

Vessel

any offshore unit, any other ship or vessel or mobile or temporarily fixed craft, including the risers, flow lines, umbilicals, floating hoses, buoyancy floats or tanks and mooring systems, or any other item or equipment used as an integral part of the unit's operations, or any part thereof as accepted by and entered in the Association under these Rules or any other description of unit noted in the Certificate of Entry.

- 2 Headings and notes are for reference only, and shall not affect the construction of these Rules.
- 3 Any reference to a person shall be deemed to include a reference to an individual or a body corporate or unincorporate, as the context requires.
- 4 A Vessel shall only be deemed to be US owned, operated or managed for the purposes of these Rules if it is identified as such in the terms of entry.
- 5 A person shall be deemed to be the manager or the operator of a Vessel for the purposes of these Rules if the Association in its discretion shall so determine.

- 6 Where any matter requires the agreement, approval or consent of the Association, agreement, approval or consent shall only be deemed given if in writing.

Rule 2**The cover**

- 1 A Member shall be covered for
 - a such of the risks specified in Chapter 6 of these Rules as are agreed between the Member and the Association; and
 - b such of the additional risks specified in Appendix II as are either expressed in Appendix II to be available to such a Member or as are expressly agreed between the Member and the Association.
- 2 The cover afforded by the Association to a Member shall be subject to the Articles of Association and to these Rules and to any special conditions agreed between the Association and the Member.
- 3 A Member is only covered in respect of liabilities, losses, costs and expenses incurred by him which arise in direct connection with the operation of the Vessel, with coverage including but not limited to:
 - a in direct connection with the operation of the Vessel, which will be deemed to include activity at one or more supply bases provided that such activity is in direct connection with the operation of the Vessel and transport between the Vessel and a supply base or a port or airport in the vicinity of the base;
 - b in respect of the Member's interest in the Vessel; and
 - c out of events occurring during the period of entry of the Vessel in the Association.
- 4 Subject always to the provisions of Rule 2.3, the Association may in its absolute discretion exercise powers conferred in the Articles of Association to pay compensation in respect of a liability, loss, cost or expense which is not otherwise covered under these Rules.

Chapter 2 **Entries and duration of cover**

Rule 3 **Entries**

- 1 Application for an entry of a Vessel may be made by any owner, operator, charterer or other insurer of that Vessel.
- 2 A vessel may be entered with the Association for a partial interest only.
- 3 Application for the entry of a vessel shall be made in such form as may from time to time be required by the Association. The particulars given in any application form, together with any other particulars or information given in writing in the course of applying for insurance or negotiating changes in the terms of insurance, shall form the basis of the contract of insurance between the Member and the Association.
- 4 The Association may refuse to accept an application for an entry of a vessel without stating grounds therefore, and whether or not the applicant is already a Member of the Association.

Rule 4 **Duration of cover**

The cover shall commence at the time and date agreed by the Association and shall continue until immediately prior to noon GMT on the 20th February next ensuing, and thereafter, unless terminated in accordance with these Rules, from Policy Year to Policy Year.

Rule 5 **Certificate of Entry**

- 1 After an entry has been accepted, the Association shall issue a Certificate of Entry which shall evidence the terms and conditions of the contract of insurance.
- 2 The following provision will be deemed to be incorporated into all Certificates of Entry:

“This Certificate of Entry is evidence only of the contract of indemnity insurance between the above named Member(s) and the Association and shall not be construed as evidence of any undertaking, financial or otherwise, on the part of the Association to any other party.

In the event that the Member tenders this Certificate as evidence of insurance under any applicable law relating to financial responsibility, or otherwise shows or offers it to any other party as evidence of insurance, such use of this Certificate by the Member is not to be taken as any indication that the Association thereby consents to act as guarantor or to be sued directly in any jurisdiction whatsoever. The Association does not so consent.”

- 3 If the Association and a Member at any time agree a variation in the terms and conditions of the contract of insurance the Association shall issue an endorsement note stating the terms of such variation and the date from which such variation is to be effective.

Chapter 3 **Conditions of cover**

Rule 6 **The Member's duty of disclosure**

- 1 The Member shall prior to the conclusion of the contract of insurance make full disclosure to the Association of all circumstances which would be of relevance to the Association in deciding whether and on what conditions to accept the entry. Should the Member subsequently become aware of any such circumstances as are mentioned above, or of any change in such circumstances as previously disclosed, he must without undue delay inform the Association.
- 2 Where the Member at the conclusion of the contract of insurance has neglected his duty of disclosure and the Association would not have accepted the entry at the Premium Rating agreed if the Member had made such disclosure as it was his duty to make, the Association is free from liability. Where the Association would have accepted the entry on the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under those conditions the Association would have accepted.
- 3 Where the Member neglects his duty of disclosure subsequent to the conclusion of the contract of insurance and the Association would not have accepted the entry at the same Premium Rating had it known of the circumstances prior to the conclusion of the contract, the Association is free from liability. Where the Association would have accepted the entry at the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under those conditions the Association would have accepted.

Rule 7 **Alteration of risk**

- 1 Where after the conclusion of the contract of insurance circumstances occur which result in an alteration of the risk, the Member shall disclose such circumstances to the Association without undue delay.

- 2 Where there is an alteration of the risk which has been intentionally caused or agreed to by the Member and the Association would not have accepted the entry at the same Premium Rating if it had known of such an alteration prior to the conclusion of the contract of insurance, the Association is free from liability to the extent that any liability, loss, cost, or expense incurred by the Member was caused or increased by the alteration. Where the Association would have accepted the entry at the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under the conditions the Association would have accepted.

Rule 8 **Classification and certification of the Vessel**

- 1 Unless otherwise agreed in writing between the Member and the Association it shall be a condition of the insurance of the Vessel that:
 - a the Vessel shall be and remain throughout the period of entry classed with a classification society approved by the Association;
 - b the Member shall promptly call to the attention of that classification society any incident, occurrence or condition which has given or might have given rise to damage in respect of which the classification society might make recommendations as to repairs or other action to be taken by the Member;
 - c the Member shall comply with all the rules, recommendations and requirements of that classification society relating to the Vessel within the time or times specified by the society;
 - d the Association is authorised to inspect any documents and obtain any information relating to the maintenance of class of the Vessel in the possession of any classification society with which the Vessel is or has at any time been classed prior to and during the period of insurance and such classification society or societies are authorised to disclose and make available such documents and information to the Association upon request by it and for whatsoever purpose the Association in its sole discretion may consider necessary.

- e the Member shall immediately inform the Association if, at any time during the period of entry, the classification society with which the Vessel is classed is changed and advise the Association of all outstanding recommendations, requirements or restrictions specified by any classification society relating to the Vessel as at the date of such change;
 - f the Member shall comply or procure compliance with all statutory requirements of the state of the Vessel's flag relating to the construction, adaptations, condition, fitment, equipment, manning, safe operation, security and management of the Vessel and at all times maintain or procure the maintenance of the validity of such statutory certificates as are issued by or on behalf of the state of the Vessel's flag in relation to such compliance.
- 2 The Association shall notify the Member when it intends to inspect classification documents or request information documents or request information from a classification society in accordance with Rule 8.1.d.
 - 3 The Member shall not be entitled to any recovery from the Association in respect of any claim arising during a period when the Member is not fulfilling or has not fulfilled the conditions in Rule 8.1.

Rule 9**Survey**

- 1 The Association may at any time during the period of entry appoint a surveyor to inspect the Vessel on behalf of the Association.
- 2 Where the Vessel has been laid-up for a period exceeding six months, the Member shall give the Association not less than seven days' notice prior to the Vessel leaving the place of lay-up for recommissioning, to afford the Association an opportunity to inspect the Vessel pursuant to Rule 9.1.
- 3 Where an inspection reveals matters which, in the sole discretion of the Association, represent a deficiency in the Vessel, the Association may exclude specified liabilities, losses, costs and expenses from the cover until the deficiency has been repaired or otherwise remedied.

Chapter 4**Premiums****Rule 10****Premiums**

- 1 Each Vessel shall be entered on the basis of a fixed premium in an amount agreed between the Association and the Member.
- 2 The Association may determine (either generally for all entries, or separately for any entry or category of entries) that for the next ensuing Policy Year the Premium Rating of the Vessels entered in the Association shall be altered by a fixed percentage, before any further adjustment is made in order to take account of the Member's loss record, alteration in the extent of the risk or any other factor the Association may deem relevant.
- 3 The Association may, in its sole discretion, levy an additional fixed premium for cover made available pursuant to Rule 2.1(b).
- 4 The Association may, in its sole discretion, agree or levy premium adjustments on the renewal or termination of an entry in accordance with the premium conditions set out in paragraph A of Appendix I.

Rule 11**Payment**

- 1 Premiums are due in three instalments as follows:
 - a for the period 20th February – 20th June, on 20th March;
 - b for the period 20th June – 20th October, on 5th July;
 - c for the period 20th October – 20th February, on 5th November.
- 2 Where the Vessel is entered in the course of a Policy Year, a pro rata premium for the four-monthly period in which it is entered is due at once, with the remaining instalments, if any, due at the times specified in Rule 11.1.
- 3 Any other sums debited by the Association to a Member, including Insurance Premium Tax for which the Member is liable, reimbursement of deductibles, interest, costs or expenses, are due on demand.
- 4 If any sums due to the Association from the Member are not paid on or before the due date interest is chargeable on such unpaid sums at such rate as the Association may from time to time decide.

- Rule 11A Insurance Premium Tax**
The Member shall indemnify the Association and hold it harmless in respect of any liability, cost or expense incurred or amount paid by the Association in respect of any Insurance Premium Tax for which the Member is liable.
- Rule 12 Set-off**
- 1 Without prejudice to anything elsewhere contained in the Articles of Association or these Rules, the Association shall be entitled to set off any amount due from a Member to the Association against any amount due from the Association to such Member or its Co-assureds or Affiliates.
 - 2 A Member shall not set off against any amount due from it to the Association the amount of any claim it or its Co-assureds or Affiliates may have against the Association.
- Rule 13 Laid-up returns**
- 1 Subject to any special terms which may have been agreed, if the Vessel has been laid up in a safe port or other approved lay-up location for a period of at least 15 consecutive days (or, in case of a U.S. owned, operated or managed unit, 30 consecutive days), excluding the day of arrival at and the day of departure from the lay-up location, such proportion as the Association may decide of the premium payable, pro rata for the period of the lay-up, shall be returned to the Member.
 - 2 The Member shall disclose to the Association any major repairs or alterations to be undertaken during lay-up, and if required by the Association shall forward to the Association a copy or copies of the contract or contracts for such works, and the Association may in its discretion make adjustments to the rate at which laid-up returns are payable under Rule 13.1.
 - 3 No claim for laid-up returns shall be recoverable from the Association unless the Member has informed the Association of the lay-up of the Vessel within 30 days after the commencement of the lay-up and the claim for laid-up returns is made within 30 days of the end of the lay-up period.

Chapter 5 Termination and cesser

- Rule 14 Termination by a Member**
A Member may terminate the entry with effect from the end of the Policy Year in respect of one or more Vessels by giving written notice thereof prior to 20th January. Except with the agreement of the Association, a Vessel may not be withdrawn nor may notice of termination be given with effect from any other date.
- Rule 15 Termination by the Association**
- 1 The Association may terminate the entry with effect from the end of the Policy Year in respect of one or more Vessels by giving written notice thereof prior to 20th January.
 - 2 The Association may also terminate the insurance of any or all of the Vessels entered by a Member:
 - a without notice, where a casualty or other event has been brought about by wilful misconduct on the part of the Member, as defined in Rule 40;
 - b on three days' notice, where the Member has failed to pay when due and demanded any premium or other amount due from him to the Association;
 - c on 14 days' notice, where the Member has neglected a duty of disclosure under Rule 6 or Rule 7 or where there has been an alteration of the risk after conclusion of the contract of insurance;
 - d on 45 days' notice, without giving any reason.
 - 3 Notwithstanding and without prejudice to Rules 15.1 and 15.2 and Rule 16.4, the Association may, on such notice in writing as the Association may decide, terminate the entry in respect of any and all Vessel(s) in circumstances where the Member has exposed or may, in the opinion of the Association, expose the Member or the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by the State of the Vessel(s) flag, by any State where the Association has its registered office or permanent place of business or by any State being a Major Power or by the United Nations or the European Union. For the purpose of this Rule 15.3 "Major Power" means any of the following States: United Kingdom, United States of America, France, the Russian Federation and the People's Republic of China.

Rule 16**Cesser**

- 1** A Member shall (subject to Rule 16.5) cease to be covered by the Association in respect of any and all Vessels entered by him in the following circumstances:
 - a** where the Member is a corporation, a resolution is passed for the voluntary winding up of the Member or an order is made for its compulsory winding up or it is dissolved or a receiver or similar official to all or part of its affairs is appointed or any secured party takes possession of any of its property or it seeks protection from its creditors under any applicable bankruptcy or insolvency laws or any similar event occurs (in the determination of the Association) in any applicable jurisdiction; and
 - b** where the Member is an individual, the Member dies or becomes incapable by reason of mental disorder of managing or administering his property and affairs or he becomes bankrupt or he makes any composition or arrangement with his creditors generally or a receiving order is made against him or any secured party takes possession of any of his property or any similar event occurs (in the determination of the Association) in any applicable jurisdiction.
- 2** The Member shall (subject to Rule 16.5) cease to be covered by the Association in respect of any Vessel entered by him in the following circumstances:
 - a** the Vessel becomes a total loss;
 - b** the Vessel is accepted by the hull underwriters (whether of marine or war risks) as a constructive total loss;
 - c** the Vessel suffers damage and the cost of repairs (as determined by the Association) will equal or exceed the higher of 80% of its insured value or of its value in repaired condition (as determined by the Association);
 - d** the Vessel is transferred to a new owner by sale or otherwise;
 - e** new managers of the Vessel are appointed or there is a change in the operator of the Vessel;
 - f** any mortgagee or other secured party enters into possession of the Vessel;

- g** the Vessel ceases to be classed with a classification society approved by the Association, or its class is suspended;
- h** the Vessel is requisitioned;
- i** the Vessel, with the consent or knowledge of the Member, is being used for the furtherance of illegal purposes.

- 3** Where the Vessel disappears, it shall be deemed to be a total loss ten days from the day it is last heard from.
- 4** Notwithstanding and without prejudice to Rules 16.1, 16.2 and 16.3, a Member shall forthwith cease to be insured by the Association in respect of any and all Vessel(s) entered by him if any Vessel is employed by the Member in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any State where the Association has its registered office or permanent place of business or by any State being a Major Power or by the United Nations or the European Union. For the purpose of this Rule 16.4 "Major Power" means any of the following States: United Kingdom, United States of America, France, the Russian Federation and the People's Republic of China.
- 5** Notwithstanding the provisions of Rules 16.1, 16.2 and 16.4, the Association may decide in any particular case that cover shall be continued without interruption, or that cover shall be reinstated, in either case on such terms as the Association shall determine.
- 6** Notwithstanding the provisions of Rule 16.2. (a), (b) and (c) the Association shall cover subject to these Rules and the terms of entry agreed, liabilities, losses, costs and expenses flowing from the casualty which gave rise to the total loss or constructive total loss of the Vessel.

Rule 17**Effect of cesser or termination**

- 1** Where the insurance ceases or is terminated, the Member shall remain liable for all premiums in respect of the then current Policy Year pro rata for the period up to the date of cesser or termination, and for all premiums in respect of prior Policy Years.
- 2** The Association shall be under no liability whatsoever by reason of anything occurring after the date of cessation or termination.

Chapter 6 The cover

Rule 18 Liabilities in respect of crew

- 1 The Association shall cover:
 - a liability to pay hospital, medical, maintenance, funeral and other costs and expenses incurred in relation to the injury to, or illness or death of, a member of the Crew, including costs and expenses of repatriating the member of the Crew and his personal effects, or sending home an urn of ashes or coffin and personal effects in the case of death, and costs and expenses necessarily incurred in sending a substitute to replace the repatriated or dead man;
 - b liability to repatriate and compensate a member of the Crew for the loss of his employment caused in consequence of the actual or constructive total loss of the Vessel or of a major casualty rendering the Vessel unseaworthy and necessitating the signing off of the Crew;
 - c liability to pay compensation or damages in relation to the injury to, or illness or death of, a member of the Crew;
 - d liability for costs and expenses of travelling incurred by a member of the Crew when the travelling is occasioned by a close relative having died or become seriously ill after the Crew member signed on, and costs and expenses necessarily incurred in sending a substitute to replace that Crew member;
 - e liability for wages payable to an injured or sick member of the Crew or on death to his estate;
 - f liability in respect of loss of or damage to the personal effects of a Crew member,

provided that under this Rule 18.1:

 - i where the liability arises under the terms of a crew agreement or other contract of service or employment, and would not have arisen but for those terms, the liability is not covered by the Association unless those terms have been previously approved by the Association;
 - ii references to personal effects shall exclude valuables and any other article which in the opinion of the Association is not an essential requirement of a Crew member.

- iii the cover shall not include liabilities, costs or expenses arising out of the carriage of specie, bullion, precious or rare metals or stones, plate or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments, whether the value is declared or not, unless the Association has been notified prior to any such carriage, and any directions made by the Association have been complied with;
 - iv there shall be no recovery in relation to liability which arises under a contract of indemnity or guarantee between the Member and a third party.
- 2 The Association shall cover liability to repatriate a member of the Crew pursuant to any statutory enactment giving effect to the Maritime Labour Convention 2006 or any materially similar enactment, provided always that there shall be no recovery in respect of liabilities arising out of the termination of any agreement, or the sale of the Vessel, or any other act of the Member in respect of the Vessel, save and to the extent permitted by this Rule 18.2 in respect of the Member's liability for such expense under the Maritime Labour Convention 2006.

Rule 19 Liability for persons other than Crew members

The Association shall cover liability resulting from the injury to, or illness or death of, persons other than members of the Crew.

Rule 19A Diversion expenses

The Association shall cover extra costs of fuel, insurance, wages, stores, provisions and port charges attributable to a diversion, over and above the costs that would have been incurred but for the diversion, where these are incurred solely for the purpose of securing treatment for an injured or sick person on board, or for the purpose of searching for a person missing from the Vessel, or necessarily incurred while awaiting a substitute for such person, or for the purpose of saving persons at sea.

- Rule 19B Refugees or persons saved at sea**
The Association shall cover costs and expenses directly and reasonably incurred in consequence of the Vessel having refugees or persons saved at sea on board, but only to the extent that the Member is legally liable for the costs and expenses or they are incurred with the approval of the Association. The cover does not include consequential loss of profit or depreciation.
- Rule 20 Collision with vessels**
- 1 The Association shall cover liability to pay damages to any other person incurred as a result of a collision with another vessel, if and to the extent that such liability is not covered under the Hull Policies, provided that
 - a the Member shall not be entitled to recover from the Association any deductible borne by him under the Hull Policies; and
 - b the cover under this Rule shall exclude liability in respect of persons or property on board the Vessel.
 - 2 Unless otherwise agreed between the Member and the Association as a term of the Vessel's entry in the Association, if both vessels are to blame, then where the liability of either or both of the vessels in collision becomes limited by law, claims under Rule 20.1 shall be settled upon the principle of single liability, but in all other cases claims under this Rule shall be settled upon the principle of cross-liabilities, as if the owner of each vessel had been compelled to pay the owner of the other vessel such proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Member in consequence of the collision.
- Rule 21 Damage to fixed or floating objects**
The Association shall cover liability for loss of or damage to any fixed or floating object by reason of contact between the Vessel and such object, if and to the extent not covered under the Hull Policies, provided that there shall be no recovery under this Rule 21 in respect of any deductible borne by the Member under the Hull Policies.
- Rule 22 Pollution**
The Association shall cover liabilities, costs and expenses (excluding fines) arising in consequence of the discharge or escape from the Vessel of oil or any other pollution or the threat of such discharge or escape.
- Rule 23 Loss of or damage to property**
The Association shall cover liability for loss of or damage to property not specified elsewhere in this chapter.
- Rule 24 Liability for obstruction and wreck removal**
The Association shall cover:
- a costs and expenses relating to the raising, removal, destruction, lighting and marking of the Vessel or of the wreck of the Vessel or parts thereof or of its equipment lost as a result of a casualty, when such raising, removal, destruction, lighting and marking is compulsory by law or the costs or expenses thereof are legally recoverable from the Member under contract or otherwise;
 - b liability incurred by reason of the Vessel or the wreck of the Vessel or parts thereof as a result of a casualty causing an obstruction, provided that:
 - i recovery from the Association under this Rule shall be conditional upon the Member not having transferred his interest in the wreck otherwise than by abandonment; and
 - ii the realised value of the wreck and other property saved shall be credited to the Association.
- Rule 25 Salvage**
The Association shall cover liability for special compensation awarded to a salvor
- a pursuant to Article 14 of the International Convention on Salvage 1989; or
 - b pursuant to Article 14 of the International Convention on Salvage 1989, as incorporated into Lloyd's Open Form of Salvage Agreement (1980, 1990, 1995, 2000 or 2011), or into any other salvage contract approved by the Association; or

- c pursuant to the Special Compensation P&I Clubs Clause (SCOPIIC) as incorporated into Lloyd's Open Form of Salvage Agreement or any other "No Cure – No Pay" salvage contract approved by the Association.

Rule 26**Fines**

- 1 The Association shall cover fines imposed upon the Member in respect of the Vessel by any court, tribunal or other authority of competent jurisdiction for or in respect of any of the following:
 - a failure to comply with regulations concerning the declaration of goods, or documentation of cargo, provided that the Member is insured by the Association for cargo liability under Rule 23;
 - b breach of any immigration law or regulations;
 - c the accidental escape or discharge of oil or any other substance, provided that the Member is insured for pollution liability by the Association under Rule 22;
 - d smuggling or any infringement of any custom law or regulation other than in relation to cargo carried on the Vessel.
- 2 The Association may, in its sole discretion, cover in whole or in part
 - a a fine other than those listed in Rule 26.1 above imposed upon the Member, provided the Member has satisfied the Association that he took such steps as appear to the Association to be reasonable to avoid the event giving rise to the fine or penalty;
 - b any fine imposed not upon the Member but the master or Crew member of the Vessel or on any other servant or agent of the Member or on another party, provided that the Member has been compelled by law to pay or reimburse such fine or that the Association determines that it was reasonable for the Member to have paid or reimbursed the same.
- 3 The Association shall be under no obligation to give reasons for its decision pursuant to Rule 26.2 above.

Rule 27**Legal costs**

The Association shall cover legal costs and expenses relating to any liability, loss, cost or expense which, in the opinion of the Association, is (or, apart from any applicable deductible, would be) likely to result in a claim on the Association, but only to the extent that such legal costs and expenses have been incurred with the agreement of the Association.

Rule 28**Enquiry expenses**

The Association shall cover costs and expenses incurred by a Member in defending himself or in protecting his interests before a formal enquiry into the loss of or casualty involving the Vessel, in cases in which, in the opinion of the Association, a claim upon the Association is likely to arise, but only to the extent that such costs and expenses have been incurred with the agreement of the Association.

Rule 29**Measures to avert or minimise loss**

The Association shall cover:

- a extraordinary costs and expenses reasonably incurred on or after the occurrence of a casualty or event for the purpose of avoiding or minimising any liability on the Association, other than:
 - i costs and expenses resulting from measures that have been or could have been accomplished by the Crew or by reasonable use of the Vessel or its equipment;
 - ii loss resulting from non-fulfilment, or delay in fulfilment, of a contract or of an agreement for the sale of the Vessel;
 - iii cost and expenses relating to the regaining of control of the well which is being drilled or worked over or serviced by the Vessel.
- b losses, costs and expenses incurred at the direction of the Association.

Rule 29A**Damage to Member's own property**

If and to the extent the Vessel causes damage to property, other than cargo, belonging wholly or in part to the Member, the Member shall be entitled to recover from the Association under Rule 20 (collision with vessels), Rule 21 (damage to fixed or floating objects) Rule 23 (loss of or damage to property) or Rule 24 (b) (liability for obstruction) as if the property belonged to a third party.

Chapter 7 **Limitations etc. on cover**

Rule 30 **Limitation of liability, sanctions and other restrictions on the right of recovery**

- 1 Where the Member or a Co-Assured is entitled to limit his liability pursuant to any rule of law, the maximum recovery is the amount to which the Member or the Co-assured may limit his liability save insofar as liabilities, losses, costs and expenses in excess of the amount to which the Member may limit his liability are incurred pursuant to a contract approved by the Association.
- 2 In any case, the liability of the Association for any and all liabilities, losses, costs and expenses incurred by all Members, Co-assureds and Affiliates insured under any one entry and which arise out of any one event shall be limited to the sum insured in the terms of entry, provided always that to the extent the Association has reinsured the risks insured under any one entry, the Association shall only be obliged to pay any amount in excess of USD 100 million per event as and when such funds are received by the Association from the reinsurer(s).
- 3 Notwithstanding Rule 30.2 above, the liability of the Association for fines as described in Rule 26 shall be limited to USD 50 million per Vessel per event provided that if the total amount of all categories of liabilities, losses, costs and expenses falling within Rule 26 and any other Rules incurred by all Members, Co-assureds and Affiliates under any one entry and which arise out of any one event exceeds the sum insured in the terms of entry referred to in Rule 30.2 above, the Association shall not be liable to make any payment in respect of the amount by which such claims exceed the sum insured in the terms of entry referred to in Rule 30.2 above.
- 4 The Association shall not indemnify a Member against any liabilities, costs or expenses where the provision of cover, the payment of any claim or the provision of any benefit in respect of those liabilities, costs or expenses may expose the Association to any sanction, prohibition, restriction or adverse action by any competent authority or government.

- 5 The Member shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs or expenses which is not recovered by the Association from any reinsurer because of a shortfall in recovery from such reinsurer by reason of any sanction, prohibition or adverse action by a competent authority or government or the risk thereof if payment were to be made by such reinsurer. For the purposes of this paragraph, "shortfall" includes, but is not limited to, any failure or delay in recovery by the Association by reason of the reinsurer making payment into a designated account in compliance with the requirements of any competent authority or government.

Rule 31 **Pollution from well and damage to property caused by blowout etc.**

The Association shall not cover:

- a liabilities, losses, costs or expenses arising out of pollution from the well which is being drilled or worked over or serviced by the Vessel and measures taken to avert or minimise such liabilities, costs or expenses;
- b liability for loss or damage to property belonging to any person chartering the Vessel by way of a charterparty or other contract for the employment of the Vessel and any other party having an owning interest in the field being serviced by the Vessel, caused by blow-out, cratering, seepage or any other uncontrolled flow of oil, gas or water from the well or reservoirs, provided that the liability arises in connection with the well which is being drilled or worked over or serviced by the Vessel.

Rule 32 **Production operations**

The Association shall not cover liabilities, losses, costs or expenses arising from a vessel engaged in production operations out of seepage or an uncontrolled flow from any flow line, riser or umbilical connected to the producing well prior to the product entering the Vessel, save insofar such flow line, riser or umbilical would be included in the description of the Vessel but always subject to Rule 31(a), and out of measures taken to avert or minimise such liabilities, losses, costs or expenses.

Rule 33 Loss of hole, well and reservoir

The Association shall not cover:

- a loss of or damage to the hole or well;
 - b loss of or damage to the reservoir;
- provided that the loss or damage arise in connection with the hole or well which is being drilled or worked over or serviced by the Vessel.

Rule 34 Clean-up costs

The Association shall not cover any costs relating to clean-up of debris lost or deposited on the seabed during operations, unless such costs are recoverable under Rule 24, provided always that in no circumstances shall cover extend to any costs relating to clean-up of drilling equipment being used in the sea below the rotary table or in the well.

Rule 35 Construction operations

Where the Vessel is engaged in construction operations, the Association shall not cover liability in respect of pollution from, loss of or damage to the contract works, or to the materials supplied or to be supplied for the contract works to the extent that the pollution, loss or damage arises either

- a out of the installation or repair or other work being undertaken by the Vessel; or
- b during the navigation of the Vessel to or from or about the site where the work is to be undertaken, where that liability is covered by builders all risk insurance or construction all risk insurance or would be so covered had the Member been named as co-assured on standard builders all risk or construction all risk insurance policies in respect of the project of which the contract works form a part.

Rule 36 Other excluded losses

- 1 The Association shall not cover, except (in the case of paragraphs (a)–(d) below) where and to the extent that they form part of a claim recoverable under Rule 29:
 - a loss of or damage to the Vessel, its equipment, outfit or supplies, used on board or outside the Vessel;

- b loss of hire due to the Member;
- c costs of salvage or services in the nature of salvage, rendered to the Vessel and any costs or expenses in connection therewith, except to the extent that they form part of a claim recoverable under Rule 25 (Salvage);
- d liabilities, losses, costs or expenses arising out of cancellation of a charter or other engagement of the Vessel;
- e liabilities, losses, costs or expenses arising out of the insolvency of the Member or any other person or out of overdue or irrecoverable debts or out of any of the circumstances described in Rules 16.1(a) or (b);
- f the Member's internal administrative costs and expenses.

- 2 Unless and to the extent that the Association in its sole discretion shall otherwise decide, the Association shall not cover any liability, loss, damage, cost or expense, including, without limitation, liability for the cost of any remedial works or clean-up operations, arising as a result of the presence in, or the escape or discharge or threat of escape or discharge from, any land based dump site, storage or disposal facility of any substance previously carried on the Vessel whether as cargo, fuel, stores or waste and whether at any time mixed in whole or in part with any other substance whatsoever.

Rule 37**Amounts saved by the Member**

Where the Member, as a result of an event for which he is covered by the Association, has obtained extra revenue, saved costs or expenses or avoided liability or loss which would otherwise have been incurred and which would not have been covered by the Association, the Association may deduct from the compensation an amount corresponding to the benefit obtained.

Rule 38**Other insurance**

The Association shall not cover:

- a liabilities, losses, costs or expenses which are covered by the Hull Policies or which would have been covered by the Hull Policies had the Vessel been fully insured on standard terms, without deductible, for an insured value which is at all times not less than the market value from time to time of the Vessel without commitment;

- b liabilities, losses, costs or expenses recoverable under any other insurance or which would have been so recoverable:
 - i apart from any term in such other insurance excluding or limiting liability on the ground of double insurance; and
 - ii if the Vessel had not been entered in the Association with cover against the risks set out in these Rules;
- c liabilities, losses, costs or expenses in relation to a person performing work in the service of the Vessel covered by social insurance or by public or private insurance required by the legislation or collective wages agreement governing the contract of employment of such person, or which would have been so covered if such insurance had been effected.

Rule 39 Terms of contract the Association shall not cover

- 1 The Association shall not cover liabilities, losses, costs or expenses:
 - a which would not have arisen but for the terms of a contract entered into by the Member that result in a greater liability than follow from terms of contract which are customary in the area where the Vessel operates;
 - b which result from, or would not have arisen but for the Member having used terms of contract which the Association has prohibited, or omitted to use terms which the Association has prescribed.
- 2 The Association shall not cover liabilities, losses, costs or expenses incurred pursuant to a contract entered into by the Member for the provision of services by the Vessel (other than a U.S. owned, operated or managed Vessel) which would not have been incurred had that contract contained a division of liability as between the parties which either
 - a is in accordance with the premium conditions set out in Appendix I B or with the terms of entry; or
 - b has been approved by the Association after the date of entry, and for which a variation in the Premium Rating has been agreed.

Rule 40 Conduct of the Member

The Association shall not cover liabilities, losses, costs or expenses arising or incurred in circumstances where there has been wilful misconduct on the part of the Member, such misconduct being an act intentionally

done, or a deliberate omission by the Member, with knowledge that the performance or omission will probably result in injury, or an act done or omitted in such a way as to allow an inference of a reckless disregard of the probable consequences.

Rule 41

War risks

The Association shall not cover liabilities, losses, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or his servants or agents) when the loss or damage, injury, illness or death or other accident in respect of which such liabilities arise or such losses, costs or expenses are incurred was caused by:

- a 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 (provided that, in the event of any dispute as to whether or not, for the purpose of this paragraph (a), an act constitutes an act of terrorism, the Association shall in its absolute discretion determine that dispute and the Association's decision shall be final);
- b capture, seizure, arrest, restraint or detention, (barratry and piracy excepted), and the consequences thereof or any attempt thereat;
- c mines, torpedoes, bombs, rockets, shells, explosives, or other similar weapons of war, provided always that this exclusion shall not apply to the use of such weapons, whether as a result of government order or with the agreement of the Association, where the reason for such use is the mitigation of liability, cost or expenses which would otherwise fall within the cover given by the Association.

Note: Additional cover in respect of war risks is available pursuant to Rule 2.1(b) – see Appendix II.

Rule 42

Nuclear perils

The Association shall not cover liabilities, losses, costs or expenses directly or indirectly caused by or contributed to by or arising from:

- a ionising radiation from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel; or

- b the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof; or
 - c any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter
- other than liabilities, costs and expenses arising out of the use or presence on board the Vessel of equipment or substances containing low-radiation industrial radioactive isotopes customarily used in the offshore industry, provided always that such equipment and/or substances are carried, kept and used in accordance with statutory rules and regulations governing the carriage, custody and use of such equipment and/or substances.

Rule 43 Part tonnage

Where a Vessel is entered with the Association for an insured interest of less than one hundred per cent, the Association shall only be liable to the Member for such proportion of any liability, loss, cost or expense as the insured interest bears to the full one hundred per cent interest.

Rule 44 Deductibles

- 1 Save as set out in rule 44.2 below, and unless otherwise agreed, the cover shall be subject to a deductible of USD 10,000 in respect of all liabilities, losses, costs and expenses arising under any one entry from any one event.
- 2 To the extent the Vessel is:
 - i US owned, operated or managed, or
 - ii the liabilities, losses, costs and expenses are made, asserted or enforced in the US,
 the cover shall be subject to a deductible of USD 250,000 unless otherwise agreed with the Association.

Rule 45**US owned, operated or managed Vessels**

- 1 The Association shall not cover under the entry of a US owned, operated or managed Vessel any liability, loss, cost or expense of any description howsoever arising out of or relating to:
 - a any liability resulting from personal injury or bodily injury or occupational disease in respect of any employee including without limitation "borrowed employees" of the Member that may arise under any worker's compensation law, unemployment compensation or disability benefit laws, United States Longshoremen and Harborworkers Compensation Act, and any other form of maritime employers liability (other than Jones Act, general maritime law remedies of the United States and any claims under the Death on the High Seas Act) or any similar laws, and/or by reason of the relationship of master and servant, nor to any employee of the Member in respect of injury to or the death of another employee of the Member injured in the course of such employment; or
 - b any liability to the spouse, child, parent, brother or sister, or dependent of any employee as a consequence of paragraph (a) above; or
 - c any liability which any director, officer, partner, principal, employee or stockholder of the Member may have to any employee of the Member (other than liability that may arise under Jones Act, general maritime law remedies of the United States and any claims under the Death on the High Seas Act).
- 2 The exclusions from cover under Rules 45.1(a) and (b) apply:
 - a whether the Member may be liable as an employer or in any other capacity; and
 - b to any obligation of the Member to share damages with or repay any party who is required to pay damages because of the injury.

Chapter 8 Joint Members, Co-assureds and Affiliates

Rule 46 Cover for Co-assureds and Protective Co-assureds

- 1 The Association may agree, subject to the provisions of this Rule 46 and to such other terms as may be required to extend the cover afforded by the Association to the Member to any person who is named in the Certificate of Entry as a Co-assured.
- 2 The cover afforded to a Co-assured in categories (a), (b) and (c) below shall extend only to liabilities, losses, costs and expenses arising out of operations and/or activities customarily carried on by or at the risk and responsibility of the owner of the Vessel:
 - a any person interested in the operation, management or manning of the Vessel;
 - b the holding company or the beneficial owner of the Member or of any Co-assured falling within category a) above;
 - c any mortgagee of the Vessel.
- 3 Where a Member enters into a charterparty or other contract for the employment of the Vessel (the "Charterparty"), the other party to the Charterparty and its co-ventures, affiliates and associates and any other interested parties may, by agreement with the Association, be named in the Certificate of Entry as a Protective Co-assured under the Member's cover.
- 4 The Co-assured and Protective Co-assured shall not be entitled to Membership of the Association.
- 5 The Protective Co-assured party may recover from the Association any liabilities, costs and expenses which are incurred by it and which
 - a are to be borne by the Member under the terms of the Charterparty; and
 - b would, if borne by the Member, be recoverable by the Member from the Association.
- 6 The Protective Co-assured party may not recover from the Association any liabilities, costs and expenses which are to be borne by the Protective Co-assured party under the terms of the Charterparty.

- 7 The Association agrees to waive any rights of subrogation it may have against the Protective Co-insured party in respect of liabilities, costs and expenses which are to be borne by the Member under the terms of the Charterparty.
- 8 Provided that an address for notification has been advised to the Association, the Association undertakes to give the Protective Co-insured party notice in writing with the same period of notice as to the Member in all cases where the Association terminates the entry. If termination is attributable to the failure by the Member to pay when due and demanded any premium or other amount due from him to the Association, the Association undertakes not to exercise such rights without giving the Protective Co-assured party thirty (30) days' notice in writing.

Rule 47**Cover for Affiliates**

- 1 The Association shall extend the cover afforded by the Association to the Member to any person who is affiliated to or associated with the Member.
- 2 The cover afforded to an Affiliate shall extend only to claims made or enforced against the Affiliate in respect of any liabilities for which the Member has cover and nothing herein contained shall be construed as entitling an Affiliate to recover any amount which would not have been recoverable from the Association by the Member had the claim been made or enforced against the Member.
- 3 Affiliates shall not be entitled to Membership of the Association.

Rule 48**Joint Members, Co-assureds, Affiliates and Fleet Entries**

- 1 Joint Members and Co-assureds insured on any one entry shall be jointly and severally liable for all sums due to the Association in respect of such entry. Members, Joint Members and Co-assureds insured on any entry in respect of one or more Vessel(s) forming part of a Fleet Entry shall be jointly and severally liable in respect of all sums due to the Association in respect of any or all Vessels forming part of the Fleet Entry. For the purpose of this section a Fleet Entry shall mean the entry of more than one Vessel by one or more Members on the basis that those Vessels shall be treated together as a fleet.

- 2 Any payment by the Association to one of the Joint Members, Co-assureds or Affiliates shall fully discharge the obligations of the Association in respect of such payment.
- 3 Any communication by the Association to one Joint Member shall be deemed to be communication to all.
- 4 The conduct or omission of one Joint Member which under these Rules would constitute a breach of the contract of insurance, shall be deemed as the conduct or omission of all the Joint Members.
- 5 To the extent that the Association has indemnified a Co-assured or an Affiliate in respect of a claim, it shall not be under any further liability and shall not make any further payment to any person whatsoever, including the Member, in respect of that claim.

Chapter 9
Claims**Rule 49****Time-bar**

- 1 The Member shall have no right to compensation unless he has given notice to the Association of any event which may give rise to a claim on the Association within six months of his becoming aware of it.
- 2 The Member's claim for compensation becomes time-barred three years from the date on which he became aware of his claim and of the circumstances that determine its extent.
- 3 Where a time-bar has not taken effect earlier, the Member's claim for compensation becomes time-barred ten years from the occurrence of the event unless litigation or a general average adjustment is in progress, when the claim becomes time-barred one year after the issue of the final judgment or adjustment.

Rule 50**Obligations with respect to claims**

- 1 A Member shall:
 - a promptly notify the Association of any event which may give rise to a claim upon the Association, and of any formal enquiry into a loss or casualty involving the Vessel;
 - b upon the occurrence of any event which may give rise to a claim upon the Association, take and continue to take all such steps as may be reasonable, including the preservation of any right of recourse against a third party, for the purpose of averting or minimising any liability, loss, cost or expense in respect whereof he may be insured by the Association;
 - c notify and, if possible, consult the Association prior to taking any action as described in Rule 50.1(b) above;
 - d promptly provide the Association with all documents and information which may be relevant to such event and which are required to enable the Association to determine whether the event is covered according to these Rules;
 - e allow the Association or its appointees to interview any person who in the opinion of the Association may have knowledge relevant to the event;

- f not without the prior consent of the Association admit liability for or settle any claim for which he may be insured by the Association.
- 2 If a Member commits a breach of any of these obligations
 - a the Association may reject any claim, or reduce the sum payable, in relation to such event; and
 - b the Member shall reimburse to the Association such part of any costs or expenses incurred by the Association in relation to such event as the Association shall determine.
- 3 The Association shall have the right if it so decides to control or direct the conduct of any claim or legal or other proceedings relating to any liability, loss, cost or expense in respect whereof the Member is or may be insured, in whole or in part, and to instruct, on behalf of the Member, lawyers and other advisers and experts to assist and to require the Member to settle, compromise or otherwise dispose of such claim or proceedings in such manner and upon such terms as the Association sees fit, provided that no actions or directions of the Association shall imply an obligation to cover the liability, loss, cost or expense. If the Member does not settle, compromise or dispose of a claim or of proceedings after being required to do so by the Association, any recovery by the Member from the Association in respect of such claim or proceedings shall be limited to the amount he would have recovered if he had acted as required by the Association.
- 4 A Member shall, in respect of a dispute which falls under the cover, for his own account, obtain information, make calculations, attend meetings and otherwise provide assistance, where such work can be performed by him or by persons employed by him or regularly engaged by him to perform such services.

Rule 51**Exclusion of liability**

- 1 The Association shall not be liable for errors or omissions in the handling of a case which may be committed by the Association's employees or by lawyers, advisers or other experts engaged by the Association on behalf of the Member.
- 2 The Association shall not be liable for monies which are lost, having been collected by persons engaged by the Association on behalf of the Member, or entrusted to such persons.

- 3 The Association shall not be liable to pay interest on any sums due from it to the Member.

Rule 52**Recoveries from third parties**

- 1 When the Member has a right of recourse against a third party for any liability, loss, cost or expense covered by the Association, the Association shall be subrogated to the Member's right of recourse upon payment by the Association to the Member in respect of the liability, loss, cost or expense.
- 2 Where the Association has made a payment in respect of any liability, loss, cost or expense to or on behalf of a Member, the whole of any recovery from a third party in respect of that liability, loss, cost or expense shall be credited and paid to the Association up to an amount corresponding to the sum paid by the Association together with any interest element on that sum comprised in the recovery, provided however, that
 - a where because of a deductible in his terms of entry the Member has contributed towards a liability, loss, cost or expense any such interest element shall be apportioned between the Member and the Association taking into account the payments made by each and the dates on which those payments were made; and
 - b the Association shall retain the whole amount of any award of costs in respect of its own handling of any case.

Rule 53**Discharge**

Payment of a claim by the Association to a manager of the Vessel or to any other agent of the Member shall fully discharge the Association's liability to the Member.

Rule 54**Currency of payments**

- 1 The Association shall make all payments for liabilities, losses, costs and expenses covered by the Association in the currency in which the Member's Premium Rating is calculated (the "premium currency").
- 2 Where the Member has made a payment in respect of any liability, loss, cost or expense which is covered by the Association in a currency other

than the premium currency, that payment shall be converted into the premium currency at the rate of exchange ruling on the day payment was made by the Member.

- 3 Where a deductible under Rule 44 is expressed in a currency other than the premium currency, the deductible shall be converted into the premium currency at the rate of exchange ruling on the day payment was made by the Member.
- 4 Where a payment in respect of a liability, loss, cost or expense is due at a fixed time and the Member without valid reason neglects to make payment when due, the Member shall not be entitled to compensation at a higher rate of exchange than that ruling on the day on which payment was due.
- 5 All rates of exchange for the purposes of this Rule 54 shall be as conclusively certified by the Association.

Rule 55**Payment first by Member**

- 1 Unless the Association shall in its absolute discretion otherwise determine, it is a condition precedent to a Member's right to recover from the Association in respect of any liability, loss, cost or expense that he shall first have discharged or paid the same.
- 2 The Association shall not be obliged to compensate a Member for a payment made to a third party unless the Member's liability to make that payment has been determined by:
 - a a final judgement or order of a competent court; or
 - b a final arbitration award (if settlement of the dispute by arbitration was agreed upon before the dispute arose, or was, with the consent of the Association, agreed upon subsequently); or
 - c a final settlement of the dispute approved by the Association.
- 3 Notwithstanding sections 1 and 2 above, where a Member has failed to discharge a legal liability to pay damages or compensation for personal injury, illness or death of a member of the Crew or in respect of repatriation under any statutory enactment giving effect to the 2006 Maritime Labour Convention or any materially similar enactment the Association shall discharge or pay such claim on the Member's behalf directly to such member of the Crew or dependent thereof, provided always that;

- a the member of the Crew or dependent has no enforceable right of recovery against any other party and would otherwise be uncompensated;
- b the amount payable by the Association shall under no circumstances exceed the amount which the Member would otherwise have been able to recover from the Association under the Rules and the Member's terms of entry; and
- c with regard to liability, costs and expenses falling within Rule 18.2 above any payment made by the Association shall be made as agent only of the Member, and the Member shall be liable to reimburse the Association for the full amount of such payment.

Rule 56**Payments and undertakings to third parties**

- 1 The Association shall be under no obligation to provide any guarantee, certificate, bail or other security or undertaking ("security") for or on behalf of a Member, or to pay the costs of such provision.
- 2 The Association may at its discretion provide security or pay the cost of such provision in relation to liabilities within the scope of a Member's cover, and may recover any costs incurred thereby from the Member.
- 3 The Member shall indemnify the Association for any liability the Association may incur to a third party under or in connection with any security issued by the Association for or on behalf of the Member and for any payment made by the Association to a third party for or on behalf of the Member (irrespective of whether that liability was incurred, or that payment was made during or after the period of the Member's insurance by the Association), save to the extent that, had that third party pursued its claims in respect of the relevant liability against the Member rather than against the Association, or had that payment been made by the Member rather than by the Association, the Member would have been entitled to reimbursement pursuant to these Rules.
- 4 The Protective Co-assured shall indemnify the Association for any liability incurred or any payment made by the Association to a third party which are to be borne by the Protective Co-assured under the terms of the Charterparty.

Chapter 10 Assignment, law, arbitration and amendments to Rules

Rule 57 Assignment

- 1 The Member shall not assign or otherwise transfer its rights under its contract of insurance with the Association or otherwise arising pursuant to these Rules, save as provided in Rule 57.2.
- 2 The Association may, in its absolute discretion, consent to an assignment or transfer by of a Member of its rights as referred to in Rule 57.1, subject to such terms and conditions as the Association deems fit and subject to the Association's right to deduct from any sum due or to become due from the Association to any assignee or transferee of the Member's rights such amount as the Association may estimate to be sufficient to discharge any existing or anticipated liability of the Member to the Association.

Rule 58 Governing law

The legal relationship between the Association and the Member shall be governed by these Rules and Norwegian law, but the provisions of the Insurance Contracts Act of 16th June 1989 shall not apply.

Rule 59 Arbitration

Unless otherwise agreed, disputes between the Association and a Member or a former Member or any other person arising out of the contract of insurance or these Rules shall be resolved by arbitration. Each party shall nominate one arbitrator and those so nominated shall appoint an Umpire. If the arbitrators cannot agree on an Umpire or a party fails to nominate his arbitrator, the nomination shall be made by the Chief Justice of the Oslo City Court. Reasons shall be given for the award. Arbitration proceedings shall take place in Oslo.

Rule 60**Amendments to the Rules**

- 1 The Rules may be amended at any time with effect from the beginning of the following Policy Year, and the Association shall, where practicable, give notice of amendments to Members before 20th January.
- 2 If, in the determination of the Association, a substantial alteration of risk occurs, as a result of new legislation or for any other reason, the Association may make such amendments to the Rules as the situation may require, giving (save in the case where the amendment involves only the making available of additional cover to the Member) at least two months' notice of the amendment.
- 3 When war has broken out or, in the determination of the Association threatens to break out, the Association may decide that amendments shall come into force at shorter notice.

APPENDICES**Appendix I Premium conditions****A Premium adjustments for renewals and termination (Rule 10)****1 Premium deferral for renewal**

- a When a Vessel is entered for a Policy Year, the Association and the Member may agree that a proportion of the premium payable for that Policy Year shall be deferred and shall only be payable in the circumstances described in paragraph A.1(b).
- b If the Member terminates the entry pursuant to Rule 14 at the end of the Policy Year referred to in paragraph A.1(a), the deferred proportion of the premium payable shall become payable to the Association on demand. The Member shall have no other liability for payment of the deferred proportion, which shall be deemed to be cancelled on the entry being renewed for the next subsequent Policy Year or being terminated pursuant to Rule 15 or ceasing under Rule 16.

2 Additional premium on termination

On any termination of an entry under Rule 14 the Association may levy an additional premium determined by the Association, subject to the following:

- i where the loss ratio during the four year period ending on the date of termination, or the period of entry, if less than four years, is between 51 and 75 per cent, the additional premium shall not exceed five per cent of the premium payable in the last year of entry;
- ii where the loss ratio during the four year period ending on the date of termination, or the period of entry, if less than four years, exceeds 75 per cent, the additional premium shall not exceed ten per cent of the premium payable in the last year of entry.

B Terms of Contract (Rule 39.2)**1 Introduction**

- a The premium conditions set out in this paragraph B are applicable for all Vessels except US owned, operated or managed Vessels.
- b The Premium Rating agreed with the Member, and the cover available to the Member are subject to any contract entered into by the Member for the provision of services by the Vessel containing a division of liability which is either
 - i in accordance with these premium conditions or with the terms of entry; or
 - ii approved by the Association after the date of entry, and for which a variation in the Premium Rating is agreed.
- c For the purpose of these premium conditions:
 - i "Operator" means the party chartering the Vessel by way of a charterparty or other form of contract, including any other party having an owning interest in the field being serviced by the Vessel;
 - ii "Operator Group" means the Operator their respective co-venturers, its and their parents and Affiliates together with the other contractors of Operator;
 - iii a Vessel shall be deemed to be an accommodation vessel if the Association so determines.

- 2 Guidelines indicating how various contractual arrangements entered into by the Member will influence Premium Rating. Except to the extent set out specifically in relevant cases below, the following divisions of liability in contracts entered into are acceptable within the standard cover and Premium Rating:

- a Where the Member is liable for the injury, illness or death of his own employees and the employees of any of his sub-contractors.
- b Where the Member is liable for loss of or damage to his own property and property belonging to any of his sub-contractors, provided that cover is conditional upon the Member obtaining a hold harmless agreement from any of his sub-contractors in respect of liability for the sub-contractor's property in the care, custody or control of the Member, onboard or outside the Vessel.

- c Where the Member is liable for the injury, illness or death of the Operator's employees, or the employees of the Operator Group, subject as follows
- Note: In the event that the Member obtains a hold harmless undertaking from the Operator in respect of the Operator's employees, there shall be a rebate of 5 per cent of premium on the first USD 50 million of cover. In the event the Member obtains a hold harmless undertaking from the Operator in respect of the employees of the "Operator's Group", there shall be a rebate of 10 per cent of premium on the first USD 50 million of cover.*
- i In the case of accommodation vessels (including flotels), where the Member is liable in tort for the injury, illness or death of the accommodees of the Operator Group, provided that the number of such accommodees at risk does not exceed 15 persons.
- Note: In the event of the number of such employees exceeding 15 persons, cover is available for each excess tranche of up to 50 persons at an additional premium of 15 per cent on the first USD 50 million of cover, but subject always to a maximum additional premium of 50 per cent.*
- ii In the case of accommodation vessels (including flotels), where the Member is strictly liable in contract for the injury, illness or death of accommodees of the Operator Group, provided that the number of such accommodees at risk does not exceed 15 persons.
- Note: In the event of the number of such employees exceeding 15 persons, cover is available for each excess tranche of up to 10 persons at an additional premium of 5 per cent on the first USD 50 million of cover, but subject always to a maximum additional premium of 100 per cent.*
- d Where the Member is liable in tort for loss of or damage to property of the Operator's Group, provided that cover is conditional upon the Member obtaining a hold harmless agreement in respect of liability for such property in the care, custody or control of the Member, on board or outside the Vessel.

Appendix II Additional insurances – War risks

The Association has arranged additional War Risk P&I Cover for the benefit of Members insured for P&I risks pursuant to the Rules for P&I cover for Mobile Offshore Units. The terms and conditions for this additional War Risk P&I Cover are as follows:

War Risks P&I Cover for Mobile Offshore Units (the "War Risks P&I Cover")

The War Risks P&I cover afforded is subject to the Rules for P&I cover for Mobile Offshore Units (the "Rules"), save that the war risks exclusion in Rule 41 shall not apply. The War Risk P&I Cover shall apply to liabilities. Losses costs and expenses as set out in Chapter 6 of the Rules caused by war risks as defined in Rule 41. Such cover will include liability or loss in excess of the amounts recoverable under the Vessel's Hull and Machinery and/or Crew/Marine War Risks Insurance and any P&I inclusion clauses applicable thereto, but subject always to any special terms of entry agreed between the Association and the individual Member and set out in the relevant Vessel's Certificate of Entry. The maximum limit of cover is equal to the maximum policy limit for P&I risk.

Notice of Cancellation – Automatic Termination of Cover

The War Risks P&I cover is subject to the Institute Notice of Cancellation, Automatic Termination of Cover and War and Nuclear Exclusions Clause - Hulls etc. CL359 dated 1 January 1995.

R: Rules for P&I and Defence cover for ships and other floating structures

M: Rules for P&I cover for mobile offshore units

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BILLS OF LADING – DELIVERY OF CARGO

STANDARD FORMS OF LETTERS OF INDEMNITY TO BE GIVEN IN RETURN FOR:

A	Delivery of cargo without production of the original bill of lading
B	Delivery of cargo at a port other than that stated in the bill of lading
C	Delivery of cargo at a port other than that stated in the bill of lading and without production of the original bill of lading

In December 1998, the International Group of P&I Clubs issued a Circular to Members (see Gard Member Circular No 9/98) recommending revised wordings of the standard form Letters of Indemnity for use by Members in circumstances where they are requested to deliver cargo without production of the original bill of lading and/or to deliver cargo at a port other than that stated in the bill of lading.

As a result of comments from shipowners and shipowners' organisations, a further review of the wordings was undertaken and further modifications to the standard wordings were made. Moreover, discussions took place between the International Group and the British Bankers Association (BBA) and a separate standard wording was agreed on the basis of which banks members of the BBA would be prepared in principle to join in the Letters of Indemnity while, through the auspices of the International Chamber of Commerce, the BBA would endeavour to promote this agreed standard wording within the international business community.

In consequence of the agreement reached with the BBA, the three recommended standard form Letters of Indemnity are issued in two versions: INT GROUP A (for delivery of cargo without production of the original bill of lading), INT GROUP B (for delivery of cargo at a port other than that stated in the bill of lading against production of at least one original bill of lading), and INT GROUP C (for delivery of cargo at a port other than that stated in the bill of lading and without production of the original bill of lading) for use when the commercial party requesting delivery (the "Requestor") will alone be signing the Letter of Indemnity, and INT GROUP AA, INT GROUP BB and INT GROUP CC for use when a bank will be joining in the Letter of Indemnity and which forms incorporate, in addition to the same indemnities given by the Requestor under INT GROUP A, B and C, the separate standard wording agreed with the banks.

The principal features of the wordings are explained below.

Financial Limit

The liability of the Requestor should generally not be limited. However, where a bank is to join in the Letter of Indemnity it will generally insist upon a fixed monetary limit. The amount of the limit must be a matter for negotiation in order that it properly reflects the potential exposure in the particular circumstances, taking into account, *inter alia*, the sound market value of the cargo at the time of delivery, but it is recommended that the limit should be a minimum of 200% of the sound market value of the cargo at the time of delivery.

Duration of security

Under INT GROUP A and AA, the liability of the Requestor (and, hence, the bank under AA) terminates upon the delivery of all original bills of lading to the shipowner. If the original bills of lading are not delivered to the shipowner, the Requestor's liability under the Letter of Indemnity continues.

Subject to delivery of all original bills of lading as stated, and to the two exceptions described below, the bank's liability under INT GROUP AA is for an initial period of six years, but which is automatically renewable from time to time for further periods of two years at the request of the shipowner. The exceptions are (1) that, rather than agree to an extension of its liability, the bank has the option of discharging its liability by paying the maximum amount payable under its indemnity and (2) that, in the event of a demand being made by the shipowner to the bank for payment under the indemnity before the termination date, or in the event of the bank being notified by the shipowner of the commencement of legal proceedings against the shipowner before the termination date, the liability of the bank will continue until the demand has been paid or the legal proceedings have been concluded, the bank, if called upon so to do, paying the amount of any judgment or settlement payable by the shipowner if the Requestor has failed to do so.

Under INT GROUP B, C, BB and CC, since it is possible for a claim to be pursued against a shipowner for delivering cargo at a port other than that stated in the bill of lading despite cargo being delivered against production of the original bill of lading, or all original bills of lading being subsequently delivered to the shipowner (in particular, in circumstances where a charterer may require a cargo owner to receive his cargo at such other port against his wishes

and request the shipowner to accommodate his request), the liability of the Requestor will continue until it can be established to the satisfaction of the shipowner that no such claim will be made.

Accordingly, unless the shipowner is satisfied that no claim of this nature will be made, the liability of the bank under INT GROUP BB and CC will be as described under INT GROUP AA above.

Scope of security

The Requestor is obliged to provide bail or other security not only to prevent or lift the arrest of the ship the subject matter of the indemnity, but also any other ship in the same or associated ownership, management or control. In addition, the Requestor is obliged to provide bail or other security to prevent interference in the use or trading of the ship, such as a caveat being entered on the ship's registry to prevent the sale of the ship the subject matter of the indemnity.

Where a bank joins in the Letter of Indemnity it will generally not agree to provide bail or other security. However, the bank will pay any amount up to the limit of its liability under the Letter of Indemnity in order to enable the shipowner to arrange the provision of security if the Requestor fails to provide bail or other security.

Tankers

A provision designed to give greater security to tankers has been incorporated, whereby requested delivery of a bulk liquid or gas cargo to a terminal or facility, or to another ship, lighter or barge is to be deemed to be delivery to the party to whom delivery has been requested.

.....

Members are reminded that, unless the Association's Board of Directors otherwise determines, there is no cover in respect of liabilities arising out of the delivery of cargo without production of the original bill of lading and/or delivery at a port other than that stated in the bill of lading and that, in such circumstances, Members are strongly advised to ensure that they are fully satisfied with the financial standing and authority of those who are to issue and sign these indemnities.

The standard form Letters of Indemnity are designed to cover a broad range of trades and operations, and Members may wish to modify the standard forms to suit particular requirements. However, in this event, it must be appreciated that if a bank is to join in the Letter of Indemnity there may be limited scope for amendment, and that the Requestor's bank will have to be consulted if any material change is contemplated. The Managers will be pleased to advise Members regarding any proposed modification.

Finally, it is not uncommon for Members to be requested by charterers to agree clauses in charter parties which expressly provide for the delivery of cargo without production of bills of lading and/or at ports other than those stated in the bills of lading against Letters of Indemnity. Members are strongly advised not to accept such clauses and it is recommended that Members seek advice from the Managers before responding to such requests.

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INT GROUP A

Standard form letter of indemnity to be given in return for delivering cargo without production of the original bill of lading

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

Dear Sirs

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

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

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

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

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

Yours faithfully
For and on behalf of [insert name of Requestor]
The Requestor
.....
Signature

INT GROUP AA

Standard form letter of indemnity to be given in return for delivering cargo without production of the original bill of lading incorporating a bank’s agreement to join in the letter of indemnity

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

Dear Sirs

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

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

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

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

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

Yours faithfully
For and on behalf of [insert name of Requestor]
The Requestor
.....
Signature

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

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

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

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

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

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

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

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

Yours faithfully
 For and on behalf of *[insert name of bank]*
[insert full details of the office to which any demand or notice is to be addressed]

 Signature

INT GROUP B

Standard form letter of indemnity to be given in return for delivering cargo at a port other than that stated in the bill of lading

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

Dear Sirs

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

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

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

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

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

Yours faithfully
For and on behalf of [insert name of Requestor]
The Requestor
.....
Signature

INT GROUP BB

Standard form letter of indemnity to be given in return for delivering cargo at a port other than that stated in the bill of lading incorporating a bank's agreement to join in the letter of indemnity

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

Dear Sirs

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

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

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

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

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

Yours faithfully
 For and on behalf of [insert name of Requestor]
 The Requestor

 Signature

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

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

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

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

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

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

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

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

Yours faithfully
 For and on behalf of *[insert name of bank]*
[insert full details of the office to which any demand or notice is to be addressed]

 Signature

INT GROUP C

Standard form letter of indemnity to be given in return for delivering cargo at a port other than that stated in the bill of lading and without production of the original bill of lading

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

Dear Sirs

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

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

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

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

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

Yours faithfully
For and on behalf of [insert name of Requestor]
The Requestor
.....
Signature

INT GROUP CC

Standard form letter of indemnity to be given in return for delivering cargo at a port other than that stated in the bill of lading and without production of the original bill of lading incorporating a bank’s agreement to join in the letter of indemnity

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

Dear Sirs

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

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

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

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

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

Yours faithfully
For and on behalf of [insert name of Requestor]
The Requestor
.....
Signature

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

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

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

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

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

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

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

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

Yours faithfully

For and on behalf of *[insert name of bank]*

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

.....

Signature

