



NorthStandard

Formerly **North**



War Risks

Rules 2023-24

Our offices

Easily find contact details for our global offices by visiting www.nepia.com/contact or search our contacts by office by clicking on the relevant location below:



Global emergency contact line

If you are unable to reach your usual contact out of hours you can call the emergency line: **+44 191 232 0999**

IMPORTANT

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

NorthStandard Limited.
Registered in England No. 505456.
Version 1: Updated 20 February 2023.

After hours telephone numbers

Please contact a member of staff listed below. If you have difficulty contacting a member of staff, please use the access number listed at the end of the after office hours home telephone numbers. This access number will be manned from Friday evening through to Monday morning and during other UK public holiday periods.

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

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NorthStandard's Website The above list of telephone numbers is correct at the time of printing. For an up-to-date list of after office hours telephone numbers please consult the 'About NorthStandard' pages on NorthStandard's website: **www.north-standard.com**

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Class III Rules

(Effective on and from noon Greenwich Mean Time on 20 February 2023).

Interpretation and Definitions

These Rules are subject to the Articles of Association of NorthStandard Limited.

In these Rules:

“In writing” means written, printed or lithographed, or visibly expressed in all or any of those or any other modes or representing or reproducing words.

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

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

Words importing persons shall include corporations.

Reference in these Rules to the “Association”, shall mean North UK and/or North EU (as appropriate); however North UK, North EU and each other Club Subsidiary shall have the power to act jointly and severally to exercise and to enforce any rights under the Rules but shall be severally liable and not jointly liable for any obligations owed by the others under the Rules to a Member or any other third party or under any other rules of this Class to a Member or any other third party.

In these Rules the words and phrases hereinafter set out shall have the following meanings and effects if not inconsistent with the subject or context.

ADDITIONAL PREMIUMS

means the sums which may be or become payable by an Insured Owner to the Association as referred to in Rule 29.

ADDITIONAL PREMIUM AREAS

means the Additional Premium Areas as described in Rule 19.

THE ARTICLES OF ASSOCIATION

means the articles of association for the time being of North UK.

THE ASSOCIATION

North UK and/or North EU (as appropriate).

BRITISH SHIP

means a ship registered in the United Kingdom, the Isle of Man, any of the Channel Islands or any British colony.

CERTIFICATE OF ENTRY

means the document bearing the heading “Certificate of Entry” together with any endorsement slip which may be issued to Insured Owners.

CIRCULAR

A notice in writing to a Member pursuant to Rule 48.

THIS CLASS

The War Risks Class of Association and the Club Subsidiaries.

CLUB SUBSIDIARY

Has the meaning given in Article 2 of the Articles of Association (but excludes North EU).

CONTRIBUTIONS

means sums levied or to be levied by the Directors and to be paid by Insured Owners in accordance with Rule 5.B and Rules 24 to 27.

COVER AFFORDED BY THE ASSOCIATION

means the cover afforded by the Association in respect of this Class as described in Rules 1.1 to 1.10.

DIRECTORS

the directors for the time being of the Association or as the context may require those Directors present at duly convened meetings of the directors of North UK or North EU at which a quorum is present.

EFFECTS

means clothes, personal possessions, documents, navigation and other technical instruments and, tools, but does not include cash or valuables.

ENTERED SHIP

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

GENERAL PREMIUM NOTICE

means the notice which may be served by the Secretary of State as described in Rule 5.A.2.

INSURED OWNER

means an Owner (as defined below) by whom or on whose behalf a ship has been entered in the Association in this Class irrespective of whether, at any subsequent time, the insurance of the Owner or of the Entered Ship shall have been terminated and irrespective of whether, at any subsequent time, the Owner shall have ceased to be a Member.

INSURED VALUE

means the insured value as described in Rules 1.2 and 1.3.

THE MANAGERS

means the managers for the time being of the Association in respect of this Class including the chief executive officer of North UK and North EU.

MEMBER

A Member of North UK as defined in the Articles of Association as a result of being a member of this Class pursuant to, and in accordance with, these Rules. Where the context permits, Member shall include a former Member.

MEMBERS BOARD

has the meaning given to it in Article 2 of the Articles of Association.

NORTH EU

North of England P&I Designated Activity Company, a designated activity company limited by shares incorporated in Ireland with company number 628183, which is a wholly owned subsidiary of North UK.

NORTH UK

NorthStandard Limited, a private company limited by guarantee incorporated in England and Wales with company number 505456.

OWNER

means in relation to an Entered Ship or a ship which is intended or desired to be entered in the Association in this Class, owner, owners in partnership, owners holding separate shares in severalty, part owner, mortgagee, trustee, charterer, operator, manager, builder of such ship, or insurer other than the Association as defined by Rule 12.1.

POLICY YEAR

means a year from noon GMT on any 20 February until noon GMT on the next following 20 February or until such other time as the Directors, in the exercise of their powers under Appendix A paragraph A.5.1, shall determine.

PREMIUM PERIOD

means the Premium Period as described in Appendix A paragraph A.1.

PREMIUM

means a Premium which is fixed in amount and is not an Additional Premium or a KER Premium.

KING'S ENEMY RISK OR RISKS

means the risks specified in Rule 2 Part A as defined therein.

KER PREMIUMS

means the King's Enemy Risks Premiums as described in Appendix A paragraph A.2.

THE REINSURANCE AGREEMENT

means the Agreement in writing in force at noon GMT on 20 February 1988 between the Secretary of State and the Association and any amendment or modification, or any replacement thereof.

THESE RULES

the rules and regulations of the Association as originally framed or as from time to time altered or added to and for the time being in force.

SECRETARY OF STATE

means the Secretary of State for Transport or such other Minister of the Government of the United Kingdom as shall from time to time exercise the powers conferred upon the Minister of Transport by the Marine and Aviation Insurance (War Risks) Act 1952 or powers connected therewith.

SHIP

means in the context of an Entered Ship or a ship which is intended or desired to be entered in the Association in this Class (but in no other context), a ship, boat, hovercraft or any other description of vessel or structure (including any ship, boat, hovercraft or other vessel or structure 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 thereof or any share therein.

SPECIAL PREMIUM NOTICE

means the Notice which may be served by the Secretary of State as described in Rule 19.1.

SUCCESSORS

means, in relation to all the persons hereinbefore specified in connection with "Owner" and "Insured Owner" and in relation to any other person whatsoever by whom or on whose behalf a ship shall have been entered in the Association in this Class, their heirs, executors, administrators, personal representatives, assigns (when permitted under these Rules), receiver, administrative receiver, curator or other person authorised to act on behalf of one who becomes incapable by reason of mental disorder of managing his property or affairs, trustee in bankruptcy, liquidator, administrator and other successors whatsoever.

SUM INSURED

means the sum as described in Rule 1.4.

Introduction

Rule 1 **Introductory**

- 1.1** The cover afforded by the Association for this Class in respect of an Entered Ship consists of the following:
- 1.1.1** Under Rule 2:
- PART A
 Applying to British Ships and other Ships to which Rule 4.A.1 applies;
- PART B
 Insurance of Hull, Machinery, etc. (applying to all Ships);
- PART C
 Detention or Diversion Expenses;
- PART D
 Protection and Indemnity Risks;
- PART E
 Sue and Labour;
- PART F
 Discretionary Claims.
- 1.1.2** Under Rule 3:
- Loss of freight, disbursements and/or increased value, premiums and/or other interests.
- 1.2** For all the purposes of Rule 2 Part A, Appendix A and the other provisions of the Rules which relate thereto, the Insured Value of an Entered Ship shall (unless the Owner or Insured Owner and the Managers agree a different Insured Value) be the total marine value, that is to say the total sum for which she is insured for total loss under marine policies, unless, and for as long as, any of the provisions of Rule 11 shall apply.
- 1.3** For all the purposes of Rule 2 Parts B, C, D, E and F, and the provisions of the Rules which relate thereto, the value for which an Entered Ship is insured by the Association is the amount for which she is insured for total loss in respect of her hull, machinery, materials and all other parts and equipment thereof, which is agreed between the Insured Owner and the Association and which is set out in the Certificate of Entry. Where only a part or percentage of such Insured Value is to be insured by the Association, that part or percentage shall be stated as such in the Certificate of Entry.

- 1.4** For all the purposes of Rule 3, Appendix C, and the other provisions of the Rules which relate thereto, the Sum Insured shall be the sum insured for the corresponding risk or risks under the Entered Ship's marine policies, which is agreed between the Insured Owner and the Managers and which is set out in the Certificate of Entry.
- Provided always that:*
- 1.4.1** the sum to be insured under each category of Rule 3 risk shall be specified in any application for insurance;
- 1.4.2** unless otherwise agreed by the Managers in writing the total Sum Insured for Rule 3 risks shall not exceed 50% of the Insured Value as provided for in Rule 1.3.
- 1.5** Subject to Rule 1.5.1, the risks insured by the Association are only such risks as are set out in Rules 2 and 3.
- 1.5.1** The Managers may in any particular case agree in writing with an Insured Owner that the risks insured and/or the cover for his ship shall be modified so that the risks are and/or the cover is less or more extensive than is provided for in these Rules.
- 1.5.2** In the case of additional risks that may be covered by the Association:
- 1.5.2.1** The insurance afforded by the Association for these additional risks shall always be subject to the provisos, warranties, conditions, exceptions, limitations and other terms set out in the Articles and the remainder of these Rules.
- 1.5.2.2** The Association may reinsure in whole or in part such risks and where such reinsurance is arranged:
- (i)** the Insured Owners shall be entitled to recover only the net amount actually recovered under such reinsurance arrangements, together with that portion (if any) of the risk or risks retained by the Association; and
- (ii)** the Managers shall be at liberty in their sole discretion to delay making payment to the Insured Owner until after recovery under such reinsurance.
- 1.6** The risks specified in Rules 2 and 3 are always subject to the warranties, conditions, exceptions, limitations and other terms set out in Rule 4 and elsewhere in these Rules
- 1.7** The cover afforded by the Association is subject to the provisions relating to the service of a General Premium Notice set out in Rule 5. Such Rule provides for the modification or termination of cover upon the service of a General Premium Notice. Appendix A contains provisions as regards the assessment and payment of Contributions and KER Premiums following the service of a General Premium Notice and also provisions for the reinstatement of cover.
- 1.8** Rule 2 Part A and Rule 2 Part B (Insurance of Hull, Machinery, etc.) incorporate the terms as to the measure of indemnity or otherwise affecting the recoverability of losses which are set out in Appendix B.

1.9 Rule 3 (Freight, Disbursements and/or Increased Value, Premiums and/or Other Interests) incorporates similar terms as to the recoverability of losses which are set out in Appendix C.

1.10 An Insured Owner is only insured against losses, liabilities, costs or expenses which arise out of events occurring during the period of entry of a ship in the Association.

Rule 2 Part A: Applying to British Ships and Other Ships to Which Rule 4 (A1) Applies

2.A.1 An Insured Owner who has entered his ship for insurance under Rule 2 is insured against the losses, liabilities, costs and expenses caused by any of the following risks (hereunder called "the King's Enemy Risks") which are specified in Rules 2.A.2 to 2.A.7.

Provided always that:

2.A.1.1 the losses, liabilities, costs or expenses caused by the risks specified in Rules 2.A.2 to 2.A.7 must have arisen out of war or other hostilities involving the United Kingdom; and

2.A.1.2 the King's Enemy Risks shall not extend to cover any risks which are not war risks as defined by Section 10.1 of the Marine and Aviation Insurance (War Risks) Act 1952.

2.A.2 LOSS OF OR DAMAGE TO AN ENTERED SHIP

Loss, whether partial or total, of the Entered Ship's hull, materials, machinery and all other parts and equipment thereof when caused by any of the following risks:

2.A.2.1 war or any hostile act by or against a belligerent power;

2.A.2.2 capture, seizure, arrest, restraint or detainment and the consequences thereof or any attempt thereat;

2.A.2.3 mines, torpedoes, bombs or other weapons of war, including derelict mines, torpedoes, bombs or other derelict weapons of war.

2.A.3 DETENTION FOLLOWING CAPTURE, SEIZURE, ARREST, RESTRAINT OR DETAINMENT

In the event of the Entered Ship being captured, seized, arrested, restrained or detained, the Insured Owner shall be entitled to recover from the Association:

2.A.3.1 the daily running expenses of the Entered Ship during the period of the detention, save for the first seven days thereof;

2.A.3.2 the expenses, other than the expenses insured by Rule 2.A.3.1, incurred in respect of the capture, seizure, arrest, restraint or detainment and the recapture, release and restoration of the Entered Ship, including claims for damage to property arising in respect of the Entered Ship during the period of capture, seizure, arrest, restraint or detainment which are recoverable in law from the Insured Owner;

- 2.A.3.3** if the detention of the Entered Ship should last for a continuous period exceeding 90 days, in addition to any sums recoverable under Rules 2.A.3.1 and 2.A.3.2, a sum calculated at the rate of ten per cent per annum of the Insured Value of the Entered Ship as specified in the Certificate of Entry and applied pro rata to the whole of the detention;
- Provided always that:*
- unless the Members Board in its discretion otherwise determines, the Insured Owner shall give credit against the said amount payable under Rule 2.A.3.3 for any claim paid or payable by the Association for damage received by the Entered Ship during such period.
- 2.A.4** The sums recoverable under Rule 2.A.3 shall be limited as follows:
- 2.A.4.1** No sum shall be recoverable, in an Insured Owner's claim for detention of an Entered Ship, in respect of any period during which that Entered Ship is:
- 2.A.4.1.1 delayed solely because a decision on the part of the Insured Owner, his servants or agents, is awaited on the disposal, repair or movement of the Entered Ship, or
- 2.A.4.1.2 awaiting repairs or being repaired,
- irrespective of whether the need for such decision or repairs has been created by damage caused to the Entered Ship by any of the risks specified in Rule 2 Part A or otherwise howsoever.
- 2.A.4.2** If the Insured Owner shall have received any hire or other contractual reward payable on a time basis (whether under a demise or time charter party or otherwise howsoever) for the period in respect of which a claim is made hereunder, he shall give credit for such hire or other reward in making his claim under Rules 2.A.3.1 and 2.A.3.3 and if he shall have any right to receive such hire or other reward but shall not have received the same he shall assign his rights therein to the Association.
- 2.A.4.3** Unless the Members Board in its discretion otherwise determines, no sum shall be recoverable from the Association in respect of any period after the Entered Ship has become or been accepted as an actual or constructive total loss (whether under the terms of a policy or contract against marine risks or under the cover specified in these Rules), or after the Association has accepted notice of abandonment or after the Association has notified the Insured Owner in writing, whether or not he has given any notice of abandonment, that the Association has decided to treat the Entered Ship as a constructive total loss.
- 2.A.5** **COLLISION LIABILITY**
- Any losses, liabilities, costs and expenses incurred by an Insured Owner by way of damages for:
- 2.A.5.1** loss of or damage to any other ship or property thereon;
- 2.A.5.2** delay to or loss of use of any such other ship or property thereon;

2.A.5.3 salvage of, or salvage under contract of, any such other ship or property thereon and general average expenditure incurred by such other ship.

2.A.5.4 *Provided always that:*

2.A.5.4.1 such losses, liabilities, costs or expenses arose in consequence of the Entered Ship coming into collision with any other ship; and

2.A.5.4.2 such losses, liabilities, costs or expenses arose from one or more of the risks referred to in Rule 2.A.2.

2.A.6 WRECK LIABILITY

Any losses, liabilities, costs and expenses incurred by an Insured Owner:

2.A.6.1 relating to the raising, removal, destruction, lighting or marking of an Entered Ship, when such raising, removal, destruction, lighting or marking is compulsory by law or the costs thereof are legally recoverable from the Insured Owner;

2.A.6.2 arising as the result of any such raising, removal, destruction, lighting or marking of the wreck of an Entered Ship as is referred to in Rule 2.A.6.1 or any attempt thereat;

2.A.6.3 arising as the result of the presence or involuntary shifting of the wreck of the Entered Ship or as the result of the Insured Owner's failure to raise, remove, destroy, light or mark such wreck, including liability arising from the discharge or escape from such wreck of oil or any other substance.

2.A.6.4 *Provided always that:*

such losses, liabilities, costs or expenses arose in consequence of the Entered Ship becoming a wreck as the result of a casualty or event occurring during the period of that ship's entry in the Association and the Entered Ship became a wreck as the result of one or more of the risks referred to in Rule 2.A.2.

2.A.7 REQUISITIONED AND CHARTERED SHIPS

2.A.7.1 If the Secretary of State and the Insured Owner so desire an Entered Ship which is requisitioned or chartered on behalf of the Government of the United Kingdom shall be insured against the losses, liabilities, costs and expenses caused by the following risks:

2.A.7.1.1 the risks specified in Rules 2.A.2 to 2.A.6;

2.A.7.1.2 civil war, revolution, rebellion, or civil strife arising therefrom;

2.A.7.1.3 piracy;

2.A.7.1.4 any liability to pay a contribution in general average or salvage on the net hire or freight at risk receivable by the Insured Owner under any charter party under which the Entered Ship is running whilst on requisition and/or charter but only where the liability to contribute in general average or salvage arises out of one or more of the risks listed or referred to in Rules 2.A.7.1.1 to 2.A.7.1.3.

2.A.7.2

Provided always that:

2.A.7.2.1 if the Entered Ship is a British Ship, the provisions of Rule 2.A.1.1 shall not apply to any insurance provided under Rule 2.A.7;

2.A.7.2.2 if the Entered Ship is not a British Ship, the provisions of Rule 2.A.1.1 shall not apply during the continuance of any war or other hostilities involving the United Kingdom to any insurance provided under Rule 2.A.7;

2.A.7.2.3 no sum shall be recoverable under Rule 2.A.7 to the extent that the losses, liabilities, costs or expenses incurred thereunder are recoverable from the Government of the United Kingdom under the terms of the requisition or the charter party by which the Entered Ship is engaged, or by the terms of any statute.

2.A.8

2.A.8.1

SUE AND LABOUR

Extraordinary costs and expenses reasonably incurred on or after the occurrence of any casualty, event or matter liable to give rise to a claim upon the Association within any of Rules 2.A.2 to 2.A.7 and incurred solely for the purpose of avoiding or minimising any losses, liabilities, costs or expenses against which the Insured Owner is insured under any such Rule.

Provided always that:

the following costs or expenses shall not be recoverable whether as sue and labour expenses or otherwise howsoever:

2.A.8.1.1 any fines, penalties or other impositions such as are specified in Rule 4.E.4;

2.A.8.1.2 any other sum of money paid in consideration of the release of an Entered Ship from any capture, seizure, arrest, detention, confiscation or expropriation.

Rule 2

Part B: Insurance of Hull, Machinery, etc (Applying to all Ships)

2.B.1

Loss, whether partial or total of the Entered Ship's hull, materials, machinery and all other parts and equipment thereof (including cash for wages or disbursements, up to such limit as the Directors may from time to time determine) when caused by any of the following risks:

2.B.1.1

war, civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power;

2.B.1.2

capture, seizure, arrest, restraint or detention, and the consequences thereof or any attempt thereat;

2.B.1.3

mines, torpedoes, bombs or other weapons of war, including derelict mines, torpedoes, bombs or other derelict weapons of war;

2.B.1.4

strikers, locked-out workmen, or persons taking part in labour disturbances, riots or civil commotions;

2.B.1.5

any terrorist or any person acting maliciously or from a political motive;

- 2.B.1.6 piracy, barratry or violent theft by persons coming from outside the Entered Ship;
- 2.B.1.7 confiscation or expropriation.
- 2.B.2 *Provided always that:*
there shall be no insurance under Rule 2 Part B for any losses, liabilities, costs or expenses for which an Insured Owner is insured by Rule 2 Part A.

Rule 2 Part C: Detention or Diversion Expenses

- 2.C.1 This Part of the cover insures an Insured Owner against loss sustained through the detention or diversion of an Entered Ship caused:
 - 2.C.1.1 by war, civil war, warlike operations, revolution, rebellion, insurrection, civil strife, any hostile act by or against a belligerent power or by conditions brought about as a result of any of the foregoing;
 - 2.C.1.2 as a result of compliance with orders, prohibitions or directions by the Directors or by any Department of the Government of the United Kingdom or any other Government having the right to give such orders or any British Military or Naval Authority given in order to avoid loss of or damage to the Entered Ship by any of the risks referred to in Rule 2 Part A or Part B;
 - 2.C.1.3 by any Government or department or agency thereof or by the armed forces of any Government or by any persons acting or purporting to act on behalf of any Government or any department or agency thereof where the detention or diversion is considered by the Members Board in its discretion to have been caused, instigated, incited or encouraged by such Government or department or agency in furtherance of its political aims;
 - 2.C.1.4 by any group of persons which in pursuit of its political aims maintains an armed force;
 - 2.C.1.5 by terrorists, pirates, bandits or rioters;
 - 2.C.1.6 in order to avoid loss of or damage to the Entered Ship by any of the risks insured under Rule 2 Part A or Part B but only where and to the extent that the Members Board in its discretion determines that the loss should be recoverable from the Association.
- 2.C.2 *Provided always that:*
 - 2.C.2.1 a loss caused by strikers, locked-out workmen or persons taking part in labour disturbances, or as a result of strikes, lock-outs or labour disturbances, or in order to avoid loss of or damage to the Entered Ship by any of the said risks, shall not be insured under this Rule 2 Part C;
 - 2.C.2.2 there shall be no recovery under Rule 2 Part C if the Insured Owner intended to detain or divert the Entered Ship before the commencement of loading cargo or passengers for, or clearing in ballast on, the voyage during which the detention or diversion shall have occurred;
 - 2.C.2.3 in the case of Rule 2.C.1.2 the orders, prohibitions or directions were given after the commencement of the voyage.

- 2.C.3** The sums recoverable from the Association in respect of a loss specified in Rule 2.C.1 shall be as set out in Rules 2.C.4 to 2.C.6.
- 2.C.4** In the event of the detention or diversion of an Entered Ship in any of the cases referred to in Rule 2.C.1, the Insured Owner shall be entitled, subject to Rule 2.C.6, to recover:
- 2.C.4.1** in the case of the detention of the Entered Ship, the daily running expenses of the Entered Ship during the period of the detention;
- 2.C.4.2** in the case of the diversion of the Entered Ship, the net extra running expenses of the Entered Ship incurred by the Insured Owner in consequence of the diversion over and above those which would have been incurred but for the same.
- 2.C.4.3** *Provided always that:*
- 2.C.4.3.1** no sum shall be recoverable from the Association under Rule 2 Part C in respect of loss of profit or in respect of the amortization of the capital cost of the Entered Ship or in respect of the depreciation thereof, or in respect of any payments of principal or interest made under any mortgage or other financial arrangements concluded in connection with the Entered Ship;
- 2.C.4.3.2** from each claim there shall be deducted a sum equivalent to seven days' daily running expenses of the Entered Ship or, in the case of a claim for net extra expenses only, a sum equivalent to the net extra expenses for seven days; and
- 2.C.4.3.3** no expenses shall be recoverable under Rule 2 Part C to the extent that they have either been paid or are recoverable under Rule 2.A.3.
- 2.C.4.3.4** In the event of the detention of an Entered Ship by any of the causes referred to in Rules 2.C.1.1, 2.C.1.3, 2.C.1.4 or 2.C.1.5 and lasting for a continuous period exceeding 90 days, the Insured Owner shall be entitled, subject to Rule 2.C.6, to recover from the Association in respect of such detention, in addition to any sums recoverable under Rule 2.C.4, a sum calculated at the rate of ten per cent per annum of the Insured Value of the Entered Ship as specified in the Certificate of Entry and applied pro rata to the whole of the detention.
- 2.C.5** *Provided always that:*
- 2.C.5.1** unless the Members Board in its discretion otherwise determines, the Insured Owner shall give credit against the said amount for any claim paid or payable by the Association for damage received by the Entered Ship during such period;
- 2.C.5.2** the Insured Owner shall give credit for any sum recoverable under Rule 2.A.3.3.
- 2.C.6** The sums recoverable by an Insured Owner under Rules 2.C.4 and 2.C.5 shall be limited as follows:

- 2.C.6.1** No sum shall be recoverable, in an Insured Owner's claim for detention of an Entered Ship, in respect of any period during which that ship is:
- 2.C.6.1.1** delayed solely because a decision on the part of the Insured Owner, his servants or agents, is awaited on the disposal, repair or movement of the Entered Ship, or
- 2.C.6.1.2** awaiting repairs or being repaired,
- irrespective of whether the need for such decision or repairs has been created by damage caused to the Entered Ship by any of the risks specified in Rule 2 Part B or otherwise howsoever.
- 2.C.6.2** If the Insured Owner shall have received any hire or other contractual reward payable on a time basis (whether under a demise or time charter party or otherwise howsoever) for the period in respect of which a claim is made under Rule 2.C.4 and Rule 2.C.5, he shall give credit for such hire or other reward in making his claim under Rule 2.C.4.1 and 2.C.5 and if he shall have any right to receive such hire or other reward but shall not have received the same he shall assign his rights therein to the Association.
- 2.C.6.3** Unless the Members Board in its discretion otherwise determines, no sum shall be recoverable from the Association in respect of any period after the Entered Ship has become or been accepted as an actual or constructive total loss (whether under the terms of a policy or contract against marine risks or under the cover specified in these Rules), or after the Association has accepted notice of abandonment or after the Association has notified the Insured Owner in writing, whether or not he has given any notice of abandonment, that the Association has decided to treat the Entered Ship as a constructive total loss.

Rule 2 Part D: Protection and Indemnity Risks

2.D.1 An Insured Owner who has entered his ship for insurance under Rule 2 is insured against the Protection and Indemnity losses, liabilities, costs and expenses specified in Appendix D paragraphs D.1 to D.12.

Provided always that:

the liabilities, costs or expenses referred to in each paragraph (save in paragraphs D.4.2, D.5 and D.10) must, irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Insured Owner or on the part of the Insured Owner's servants or agents, have arisen or been incurred in respect of loss or damage, injury, illness or death or accident caused by:

- 2.D.1.1** war, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, any hostile act by or against a belligerent power, or any act of terrorism;
- 2.D.1.2** capture, seizure, arrest, restraint or detainment (barratry and piracy excepted) and the consequences thereof or any attempt thereat;

- 2.D.1.3** mines, torpedoes, bombs, rockets, shells, explosives or other similar weapons of war, save for those losses, liabilities, costs and expenses which arise solely by reason of:
- 2.D.1.3.1** the transport of any such weapons whether on board the Entered Ship or not, or
- 2.D.1.3.2** the use of any such weapons either as a result of government order or through compliance with directions given by, or with the written agreement of, any other insurers where the reason for such use was the avoidance or mitigation of liabilities, costs or expenses which would otherwise fall within the cover of those other insurers.
- 2.D.2** Except as provided in paragraph 2.D.3 there shall be no recovery of the liabilities, costs or expenses referred to in Appendix D paragraphs D.1 to D.8 and D.10 to D.12 inclusive which arise solely out of the terms of any agreement, contract or indemnity unless the terms of such agreement, contract or indemnity have been approved by the Managers in writing. In giving such approval the Managers may impose any terms or conditions as they may think fit, including the imposition of a premium.
- 2.D.3** There shall be no recovery of the liabilities, costs or expenses referred to in Appendix D paragraphs D.1, D.2, D.3 and D.4.1, which arise out of the terms of any crew agreement, save agreements approved by the Department of Transport of the United Kingdom or any other successor department or body, or other contract of service or employment unless the terms of such crew agreement or contract of service or employment have been approved by the Managers in accordance with the provisions of Rule 2.D.2.
- 2.D.4** The maximum recovery from the Association for claims under Rule 2 Part D in respect of any one accident shall be limited to whichever is the higher of the following:
- 2.D.4.1** such limit of liability as may have been specified in or endorsed on the Certificate of Entry; or
- 2.D.4.2** such limit of liability as shall have been determined by the Directors before or at the beginning of any policy year and notified by the Managers to the Insured Owner.
- 2.D.5** Different limits of liability may be specified for different classes or types of risk whether by the Certificate of Entry or by the Directors.
- 2.D.6** If no other limit shall have been so fixed, the limit of liability for the purposes of Rule 2 Part D shall be the sum or sums for which the Association is reinsured in respect of the relevant claim otherwise than by virtue of a pooling agreement made with other like Associations.
- 2.D.7** Such limit or limits shall be independent of and in addition to the sums insured for the purposes of the risks specified in Rules 2 Parts A and B.
- 2.D.8** Unless the Members Board otherwise determines, it shall be a condition precedent of an Insured Owner's right of recovery from the Association in

respect of each of the liabilities and expenses enumerated in Rule 2 Part D that the Insured Owner shall first have paid the same.

Rule 2 Part E: Sue and Labour

2.E.1 Rule 2 Part E does not apply to the King's Enemy Risks.

2.E.2 Extraordinary costs and expenses (not being the running expenses of the Entered Ship referred to in Rule 2.C.4 or the liabilities and expenses referred to in Appendix D paragraphs D.1 to D.12) reasonably incurred on or after the occurrence of any casualty, event or matter liable to give rise to a claim upon the Association and incurred solely for the purpose of avoiding or minimising any losses, liabilities, costs or expenses against which the Insured Owner is insured by the Association.

Provided always that:

unless the Members Board in its discretion shall otherwise determine, the following shall not be recoverable whether as sue and labour expenses or otherwise howsoever:

2.E.2.1 any fines, penalties or other impositions such as are specified in Rule 4.E.4;

2.E.2.2 any other sum of money paid in consideration of the release of an Entered Ship from any capture, seizure, arrest, detainment, confiscation or expropriation.

Rule 2 Part F: Discretionary Claims

2.F.1 Losses, liabilities, costs and expenses not otherwise recoverable under these Rules which the Members Board may decide to be within the scope of the Association. Claims under Rule 2 Part F shall be recoverable to such extent only as the Members Board may determine.

Rule 3 Freight, Disbursements and/or Increased Value, Premiums and/or Other Interests

3.1 An Insured Owner who has entered his ship for insurance under Rule 3 is insured against loss of freight, disbursements and/or increased value, premiums and/or other interests when the loss has been caused by any of the following risks:

3.1.1 war, civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power;

3.1.2 capture, seizure, arrest, restraint or detainment, and the consequences thereof or any attempt thereat;

3.1.3 mines, torpedoes, bombs or other weapons of war including derelict mines, torpedoes, bombs or other derelict weapons of war;

3.1.4 strikers, locked-out workmen or persons taking part in labour disturbances, riots or civil commotions;

3.1.5 any terrorist or any person acting maliciously or from a political motive;

- 3.1.6 piracy, barratry or violent theft by persons coming from outside the Entered Ship;
- 3.1.7 confiscation or expropriation.
- 3.2 *Provided always that:*
- 3.2.1 there shall be no insurance under Rule 3 for any losses, liabilities, costs or expenses for which an Insured Owner is insured under Rule 2 Part A.

Rule 4 Warranties, Conditions, Exceptions and Limitations

This Rule is divided into the following parts:

A Terms applicable only to Rule 2 Part A;

B Terms applicable only to Rule 2 Parts A and B;

C Terms applicable only to Rule 3;

D Terms applicable to Rule 2 Parts B, C, D, E and F, Rule 3 and Rule 4.A.2;

E General terms applicable to each and every risk insured by the Association.

4.A Terms Applicable Only to Rule 2 Part A

4.A.1 ACCEPTANCE BY THE SECRETARY OF STATE

4.A.1.1 Where a ship, other than a British Ship, is, or is to be, entered for insurance against the King's Enemy Risks, the Owner or Insured Owner shall produce to the Managers a certificate from the Secretary of State that the ship, or Entered Ship, is accepted by him for reinsurance under the Reinsurance Agreement. In such event the insurance of the Entered Ship by the Association for the King's Enemy Risks shall commence from, and continue during, such a time as the conditions stipulated in such certificate shall have arisen or have otherwise been complied with.

4.A.1.2 If, having given such a certificate, the Secretary of State shall subsequently give notice to the Association that he withdraws his acceptance of an Entered Ship for reinsurance under the Reinsurance Agreement:

4.A.1.2.1 before the service of a General Premium Notice, the Association shall not thereafter insure the Entered Ship against the King's Enemy Risks;

Provided always that:

if at the time that the Secretary of State gives such notice of withdrawal the Entered Ship is within an area specified by a Special Premium Notice, and is being insured by the Association against the King's Enemy Risks at an Additional Premium, the insurance against the King's Enemy Risks provided by these Rules shall continue only until the end of the current period for which the Entered Ship is being given insurance at an Additional Premium, and shall then terminate; save that in all cases such insurance shall not terminate in less than seven days;

4.A.2.2 after the service of a General Premium Notice, the insurance against the King's Enemy Risks provided by these Rules shall continue only until the end of the Premium Period in which it is given, or at the end of any subsequent Premium Period as the Secretary of State may require, and shall then terminate; save that in all cases such insurance shall not terminate in less than seven days.

4.A.2 Notwithstanding the provisions of Rule 4.A.1, any ship which is not accepted by the Secretary of State for reinsurance under the Reinsurance Agreement may be insured by the Association against the King's Enemy Risks upon terms which provide that such ship is not reinsured under the Reinsurance Agreement and upon such other additional warranties, conditions, exceptions, limitations, or other terms as the Managers may agree with the Insured Owner.

4.B TERMS APPLICABLE ONLY TO RULE 2 PARTS A AND B

The Association shall not be liable for any losses, liabilities, costs or expenses covered by the Standard Form of English Marine Policy with the Institute Time Clauses – Hulls (edition of 1.10.83 or any subsequent edition or amendment thereof current at the date of the casualty) attached and with the War Exclusion Clause, the Strikes Exclusion Clause, the Malicious Acts Exclusion Clause and the Violent Theft, Piracy and Barratry Exclusion Clause inserted therein or which would have been covered thereby if the Entered Ship had been insured under such a policy. A loss shall be deemed to be so insured notwithstanding that it is excluded in whole or in part by any deductible or franchise specified in such a policy.

Provided always that:

losses, liabilities, costs or expenses caused by piracy or violent theft by persons coming from outside the Entered Ship shall be recoverable under Rule 2 Part B notwithstanding that they are also covered by the Standard Form of English Marine Policy with the Institute Time Clauses – Hulls (edition of 1.10.83 or any subsequent edition or amendment thereof current at the date of the casualty) attached.

4.C TERMS APPLICABLE ONLY TO RULE 3

4.C.1 The Association shall not be liable for any claim based upon loss of or frustration of any voyage arising from any of the risks set out in Rule 3 or otherwise.

4.C.2 The Association shall not be liable for any claim consequent on loss of time arising from the risks set out in Rule 3 or otherwise.

4.C.3 The Association shall not be liable for any losses, liabilities, costs or expenses covered by the Standard Form of English Marine Policy with the Institute Time Clauses – Freight (edition of 1.8.89 or any subsequent edition or amendment thereof current at the date of the casualty) attached and with the War Exclusion Clause, the Strikes Exclusion Clause and the Malicious Acts Exclusion Clause inserted therein or which would have been covered thereby if the Entered Ship had been insured under such a policy. A loss shall

be deemed to be so insured notwithstanding that it is excluded in whole or in part by any deductible or franchise specified in such a policy.

Provided always that:

losses, liabilities, costs or expenses caused by piracy or violent theft by persons coming from outside the Entered Ship shall be recoverable under Rule 3 notwithstanding that they are also covered by the Standard Form of English Marine Policy with the Institute Time Clauses – Freight (edition of 1.8.89 or any subsequent edition or amendment thereof current at the date of the casualty) attached.

- 4.C.4** The Association shall not be liable for any claim for loss of freight where such loss is due to any regulation, restriction or impediment affecting the transfer of any currency or the value thereof or to any other order, regulation, enactment or law whatsoever or to anything done or purporting to be done thereunder by any de jure or de facto authority, unless such order, regulation, enactment or law is imposed after the contract of affreightment has been made and in time of war, hostilities, warlike operations, civil commotions, civil war, rebellion or revolution affecting the country or any part thereof in which such order, regulation, enactment or law is imposed.

4.D TERMS APPLICABLE TO RULE 2 PARTS B, C, D, E AND F, RULE 3 AND RULE 4.A.2

- 4.D.1** The breach of any one of the warranties contained in Rule 4.D.2 shall suspend the insurance given by Rule 2 Parts B, C, D, E and F, by Rule 3 and by reason of an Entered Ship being accepted under Rule 4.A.2 during the continuance of such breach.

Provided always that:

the breach of any one or more of these warranties shall not operate to suspend such insurance if the Insured Owner shall prove that such breach happened without the fault or privity of the Insured Owner or the managers of the Entered Ship, or was committed in order to avoid loss by the risks hereby insured.

4.D.2 WARRANTIES

- 4.D.2.1** The Entered Ship shall, at all times, be properly documented and shall not carry false papers.

- 4.D.2.2** The Entered Ship shall not enter or attempt to leave any port which is known to be blockaded.

- 4.D.2.3** The Entered Ship shall, so far as possible, comply with all orders given by the Government of the country where the Entered Ship is owned, registered or managed.

4.D.3 EXCLUSION OF NUCLEAR RISKS AND CHEMICAL, BIOLOGICAL, BIO-CHEMICAL AND ELECTROMAGNETIC WEAPONS

The Association shall not be liable for any losses, liabilities, costs or expenses directly or indirectly caused by or contributed to by or arising from:

- 4.D.3.1** ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel;
- 4.D.3.2** the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof;
- 4.D.3.3** any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter,
- 4.D.3.4** the radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter, with the exception of radioactive isotopes, other than nuclear fuel, when such isotopes are being prepared, carried, stored or used for commercial, agricultural, medical, scientific or other similar peaceful purposes,
- 4.D.3.5** Any chemical, biological, bio-chemical or electromagnetic weapon,
- 4.D.3.6** *Provided always that:*

this exclusion shall not apply to any claim in respect of losses, liabilities, costs or expenses arising out of or in consequence of the emission of ionising radiations from, or the radioactive, toxic, explosive or other hazardous or contaminating properties of, "excepted matter" as defined under the Nuclear Installations Act 1965 or any amendments thereto or regulations made thereunder, being carried as cargo in the Entered Ship.

4.D.4 EXCLUSION OF FIVE POWERS WAR RISKS

The Association shall not be liable for any losses, liabilities, costs or expenses arising from the outbreak of war (whether there be a declaration of war or not) between any of the following countries:

the United Kingdom, the United States of America, France, the Russian Federation, the People's Republic of China.

4.D.5 IMPRUDENT CONDUCT

If any act or omission shall be committed on board or in connection with the Entered Ship which ought reasonably to be anticipated as being of such nature as to render the Entered Ship liable to any loss or damage, or to capture, seizure, arrest, restraint, detainment, confiscation or expropriation, and if such act or omission shall cause or in any way contribute to such loss or damage or to such capture, seizure, arrest, restraint, detainment, confiscation or expropriation, then the Association shall not be liable for the loss of, damage to or detention of the Entered Ship nor for any losses, liabilities, costs or expenses resulting therefrom.

Provided always that:

- 4.D.5.1** Rule 4.D.5 shall not apply if the relevant act or omission shall have been committed with the agreement of the Managers or if the Insured Owner shall prove that such act or omission occurred without the fault or privity of the Insured Owner or the managers of the Entered Ship; and

4.D.5.2 the Members Board may allow a claim either in whole or in part, which would otherwise be excluded by the provisions of Rule 4.D.5, if in all the circumstances the Members Board shall in its discretion see fit.

4.D.6 EXCLUSION OF CERTAIN POLLUTION HAZARDS

The Association shall not be liable for any losses, liabilities, costs or expenses arising from compliance with any order or direction given or any measures taken by any Government or other Authority for the purposes of preventing or mitigating a pollution hazard or threat thereof, unless such hazard or threat has been caused by damage to the Entered Ship arising as a result of a risk specified in Rule 2 Part B or Rule 3.

4.D.7 EXCLUSION OF COMPUTER VIRUSES

The Association shall not be liable for any losses, liabilities, costs or expenses directly or indirectly caused by or contributed to by or arising from the use or operation, as a means for inflicting harm, of any computer virus.

Provided always that:

Rule 4.D.7 shall not operate to exclude losses (which would otherwise be covered under Rule 2 Parts B, C, D, E and F, Rule 3 and Rule 4.A.2) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance and/or firing mechanism of any weapon or missile.

4.D.8 NOTICE OF CANCELLATION AND AUTOMATIC TERMINATION OF COVER

4.D.8.1 Cover provided by Rule 2 Parts B, C, D, E and F, by Rule 3 and by reason of an Entered Ship being accepted under Rule 4.A.2 may be cancelled by the Association giving seven days' notice (such cancellation becoming effective on the expiry of seven days from midnight of the day on which notice of cancellation is issued by the Association). Cover will, however, be reinstated subject to agreement between the Association and the Insured Owner prior to the expiry of such notice of cancellation as to new rates of premium/ contribution and/or conditions and/or warranties.

4.D.8.2 Whether or not notice of cancellation has been given under Rule 4.D.8.1, cover provided by Rule 2 Parts B, C, D, E and F, by Rule 3 and by reason of an Entered Ship being accepted under Rule 4.A.2 shall terminate at the expiry of the periods set out in rules 5.A.4.1 to 5.A.4.4 upon the outbreak of war (whether there be a declaration of war or not) between any of the following countries:

the United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China.

4.D.8.3 Cover provided by Rule 2 Parts B, C, D, E and F, by Rule 3 and by reason of an Entered Ship being accepted under Rule 4.A.2 shall not become effective if, subsequent to acceptance by the Association and prior to the intended time of attachment of risk, there has occurred any event which would have terminated cover under the provisions of Rule 4.D.8.2.

4.E GENERAL TERMS APPLICABLE TO EACH AND EVERY RISK INSURED BY THE ASSOCIATION

4.E.1 The breach of any one of the warranties contained in Rule 4.E.2 shall suspend the insurance given by these Rules during the continuance of such breach.

Provided always that:

the breach of any one or more of these warranties shall not operate to suspend such insurance if the Insured Owner shall prove that such breach happened without the fault or privity of the Insured Owner or the managers of the Entered Ship, or was committed in order to avoid loss by the risks hereby insured.

4.E.2 WARRANTIES

4.E.2.1 Where a ship is entered in the Association on the basis that she is registered in a particular country and sails under a particular flag, and that she is entitled to be so registered and to remain so registered in that country and to sail under that flag, she shall remain continually so registered in that country and continually sail under that flag unless otherwise agreed by the Managers in writing.

4.E.2.2 The Entered Ship shall, so far as possible, comply with all orders given by or on behalf of His Majesty's Government of the United Kingdom and, subject to those orders, comply with all orders, prohibitions and directions made under Rule 18, irrespective of whether such orders, prohibitions and directions were made before or after the date of entry of the Entered Ship.

4.E.2.3 Unless otherwise agreed in writing between the Insured Owner and the Association or unless the Members Board in its sole discretion sees fit, the Insured Owner must at all times maintain the validity of all statutory certificates as are issued by or on behalf of the Ship's flag in relation to maritime security.

4.E.3 183 DAY RULE

4.E.3.1 In the event of the detention of an Entered Ship which is caused by capture, seizure, arrest, restraint, detainment, confiscation or expropriation, no claim for an actual or constructive total loss shall arise before the expiry of a period of 183 days (or such shorter period as the Members Board may in its discretion decide) from the commencement of such detention.

4.E.3.2 If, as a result of such detention, the Insured Owner loses the free use and disposal of the Entered Ship for a continuous period of 12 months, then, for the purpose of ascertaining whether the Entered Ship is an actual or constructive total loss, the Insured Owner shall be deemed to have been deprived of the possession of the Entered Ship without any likelihood of recovery.

4.E.4

FINES, PENALTIES ETC.

The Association shall not be liable for any losses, liabilities, costs or expenses arising from capture, seizure, arrest, restraint, detainment, confiscation or expropriation or the consequences thereof where such capture, seizure, arrest, restraint, detainment, confiscation or expropriation is not the consequence of hostilities or warlike operations and has been made by or on behalf of any state or public authority on the ground of any alleged contravention of the laws of any state or in order to enforce or secure payment of a fine, penalty or other imposition in respect of such contravention.

Provided always that:

the Members Board may allow a claim, either in whole or in part, which would otherwise be excluded by the provisions of this Rule 4.E.4, if in all the circumstances the Members Board shall in its discretion see fit being of the opinion that the dominant motive of those detaining the Entered Ship is her capture, seizure, arrest, restraint, detainment, confiscation or expropriation.

4.E.5

SEIZURE BY A COUNTRY WHERE THE ENTERED SHIP IS OWNED, REGISTERED OR MANAGED

The Association shall not be liable for any losses, liabilities, costs or expenses arising from capture, seizure, arrest, restraint, detainment, confiscation or expropriation by or under the order of the Government or any public or local authority of the country where the Entered Ship is owned, registered or managed.

4.E.6

REQUISITION

The Association shall not be liable for any losses, liabilities, costs or expenses arising from the requisition, whether for title or use, of the Entered Ship.

Provided always that:

if the Insured Owner shall continue to have an insurable interest in the Entered Ship after the date of such requisition and if the Insured Owner shall thereafter sustain some further losses, liabilities, costs or expenses (such loss or damage not being the direct consequence of the requisition and not being proximately caused thereby) then nothing herein contained shall prevent recovery by the Insured Owner of such further losses, liabilities, costs or expenses.

4.E.7

ORDINARY JUDICIAL PROCESS

The Association shall not be liable for any losses, liabilities, costs or expenses arising from the operation of ordinary judicial process or any action taken for the purpose of obtaining security.

4.E.8

EXCLUSION OF SUMS INSURABLE UNDER P&I RULES

The Association shall not be liable for any losses, liabilities, costs or expenses which would be insurable under the rules of Class I (Protecting and Indemnity) of the Association, which are current at the date of the event or casualty giving rise to the same, irrespective of whether the Entered Ship is in fact

entered in the said Class I of the Association, nor for any losses, liabilities, costs or expenses which would be so insurable:

- 4.E.8.1** if the rules of the said Class I of the Association did not include the rule in respect of double insurance; and
- 4.E.8.2** if the Entered Ship were not insured by the Association against the risks set out in these Rules.

4.E.9 DOUBLE INSURANCE

The Association shall not be liable for any losses, liabilities, costs or expenses recoverable under any other insurance on the subject matter insured by the Association or which would have been so recoverable:

- 4.E.9.1** apart from any term in such other insurance excluding or limiting liability on the grounds of double insurance; and
- 4.E.9.2** if the Entered Ship were not insured by the Association against the risks set out in these Rules.

4.E.9.3 *Provided always that:*

4.E.9.3.1 with the approval of the Managers an Insured Owner may be insured by special agreement with the Association made either directly with himself or with the other insurers upon the terms that certain losses, liabilities, costs and expenses shall be borne by the Association notwithstanding such other insurance, protection or indemnity;

4.E.9.3.2 this exclusion shall not apply to claims arising under Rules 2.B.1.6 and 3.1.6 which shall (subject to Section 80 of the Marine Insurance Act 1906) be recoverable under these Rules notwithstanding any other insurance, protection or indemnity.

4.E.10 PARTIAL INSURANCE

4.E.10.1 For the purposes of Rule 2 Part A the insured value shall be the full Insured Value of the Entered Ship.

4.E.10.2 For the purposes of Rule 2 Parts B, C, D and E and Rule 3 where only a part or a percentage of the insured value is insured by the Association, the Insured Owner shall be his own insurer in respect of the uninsured balance. Without prejudice to the generality of the foregoing, the Insured Owner shall, unless the entry of the ship has been accepted on special terms which otherwise provide or unless the Members Board in its discretion shall otherwise determine, only be entitled to recover from the Association such proportion of any claims arising under these Parts as the amount insured with the Association bears to the insured value.

4.E.11 OBLIGATION TO SUE AND LABOUR

Upon the occurrence of any casualty, event or matter liable to give rise to a claim by an Insured Owner upon the Association, it shall be the duty of the Insured Owner and his agents to take and to continue to take all such steps as may be reasonable for the purpose of averting or minimising any expense or liability in respect whereof he may be insured by the Association. In the event that an Insured Owner commits any breach of this obligation, the Members

Board may in its discretion reject any claim by the Insured Owner against the Association arising out of the casualty, event or matter, or reduce the sum payable by the Association in respect thereof by such amount as they may determine.

4.E.12

OBLIGATIONS WITH REGARD TO CLAIMS

4.E.12.1

An Insured Owner must promptly notify the Managers of every casualty, event or claim upon him which is liable to give rise to a claim upon the Association, and of every event or matter which is liable to cause the Insured Owner to incur losses, liabilities, costs or expenses for which he may be insured by the Association.

4.E.12.2

An Insured Owner must promptly notify the Managers of every survey or opportunity for survey in connection with a matter referred to in Rule 4.E.12.1.

4.E.12.3

An Insured Owner must at all times promptly notify the Managers of any information, documents or reports in his or his agents' possession, power or knowledge relevant to such casualty, event or matter as is referred to in Rule 4.E.12.1 and shall further, whenever so requested by the Managers, promptly produce to the Association and/or allow the Association or its agents to inspect, copy or photograph all relevant documents of whatsoever nature in his or his agents' possession or power and shall further permit the Association or its agents to interview any servant, agent or other person who may have been employed by the Insured Owner at the material time or at any time thereafter or whom the Association may consider likely to have any direct or indirect knowledge of the matter or who may have been under a duty at any time to report to the Insured Owner in connection therewith. The provision of such notification and/or production and/or free access shall not constitute a waiver of confidentiality or privilege as against third parties.

4.E.12.4

An Insured Owner shall not settle or admit liability for any claim for which he may be insured by the Association without the prior written consent of the Managers.

4.E.12.5

In the event that an Insured Owner commits any breach of his obligations referred to in Rules 4.E.12.1 to 4.E.12.4, the Members Board may in its discretion reject any claim by the Insured Owner against the Association arising out of the casualty, event or matter, or reduce the sum payable by the Association in respect thereof by such amount as they may determine.

4.E.12.6

Provided always that:

in 4.E.12, unless and to the extent that the Members Board in its discretion otherwise decides, compliance with the provisions of this Rule shall be a condition precedent to an Insured Owner's right to recover from the funds of the Association.

4.E.13

THE ASSOCIATION'S RIGHT OF SET-OFF

Without prejudice to anything elsewhere contained in these Rules, the Association shall be entitled to set off any amount due from an Insured Owner against any amount due to such Insured Owner from North UK and/or North EU.

4.E.14 TIME BAR

In the event that:

- 4.E.14.1** an Insured Owner fails to notify the Managers of any casualty, event or claim referred to in Rule 4.E.12 within one year after he has knowledge thereof; or
 - 4.E.14.2** an Insured Owner fails to submit a claim to the Managers for reimbursement of any losses, liabilities, costs or expenses within one year after discharging or settling the same;
- the Insured Owner's claim against the Association shall be discharged and the Association shall be under no further liability in respect thereof unless the Members Board in its discretion shall otherwise determine.

Rule 5 General Premium Notice

This Rule is divided into the following parts:

- A** Modification or Termination of cover upon the giving of a General Premium Notice.
 - B** Reinstatement of cover as regards risks other than the King's Enemy Risks.
- 5.A** Modification or Termination of Cover upon the Giving of a General Premium Notice.
 - 5.A.1** Rules 5.A.2 to 5.A.5 are applicable to each and every risk insured by the Association.
 - 5.A.2** If it shall appear to the Secretary of State that British ships or other ships accepted by him for reinsurance are, or may be, exposed to the King's Enemy Risks generally (and not in a particular area or areas), he may serve upon the Association a General Premium Notice requiring the payment of premiums. If such a notice shall be served the Managers shall give notice thereof to all the Insured Owners and the cover provided by these Rules shall be modified or automatically terminated in accordance with the provisions of Rules 5.A.3 and 5.A.4.
 - 5.A.3** The cover provided by these Rules against the King's Enemy Risks shall continue save only that, after the expiry of the periods stipulated in Rules 5.A.4.1 to 5.A.4.4, it shall be modified so that K.E.R. Premiums and other payments are payable in respect of Premium Periods in accordance with the provisions of Appendix A.
 - 5.A.4** The cover provided by Rule 2 Parts B, C, D, E and F and by Rule 3 shall continue until the expiry of the following periods when it shall automatically terminate. If on the day that a General Premium Notice is served:
 - 5.A.4.1** an Entered Ship is on a voyage to a friendly port, until three clear days after her arrival at that friendly port; or
 - 5.A.4.2** an Entered Ship is on a voyage to a hostile port, or to a friendly port which during the voyage becomes a hostile port, until three clear days after her arrival at a friendly port; or

5.A.4.3 an Entered Ship is within a hostile port, or a port which becomes a hostile port within three clear days of arrival, until three clear days after her arrival at a friendly port; or

5.A.4.4 in respect of any other Entered Ship, for three clear days.

5.A.5 For the purposes of Rule 5.A.4 friendly port shall mean a port which is not a hostile port.

5.B REINSTATEMENT OF COVER AS REGARDS RISKS OTHER THAN KING'S ENEMY RISKS

5.B.1 Rules 5.B.2 to 5.B.4 are applicable to each and every risk insured by the Association other than the King's Enemy Risks.

5.B.2 At any time after a General Premium Notice has been served the Directors may, in their discretion, offer to reinstate the cover or part thereof to any Insured Owner whose cover has terminated or will terminate under the provisions of Rule 5.A.4.

5.B.3 Such offer may:

5.B.3.1 offer to insure the Insured Owner against any or all of the risks set out in Rule 2 (other than Rule 2 Part A) or Rule 3, or such Part or Parts thereof as the offer shall describe;

5.B.3.2 stipulate that the insurance shall be subject to any additional warranties, conditions, exceptions, limitations, or other terms, to those which are set out in these Rules;

5.B.3.3 require that Contributions or Premiums shall be payable by the Insured Owner;

5.B.3.4 provide that such insurance is offered for a policy year or for any shorter period;

5.B.3.5 provide that such insurance shall cease upon the expiry of the period for which it is given unless it is renewed in response to any subsequent offer which the Directors may make under Rules 5.B.2 and 5.B.3.

5.B.4 If any Insured Owner shall accept such offer, the insurance of the Entered Ship shall be reinstated on the terms which have been agreed and, where not inconsistent with such terms, on the provisions of these Rules.

Rule 6 Insured Owners and Successors Bound by Rules

6.1 All policies or contracts of insurance effected by the Association shall, save and insofar as they contain any special terms inconsistent herewith, be deemed to incorporate and shall incorporate all the provisions of these Rules.

6.2 An Owner or other person (including an insurer to be reinsured under Rule 12) 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 the provisions of

these Rules and by any policy or contract of insurance with North UK or North EU.

Rule 7 Applications for Insurance

- 7.1** Any Owner who desires to be insured by the Association shall make application for such insurance in such form as may from time to time be required by the Managers.
- 7.2** The Managers shall be entitled, in their discretion and without assigning any reason, to refuse any application for insurance whether or not the Owner is a Member.

Rule 8 Disclosure

- 8.1** When applying for insurance or on the renewal of any insurance, an Owner or Insured Owner shall furnish or disclose to the Managers all such particulars and information as may be material to the insurance given by the Association or as the Managers may require. It shall be a condition precedent to the liability of the Association under any policy or contract of insurance that in the course of all such applications and negotiations the Owner or the Insured Owner has disclosed all such particulars and information as he ought to have disclosed, and that all the particulars and information disclosed by him were true so far as he and his servants and agents knew or could with reasonable diligence have ascertained.

8.2 CHANGE OR ALTERATION OF RISK

(a) After conclusion of the contract of insurance, the Owner or Insured Owner shall not cause or agree to any change in circumstance which alters the risk covered by the Association without the prior agreement of the Association and should any change in circumstances occur which results in an alteration in risk, the Owner or Insured Owner shall promptly disclose such circumstances to the Association.

(b) If the risk shall have altered, the Managers shall, without prejudice to any other right or remedy available, be entitled to:

- (i) amend or vary the terms of Entry, including but not limited to terms relating to premium and deductibles, as they think fit, or
- (ii) terminate the entry of the Entered Ship or Owner or Insured Owner from the commencement of the Policy Year or from such later date as the Managers may decide, or
- (iii) should an alteration of risk have been intentionally caused or agreed to by the Owner or Insured Owner where the Association would only have accepted the entry on different terms (including but not limited to terms relating to premium and deductibles) if presented with such circumstances or risk prior to the conclusion of the contract of insurance, the Association shall not be liable to the extent that any liability, cost or expense incurred by the Owner or Insured Owner was caused or increased by such alteration.

Rule 9 **Certificates of Entry and Endorsement Slips**

- 9.1** As soon as reasonably practicable after accepting an application for the entry of a ship for insurance in the Association, the Managers shall issue to the Insured Owner of such Entered Ship, a Certificate of Entry in such form as may from time to time be prescribed by the Managers so that such Certificate of Entry shall state:
- 9.1.1** the date of the commencement of the insurance;
 - 9.1.2** the terms and conditions on which the Entered Ship has been accepted for insurance;
 - 9.1.3** whether the ship is entered for the risks insured under Rule 2 or Rule 3 or both such Rules;
 - 9.1.4** in respect of the risks insured under Rule 2, the Insured Value of the Entered Ship;
 - 9.1.5** in respect of the risks insured under Rule 3, the Sum Insured;
 - 9.1.6** where only a part or percentage of the Insured Value is insured by the Association, that part or percentage;
 - 9.1.7** in the case of a ship which is not a British Ship, the country in which the Entered Ship is to be registered and the flag under which she is to sail.
- 9.2** If at any time or from time to time the Managers and the Insured Owner of any Entered Ship shall agree to vary the terms relating to the Entered Ship, the Managers shall, as soon as reasonably practicable thereafter, issue to the Insured Owner of such Entered Ship an endorsement slip stating the terms of such variation and the date from which such variation is to be effective.

Rule 10 **Joint Insured Owners**

- 10.1** If a ship shall be entered in the names of more than one Insured Owner, they shall be collectively referred to as Joint Insured Owners and:
- 10.1.1** all Joint Insured Owners shall be jointly and severally liable to the Association to pay all Contributions, Additional Premiums, Premiums, KER Premiums, or other sums due to the Association in respect of such entry;
 - 10.1.2** if, at the time of entry, the Joint Insured Owners shall have directed that all payments of any sums payable by the Association shall be paid to one of the Joint Insured Owners or to some other party, payment of such sums by the Association in the manner directed shall be a complete discharge of the Association's liabilities to all Joint Insured Owners. If no such directions shall have been given, payment by the Association, in its discretion, to any one of the Joint Insured Owners shall operate as a similar complete discharge of its liabilities to all Joint Insured Owners. The liability of any Insured Owner to another Insured Owner shall not be excluded nor discharged by reason of the receipt of such payment or the provision of insurance pursuant to Rule 10. Any payment by the Association to an Insured Owner in respect of such liabilities, costs or expenses covered by Association shall operate only as

satisfaction but not exclusion or discharge of the liability of such person to another Insured Owner;

- 10.1.3 failure by any Joint Insured Owner to disclose material information within his knowledge shall be deemed to have been the failure of all the Joint Insured Owners;
- 10.1.4 conduct of any Joint Insured Owner which would have entitled the Association to decline to indemnify him shall be deemed to be the conduct of all Joint Insured Owners;
- 10.1.5 unless the Managers have otherwise agreed in writing, the contents of any communication from or on behalf of the Association to any Joint Insured Owner shall be deemed to be within the knowledge of all the Joint Insured Owners, and any communication from any Joint Insured Owner to the Association shall be deemed to have been made with the full approval and authority of all the Joint Insured Owners;
- 10.1.6 no disputes of whatever nature or howsoever arising between Joint Insured Owners shall be the subject of any insurance given by the Association or form the basis of any recovery from it;
- 10.1.7 where any claims shall be pursued against any one of the Joint Insured Owners for which he is insured by the Association, he shall be deemed for all the purposes of this insurance to have the same rights to limit his liability as if he were the registered Owner of the Entered Ship.

Rule 11 Special Powers

- 11.1 The Secretary of State may, in accordance with his powers under the Reinsurance Agreement, require that the Insured Value of an Entered Ship for insurance against the King's Enemy Risks shall be altered to such sum as he may determine. In the event of such determination the Managers shall give notice to the Insured Owner that the Insured Value of that Entered Ship for insurance against the King's Enemy Risks shall, subject only to the provisions of Rule 11.2, be such figure as the Secretary of State determines.
- 11.2 If an Insured Owner shall not agree to such determination by the Secretary of State he may, within 28 days of the receipt of notice from the Managers, require that any dispute on the proper value of an Entered Ship for insurance against the King's Enemy Risks shall be submitted to arbitration in accordance with the terms of the Reinsurance Agreement. The Insured Owner may require that the Association shall agree to the appointment of a sole arbitrator of his choice or, as the case may be, shall appoint an arbitrator of his choice (such arbitrators to be experienced in the valuation of ships for war risks purposes) and may, if he wishes, present his case to the arbitrator, arbitrators or umpire. The award of an arbitrator, arbitrators or umpire shall be conclusive and binding as regards the Insured Value of an Entered Ship for insurance against the King's Enemy Risks for all the purposes of these Rules.
- 11.3 If it shall appear to the Secretary of State that a substantial increase of King's Enemy Risks has occurred or is likely to occur, he may determine that the

Insured Values of all ships which are entered in the Association for insurance against the King's Enemy Risks shall not be further changed without his consent. In the event of such determination, the Managers shall give notice to all the Insured Owners of such determination.

- 11.4** If the Secretary of State shall serve a General Premium Notice upon the Association, the Insured Values of all Entered Ships, which are insured by the Association in currencies other than sterling, shall, for the purpose of insurance against the King's Enemy Risks, be converted into Sterling and such Entered Ships shall thereafter be insured by the Association in that currency. This conversion shall be effected by using the average of the daily rates of exchange for the previous 90 days based on the average daily rate supplied by the Bank of England.

Rule 12 Reinsurance

- 12.1** The Directors may, in their discretion, accept applications for reinsurance (other than for King's Enemy Risks which are reinsured by the Secretary of State) by the Association of any ship or other interest insured by another insurer against war risks. If such an application should be accepted, each ship so reinsured shall be deemed for all the purposes of these Rules to be an Entered Ship. In the absence of written agreement to the contrary, the insurer of such Entered Ship shall (subject to the provisions of Rule 13.2) have the same rights and be under the same obligations for all the purposes of these Rules as though he were the Insured Owner of the Entered Ship.

- 12.2** The Directors may, in their discretion, reinsure all or any part of the risks insured or reinsured by the Association, whether or not such risks are in relation to all the ships entered in the Association, or to any one particular Entered Ship, or to any number of Entered Ships, with such reinsurers and on such terms as they consider appropriate.

- 12.3** The Insured Owner shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs and expenses which is not recovered by the Association from parties to the pool and/or under any reinsurance(s) because of shortfall in recovery from the parties or reinsurers thereunder by reason of any sanction, prohibition or adverse action against them by a state or international organisation or the risk thereof if payment were to be made by such parties or reinsurers and, if for any reason whatsoever the Association discharges the liabilities of the Insured Owner or makes any payment to the Insured Owner in respect of which it suffers such a shortfall in recovery, the Insured Owner shall indemnify and hold the Association harmless to the extent thereof. For the purposes of this clause, "shortfall" includes any failure or delay in recovery by the Association by reason of the parties or reinsurers making payment into a designated account in compliance with the requirements of any state or international organisation.

Rule 13 **Membership**

- 13.1** If the Managers accept an application from an Owner who is not already a Member for a ship to be entered in the Association, such Owner shall, as from the date of acceptance of such entry, be and become a Member and his name shall be entered in the Register of Members.
- 13.2** Whenever the Directors accept an application for reinsurance in accordance with the provisions of Rule 12.1 they may, in their discretion, accept the insurer reinsured by the Association, or the Owner of any ship insured by such insurer or both such insurer or such Owner, as a Member or Members.
- 13.3** An Insured Owner, or an insurer or the Owner of any ship insured by him who shall have been accepted as a Member under the provisions of Rule 13.2, shall cease to be a Member if for any reason whatever he shall cease to have any ships entered in the Association for insurance, or reinsurance, as the case may be, or after any of the provisions of Rule 33.1 shall apply.

Rule 14 **Assignment**

- 14.1** No insurance given by the Association and no interest under these Rules or under any policy or contract between the Association and any Insured Owner may be assigned without the written consent of the Managers who shall have the right in their discretion to give or refuse such consent without stating any reason or to give such consent upon any such terms or conditions as they may think fit. Any purported assignment made without such consent or without there being due compliance with any such terms and conditions as the Managers may impose shall, unless the Managers in their discretion otherwise determine, be unenforceable against the Association.
- 14.2** Whether or not the Managers shall expressly so stipulate as a condition for giving their consent to any assignment, the Association shall be entitled in settling any claim presented by the assignee to deduct or retain such amount as the Managers may then estimate 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.

Rule 15 **Period of Insurance**

Subject as otherwise provided in these Rules, the insurance by the Association of an Entered Ship shall commence at the time and date specified in the Certificate of Entry and shall continue until noon GMT on 20 February next ensuing, and thereafter, unless terminated in accordance with these Rules, from Policy Year to Policy Year.

Rule 16 **Variation of Contract**

- 16.1** If before the end of any Policy Year these Rules shall have been altered in any respect which affects the terms and conditions of the policy or contract of insurance between the Insured Owner and North UK or North EU, then such alteration shall be binding upon the Insured Owner and for all purposes take effect as from the commencement of the next ensuing Policy Year.
- 16.2** If the Managers shall have given notice not later than noon GMT on the 20th January in any Policy Year that for the next ensuing Policy Year they require some change to be made in the terms or conditions of entry, including, but not limited to, the application of a deductible to claims arising under the cover afforded by Rule 2 Parts B, C, D, or E, or Rule 3 or Rule 4.A.2, or any one or more or any part of them, unless the claim results from an actual total loss or a constructive total loss, then the insurance of the Entered Ship for the next ensuing Policy Year shall continue upon the existing terms varied in accordance with the terms of the said notice, unless the Insured Owner shall notify the Managers in writing before noon GMT on 20 February next following the date of the said notice that he is not willing to accept such terms, whereupon the insurance of the Entered Ship shall cease at the end of the Policy Year during which the said notice was given by the Managers.

Rule 17 **Notice of Termination**

- 17.1** The insurance of any Entered Ship may be terminated in the following manner:
- 17.1.1** The Managers in their discretion and without giving any reason may give a written notice of termination to any Insured Owner not later than noon GMT on 20 January in any year.
- 17.1.2** An Insured Owner in his discretion and without giving any reason may give a written notice of termination to the Association not later than noon GMT on 20 January in any year.
- 17.2** If a notice shall have been given pursuant to Rule 17.1, the period of insurance shall terminate at noon GMT on 20 February immediately following such notice. Save with the agreement of the Managers, an Entered Ship may not be withdrawn from the Association nor may any notice of termination be given at any other time.

Rule 18 Orders, Prohibitions and Directions

18.1 The Directors shall at all times have power to give any or all Insured Owners such orders, prohibitions or directions as the Directors in their discretion may see fit as regards routes, trading areas, ports, stoppages, convoys, cargoes, methods of loading or discharging cargoes, modes of management or of navigation of Entered Ships and manning or equipment, including orders to an Insured Owner that an Entered Ship shall not proceed to or remain at any port, place, country, zone or area or that an Entered Ship shall depart therefrom, or prohibitions to an Insured Owner against an Entered Ship proceeding to or remaining at or in any port, place, country, zone or area.

18.2 Any of the orders, prohibitions or directions referred to in Rule 18.1 may be so given that they apply to any one or more Entered Ships or class of Entered Ships or generally to all Entered Ships and so that they remain in force for any one or more specified occasions or for a specified period or until further notice, in which latter event they shall remain in force until revoked by the Directors even if the period extends beyond the then current Policy Year and into any one or more future Policy Years. Any orders, prohibitions or directions so given shall be binding upon any Insured Owner who shall have entered or shall thereafter enter a ship for insurance in the Association at any time while the same remain in force.

18.3 Notwithstanding any order, prohibition or direction made by the Directors, an Entered Ship may be specially insured on the terms that a specific order, prohibition or direction shall not apply and that failure to comply therewith shall not be deemed a breach of warranty and shall not suspend the cover. An Entered Ship may be specially so insured on terms that an additional premium is payable by the Insured Owner to the Association and/or on terms that, while the Entered Ship is in a port, place, country, zone or area subject to such order, prohibition or direction, the Insured Owner shall only be insured against certain specified or restricted risks and/or on such other terms as the Managers may think fit.

18.4 No Entered Ship shall be deemed to be insured on the special terms referred to in Rule 18.3 hereof unless the exemption from the particular order, prohibition or direction is specified in writing by the Managers. If any such exemption shall be specified in writing, the said exemption shall apply to the order, prohibition or direction referred to therein and not to any other order, prohibition or direction given by the Directors.

Rule 19 Constitution of Additional Premium Areas

19.1 If it shall appear to the Secretary of State that British ships or other ships accepted by him for reinsurance are, or may be, exposed to King's Enemy Risks in a particular area or areas, he may, under the terms of the Reinsurance Agreement, serve on the Association a notice (hereinafter called a "Special Premium Notice") defining the area or areas to which it applies.

19.2 If a Special Premium Notice shall have been served as aforesaid, the Managers as soon as practicable thereafter shall notify the Insured Owners of the receipt of such notice and the area or areas to which it applies. On the expiry

of a period of seven days from the date of the notice given by the Managers, unless an Insured Owner shall have exercised the option referred to in Rule 19.5, each Insured Owner's terms of entry shall be deemed to contain and shall contain a term that until further notice the area or areas so specified shall constitute an Additional Premium Area or Areas in respect of the King's Enemy Risks with the consequences set out in Rule 29.

- 19.3** At any time or times, whether before or during the currency of any Policy Year, the Directors may, in respect of the risks other than the King's Enemy Risks, determine:
- 19.3.1** that any ports, places, countries, zones or areas (whether of land or sea) shall be Additional Premium Areas;
- 19.3.2** that any special terms, conditions, exceptions or limitations of or to the Association's cover shall apply while an Entered Ship shall be or remain in any one or more of such Additional Premium Areas.
- 19.4** The Managers shall notify the Insured Owners of all decisions made by the Directors pursuant to Rule 19.3. On the expiry of a period of seven days from the date of the notice given by the Managers, unless an Insured Owner shall have exercised the option referred to in Rule 19.5, each Insured Owner's terms of entry shall be deemed to contain and shall contain a term that until further notice the area or areas so mentioned shall constitute an Additional Premium Area or Areas in respect of the risks insured by the Association, other than the King's Enemy Risks, with the consequences set out in Rule 29.
- 19.5** If the Managers shall give any such notice to the Insured Owners as is mentioned in Rules 19.2 or 19.4, an Insured Owner, at any time within the next ensuing period of seven days, but not at any time thereafter, shall have the option by giving notice in writing to the Managers to cancel any one or more of his entries with the Association. In the event of such option being exercised, the entry or entries so specified shall terminate at the expiry of the said period of seven days and that Insured Owner shall only be liable to pay contributions to the Association pro rata for the proportion of the relevant Policy Year during which he was insured by the Association.
- 19.6** Whenever an application is made by an Owner or other person for the entry of any ship for insurance or reinsurance in the Association, and whenever negotiations take place as to the terms on which the insurance of an Entered Ship is to continue for the next following Policy Year, such application or negotiations shall proceed on the basis that, if the application be accepted or if the insurance continue for the next following Policy Year, the terms of entry shall be deemed to contain a provision that the Association's current Additional Premium Areas and all current special terms, conditions, exceptions or limitations applicable thereto, whether or not they shall have been notified to the Owner, shall apply to the insurance of the Entered Ship.
- 19.7** If at any time during the currency of any Policy Year the Managers shall notify the Insured Owners that any Additional Premium Area or Areas or one or more parts thereof shall cease to be Additional Premium Areas or that any

special terms, conditions, exceptions or limitations shall cease to apply, then such Area or Areas or part thereof or such special terms, conditions, exceptions or limitations (as the case may be) shall thereupon cease to form part of the terms of entry of the Insured Owners.

Rule 20 **Maximum Amounts Insured**

The maximum amounts for which any one Entered Ship or the interests therein may be insured by the Association shall be determined from time to time by the Directors.

Rule 21 **Safe Ports and Places of Safety**

The Directors may in their discretion determine for all the purposes of these Rules what is and what is not a safe port or place of safety and the date which is to be deemed that of the declaration of war or the outbreak of or cessation of hostilities.

Rule 22 **Membership of Organisations**

The Directors may cause the Association to become affiliated to, support, sponsor and/or sustain other organisations or bodies concerned with the provision of war risks insurance for ships which are eligible for entry in the Association and for this purpose may authorise the payment by the Association to such organisations or bodies of such sums as the Directors may think fit.

Rule 23 **Sums Payable by Insured Owners**

- 23.1** The Association shall be entitled to require payment of Contributions, Additional Premiums, Premiums and KER Premiums in accordance with the cover which is required by the Insured Owner.
- 23.2** Every Insured Owner shall be obliged to pay Contributions levied in accordance with Rules 24, 25, 26, 27 and 30.
- 23.3** Where an Insured Owner desires cover to be maintained whilst the Entered Ship is within any Additional Premium Area as specified in Rule 19, he shall be required to pay an Additional Premium as provided by Rule 29.
- 23.4** Where an Insured Owner desires to obtain cover under the provisions of Rules 2.D.2, 5.B (where reinstatement of cover is offered on the basis that a premium shall be paid) or 18.3, he shall be required to pay a premium as provided by those Rules.
- 23.5** After the service of a General Premium Notice, the Insured Owners, who have or continue to have ships entered in the Association for King's Enemy Risks where those risks are reinsured by the Government of the United Kingdom (that is to say British Ships and other ships to which the provisions of Rule 4.A.1 apply), shall be required to pay KER Premiums as provided by Appendix A paragraph A.2.

Rule 24 Contributions

- 24.1** The Insured Owners who have entered ships in this Class for the risks insured under Rule 2 or Rule 3 or both such Rules for any Policy Year, not being a Policy Year which has been closed, shall (together with the other members of this Class with entries in the Club Subsidiaries), provide by way of Contributions all funds which in the opinion of the Directors are required:
- 24.1.1** to meet such of the general expenses of the Association and/or of this Class as the Directors may from time to time think fit to charge in respect of that Policy Year against the insurance business of this Class;
- 24.1.2** to meet the claims, expenses and outgoings, whether incurred, accrued or anticipated, of the insurance business of this Class in respect of that Policy Year including, without prejudice to the generality of the foregoing, any proportion of any claims, expenses or outgoings of any insurer other than the Association which have fallen or may be thought likely to fall upon the Association by virtue of any reinsurance or pooling agreement concluded between the Association and such other insurer;
- 24.1.3** for any transfers to reserves or provisions which the Directors may deem it expedient to make out of the Contributions paid in respect of such Policy Year and which the Directors may from time to time think fit to charge against the insurance business of this Class for that Policy Year including, without prejudice to the generality of the foregoing, such transfer to reserves and provisions in respect of any deficiency which has occurred or which may be thought likely to occur in respect of risks in any previous Policy Year, including any closed Policy Year, as the Directors may think proper;
- 24.1.4** to provide all such sums as the Association may by any governmental or other similar legislation or regulation be required to set aside in order to establish and/or maintain an adequate solvency margin and/or guarantee fund in respect of any Policy Year. Without in any way limiting the obligations of Insured Owners to pay such sums, the Directors may, in their discretion and at any time or times, require any or all Insured Owners to guarantee specifically the payment of such sums in such terms and with such security as the Directors may from time to time decide.
- 24.2** The said Contributions shall be levied by means of Advance and Supplementary Contributions in accordance with the provisions of Rules 25, 26 and 27.

Rule 25 Advance Contributions

- 25.1** Before the beginning of each Policy Year, or so soon thereafter as may be practicable, the Directors shall, in respect of each Insured Owner, decide the percentage of the Insured Value and of the Sum Insured, in respect of each Entered Ship, which is to be levied on the Insured Owner and is to be paid by way of an Advance Contribution for such policy year.
- 25.2** The percentage or percentages so fixed shall be applied:
- 25.2.1** in the case of risks insured under Rule 2 Parts B, C, D, E, and F, to the Insured Value of each Entered Ship for which she is insured;

- 25.2.2** in the case of risks insured under Rule 3, to the Sum Insured;
- 25.2.3** where only a part or percentage of the Insured Value is insured by the Association, to that part or percentage so insured.
- 25.3** The amounts so calculated shall be the amounts so payable by the Insured Owner.

Rule 26 **Supplementary Contributions**

At such subsequent time or times during or after the end of each Policy Year as the Directors think fit, but not after such Policy Year has been closed, the Directors may decide to levy from the Insured Owners whose ships are or were entered in the Association for that Policy Year one or more Supplementary Contributions. Such Supplementary Contributions shall be at such percentage of the net Advance Contribution as the Directors think fit and shall be applied to the total amount of the net Advance Contribution paid or payable by each Insured Owner in respect of such Policy Year.

Rule 27 **General Provisions as to Contributions**

- 27.1** As soon as is reasonably practicable after the rate of any Advance or Supplementary Contribution shall have been fixed, the Managers shall notify each Insured Owner concerned of the following:
- 27.1.1** whether the Contribution is an Advance or Supplementary Contribution;
- 27.1.2** the Policy Year and the Rule to which the Contribution relates;
- 27.1.3** the rate determined by the Directors;
- 27.1.4** the amount or amounts payable by the Insured Owner;
- 27.1.5** the date on which the Contribution is payable or, if such Contribution is payable by instalments, the amounts of instalments and the respective dates on which they are payable;
- 27.1.6** the currency or currencies in which the Contribution is payable.
- 27.2** If it shall be agreed between an Insured Owner and the Managers that a ship is to be entered in the Association in this Class as from a specified date occurring after the commencement of any Policy Year, or that the Association is otherwise on risk in respect of any insurance for only a part of any Policy Year (save in the circumstances set out in Rule 27.3), then the Contributions due from the Insured Owner to the Association in respect of that Policy Year shall be payable on a pro rata basis representing the time that such ship is entered for insurance during the Policy Year.
- 27.3** If in the course of a Policy Year, it shall be agreed between the Insured Owner and the Managers that the Insured Value for which the Entered Ship is insured under Rule 2 Parts B, C, D, E and F or the Sum Insured under Rule 3 shall be varied, then the Contributions due from the Insured Owner to the Association in respect of that Policy Year shall be increased or reduced pro rata according to the increase or reduction of the Insured Value or of the Sum Insured and

according to the proportion of the whole Policy Year during which such increase or reduction is to be effective.

- 27.4** Upon an Entered Ship ceasing to be insured by the Association, the Insured Owner shall, notwithstanding the cesser of such insurance, remain liable to pay Contributions in respect of such ship as follows:
 - 27.4.1** if the insurance shall have terminated at the end of a Policy Year, for the whole of such Policy Year, unless and to the extent that such liability may have been otherwise agreed or assessed under Rule 38; or
 - 27.4.2** if the insurance shall have terminated in the course of a Policy Year, for the whole of such Policy Year, unless Rule 37 shall be applicable or unless and to the extent that such liability may have been otherwise agreed or assessed under Rule 38.

Rule 28 Laid up Returns

- 28.1** The Directors may in their discretion direct that returns of Contributions or allowances against the same be paid or allowed to Insured Owners whose Entered Ships are laid up and unemployed (otherwise than for the purpose of repair or maintenance) in any safe port or place outside any Additional Premium Area.
- 28.2** The Directors may in their discretion determine from time to time:
 - 28.2.1** the minimum period for which an Entered Ship must be so laid up;
 - 28.2.2** the percentage of the Contributions to be returned to such Insured Owner;
 - 28.2.3** the period for which such a return shall be allowed.
- 28.3** If the Directors shall make a direction in accordance with Rule 28.1, a return shall be made to such Insured Owner consisting of the percentage of the Contributions so directed on a pro-rata basis, commencing at noon GMT on the day on which the Entered Ship was laid up and ending at noon GMT on the day on which that Entered Ship ceased to be laid up.
- 28.4** *Provided always that:*
 - 28.4.1** the Directors may in their discretion determine that a return may be made in respect of ships unemployed and laid up (other than for the purpose of repair or maintenance) in any one or more current Additional Premium Areas or part thereof;
 - 28.4.2** no return shall be made in respect of a ship which is unemployed and laid up in circumstances which give rise to a claim on the Association;
 - 28.4.3** if an Insured Owner fails to notify the Managers of his intention to claim such a return within three months of the end of the Policy Year during which such claim arose, he shall be deemed to have waived such claim.

Rule 29 Additional Premiums

If an Entered Ship shall proceed to or be or remain in any Additional Premium Area the provisions of Rule 29 shall have effect.

- 29.1** The Insured Owner shall pay to the Association an Additional Premium or Premiums as follows:
- 29.1.1** if, by virtue of a Special Premium Notice, the area is an Additional Premium Area in respect of King's Enemy Risks, an Additional Premium or Premiums at such rate or rates, and for such period or periods, as the Secretary of State shall from time to time determine;
- 29.1.2** if, by virtue of a decision of the Directors, the area is an Additional Premium Area in respect of risks other than the King's Enemy Risks, an Additional Premium or Premiums at such rate or rates, and for such period or periods, as shall be agreed with the Managers.
- 29.2** The Insured Owner shall continue to be insured while the Entered Ship proceeds to or is or remains within such area.
- 29.3** It is a condition of the insurance given by the Association that the Insured Owner shall ensure that the Association is given written notice before the Entered Ship proceeds into the Additional Premium Area. If this condition is not fulfilled then:
- 29.3.1** if, by virtue of a Special Premium Notice, the area is an Additional Premium Area in respect of the King's Enemy Risks, the Insured Owner shall not be entitled to any recovery from the Association in respect of any claim arising from any of the King's Enemy Risks and arising out of events occurring in the Additional Premium Area;
- 29.3.2** if, by virtue of a decision of the Directors, the area is an Additional Premium Area in respect of the risks other than the King's Enemy Risks, the Insured Owner shall not be entitled to any recovery from the Association in respect of any claim arising from any risks other than the King's Enemy Risks and arising out of events occurring in the Additional Premium Area;
- 29.3.3** if the area is an Additional Premium Area in respect of both the King's Enemy and the non-King's Enemy Risks, an Insured Owner shall not be entitled to any recovery from the Association in respect of any claim arising out of events occurring in the Additional Premium Area.
- 29.3.4** *Provided always that:*
- the Members Board may in its discretion decide to allow recovery from the Association which would otherwise be excluded by Rule 29.3 either in whole or in part. Where the Members Board does not exercise its discretion to allow recovery as aforesaid, the Association shall return to the Insured Owner any Additional Premium which may have been paid pursuant to Rule 29.1.
- 29.4** The terms of the insurance of the Entered Ship during such period as is referred to in Rule 29.2 shall be those current for the Entered Ship for the relevant Policy Year.

Provided always that:

if, in respect of risks other than the King's Enemy Risks, the Managers shall specify that any special terms, conditions, exceptions or limitations shall apply whilst an Entered Ship shall be or remain in any Additional Premium Area, then the terms shall be those which are current for the relevant Policy Year as modified by such special terms, conditions, exceptions or limitations.

- 29.5** An Insured Owner shall be entitled to give written notice to the Association at any time before the Entered Ship enters an Additional Premium Area stating that he desires the cover of the Entered Ship to be suspended or restricted while the Entered Ship is within the said Area.

Provided always that:

if the Entered Ship is mortgaged, an Insured Owner shall not be entitled to give any such notice unless he shall have obtained and produced to the Association the written consent of his mortgagees to the suspension or restriction of the cover.

- 29.6** If, where permitted by Rule 29.5, an Insured Owner gives notice in writing that he desires the cover of the Entered Ship to be suspended, then:

- 29.6.1** the cover given by the Association in respect of the Entered Ship so specified shall be suspended and the Insured Owner shall remain uninsured in respect of such Entered Ship during the period while the Entered Ship is and remains in the Additional Premium Area; and

- 29.6.2** the Insured Owner shall be under no liability to pay an Additional Premium in accordance with Rule 29.1 but shall not be entitled to any return of Contributions paid or payable in respect of the Entered Ship unless the Directors in their discretion otherwise determine.

- 29.7** Unless the Insured Owner gives notice of suspension before the ship enters the designated Additional Premium Area, the cover of the Entered Ship shall not be suspended but the provisions of Rules 29.1, 29.2, 29.3 and 29.4 shall be applicable.

- 29.8** If, where permitted by Rule 29.5, an Insured Owner gives notice in writing that he desires the cover of the Entered Ship to be restricted, then:

- 29.8.1** at any time before the Entered Ship enters an Additional Premium Area, the Insured Owner and the Managers may agree in writing the terms of the cover which shall be applicable to the Entered Ship while within such Additional Premium Area and the amount of the premium payable to the Association for such a period;

- 29.8.2** in the event that no such agreement in writing shall be reached between the Insured Owner and the Managers as is referred to in Rule 29.8.1 before the Entered Ship enters the Additional Premium Area then the cover of the Entered Ship shall not be restricted but the provisions of Rules 29.1, 29.2, 29.3 and 29.4 shall be applicable.

Rule 30 Provisions as to Payment

30.1 If any Contribution or Premium or any other sum due from any Insured Owner to the Association is not paid by such Insured Owner on or before the date specified for payment thereof, the Insured Owner shall, without prejudice to the rights of the Association under any other provision of these Rules, pay interest on the amount overdue from the date on which the amount became due until the date of payment at such rate of interest as the Directors may from time to time determine. The Directors may in any case waive payment of such interest in whole or in part.

30.2 No claim of any kind whatsoever by an Insured Owner against the Association shall constitute any set off against the Contributions or Premiums or other sums due by an Insured Owner to the Association or shall entitle an Insured Owner to withhold or delay payment of any such sum whether or not any set off has in the Managers' discretion been allowed at any time in the past.

Rule 31 Closing of Policy Years

31.1 The Directors shall with effect from such date after the end of each Policy Year as they think fit declare that such Policy Year shall be closed.

31.2 If upon the closing of any Policy Year or at any time thereafter the aggregate of the Contributions, Premiums and other receipts paid and payable for that Policy Year shall be found to exceed the aggregate of claims, expenses, outgoings, transfers to reserves and provisions referred to in Rule 24, the excess shall be disposed of by being brought forward to the next open Policy Year and made available for the payment of claims, expenses, outgoings, transfers to reserves and provisions arising in respect of that Policy Year.

Provided always that:

the Directors may order that the excess or any part thereof may be returned to the Insured Owners insured for the relevant Policy Year and, if the Directors shall so decide, the excess or part thereof shall be returned to such Insured Owners in such proportions and having regard to such considerations as the Directors shall determine and the decision of the Directors with regard thereto shall be conclusive and binding upon all Insured Owners.

Rule 32 Reserves

32.1 The funds of the Association shall be constituted as follows:

32.1.1 The balance of the funds available as certified in the accounts of the Association last approved by the Members in general meeting shall constitute the General Reserves of the Association.

32.1.2 Any funds of the Association not comprised in the General Reserves shall constitute the Operating Funds of the Association.

32.2 The Directors may apply the sums standing to the credit of the General Reserves and of the Operating Funds for any of the purposes for which the General Reserves are maintained or Operating Funds contributed or received or, whenever the Directors consider this to be in the interests of the

Association, for any different purposes and the Directors may so apply those sums, even though payments are made in respect of any different Policy Year from that from which such sums originated.

Rule 33 Cesser of Insurance

Without prejudice to the generality of these Rules:

- 33.1** An Insured Owner shall cease to be insured by the Association in respect of any and all ships entered by him or on his behalf upon the occurring of any of the following events or circumstances:
- 33.1.1** Where the Insured Owner is an individual,
- 33.1.1.1** upon his death, or
- 33.1.1.2** if a receiving order is made against him, or he makes any composition or arrangement with his creditors generally in order to avoid or prevent the making of such receiving order, or
- 33.1.1.3** if he becomes bankrupt, or
- 33.1.1.4** if he becomes incapable by reason of mental disorder of managing or administering his property and affairs.
- 33.1.2** Where the Insured Owner is a corporation,
- 33.1.2.1** upon the passing of any resolution for its voluntary winding up (other than voluntary winding up for the purposes of company or group reorganisation), or
- 33.1.2.2** upon an order being made for its compulsory winding up or an administration order being made, or
- 33.1.2.3** upon its dissolution, or
- 33.1.2.4** upon a receiver, or an administrative receiver or manager being appointed of all or part of its business or undertaking, or
- 33.1.2.5** upon possession being taken of any of its property by or on behalf of a secured party, or
- 33.1.2.6** upon its commencing proceedings under any bankruptcy or insolvency laws to seek protection from its creditors or to reorganise its affairs.
- 33.2** Unless otherwise agreed in writing by the Managers, an Insured Owner shall cease to be insured by the Association in respect of a ship entered by him or on his behalf upon the occurring of any of the following events or circumstances in relation to such ship:
- 33.2.1** the Insured Owner parting with or assigning the whole or any part of his interest in the Entered Ship whether by bill of sale or other formal document or agreement or in any other way whatsoever, or
- 33.2.2** the managers of the Entered Ship being changed by the appointment of new managers.

- 33.3** Unless otherwise agreed in writing by the Managers, an Insured Owner shall cease to be insured by the Association in respect of a ship entered by him or on his behalf upon the occurring of whichever shall be the earliest of the following events or circumstances in relation to such Entered Ship:
- 33.3.1** the Entered Ship being missing for ten days from the date when she was last heard of;
 - 33.3.2** the Entered Ship being posted at Lloyd's as missing;
 - 33.3.3** the Entered Ship becoming an actual total loss;
 - 33.3.4** acceptance by hull underwriters or by the Association that the Entered Ship is a constructive total loss;
 - 33.3.5** payment to the Insured Owner of the Entered Ship by marine underwriters or by the Association of an unrepaired damage claim which exceeds the market value of the Entered Ship, without commitment, immediately prior to the casualty which gave rise to such claim;
 - 33.3.6** a compromise settlement with marine underwriters or with the Association on the basis of which the Entered Ship is considered or deemed to be an actual or constructive total loss;
 - 33.3.7** a decision by the Association that the Entered Ship is to be considered or deemed to be an actual or constructive total loss or otherwise commercially lost.
 - 33.3.8** the Entered Ship is employed by the Insured Owner in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Association to the risk of violating or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation, unless the Managers shall otherwise determine.
- 33.4** *Provided always that:*
- 33.4.1** notwithstanding cesser of the insurance under Rule 33.3 consequent upon actual total loss, constructive total loss or other loss of the Entered Ship, the Association shall, subject always to the Rules and to the terms and conditions of the entry of the Entered Ship in the Association, remain liable in respect of claims which are within the scope of those terms and conditions and which flow directly from the casualty which has given rise to that actual total loss or constructive total loss or other loss;
 - 33.4.2** the Managers may, as a condition of agreement that the insurance of the Entered Ship shall continue after the occurring of any of the events or circumstances listed in Rules 33.2 and 33.3, impose such terms and conditions as they think fit for the continuation of the insurance.

Rule 34 Cancellation for Non-Payment

Without prejudice to the generality of these Rules:

- 34.1** Where the Association has required an Insured Owner to pay under the terms of entry and these Rules any Contribution, Additional Premium, Premium or interest, and the Insured Owner has not paid the same in full within the time permitted by the Association, the Managers may give the Insured Owner notice in writing:
- 34.1.1** requiring him to pay such amount by any date specified in such notice, not being less than fourteen days from the date on which the notice is given, and
- 34.1.2** informing him that if he fails to pay such amount in full on or before the date so specified, his insurance in respect of the Entered Ship or Ships relating to which payment of that amount was required, and also, if the Managers so specify, his insurance in respect of any and all other ships entered in the Association by him or on his behalf, shall be cancelled forthwith without any further notice or formality.
- 34.2** If an Insured Owner fails to comply with the requirements set out in any notice issued by the Managers in accordance with Rule 34.1, that Insured Owner's insurance shall be cancelled as specified in such notice, notwithstanding that the amount payable by the Insured Owner to the Association, as referred to in the notice, related only to one, or to more than one but not to all, of the Entered Ships in respect of which the Insured Owner's insurance is cancelled.
- 34.3** Cancellation as provided in Rule 34 shall operate independently of and separately from any cancellation which may be effected or which may occur by virtue of any other provisions of these Rules.
- 34.4** An Insured Owner's insurance may be cancelled as provided in Rule 34 irrespective of whether that insurance is current on the date of the cancellation or has ceased by virtue of the provisions of Rule 33 or has ceased, been terminated or cancelled in accordance with any other provisions of these Rules.
- 34.5** *Provided always that:*
- if after the issue of a General Premium Notice the Insured Owner shall have failed to pay when due and demanded by the Managers any KER Premiums levied under the provisions of paragraph A.2 of Appendix A to these Rules, the provisions of paragraph A.4 of the said Appendix shall apply.

Rule 35 Effects of Cesser and Cancellation of Insurance

- 35.1** When an Insured Owner's insurance ceases under or by reason of the operation of any of these Rules other than Rule 34:
- 35.1.1** such Insured Owner and his Successors shall be and remain liable for all Contributions, Additional Premiums, Premiums and any other sums whatsoever payable in respect of the Policy Year in which the insurance ceases, and in respect of previous Policy Years, unless and to the extent that Rule 37 is applicable and/or the Insured Owner's liability may have been otherwise agreed under Rule 38;

- 35.1.2** subject to Rule 35.2 and to the other provisions of these Rules and to the terms of entry in the Association of the Entered Ship or Ships in respect of which insurance has ceased, the Association shall remain liable in respect of such Entered Ship or (as the case may be) Ships for all claims under these Rules arising out of any event which has occurred prior to the time of cessation of the insurance, but shall not otherwise be under any liability whatsoever by reason of anything occurring after such time.
- 35.2** When an Insured Owner's insurance is cancelled in accordance with Rule 34 (which time is hereinafter in Rule 35 referred to as "the date of cancellation"):
- 35.2.1** such Insured Owner and his Successors shall be and remain liable for all Contributions, Additional Premiums, Premiums and other sums payable in respect of the Policy Year in which the date of cancellation occurs pro rata only for the period up to the date of cancellation or such earlier date as the Managers in their discretion decide and stipulate in writing, and in respect of previous Policy Years;
- 35.2.2** the Association shall with effect from the date of cancellation cease to be liable for any claims of whatsoever kind under these Rules in respect of any and all ships entered in the Association by or on behalf of such Insured Owner irrespective of whether:
- 35.2.2.1** such claims have occurred or arisen or may arise by reason of any event which has occurred at any time prior to the date of cancellation, including during previous Policy Years;
- 35.2.2.2** such claims arise by reason of any event occurring after the date of cancellation;
- 35.2.2.3** the Association may have admitted liability for or appointed lawyers, surveyors or any other person to deal with such claims;
- 35.2.2.4** the Association at the date of, or prior to the date of, cancellation knew that such claims might or would arise, and as from the date of cancellation any liability of the Association for such claims shall terminate retrospectively and the Association shall be under no liability to such Insured Owner for any such claims or on any account whatsoever.
- 35.3** *Provided always that:*
- the Members Board may in its discretion and upon such terms as it thinks fit, including but not restricted to terms as to payment of Contributions, Additional Premiums, Premiums or other sums, agree to pay either in whole or in part any claim in respect of any ship entered by an Insured Owner for which the Association is under no liability by virtue of Rule 35, whether such claim has arisen before or arises after the date of cessation or the date of cancellation, as the case may be, or remit wholly or partly any payment of Contributions, Additional Premiums, Premiums or other sums paid or payable to the Association.

Rule 36 Sums Due to the Association for the Purpose of Application of the Rules on Cesser of Insurance

- 36.1** For the purpose of determining whether any (and if so, what) sum is due for the purposes of Rule 35.1 or otherwise under these Rules, no account shall be taken of any amount due or alleged to be due by the Association to the Insured Owner on any ground whatever, and no set off of any kind, including set off which might otherwise have arisen by reason of the bankruptcy, winding up or administration of the Insured Owner, shall be allowed against such sum (whether or not any set off against Contributions or Premiums has been allowed at any time in the past), except to the extent (if any) to which any sum demanded by the Managers as due, and required by the Managers to be paid, may in the Managers' discretion in itself have already allowed for a set off or credit in favour of the Insured Owner.
- 36.2** Without prejudice to the generality of Rule 45, no act, omission, course of dealing, forbearance, delay or indulgence of any kind by or on behalf of the Association nor the granting of time, nor the acceptance by the Association (whether express or implied) of liability for, or the recognition of, any claim, and whether occurring before or after any date of cessation as hereinbefore referred to shall derogate from the effect of Rules 33 to 36.1 inclusive or be treated as any waiver of any of the Association's rights thereunder.

Rule 37 Calculation of Contributions After Cesser of Insurance

If any of the events specified in Rule 33.2 shall occur in relation to an Entered Ship then in every such case, provided the Insured Owner gives notice in writing of such event to the Managers within one month after the date thereof, the Insured Owner shall be liable to pay Contributions in respect of such ship for the relevant Policy Year on a pro rata basis, namely the proportion of such Contributions applicable to the period beginning at the commencement of that Policy Year (or in the case of a ship entered during that Policy Year, the date of entry) and ending at noon GMT on the date of the happening of such event.

Rule 38 Release Contributions

- 38.1** Upon an Entered Ship ceasing to be insured by the Association for any reason, whether or not the circumstances giving rise to such cesser of insurance shall be any of those specified in Rules 16 and 17 or in Rule 33, the Managers may:
- 38.1.1** release the Insured Owner from further Contributions in respect of such ship, wholly or partly or upon such terms as the Managers in their discretion may deem to be appropriate in the circumstances;
- 38.1.2** whether or not negotiations may have taken place with the view to the application of Rule 38.1.1, assess at the date of the cesser of insurance the amount which seems to the Managers in their discretion to represent the likely liability of the Insured Owner for further Contributions in respect of such ship.

- 38.2** If the Managers shall exercise their powers under Rules 38.1.1 or 38.1.2, then:
- 38.2.1** any terms imposed by the Managers or agreed between the Managers and the Insured Owner pursuant to Rule 38.1.1 shall be performed at such time or times as the Managers shall have specified;
- 38.2.2** the amount of any assessment made under Rule 38.1.2 shall be payable by the Insured Owner without deduction on demand;
- 38.2.3** the Insured Owner shall be under no liability for any Contributions which the Directors may decide to levy after the date of a release given under Rule 38.1.1 or after the date of an assessment made under Rule 38.1.2, as the case may be, and the Insured Owner shall have no right to share in any return of Contributions or other monies which the Directors may thereafter decide to make in accordance with Rule 31.

Rule 39 Managers' Remuneration

The Managers shall be remunerated by the Association on such basis as may be approved by the Directors.

Rule 40 Employment of Lawyers and Others

- 40.1** Without prejudice to any other provisions of these Rules and without waiving any of the Association's rights hereunder, the Managers may at any and all times appoint and employ on behalf of the Insured Owner upon such terms as the Managers may think fit lawyers, surveyors or other persons for the purpose of dealing with any matter which might give rise to a claim by an Insured Owner upon the Association, including investigating or advising upon any such matter and taking or defending legal or other proceedings in connection therewith. The Managers may also at any time discontinue such employment if they think fit.
- 40.2** All lawyers, surveyors and other persons appointed by the Managers on behalf of the Insured Owner or appointed by the Insured Owner with the prior consent of the Managers shall at all times be and be deemed to be appointed and employed on the terms that they have been instructed by the Insured Owner 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 Insured Owner and to produce to the Association without prior reference to the Insured Owner 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.

Rule 41 Powers of the Managers Relating to the Handling and Settlement of Claims

- 41.1** The Managers shall have the right if they so decide to control or direct the conduct of any claim or legal or other proceedings relating to any liability, loss or damage in respect whereof the Insured Owner is or may be insured

in whole or in part, and to require the Insured Owner to settle, compromise or otherwise dispose of such claim or proceedings in such manner and upon such terms as the Managers see fit.

41.2 If the Insured Owner does not settle, compromise or dispose of a claim or of proceedings after being required to do so by the Managers in accordance with Rule 41.1 any eventual recovery by the Insured Owner from the Association in respect of such claim or proceedings shall be limited to the amount he would have recovered if he had acted as required by the Managers.

41.3 In the event of a casualty giving rise to loss or damage to an Entered Ship which may be recoverable from the Association, the Managers may take, or require the Insured Owner to take, tenders for the repair of such damage.

Rule 42 Subrogation and Recoveries

(a) Wherever any claim shall have been paid by the Association, the Association is thereby subrogated to all the rights and remedies of the Insured Owner in and in respect of the claim as from the time of the casualty causing the loss. The Insured Owner shall afford to the Association all possible assistance in exercising the said rights of subrogation. The Insured Owner hereby authorises the Association in exercising such rights to commence any legal or other proceedings, whenever the Association may think fit, in the name of the Insured Owner on furnishing an undertaking to the Insured Owner to indemnify him in respect of the costs thereof. The Insured Owner hereby undertakes at any time upon the request of the Association to execute a formal assignment of all or any such rights to the Association or to execute a formal deed of subrogation and to produce all such information, documents and evidence as the Association may require.

(b) Where the Association makes such a payment or makes such discharge of a liability, loss, cost or expense on behalf of an Insured Owner, any recovery from a third party in respect of that liability, loss, cost or expense shall be credited and paid in full to the Association up to the value of the sums paid by the Association in respect of such liability, loss, cost or expense together with any interest on that sum included in the recovery. However, where the Insured Owner has contributed towards a liability, loss, cost or expense through the application of a deductible, any interest recovered shall be apportioned between the Insured Owner and the Association based on the amounts paid and the date when such payments were made. Unless in its discretion the Association agrees otherwise, any recovery or award in respect of costs shall first be paid to the Association.

Rule 43 Information to be Supplied by Owners

43.1 Whenever so required by the Managers, an Insured Owner shall disclose to them in respect of any ship entered by him in the Association:

43.1.1 all information which is presently in, or which may come into, his possession, or which he may ascertain by reasonable enquiries regarding the position of any ship or her past, present or future employment;

- 43.1.2** all details of any additional insurance effected or proposed to be effected by him with parties other than the Association in respect of any interest howsoever described which is insured, or which he proposes to insure, with the Association;
- 43.1.3** the total marine insured value, that is to say the total sum for which the Entered Ship is insured for total loss under marine policies;
- 43.1.4** all such other information which the Secretary of State shall reasonably require for the purposes of the Reinsurance Agreement.

Rule 44 Meetings of the Directors

- 44.1** The Directors shall meet as often as they may consider necessary for the settlement of claims which shall be paid by the Association as the Directors may determine in accordance with these Rules and the Directors shall have power from time to time to authorise the Managers, without prior reference to the Directors, to effect payment of claims of such types and up to such sums as the Directors may determine. No Director shall act as such in the settlement of any claim in which he is interested.
- 44.2** Wherever any discretion or power is granted to the Directors or the Members Board (as the case may be) under these Rules, and notwithstanding any provision in these Rules or the Articles of Association to the contrary, the Directors or the Members Board (as the case may be) shall in exercising any such discretion or power with respect to any matter in any way affecting insurance against King's Enemy Risks or the recovery of any claim in respect thereof have regard to or take into account or act in accordance with the views or wishes or requirements of the Secretary of State and the Association may by agreement with the Secretary of State bind the Directors or the Members Board (as the case may be) not to exercise such discretions or powers without the consent of the Secretary of State and in such circumstances the discretions and powers shall not be exercised by the Directors or the Members Board (as the case may be) without such consent.
- 44.3** Representatives of the Secretary of State shall be entitled to attend all meetings of Directors or the Members Board (as the case may be) at which and to the extent that any matter relating to the insurance of King's Enemy Risks is considered.

Rule 45 Forbearance

No act, omission, course of dealing, forbearance, delay or indulgence by the Association in enforcing any of these Rules or any of the terms or conditions of its policies or contracts with an Insured Owner nor any granting of time by the Association shall prejudice or affect the rights and remedies of the Association under these Rules or under such policies or contracts and no such matter shall be treated as any evidence of waiver of the Association's rights thereunder, nor shall any waiver of a breach by an Insured Owner of such Rules, policies or contracts operate as a waiver of any subsequent breach thereof. The Association shall at all times and without notice be entitled to

insist on the strict application of these Rules and on the strict enforcement of its policies or contracts with Insured Owners.

Rule 46 Disputes

- 46.1** If any difference or dispute shall arise between an Insured Owner and the Association out of or in connection with these Rules, or any contract between them, or as to the rights or obligations of the Association or the Insured Owner thereunder, or in connection therewith, such difference or dispute shall in the first instance be referred to and considered by the Directors.
- 46.2** If the Insured Owner concerned in such difference or dispute does not accept the decision of the Directors, it shall (except as provided by Rule 46.3) be referred to the decision of the High Court of Justice (Commercial Court) in London. The said Court shall have exclusive jurisdiction over the matter.
- 46.3** Any such difference or dispute arising under the provisions of Rule 11.2, Appendix B paragraph B.3.2 or Appendix C paragraph C.4 shall be referred to arbitration in the manner therein provided.

Rule 47 Notices

47.1 ON THE ASSOCIATION

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

47.2 ON THE INSURED OWNER

A notice or other document required under these Rules to be served on an Insured Owner may be served by sending it through the post in a prepaid letter or by sending it by telegram, cable, courier, facsimile, email or other electronic communication addressed to such Insured Owner at his address as appearing in the Register or to his broker or agent. In the case of Joint Insured Owners notice shall be served on any such Insured Owner or on his broker or agent and such service shall be sufficient service upon all the Joint Insured Owners.

47.3 DATE OF SERVICE

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

47.4 SUCCESSORS

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

Rule 48 Circulars

48.1 The Directors or the Managers may from time to time issue a Circular in respect of any matter as they see fit.

48.2 The Directors or the Managers may from time to time make a recommendation to any Insured Owner or to all Insured Owners in connection with the operation of any or all Entered Ships. Notice of such a recommendation shall be given by Circular either at the commencement of or during the period of insurance and shall take effect as set out in Rule 47(3) unless the Circular specifies some later date.

48.3 An Insured Owner shall use his best endeavours to comply with such a recommendation and the Members Board may, in its absolute discretion, reject or reduce any claim made by the Insured Owner to the extent to which it would not have arisen if the Insured Owner had complied with the recommendation and the burden of proving in each case that the liability, cost or expense (or portion thereof) could not have been avoided by such a compliance shall be on the Insured Owner.

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

Rule 49 Rules Subject to the Insurance Acts

49.1 These Rules and all contracts of insurance made by North UK or North EU shall be subject to and incorporate the provisions of the Marine Insurance Act 1906 and the Insurance Act 2015 of the United Kingdom and any statutory modifications thereof except insofar as such Acts or modifications may have been expressly excluded by these Rules or by any term of such contract.

49.2 The following provisions of the Insurance Act 2015 ("the Act") are excluded from the Rules and any contract of insurance as follows:

49.2.1 Section 8 of the Act is excluded. As a result any breach of the duty of fair presentation shall entitle the Association to avoid the policy, regardless of whether the breach of the duty of fair presentation is innocent, deliberate or reckless.

49.2.2 Section 10 of the Act is excluded. As a result all warranties in these Rules or any contract of insurance must be strictly complied with and if the Member or any Joint Insured Owner fails to comply with any warranty the Association shall be discharged from liability from the date of the breach, regardless of whether the breach is subsequently remedied.

- 49.2.3** Section 11 of the Act is excluded. As a result the Rules and all terms of the contract of insurance between North UK or North EU and the Member and any Joint Insured Owner, including terms which tend to reduce the risk of loss of a particular kind, loss at a particular location and/or loss at a particular time, must be strictly complied with and if the Member or any Joint Insured Owner fails to comply with any such term, the Association's liability may be excluded, limited or discharged in accordance with these Rules notwithstanding that the breach could not have increased the risk of the loss which actually occurred in the circumstances in which it occurred.
- 49.2.4** Section 13 of the Act is excluded. As a result North UK or North EU shall be entitled to exercise its right to terminate the contract of insurance in respect of the Member and all Joint Insured Owners in the event that a fraudulent claim is submitted by or on behalf of the Member and/or any Joint Insured Owner and/or any affiliated or associated company of the Member.
- 49.2.5** Section 13A of the Act is excluded. As a result the Rules and the insurance contract between North UK or North EU and the Member and any Joint Insured Owner shall not be subject to nor shall the Association or the Managers be in breach of any implied term that they will pay any sums due in respect of a claim within a reasonable time save where the breach is deliberate or reckless and Section 13A of the Act is excluded to this extent.
- 49.2.6** Section 14 of the Act is excluded. As a result, the contract of insurance between North UK or North EU, the Member and any Joint Insured Owner shall be deemed to be a contract of the utmost good faith, and any breach of the duty of the utmost good faith shall entitle the Association to avoid the contract of insurance.

Rule 50 Law of Contract

These Rules and any policy or contract of insurance between North UK or North EU and an Insured Owner shall be governed by and construed in accordance with English law.

Appendix "A"

Provisions relating to the assessment and payment of KER Premiums, the extension and termination of the current Policy Year and the reinstatement of cover under Rule 5.B after the service of a General Premium Notice.

A.1

KING'S ENEMY RISKS PREMIUM PERIODS

A.1.1

Upon the service of a General Premium Notice, the Secretary of State shall declare a Premium Period. If the General Premium Notice has not been withdrawn and is still in force at the time of the expiry of the first Premium Period, the Secretary of State shall declare further Premium Periods in succession to one another. All Premium Periods shall be such length and duration as the Secretary of State shall determine.

A.2

KER PREMIUMS

A.2.1

The Insured Owners who, after the service of a General Premium Notice upon the Association, have or continue to have ships entered in the Association for insurance against the King's Enemy Risks where those risks are reinsured by the Government of the United Kingdom (that is to say British Ships and other ships to which the provisions of Rule 4.A.1 apply) shall pay to the Association in respect of each such Entered Ship:

A.2.1.1 Advance KER Premiums, which shall be expressed as a percentage of the Insured Value of each such Entered Ship, at the rate determined by the Secretary of State in respect of each Premium Period;

A.2.1.2 Supplementary KER Premiums, which shall be expressed as a percentage of the Advance KER Premium to which it relates, at the rate determined by the Secretary of State;

A.2.1.3 such further sums, which shall be expressed as a percentage of the Insured Value of each such Entered Ship, in respect of the expenses of the Association at such rate as the Directors shall from time to time, and for such period of time, determine.

A.2.2 KER Premiums shall be payable in full in respect of each Premium Period during which such Entered Ship is entered in the Association for insurance against the King's Enemy Risks. If any such Entered Ship shall be insured for only part of a Premium Period, the Secretary of State may determine that the KER Premiums payable in respect of such Entered Ship shall be payable on a pro rata basis representing the time that such Entered Ship is so insured during the relevant Premium Period.

A.2.3 No KER Premiums shall be levied in respect of any such Entered Ship until the expiry of the period stipulated in Rule 5.A.4.

A.3 NOTICES

As soon as is reasonably practicable, the Managers shall notify each Insured Owner of the following:

A.3.1 such declarations and determinations of Premium Periods which are made by the Secretary of State;

A.3.2 the rate at which a KER Premium is charged by the Secretary of State;

A.3.3 whether a KER Premium is an Advance or a Supplementary KER Premium and the Premium Period to which it relates;

A.3.4 the amount or amounts which are payable by the Insured Owner;

A.3.5 the date by which any KER Premium is payable by the Insured Owner, and, if it is payable by instalments, the amount of each instalment and the date by which it is payable.

A.4 UNPAID KER PREMIUMS

A.4.1 If an Insured Owner shall have failed to pay in respect of any Entered Ship when due and demanded by the Association any KER Premium, the provisions of paragraphs A.4.2 and A.4.3 shall have effect.

A.4.2 The Association shall not accept for payment or pay or otherwise commit itself to pay to that Insured Owner any claim for losses, liabilities, costs or expenses caused by the King's Enemy Risks until such time as the KER Premiums are paid in full.

Provided always that:

the Directors may, with the consent of the Secretary of State, exercise one or more of the following powers:

A.4.2.1 accept security for the payment of the unpaid KER Premiums in such form and for such amount, and on such terms and conditions, as they require for the whole or any part that may be due;

A.4.2.2 without prejudice to the Association's rights under Rule 4.E.13, appropriate KER Premiums paid in respect of a later Premium Period to KER Premiums due and owing in respect of an earlier Premium Period;

A.4.2.3 accept and pay any claim arising in any Premium Period in respect of which KER Premiums are fully paid;

A.4.2.4 require that interest shall be charged under Rule 30.

A.4.3 The Directors may, and if required by the Secretary of State shall, give notice to the Insured Owner in the form prescribed by Rules 34.1.1 and 34.1.2. If the Insured Owner fails to comply with the requirements of such notice, the provisions of Rules 34.2 to 34.4 and 35.2 and 35.3 shall have effect.

Provided always that:

in the case that the Insured Owner's cover shall have been reinstated under Rule 5.B, the Directors may, in their discretion, give notice under this paragraph which shall cancel the King's Enemy Risks cover only.

A.5 EXTENSION AND TERMINATION OF CURRENT POLICY YEAR

A.5.1 The Policy Year in the course of which a General Premium Notice is served shall extend (if necessary beyond noon GMT on 20 February next) and shall terminate at the date when the period or periods provided in Rule 5.A.4 have expired in respect of all the ships which are entered for insurance in the Association or at such other date as the Directors may, in their discretion, determine.

A.5.2 In the event that the said Policy Year shall extend beyond noon GMT on 20 February next in the manner described in paragraph A.5.1, the respective rights and obligations of the Insured Owner and the Association shall continue to be governed in all respects by the provisions of these Rules until the Policy Year shall have terminated in accordance with the provisions of paragraph A.5.1.

A.6 REINSTATED ENTRIES

A.6.1 If the Directors shall make an offer under the provisions of Rule 5.B, the provisions of paragraphs A.6.2 and A.6.3 shall apply.

A.6.2 If such offer shall require the payment of Contributions or Premiums, and provide that the insurance is to be offered for a shorter period than any Policy Year, then that shorter period shall constitute a Policy Year for all the purposes of these Rules notwithstanding that such period is shorter than the Policy Year as defined by these Rules.

A.6.3 The risks so insured by the Association shall be financed by means of a different fund from that used to finance the insurance afforded by the Association in respect of the King's Enemy Risks.

Appendix "B"

Provisions applicable to the insurance afforded by the Association under Rule 2, Parts A and B. Terms as to the measure of Indemnity or otherwise affecting the recoverability of loss.

B.1 FRANCHISE OR DEDUCTIBLE

The insurance under Rule 2 Part A shall not be subject to a franchise or deductible.

B.2 GENERAL AVERAGE AND SALVAGE

B.2.1 The insurance under Rule 2 Parts A and B covers, on the terms set out below, the Entered Ship's proportion of salvage, salvage charges and/or general average. In case of general average sacrifice of the Entered Ship the Insured Owner may recover the whole of the loss without first enforcing his right of contribution from other parties.

B.2.2 General average and salvage shall be adjusted according to the law and practice obtaining at the place where the adventure ends, as if the contract of affreightment contained no special terms upon the subject; but where the contract of affreightment so provides the adjustment shall be according to the York-Antwerp Rules, 1974.

B.2.3 When the Entered Ship sails in ballast, not under charter, the provisions of the York-Antwerp Rules 1974 (excluding Rules XX and XXI) shall be applicable, and the voyage for this purpose shall be deemed to continue from the port or place of departure until the arrival of the Entered Ship at the first port or place thereafter other than a port or place of refuge or a port or place of call for bunkering only. If at any such intermediate port or place there is an abandonment of the adventure originally contemplated the voyage shall thereupon be deemed to be terminated.

B.2.4 No claim in respect of salvage, salvage charges or general average shall be recoverable from the Association unless the loss arose from a risk insured by the Association under Rule 2 Part A or Part B or the loss was incurred to avoid such a risk.

B.2.5 Claims for salvage, salvage charges and general average, when recoverable hereunder, are payable in full if the Entered Ship liable to contribution is insured under Rule 2 for her full contributory value. If the Entered Ship is not insured under Rule 2 for her full contributory value or if only a part or percentage thereof is insured, the sum recoverable from the Association shall be reduced in proportion to the under insurance.

Provided always that:

the Members Board shall have the power to admit a claim without reduction, or to direct that it shall only be reduced to some lesser extent, if the Members Board in its discretion shall see fit.

B.3 COLLISION

B.3.1 An Insured Owner shall not be entitled to recover loss of or damage to an Entered Ship arising out of a collision with another ship or out of contact with any fixed or floating object unless such loss or damage has been caused by a risk insured by the Association under Rule 2 Part A or Part B.

B.3.2 Should the Entered Ship come into collision with or receive salvage services from another ship belonging wholly or in part to the same Insured Owner, or under the same management, the Insured Owner shall have the same rights of recovery from the Association as if the other ship had been entirely the property of owners not interested in the Entered Ship. In case a dispute shall arise between the Insured Owner and the Association either on the liability for the collision or on the amount payable for the services rendered it shall be referred to arbitration by a sole arbitrator to be agreed upon between the Association and the Insured Owner.

B.3.3 If the Insured Owner shall become entitled to recover under Rule 2 Part A or Part B in respect of loss of or damage to the Entered Ship arising out of collision with another ship, claims in respect of such loss or damage shall be settled on the principle of cross liabilities as if the owners of each ship had been compelled to pay to the owners of the other of such ships such one-half or other proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Insured Owner in consequence of such collision.

B.4 NEW FOR OLD

Average is payable without deductions new for old, whether the average be particular or general.

B.5 UNREPAIRED DAMAGE

B.5.1 The measure of indemnity in respect of claims for unrepaired damage shall be the reasonable depreciation in the market value of the Entered Ship, at the end of the policy year in which the damage occurred, arising from such unrepaired damage, but not exceeding the reasonable cost of repairs.

B.5.2 In no case shall the Association be liable for unrepaired damage in the event of a subsequent total loss whether or not covered under the Entered Ship's terms of entry in the Association.

B.5.3 The Association will not be liable in respect of unrepaired damage for more than the Insured Value of the Entered Ship at the end of the policy year in which the damage occurred.

B.6 CONSTRUCTIVE TOTAL LOSS

B.6.1 In ascertaining whether the Entered Ship is a constructive total loss, the Insured Value shall be taken as the repaired value and nothing in respect of the damaged or break-up value of the Entered Ship or wreck shall be taken into account.

B.6.2 No claim for constructive total loss based upon the cost of recovery and/or repair of the Entered Ship shall be recoverable hereunder unless such cost would exceed the Insured Value. In making this determination, only the cost relating to a single accident or sequence of damages arising from the same accident shall be taken into account.

B.7 FREIGHT OR PASSAGE MONEY

In the event of actual or constructive total loss no claim shall be made by the Association for freight or passage money, whether or not notice of abandonment has been given.

Appendix "C"

Provisions applicable to the insurance afforded by the Association under Rule 3. Terms as to the measure of Indemnity or otherwise affecting the recoverability of loss.

C.1 MAXIMUM LIABILITY AND MEASURE OF LOSS

C.1.1 The maximum liability of the Association in respect of any claim for loss of freight, disbursements and/or increased value, premiums and/or other interests shall be an amount equivalent to the Sum Insured.

C.1.2 In relation to a claim which does not result from the total loss (either actual or constructive) of the Entered Ship, the liability of the Association shall, subject to the provisions of paragraph C.1.1, be limited to the amount of the freight which, as a result of the incident giving rise to the claim, is not recoverable by the Insured Owner under a contract existing at the date of such incident.

C.2 TOTAL LOSS

C.2.1 If the Entered Ship becomes a total loss (either actual or constructive) the Sum Insured under Rule 3 shall be paid in full, whether the Entered Ship be fully or partly loaded or in ballast and whether she be chartered or unchartered. If however the Entered Ship becomes a constructive total loss, but the Insured Owner's claim against the Association under Rule 2 Part B shall be settled as a claim for partial loss only, this provision shall not apply.

C.2.2 In ascertaining whether the Entered Ship is a constructive total loss, the Insured Value for which she is insured under Rule 2 Part B shall be taken as the repaired value and nothing in respect of the damaged or break-up value of the Entered Ship or the wreck shall be taken into account.

C.3 GENERAL AVERAGE AND SALVAGE

C.3.1 The insurance under Rule 3 covers, on the terms set out below, the proportion of salvage, salvage charges and/or general average attaching to:

C.3.1.1 the freight at risk;

C.3.1.2 the Entered Ship, to the extent that such proportion is not recoverable under Rule 2 Part B by reason of the Insured Value of the Entered Ship under Rule 2 Part B being less than her full contributory value;

and in the case of general average sacrifice of the Entered Ship, the Insured Owner may recover the whole of the loss without first enforcing his rights of contribution from other parties.

- C.3.2** General average and salvage shall be adjusted according to the law and practice obtaining at the place where the adventure ends, as if the contract of affreightment contained no special terms upon the subject; but where the contract of affreightment so provides the adjustment shall be according to the York-Antwerp Rules 1974.
- C.3.3** When the Entered Ship sails in ballast, not under charter, the provisions of the York-Antwerp Rules 1974 (excluding Rules XX and XXI) shall be applicable, and the voyage for this purpose shall be deemed to continue from the port or place of departure until the arrival of the Entered Ship at the first port or place thereafter, other than a port or place of refuge or a port or place of call for bunkering only. If at any such intermediate port or place there is an abandonment of the adventure originally contemplated, the voyage shall thereupon be deemed to be terminated.
- C.3.4** No claim in respect of salvage, salvage charges or general average shall be recoverable from the Association unless the loss arose from a risk insured by the Association under Rule 3 or the loss was incurred to avoid such a risk.
- C.3.5** Claims for salvage, salvage charges and general average, when recoverable hereunder, are payable in full if the Sum Insured in respect of freight is not less than the full contributory value of such freight. If the Sum Insured is less than the full contributory value of such freight, the sum recoverable from the Association shall be reduced in proportion to the under insurance.

Provided always that:

the Members Board shall have the power to admit a claim without reduction, or to direct that it shall only be reduced to some lesser extent, if the Members Board in its discretion shall see fit.

C.4 **SISTER SHIP**

Should the Entered Ship come into collision with or receive salvage services from another ship belonging wholly or in part to the same Insured Owner, or under the same management, the Insured Owner shall have the same rights of recovery from the Association as if the other ship had been entirely the property of owners not interested in the Entered Ship. In case a dispute shall arise between the insured Owner and the Association either on the liability for the collision or on the amount payable for the services rendered it shall be referred to arbitration by a sole arbitrator to be agreed upon between the Association and the Insured Owner.

Appendix "D"

Protection and Indemnity liabilities, costs and expenses insured

- Notes:
- (I) For the general provisions applicable to this cover – see Rule 2 Part D.
 - (II) For the warranties, conditions, exceptions, limitations and other terms applicable to this cover – see Rule 4 and the other provisions set out in these Rules.

D.1 LOSS OF LIFE, PERSONAL INJURY, ILLNESS

D.1.1 Liability of the Insured Owner to pay damages or compensation for loss of life of, personal injury to or illness of:

D.1.1.1 any person in or on board or near the Entered Ship;

D.1.1.2 any master, seaman or member of the crew of the Entered Ship or other person employed thereon while in or on board or near the Entered Ship and while proceeding to or from the Entered Ship;

D.1.1.3 any person employed in relation to the handling of the cargo of the Entered Ship from the time of receipt for shipment on the quay or wharf until final delivery from the quay or wharf at the port of discharge;

D.1.1.4 any person injured or killed by reason of a collision or contact involving the Entered Ship.

D.1.2 Whenever the Insured Owner incurs a liability as specified in paragraphs D.1.1.1 to D.1.1.4 for which the Association is liable hereunder, the Insured Owner shall also be entitled to recover:

D.1.2.1 any hospital, medical, funeral or other expenses for which the Insured Owner may be liable and which the Insured Owner may incur in connection with such loss of life, personal injury or illness;

D.1.2.2 any expenses of maintaining the injured or ill person ashore or afloat or repatriating such person;

D.1.2.3 any expenses of putting into port, when incurred to land the injured or ill person;

D.1.2.4 any expenses necessarily incurred in sending abroad substitutes or in securing, engaging, repatriating or deporting a substitute engaged abroad to replace any person so killed, injured or ill.

D.1.2.5 *Provided always that:*

the expenses referred to in paragraphs D.1.2.1 to D.1.2.4 shall not include wages, which shall be recoverable hereunder as follows:

D.1.2.5.1 wages paid to an injured or ill person for any period while he is undergoing medical or hospital treatment abroad, or while he is being repatriated;

D.1.2.5.2 wages paid to substitutes (as referred to in paragraph D.1.2.4) engaged abroad, but only while awaiting and during repatriation.

D.2 WAGES AND EXPENSES CONSEQUENT UPON SHIPWRECK OR ACTUAL OR CONSTRUCTIVE TOTAL LOSS

Liability of the Insured Owner for the following wages and expenses when consequent upon shipwreck or actual or constructive total loss of the Entered Ship:

D.2.1 any expenses of repatriating the master, seamen, members of the crew or of other persons carried on board the Entered Ship;

D.2.2 any wages payable to the master, seamen or members of the crew of the Entered Ship during unemployment consequent upon such shipwreck or actual or constructive total loss of the Entered Ship.

D.3 LOSS OF SEAMEN'S EFFECTS

Any sums which the Insured Owner may be liable to pay to the master, seamen or members of the crew of an Entered Ship in respect of the loss of their effects.

D.4 CAPTURED OR DETAINED CREW

D.4.1 Payments made in respect of members of the crew of an Entered Ship who are captured or detained, provided that such payments are made in accordance with Agreements approved by the Department of Transport of the United Kingdom or any other successor department or body, or any statutory obligation.

D.4.2 Payments made to dependants of members of the crew of an Entered Ship who are detained in circumstances which the Members Board in its discretion considers would have given rise to a claim under Rules 2.C.1.1 or 2.C.1.3 had the Entered Ship been detained. The amount recoverable shall be assessed by the Members Board whose decision shall in all respects be final.

D.5 COLLISION WITH ANOTHER SHIP

D.5.1 If the Entered Ship shall come into collision with any other ship, any liability for loss, liability, cost or expense which arises out of the collision and which is incurred by the Insured Owner for any of the following:

D.5.1.1 loss of or damage to any other ship or property thereon;

D.5.1.2 delay to or loss of use of any other ship or property thereon;

D.5.1.3 general average, salvage of, or salvage under contract of, any other ship or property thereon;

D.5.1.4 removal or disposal or obstructions, wrecks, cargoes or any other thing whatsoever;

D.5.1.5 any real or personal property or any thing whatsoever (except other ships or property on other ships);

D.5.1.6 the cargo or other property on the Entered Ship, or general average contributions, special charges or salvage paid by the owners of that cargo or

D.5.1.7 loss of life, personal injury or illness;

D.5.2 *Provided always that:*

the Association's liability under paragraph D.5 shall be only for such collision liability as falls within one or more of the following heads, namely:

D.5.2.1 It would have been recoverable under the Institute Time Clauses – Hulls (edition of 1.10.83 or any subsequent edition or amendment thereof current at the date of the casualty) had the ship been insured on such terms, but for the War Exclusion Clause, the Strikes Exclusion Clause, the Malicious Acts Exclusion Clause and the Violent Theft, Piracy and Barratry Exclusion Clause inserted therein or, as the case may be, the Institute Time Clauses – Freight (edition of 1.8.89 or any subsequent edition or amendment thereof current at the date of the casualty) had the ship been insured on such terms, but for the War Exclusion Clause, the Strikes Exclusion Clause or the Malicious Acts Exclusion Clause inserted therein.

D.5.2.2 It would have been recoverable under the rules of Class I (Protecting and Indemnity) of the Association, had the Entered Ship been entered therein, but for Rule 24 of the rules of such Class I. This proviso is in substitution for the proviso to Rule 2.D.1.

This proviso is in substitution for the proviso to Rule 2.D.1.

D.5.3 The Association shall not be liable under paragraph D.5 for any collision liability recoverable by the Insured Owner under Rule 2 Part A.

D.6 **DAMAGE TO FIXED AND FLOATING OBJECTS**

Liability of the Insured Owner for loss of or damage to any harbour, dock, pier, jetty, land, water or any fixed or movable thing whatsoever (not being another ship or any property thereon).

D.7 **DAMAGE TO VESSELS OTHERWISE THAN BY COLLISION**

Liability of the Insured Owner for loss of or damage to any other ship or any property thereon, and costs and expenses incidental thereto, occasioned otherwise than by collision with the Entered Ship.

D.8 **WRECK REMOVAL**

Liability of the Insured Owner for costs and expenses of or incidental to the raising, removal, destruction, lighting or marking of the wreck of an Entered Ship.

Provided always that:

D.8.1 the value of all stores and materials saved, as well as of the wreck itself, shall first be deducted from such costs, charges and expenses, and only the balance thereof, if any, shall be recoverable from the Association;

D.8.2 nothing shall be recoverable from the Association under paragraph D.8 if the Insured Owner shall, without the consent of the Managers in writing, have transferred his interest in the wreck, otherwise than by abandonment, prior to the raising, removal, destruction, lighting or marking of the wreck;

D.8.3 no liabilities or expenses shall be recoverable from the Association under paragraph D.8 if and to the extent that the casualty giving rise to the wreck of the Entered Ship was caused by any of the King's Enemy Risks.

D.9 **POLLUTION**

D.9.1 Losses, liabilities, costs or expenses of the Insured Owner arising from any escape of or discharge of or threatened escape of or discharge of oil or of any other substance.

D.9.2 The Association shall not provide insurance for any losses, liabilities, costs or expenses if the provision of such insurance would create a liability for the Insured Owner under the Tanker Oil Pollution Indemnification Agreement 2006 (TOPIA 2006) to contribute to the IOPC Supplementary Fund.

D.10 **CARGO**

Liability of the Insured Owner in respect of cargo intended to be or being or having been carried on an Entered Ship.

Provided always that:

the Association's liability hereunder shall be subject to the same provisos and conditions (apart from Rule 24) as are included in the rules of Class I (Protecting and Indemnity) of the Association relating to liability for loss or shortage of and damage to or responsibility in respect of cargo or other property carried in an Entered Ship.

D.11 **BREACH OF ANY CONTRACT OF CARRIAGE INCURRED BY DIRECTION OF THE ASSOCIATION**

Liability of the Insured Owner in respect of the Entered Ship for breach of outstanding contracts of carriage resulting from compliance with orders, prohibitions or directions of the Directors.

D.12 **OTHER LIABILITIES AND EXPENSES**

Any other loss, liability, cost or expense other than those set out in paragraphs D.1 to D.10 which would have been recoverable under the rules of Class I (Protecting and Indemnity) of the Association had the Entered Ship been entered therein, but for Rule 24 of the rules of such Class I.

D.13 **LEGAL COSTS**

Legal costs and other similar charges which the Insured Owner may incur in respect of, or in avoiding or attempting to avoid, any liability or expenditure against which he is insured by Rule 2 Part D and/or paragraphs D.1 to D.11, provided that such costs have been incurred with the written consent of the Managers, or the Members Board determines that such costs or expenses were reasonably incurred.

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