THE POWER FRONT SHIP OWNER MUTUAL INSURANCE ASSOCIATION

Rule Book

Rules of the Association governing Protection & Indemnity, Freight, Demurrage & Defence, Charterers' Risks and general conditions of cover.

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CLASS I

Protection and Indemnity

RULE 1

General Provisions

§1 Introductory

1. The cover set out in these Rules may be excluded, limited, modified or otherwise varied by any special terms expressly agreed in writing between a Member and the Association.
2. Subject to any special terms which may be agreed upon, a Member is only insured by the Association in respect of each vessel entered by him against any liabilities, costs and expenses incurred by him, provided always as below:

   (1) Such liabilities, costs and expenses arises:

   a) out of events occurring during the period of the policy year when his vessel is insured with the Association; and

   b) in respect of the Member's interest in the insured vessel; and

   c) in connection with the operation of the insured vessel by or on behalf of the Member.

   (2) They are not exclude by any provision, warranty, condition, exception, limitation, deductible, or other terms contained in these Rules or the terms of entry.

   (3) The Rules do not provide insurance coverage for any liabilities, costs, and expenses that a Member incurs in a capacity other than the one in which they have entered the insured vessel. This includes, but is not limited to, any losses suffered by the Member in their role as a cargo owner.

§2 Interpretation

In these Rules the following words or expressions shall have the following meanings unless the context otherwise requires:

"Association" means The Power Front Ship Owner Mutual Insurance Association.

"Applicant Member" in relation to a vessel which is desired or intended to be insured with the Association means an owner, operator or charterer (including a bareboat or demise charterer) of such vessel and any other person by whom or on whose behalf an application has been, is being or is to be made for the insurance of such vessel with the Association whether or not he is or is to be a Member of the Association.

"Bill of Loading" means bill of lading or similar document of title.

"Cargo" means goods carried onboard an Insured Vessel under a contract of carriage to which the Assured is a party, but excluding containers or other equipment owned or leased by the Assured.

"Certificate of Entry" means document issued by the Association, including (where the context permits) any endorsement note, which evidences the terms and conditions of the contract of insurance in respect of the insured vessel.

"Endorsement" means a document issued by the Association evidencing any variations or additions to the contract of insurance as contained in a Certificate of Entry of which it forms an integral part.

“Personal Effects” means personal property, documents, navigational or other technical instruments and tools brought on board, or being taken to or from an insured vessel by a seaman or supernumerary but excluding cash, valuables or any articles which in the opinion of the Association are not an essential requirement for the Master or a member of the crew as the case may be.

“Fines” means fines, penalties and other impositions similar in nature to fines imposed in respect of any insured vessel by any court, tribunal or authority of competent jurisdiction.

“Fleet” means any two or more vessels insured hereunder having common nominal, or beneficial, ownership, management or control.

“Insured Vessel” means a vessel which has been insured with the Association.

“In Writing/Written” means visibly expressed in any mode of permanently representing or reproducing words including telegram, facsimile transmission and other electronic communication.

“Member” means 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.

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

“Ship Manager” means a ship manager or other managing agent acting on behalf of the owner of an entered ship.

“Passenger” means a person carried on board an entered ship by virtue of holding a passenger ticket.

“Crew” means 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.

“Charterer’s Entry” means an entry effected by a charterer and which does not insure any other person except as a Co-assured or an Affiliate

“Estimated Total Call” means the agreed rate of premium in respect of an entry for a Policy Year, or the fixed premium payable to the Association on a fixed premium entry, according to the terms of the Ship’s entry.

“Vessel” means any ship, boat, hydrofoil, hovercraft or other description of vessel (even when still under construction) used or intended to be used for any purpose whatsoever in navigation or otherwise on, under, over or in water or any part thereof or any proportion of the tonnage or any share therein.

“Release Call” means any premium which may be payable on termination or cesser of an entry (other than a fixed premium entry).

“Tonnage” means the gross tonnage of a ship as certified or stated in the Certificate of Registry or other official documents relating to the registry of the ship and 'ton' refers to the unit of such tonnage.

“Owner” means the registered legal owner(s) of the Insured vessel.

“Third Party” means any person or other legal entity not a contractual party to this policy.

§3 Application for Insurance

1. Any applicant Member who desires to insure a vessel with the Association shall make application for such insurance in such form or manner as may from time to time be required, or which may otherwise satisfy, the Association.

2. The particulars given by an applicant Member in any form of application, together with any other particulars or information given to the Association in the course of applying for insurance, or negotiating changes in its terms, shall, if the insurance of the vessel be accepted, be deemed fundamental to the contract of insurance between the Member and the Association. It shall be a condition precedent of such insurance that all the said particulars and information were true so far as the applicant Member knew or could with reasonable diligence have ascertained. 3. The Association shall be entitled, as a matter of their absolute discretion and without giving any reason, to refuse any application of a vessel for insurance in the Association whether or not the applicant Member of such vessel is already a Member of the Association.

§4 Assignment

1. No insurance provided by the Association and no interest under these Rules or under any contract between the Association and any Member, Joint Member, Co-assured or Affiliate may be assigned without the written consent of the Association who shall have the right in their absolute discretion to give or refuse such consent without stating any reason, or to give such consent upon any terms or conditions as they may think fit. Any purported assignment made without such consent or without there being due compliance with any terms and conditions as the Association may impose shall, unless the Association in their absolute discretion otherwise decide, be void and of no effect.

2. Notwithstanding any written consent of the Association or specific agreement contained in a Certificate of Entry or Endorsement thereto allowing assignment in accordance with Rule 1.4.1 above, the Association shall be entitled in settling any claim presented by the assignee to deduct or retain such amount as then estimated to be sufficient to discharge any liabilities of the assignor to the Association, whether existing at the time of the assignment or having accrued or being likely to accrue thereafter.

§5 Other Insurance

1. The Association shall not cover:

   (1) 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;

   (2) liabilities, losses, costs or expenses recoverable under any other insurance or which would have been so recoverable:

      a) apart from any term in such other insurance excluding or limiting liability on the ground of double insurance; and

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

   (3) 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.

§6 Classification and Statutory Requirements

1. Unless otherwise agreed in writing between the Member and the Association, the following conditions are fundamental terms of the insurance of every insured vessel:

   (1) the Ship shall be and remain throughout the period of insurance classed with a classification society approved by the Association;

   (2) the Member shall promptly report to 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;

   (3) 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; (4) 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;

   (5) 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;

   (6) 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 1.6.1.(4).

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 1.6, 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 1.6.1.(2), (3), (4), (5) and (6) above.

§7 Claims

1. General Conditions in regards to Claims

   (1) Without prejudice to any other provision of these Rules and without waiving any of the Association's rights hereunder, the Association may at any and all times appoint and employ on behalf of a Member, upon such terms as the Association may think fit, lawyers, surveyors or other persons for the purpose of dealing with any matter liable to give rise to a claim by a Member upon the Association, including investigating or advising upon any such matter and taking or defending legal or other proceedings in connection therewith. The Association may also at any time discontinue such employment if they think fit.

(2) All lawyers, surveyors and other persons appointed by the Association on behalf of a Member, or appointed by a Member with the prior consent of the Association, shall at all times be and be deemed to be appointed and employed on the terms that they have been instructed by the Member at all times (both while so acting and after having retired from the matter) to give advice and to report to the Association in connection with the matter without prior reference to the Member and to produce to the Association without prior reference to the Member any documents or information in their possession or power relating to such matter, all as if such person had been appointed to act and had at all times been acting on behalf of the Association.

2. Members' Obligations in regard to Claims

(1) Any happening, occurrence, event or matter (including, but not limited to, any legal or arbitration proceedings commenced against the Member) which may be liable to cause the Member to incur loss, damage, liabilities, costs or expenses for which he may be insured by the Association shall be notified promptly to the Association by the Member on it being known by him. In so far as there may be any difference of opinion between the Member and the Association as to whether any happening, occurrence, event or matter is or was such as might be liable to cause the Member to incur loss, damage, liabilities, costs or expenses, or as to whether the Member knew or ought to have known of such happening, occurrence, event, or matter as aforesaid, or as to whether such happening, occurrence, event or matter was notified promptly to the Association by the Member, the determination of the Association shall be final. A Member shall take and continue to take all such steps as may be reasonable for the purpose of averting or minimizing any expense or liability in respect whereof he may be insured by the Association.

(2) A Member shall disclose and produce to the Association all information, documents or reports in or coming into his or his agents' (including lawyers') possession, power or knowledge relevant to any such casualty, event or claim available at the time of notification and at any other time.

(3) Whenever required by the Association, a Member shall aid in securing information and evidence and in obtaining witnesses and shall cooperate with the Association in the defense of any claim or suit or in the appeal from any judgment, in respect of any happening or occurrence as herein provided.

(4) A Member shall neither settle nor make any admission in respect of liabilities, costs or expenses for which he is insured without the prior written consent of the Association.

(5) If a Member commits any breach of any of his obligations under this Rule 1.7.2.(1) to (4) inclusive, the Association may reject or reduce any recovery to which such breach may appear to the Association to be relevant.

3. Powers of the Association in regard to Claims

(1) The Association shall have the right if they so decide to control or direct the conduct of any claim or legal or other proceedings relating to any liability, loss or damage in respect whereof a Member is or may be insured in whole or in part, and to require a Member to settle, compromise or otherwise dispose of such claim or proceedings in such manner and upon such terms as the Association see fit.

(2) If a Member does not settle, compromise or dispose of a claim or legal or other proceedings after being required to do so by the Association in accordance with Rule 1.7.3.(1) above, any eventual recovery by the Member from the Association in respect of such claim or proceedings shall be limited to the amount he would have recovered if he had acted as required by the Association.

4. Time Bar in regard to Claims

(1) In the event that:

a) a Member fails to fulfill his duty of prompt notification as contained in Rule 1.7.2.(1) above; and/or

b) a Member fails to submit a claim to the Association for reimbursement of any liabilities, costs or expenses within six months after discharging or settling the same;

the Member's claim against the Association shall be discharged and the Association shall be under no liability in respect thereof. (2) Without prejudice to paragraph (1) of this Rule, in no event shall any claim be recoverable from the Association unless written notice thereof has been given to Association within two years after the Member knew or ought to have known of the happening, occurrence, event or matter giving rise to the claims. In so far as there may be any difference of opinion between the Member and the Association as to whether the Member knew or ought to have known of such happening, occurrence, event or matter giving rise to the claim as aforesaid, the determination of the Association shall be final.

5. Other Provisions in regard to Claims (1) Unless otherwise expressly agreed in writing by the Association, where the Association has paid a claim to or on behalf of a Member, the whole of any recovery from a third party in respect of that claim shall be credited and paid to the Association up to an amount corresponding with the sum paid by the Association together with any interest element on that sum comprised in the recovery; provided however that where, because of a deductible in his terms of entry, the Member has contributed to settlement of the claim, 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.

   (2) It is a condition precedent of a Member's right to recover from the funds of the Association in respect of any liabilities, costs or expenses that he shall first have discharged and paid the same out of funds belonging to him unconditionally and not by way of loan or otherwise.

§8 Provision of Security

1. The Association may, but shall in no case be obligated to, provide on behalf of a Member security to prevent the arrest or attachment or obtain the release from arrest or attachment or any other form of restraint or detention in respect of an vessel or the Member's other property or assets or funds. Should the Association do so, the security shall be provided on such terms as the Association in their absolute discretion deem appropriate, and the Member shall upon first demand made at any time by the Association in writing arrange such countersecurity (which countersecurity may in the Association' absolute discretion include a deposit of cash with the Association) as the Association may require, and (with or without such countersecurity having been required or arranged) the Member shall promptly indemnify the Association in consequence of any security provided by the Association.

2. In the event that a Member does not arrange such countersecurity as may have been required or does not indemnify the Association as aforesaid, the Association, without prejudice to its other rights, shall be entitled to retain any and all amounts which would otherwise be recoverable by such Member, notwithstanding that the same may have no connection with the liability in respect of which the original security was provided and may relate to other periods of cover before or after that liability was incurred by the Member or to another insured vessel. The provision of security by the Association shall be without prejudice to the Association's possible declination of liability to the Member for the claim in question.

3. Notwithstanding the foregoing, in no circumstances shall the Association be liable for the detention of an insured vessel or for any other detention or attachment of a Member's funds or assets, or for any damage whatsoever caused to a Member by reason of the provision or non-provision of security of whatever kind.

§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. The Member shall afford such facilities as may be required for such inspection, and shall comply with such recommendations as the Association may make following such inspection.

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 1.9.1.

3. Should the Member refuse to co-operate in an inspection under Rule 1.9.1, or fail to give notice in accordance with Rule 1.9.2, 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 Vessel that would have been detected in the course of an inspection under Rule 1.9.1.

4. Where an inspection reveals matters which, in the sole determination 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.

5. By applying for an entry of a Vessel or upon the continuation of the entry of the Vessel in the Association, the Member; (1) consents to and authorizes the disclosure by the Association to any reinsurer 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.

   (2) 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:

   a) such survey or inspection reports may only be disclosed to another association when an application for entry of such ship is made thereto; and

   b) the disclosure of the survey or inspection shall be for the limited purpose only of that association considering an application to enter such ship for insurance.

§10 Administrative Costs, Insolvency and Sanctions etc.

1. The Association shall not cover:

   (1) the Member's internal administrative costs or expenses;

   (2) 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 13.87.1(1) and (2).

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 and/or its Agent 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 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.

§11 Members and Successors Bound by Rules

A Member or other person by whom or on whose behalf an application is made for insurance or reinsurance by the Association shall be deemed to have agreed not only on his own behalf but also on behalf of his successors and each of them that both he and they will in every respect be subject to and bound by all of the provisions of the Member's contract of insurance with the Association.

RULE 2

Risks Covered

§12 Liabilities in respect of Crew

1. The Association shall cover:

   (1) liabilities to pay hospital, medical, maintenance, funeral, and other costs and expenses incurred in relation to the injury, illness, or death of a member of the Crew. This coverage includes the costs and expenses associated with repatriating the member of the Crew and their personal effects, as well as the option to send an urn of ashes or coffin and personal effects in the case of death. Additionally, the Association shall cover costs and expenses that are necessarily incurred in sending a substitute to replace the repatriated or deceased member of the Crew;

   (2) liability to repatriate and compensate a member of the Crew for the loss of their employment caused as a result of the actual or constructive total loss of the Ship or a major casualty that renders the Ship unseaworthy, necessitating the signing off of the Crew;

   (3) liability to pay compensation or damages in relation to the injury to, or illness or death of, a member of the Crew;

   (4) 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;

   (5) liability for wages payable to an injured or sick member of the Crew or on death to his estate;

   (6) liability in respect of loss of or damage to the personal effects of a Crew member ; provided that under this Rule 2.12.1:

      a) 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;

      b) 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;

      c) 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; d) 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:

   (1) costs and expenses which are not recoverable under Rule 2.12.1 and which are necessarily incurred in sending a substitute to replace a member of the Crew who has been left behind;

   (2) costs and expenses which are not recoverable under Rule 2.12.1, 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

   (3) 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 (1), (2) and (3) do not arise out of or in consequence of:

      a) the termination of any agreement; or

      b) breach by the Member of any agreement or other contract of service or employment; or

      c) sale of the Ship; or

      d) 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 as amended 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 2.12.3 in respect of the Member's liability for such expense under the Maritime Labour Convention 2006 as amended.

4. Where the Association has issued to a Member certificates of insurance or other financial security in respect of shipowners' liability as required under Regulation 4.2, Standard A4.2.1 paragraph 1(b) or Regulation 2.5 Standard A2.5.2 of the Maritime Labour Convention 2006 as amended (MLC Certificates), the Association shall discharge and pay on behalf of the Member the liabilities, losses, costs and expenses set out in and subject to the conditions in the Maritime Labour Convention Extension Clause 2016 included in Appendix IV, section 4, to these Rules. The terms and conditions of the Maritime Labour Convention Extension Clause 2016 shall be deemed to be part of the contract of insurance with a Member upon the approval by the Association of a Member's application for MLC Certificates.

§13 Liabilities in respect of Passengers

1. The Association shall cover:

   (1) 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;

   (2) 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;

(3) 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:

a) the Association's liability under paragraphs (1) and (2) 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;

b) the Association's liability under paragraph (3) above shall be subject to the provisos to Rule 2.12.2;

c) the cover shall be subject to proviso (c) to Rule 2.12.1; and

d) for the purpose of paragraph (2) above a casualty shall be defined as an incident or condition on board involving either collision, stranding, explosion, fire or any other cause affecting the physical condition of the Ship so as to render it 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:

(1) 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

(2) 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 agreed in writing between the Member and the Association:

a) 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 b) if and to the extent any Certified Liabilities discharged by the Association exceed the said limit any payment by the Association in respect thereof shall be by way of loan and the Member shall indemnify the Association in respect of such payment.

§14 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:

a) 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;

b) the cover shall be subject to proviso (c) to Rule 2.12.1.

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 2.12.2.

§15 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.

§16 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 to transfer a deceased crew member or other person on board to shore for repatriation, 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.

§17 Stowaways or Persons Saved at Sea

The Association shall cover costs and expenses directly and reasonably incurred in consequence of the Ship having stowaways 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.

§18 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.

§19 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:

   (1) 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;

   (2) 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 2.19.1 does not include: a) liabilities, costs and expenses arising out of delivery of cargo under a negotiable Bill of Lading (including an electronic bill of lading) without production (or the equivalent thereof in the case of an electronic bill of lading) of that Bill of Lading by the person to whom delivery is made except where cargo has been carried on the Ship under either the terms of a non-negotiable Bill of Lading, waybill or other nonnegotiable 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; or under the terms of an approved electronic trading system and has been properly delivered to the person so entitled in accordance therewith. b) 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;

c) 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;

d) 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;

e) 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;

f) 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.

g) 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;

h) 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;

i) 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; j) 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;

k) 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.

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.

§20 Extra Handling Costs

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

(1) 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;

(2) 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 2.20 of extra costs and expenses which:

a) the Member is able to recover from any other party; or

b) are excepted from cover under Rule 2.31.1, or

c) form part of the daily running costs and expenses of the Ship.

§21 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:

(1) a) one fourth of the liability incurred by the member; or b) four fourths, of such liability; or c) such other fraction of such liability as may be applicable and have been agreed with the Association;

(2) 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:

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 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 2.21.1 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.

§22 Damage to Fixed or Floating Objects

The Association shall cover: (1) 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;

(2) 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 2.22 in respect of any deductible borne by the Member under the Hull Policies.

§23 Pollution

1. The Association shall cover:

(1) 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; (2) 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 2.23 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, including any addendum to, or variation or replacement of such 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 2.23 in respect of such a Ship so long as the Member is not a party to TOPIA.

§24 Loss of or Damage to Property

The Association shall cover liability for loss of or damage to property not specified elsewhere in this chapter.

§25 Liability for Obstruction and Wreck Removal

The Association shall cover:

(1) costs and expenses incurred, 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;

(2) 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:

a) for the purpose of this rule, 'casualty' means collision, stranding, explosion, fire or similar fortuitous event;

b) 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

c) the realised value of the wreck and other property saved shall be credited to the Association.

§26 General Average

The Association shall cover:

(1) 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;

(2) 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 2.26.2 in any particular case if the Association shall in its absolute discretion so determine.

§27 Salvage

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

(1) pursuant to Article 14 of the International Convention on Salvage 1989; or

(2) pursuant to Article 14 of the International Convention on Salvage 1989, as incorporated into Lloyd's Open Form of Salvage Agreement or into any other salvage contract approved by the Association; or

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

§28 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:

(1) within the cover available under any other Rule; and

(2) not excluded by Rule 2.28.2 or 2.28.3.

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:

(1) a contract entered into for the purpose of entering or leaving port, or manoeuvring within the port, during the ordinary course of trading; or

(2) 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

(3) 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:

(1) the towage or attempt thereat is made for the purpose of saving or attempting to save life or property at sea; or

(2) 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. (d) Supplytime ② The Association will otherwise expect contracts incorporating terms as between the Member on the one part, and the owner of the tow and the owners of any cargo or other property on board the tow on the other part, that each shall be responsible for any loss or damage to his own ship, cargo or property, without any recourse against the other.

(3) cover has been agreed with the Association prior to the commencement of the towage.

§29 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.

§30 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.

§31 Measures to Avert or Minimise Loss

The Association shall cover:

(1) extraordinary costs and expenses reasonably incurred on or after the occurrence of a casualty or event, including liability for such extraordinary costs and expenses incurred by a third party, for the purpose of avoiding or minimising any liability on the Association, other than:

a) costs and expenses claimable in general average; b) costs and expenses relating to the Ship being overloaded or the cargo being incorrectly stowed;

c) 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;

d) costs and expenses resulting from making the Ship seaworthy for receiving cargo;

(2) losses, costs and expenses incurred at the direction of the Association.

§32 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:

(1) 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 2.19 (other than fines or penalties arising from smuggling of goods or cargo or any attempt thereat);

(2) breach of any immigration law or regulations;

(3) 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 2.23, and subject to the applicable limit of liability under the P&I entry in respect of oil pollution risk;

2. The Association may, in its sole discretion, cover in whole or in part a fine or penalty other than those listed in Rule 2.32.1 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 2.32.2 above.

§33 Disinfection and Quarantine Expenses

The Association shall cover extraordinary costs and expenses (in respect of quarantine, disinfection, fuel, insurance, stores, provisions and port charges) necessarily incurred by the Member as a direct consequence of a quarantine order regarding the Ship or Crew or disinfection of the Ship or Crew, on account of an infectious disease on board, provided always that there shall be no recovery

(1) where the Ship has been ordered to a port where the Member knew or ought to have known that she would be quarantined and/or would require disinfection (unless and to the extent that the Association shall in its absolute discretion determine otherwise), and

(2) in respect of expenses for loss of time, loss of market, delay or similar.

§34 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:

(1) 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;

(2) the Member shall have satisfied the Association that he took all 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;

(3) 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;

(4) the Association shall be under no obligation to give reasons for its decision.

§35 Damage to Member's Own Property

(1) 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 Rule 2.21 (collision with other ships), 2.22(damage to fixed or floating object), 2.24 (loss of or damage to property) or 2.25.2 (liabilities for obstruction) as if the property belonged to a third party; and

(2) 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 2.19 (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.

RULE 3

Limitations, Risks Excluded etc. on P&I cover

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

§36 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.

§37 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 expressly agreed in writing between the Member and the Association;
2. The Association's obligation to pay a compensation in respect of an Overspill Claim shall be subject to such terms and conditions expressly agreed in writing between the Member and the Association.

§38 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 expressly agreed in writing between the Member and the Association.

§39 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 expressly agreed in writing between the Member and the Association.
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 expressly agreed in writing between the Member and the Association.

§40 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.

§41 Terms of Contract

The Association shall not cover under a P&I entry liabilities, losses, costs or expenses: (1) 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;

(2) 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 expressly agreed in writing between the Member and the Association or which the Association has otherwise prescribed.

§42 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:

(1) personnel (other than marine crew) on board the Ship employed otherwise than by the Member, where the Ship is providing accommodation to such personnel in relation to their employment on or about an oil or gas exploration or production facility, unless a contractual allocation of such risk, on terms no less favourable to the Member than Knock for Knock, has been approved by the Association;

(2) 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.

§43 Liability Occurring During Through Transports

The Association shall not cover under a P&I entry: (1) 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:

a) carriage to and from the Ship in its own boats, or in port by means of other boats, or

b) repatriation of injured or sick passengers or of passengers following a casualty to the Ship, or

c) shore excursions from the Ship (subject to the provisions of Rule 3.43.2 below);

(2) liabilities, losses, costs and expenses incurred by the Member under a contract in respect of passengers on the Ship while on an excursion from the Ship where either:

a) that contract has been separately entered into by the passenger for the excursion whether or not with the Member, or b) the Member has waived any or all of his rights of recourse against any sub-contractor or third party in respect of the excursion;

(3) 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.

§44 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:

(1) 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 (1), 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);

(2) capture, seizure, arrest, restraint or detainment, (barratry and piracy excepted, provided always that ransom shall not be recoverable unless and to the extent the Association shall in its absolute discretion determine otherwise), and the consequences thereof or any attempt thereat;

(3) 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 3.44.1 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

a) a guarantee or other undertaking given by the Association to the Federal Maritime Commission under Section 2 of US Public Law 89-777, or

b) a certificate issued by the Association in compliance with Article VII of the International Conventions on Civil Liability for Oil Pollution Damage 1969 or 1992 or any amendments thereof, or

c) an undertaking given by the Association to the International Oil Pollution Compensation Funds in connection with the Small Tanker Oil Pollution Indemnification Agreement as amended (STOPIA), or, except where such liabilities, costs and expenses arise from or are caused by an act of terrorism, the Tanker Oil Pollution Indemnification Agreement as amended (TOPIA), or

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

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

f) a certificate under Regulation 4.2, Standard A 4.2.1, paragraph 1 (b) of the Maritime Labour Convention as amended to the extent such liabilities, costs and expenses are not or would not be recoverable by the Member under standard P&I war risks policies of insurance had the Member entered into such policies of insurance and complied with all the terms and conditions thereof 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.

§45 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 dredging, blasting, pile-driving, well intervention, cable or pipelaying, construction, installation or maintenance work, core sampling, mining, depositing of spoil, power generation and decommissioning to the extent that such liabilities, losses, costs and expenses arise as a consequence of:

(1) 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

(2) 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

(3) 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: a) loss of life, injury or illness of crew and other personnel on board the Ship;

b) the wreck removal of the Ship; or

c) oil pollution from the Ship or the threat thereof 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.

§46 Drilling, Production Vessels, Barges and Heavy Lift Vessels

1. For a Ship carrying out drilling or production operations in connection with oil or gas exploration or production, 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 for the purpose of this Rule 3.46.1

(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: a) the oil is transferred directly from a producing well to the storage vessel; or

b) the storage vessel has oil and gas separation equipment on board and gas is being separated from oil whilst on board the storage vessel other than by natural venting; and

(2) in respect of any Ship employed to carry out production operations in connection with oil or gas production, the exclusion in this Rule 3.46.1 shall apply from the time that a connection, whether directly or indirectly, has been established between the Ship and the well 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.

§47 Submarines, Diving Bells, Remotely Operated Underwater Vehicles and Divers

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

(1) the operation by the Member of submarines, mini-submarines, diving bells or remotely operated underwater vehicles; or

(2) the activities of professional or commercial divers where the Member is responsible for such activities other than

a) 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

b) 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

c) recreational diving activities.

§48 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 cleanup 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.

§49 Excluded Losses

1. The Association shall not cover under a P&I entry, except where and to the extent that they form part of a claim for expenses under Rule 2.31 (measures to avert or minimise loss):

   (1) 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 2.34 (Confiscation of the Ship); (2) 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;

   (3) 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 2.26 (General average);

   (4) 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;

   (5) 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 2.18 (Life salvage), Rule 2.26 (General average) or Rule 2.27 (Salvage);

   (6) liabilities, losses, costs or expenses arising out of salvage operations (including for the purpose of this sub-paragraph (6), wreck removal) conducted by the Ship or provided by the Member, other than: a) 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

      b) 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;

   (7) liabilities, losses, costs or expenses arising out of cancellation of a charter or other engagement of the Ship;

   (8) 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 2.19;

   (9) liabilities, losses, costs or expenses which would have been recoverable in general average if the unamended York Antwerp Rules had been incorporated into the charterparty or the contract of carriage; (10) 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 (10) 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:

a) are documents of title, or b) entitle the holder to delivery or possession of the goods referred to in such documents, or

c) 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 (10) 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.

CLASS II

Freight, Demurrage and Defence

RULE 4

Risks Covered

§50 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:

(1) contracts of affreightment, charterparties, bills of lading or other contracts of carriage;

(2) loading, lightering, stowing, trimming or discharge of cargo;

(3) passengers and passenger monies;

(4) loss of or damage to the Ship or general average; (5) delay of the Ship;

(6) property damage, personal injury or loss of life;

(7) repairs or deliveries to the Ship;

(8) salvage or towage unless the Ship is respectively a salvage vessel or tug;

(9) agents or brokers;

(10) insurance contracts pertaining to the Ship; (11) customs, harbour or other public or quasi-public authorities, but not legal and other costs incurred in connection with or relating to:

a) 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

b) actual or alleged infringement(s) of legislation or regulations relating to safety, navigation or prevention of pollution.

§51 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:

(1) 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; (2) sale of the entered Ship;

(3) conversion of the Ship, including claims in connection with the future employment of the Ship being subject to conversion, 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 the Ship;

(4) alterations to the Ship, including claims in connection with the future employment of the Ship being subject to alteration.

RULE 5

Limitations etc. on Defence cover

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

§52 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:
   (1) there is no reasonable relation between the amount in dispute and the costs which are likely to be incurred;
   (2) 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;
   (3) the Member has failed to carry out his obligations under these Rules; (4) the claim is unreasonable or tainted with illegality or other improper conduct;
   (5) for any other reason Defence cover should not apply.
2. The Association shall be under no liability to reimburse a Member for costs incurred:
   (1) before the Association has been notified of a claim under the Defence cover;
   (2) by the employment of lawyers, experts and other advisers appointed by the Member without the Association's approval.

§53 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 Estimated Total 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.

§54 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:
   (1) 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;
   (2) 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;

(3) any of the circumstances set out in Rule 5.52 subsequently materialize or are brought to the attention of the Association.

§55 Limitation

1. The Association shall not be obliged to compensate under a Defence entry legal and other costs falling within the scope of Rule 4.51 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 4.51.1 and 2.51.2 in excess of the limitation expressly agreed in writing between the Member and the Association 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 4.51 (sale and purchase disputes exempted) in excess of the limitation expressly agreed in writing between the Member and the Association per event.
3. The Association shall determine in its absolute discretion whether legal and other costs for the purpose of this Rule 5.55 shall be deemed to fall within the scope of Rule 4.50 or 4.51 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.

CLASS III

Insurance for Charterers' Risk

RULE 6

Introductory, Interpretation, Membership and General Provisions

§56 Introductory Provisions

1. Each and every provision of the By-Laws of the Association and of these Rules of Class III are applicable to all insurances for Charterers' Risks provided by the Association. Provided always, however, that the cover provided by these Rules of Class III shall in no circumstances apply to a charterer who has been named as a Co-assured in an insurance of a Member.
2. The standard cover afforded by the Association to a Member who has insured his vessel with the Association for Charterers' Risks only as defined herein is set out in Rule 7 below.
3. The cover set out in these Rules may be excluded, limited, modified or otherwise varied by any special terms expressly agreed in writing between a Member and the Association.
4. A Member is only insured against loss, damage, liability or expense incurred by him which arises:
   (1) out of events occurring during the period when his vessel is insured with the Association; and
   (2) solely and exclusively in respect of a Member's interest in the insured vessel as time or voyage charterer thereof; and
   (3) in connection with the operation of the insured vessel by the Member solely and exclusively as time or voyage charterer thereof.
5. Provided always each and every insurance provided under the terms of these Rules of Class III shall be subject to a Member's maximum right of recovery which shall in all cases be set at a prescribed monetary figure for the various interests insured hereunder and as shall have been agreed in individual cases between the Member and the Association.

§57 Interpretation

Except as expressly provided for hereunder, and to the extent that their meanings are consistent with the subject and context of these Rules of Class III, the words and expressions set out in Rule 1.2 of Class I shall have the same meanings in these Rules of Class III. In these Rules the following words and expressions shall have the following meanings if not inconsistent with the subject or context thereof:

"Member" means a time or voyage charterer (being other than a bareboat or demise charterer) of an insured vessel, or any other party having a similar capacity in respect of an insured vessel which the Association may in their absolute discretion deem to have an insurable interest under these Rules of Class III.

"Charterparty" means a contract governing the time or voyage charter (being other than a bareboat or demise charter) of an insured vessel, the form of which shall have been approved in writing by the Association, or any other contract in the nature of a time or voyage charter which the Association in their absolute discretion may consider sufficient to create an interest capable of insurance under these Rules of Class III.

"Insured Vessel" means a vessel which has been insured with the Association in Class III.

RULE 7

Risk Covered

§58 Protection and Indemnity Insurance

1. The terms of Rule 2 of Class I, to the extent that they are consistent with the subject and context of these Rules of Class III, shall be deemed to be incorporated in and form an integral part of this Rule 7.58 of Class III.
2. However, notwithstanding the generality of the foregoing, cover provided by this Rule 7.58 of Class III shall apply solely and exclusively to the extent that the relevant risk and/or loss arises out of, or is incurred in relation to, a Member's status as time or voyage charterer of an insured vessel, or in another capacity in relation thereto as shall have been expressly agreed by the Association as sufficient to create an interest capable of insurance under these Rules of Class III.

§59 Freight, Demurrage & Defense Insurance

1. The terms of Rule 4 of Class II, to the extent that they are consistent with the subject and context of these Rules of Class III, shall be deemed to be incorporated in and form an integral part of this Rule 7.59 of Class III.
2. However, notwithstanding the generality of the foregoing, cover provided by this Rule 7.59 of Class III shall apply solely and exclusively to the extent that the relevant risk and/or loss arises out of, or is incurred in relation to, a Member's status as time or voyage charterer of an insured vessel, or in another capacity in relation thereto as shall have been expressly agreed by the Managers as sufficient to create an interest capable of insurance under these Rules of Class III.

RULE 8

Limitations, Risks Excluded etc. on P&I cover

§60 Protection and Indemnity Insurance

1. The terms of Rule 3 of Class I, to the extent that they are consistent with the subject and context of these Rules of Class III, shall be deemed to be incorporated in and form an integral part of this Rule 8.60 of Class III.
2. Provided further that any vessel insured under the terms of Rule 7.58 shall be deemed to be fully insured under Rules 7.59 and a Member shall not be entitled to recover any claims, costs and expenses under Rule 7.58 which would have been recoverable under Rules 7.59.

§61 Freight, Demurrage & Defense Cover

1. The terms of Rule 5 of Class II, to the extent that they are consistent with the subject and context of these Rules of Class III, shall be deemed to be incorporated in and form an integral part of this Rule 8.61 of Class III. 2. Provided further that any vessel insured under the terms of Rule 7.59 shall be deemed to be fully insured under Rules 7.58 and a Member shall not be entitled to recover any costs and expenses under Rule 7.59 which would have been recoverable under Rules 7.58.

CLASS IV

Others

RULE 9

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 Class I and II respectively.

§62 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.

§63 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:
   - **(1)** ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel
   - **(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)** any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter d 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 6.57.1 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
   - **(1)** a guarantee or other undertaking given by the Association to the Federal Maritime Commission under Section 2 of US Public Law 89-777, or
   - **(2)** a certificate issued by the Association in compliance with Article VII of the International Conventions on Civil Liability for Oil Pollution Damage 1969 or 1992 or any amendments thereof, or
   - **(3)** a non-war certificate issued by the Association in compliance with either Article IV bis of the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 2002 and Guidelines for its implementation or Regulation (EC) No. 392/2009 of the European Parliament and of the Council which gives effect thereto, or
   - **(4)** 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

(5) an undertaking given by the Association to the International Oil Pollution Compensation Funds in connection with the Small Tanker Oil Pollution Indemnification Agreement as amended (STOPIA), or, except where such liabilities, costs and expenses arise from or are caused by an act of terrorism, the Tanker Oil Pollution Indemnification Agreement as amended (TOPIA), or

(6) 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.

§64 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.

§65 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.

§66 Deductibles

Unless otherwise agreed, cover shall be subject to the deductibles expressly agreed in writing between the Member and the Association.

RULE 10

Entries and Duration of Cover

§67 Entries

1. 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.
2. 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.

§68 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.

RULE 11

Conditions of Cover

§69 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 Estimated Total Call 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 Estimated Total Call 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 Estimated Total Call 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 Estimated Total Call 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.

§70 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 Estimated Total Call 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 Estimated Total Call 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 12

Premiums and Calls

§71 Setting of Estimated Total Calls

1. Each Ship's Estimated Total Call 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 Estimated Total Calls, 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. A Defence entry shall always be on a fixed premium basis. The provisions of Rules 67, 68, 70, 71, 72, 73 and 74 shall not apply to fixed premium entries.

§72 Variation of Estimated Total Calls

1. The Association may determine that for the next ensuing Policy Year the Estimated Total Calls 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 Estimated Total Calls effective for the following Policy Year shall, if practicable, be given to Members 30 days before cover termination.

§73 Estimated Total Calls and Owners' General Discount

1. Before the commencement of each Policy Year, the Association shall decide whether and to what extent the Members renewing their entries in the Association shall be granted an Owners' General Discount in the Estimated Total Calls of all Ships entered for that year. 2. Notification of the Owners' General Discount in the Estimated Total Call to be granted Members renewing their entries in the Association shall, if practicable, be given to Members one calendar month before the commencement of the Policy Year to which the Estimated Total Call relates.
3. A Ship entered in the course of the Policy Year shall pay a daily pro rata proportion of the stipulated Estimated Total Call adjusted for the Owners' General Discount if the Member is entitled to such discount pursuant to Rule 12.73.1.

§74 Supplementary Calls

If the Estimated Total 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 Estimated Total Calls for such year, unless the entry has been accepted on special terms which otherwise provide.

§75 Determination of Estimated Total Calls, Owners' General Discount and Supplementary Calls etc.

The Association may determine Estimated Total Calls, Owners' General Discount and Supplementary Calls and variations in the Estimated Total Calls and Owners' General Discounts, either generally for all entries or separately for any entry or category of entries.

§76 Release Calls

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

§77 Closing of Policy Years

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

§78 Repayment of Premium

If, at the time of the closing of a Policy Year pursuant to Rule 12.77, the Estimated Total 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 Estimated Total Calls.

§79 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, 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 expressly agreed in writing between the Member and the Association.

§80 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 Supplementary Calls including Overspill Calls.
2. Reserve funds may not be distributed to the Members except as provided for in the Articles of Association.

§81 Payment

1. Estimated Total Calls are due expressly agreed in writing between the Member and the Association;

2. Fixed premiums are due on inception of cover. 3. Supplementary Calls, other than Release Calls, are due on the date specified by the Association.
4. 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.
5. 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.
6. Members' Estimated Total Calls, Supplementary Calls, Overspill Calls, other premiums and other sums which cannot be collected shall be deemed to be an expense of the Association.

§82 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.

§83 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.

§84 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 Estimated Total 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.

RULE 13

Termination and Cesser

§85 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 30 days before cover termination.. 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.

§86 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 30 days before cover termination.

2. The Association may also terminate the insurance of any or all of the Ships entered by a Member: (1) 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 6.56;

   (2) on three days' notice, where the Member has failed to pay when due and demanded any Estimated Total Call, Supplementary Call or other amount due from him to the Association;

   (3) 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;

   (4) on 45 days' notice, without giving any reason. 3. Notwithstanding and without prejudice to Rule 13.86.1 and 13.86.2 and Rule 13.87.4, 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 and/or its Agent 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 and/or its Agent has its registered office or permanent place of business or by the United Nations, the European Union, the United Kingdom or the United States of America.

§87 Cesser

1. A Member shall (subject to Rule 13.87.5) cease to be covered by the Association in respect of any and all Ships entered by him in the following circumstances:

   (1) 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

   (2) 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 13.87.5) cease to be covered by the Association in respect of any Ship entered by him in the following circumstances:

   (1) the Ship becomes a total loss;

   (2) the Ship is, in the determination of the Association, abandoned by the Member on account of its total loss appearing to be unavoidable; (3) the Ship is accepted by the hull underwriters (whether of marine or war risks) as a constructive total loss;

   (4) 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);

   (5) the Ship is transferred to a new owner by sale or otherwise;

   (6) new Association of the Ship are appointed or there is a change in the operator of the Ship;

   (7) any mortgagee or other secured party enters into possession of the Ship; (8) the Ship ceases to be classed with a classification society approved by the Association, or its class is suspended;

(9) the Ship is requisitioned;

(10) 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 Rule 13.87.1, 87.2 and 87.3, 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 and/or its Agent 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 and/or its Agent has its registered office or permanent place of business or by the United Nations, the European Union, the United Kingdom or the United States of America.

5. Notwithstanding the provisions of Rule 13.87.1, 87.2 and 87.4, 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 13.87.2. (1), (2), (3) and (4), 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.

§88 Effect of Cesser or Termination

1. Where the insurance ceases or is terminated, the Member shall remain liable for all Estimated Total 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 Estimated Total 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.