

**APPENDIX** 

**AMENDMENTS TO THE RULES** 

TO BE CONSIDERED BY THE MEMBERS OF THE ASSOCIATION AT THE SPECIAL GENERAL MEETING OF THE ASSOCIATION TO BE HELD IN BERMUDA ON 20th JANUARY, 2012

## AMENDMENTS TO THE RULES

#### Rule 2, Section 7 - diversion expenses

Amend Section 7 of Rule 2 by addition of the words in bold type below:

Expenses of diversion of an entered ship where and to the extent that those expenses (i) represent the net loss to the Owner (over and above such expenses as would have been incurred but for the diversion) in respect of the cost of fuel, insurance, wages, stores, provisions and port charges and (ii) are incurred solely for the purpose of securing treatment for an injured or sick person or while awaiting a substitute for such person or for the purpose of landing stowaways or refugees or (with the Managers' agreement) a deceased person, or for the purpose of saving life at sea.

## **EXPLANATORY NOTES**

#### Rule 2, Section 7 - diversion expenses

The purpose of this change is to broaden the scope of cover afforded in Rule 2, section 7, in respect of diversion expenses, to encompass the circumstances where a death has occurred on board an entered ship and the Managers agree it was necessary to divert the ship to land the deceased person.

## Rule 2, Section 17, proviso (e) – rare and valuable cargo Amend proviso (e) to Section 17 of Rule 2 by addition of the words in bold type and by deletion of the words indicated below:

#### e Rare and valuable cargo

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

# Rule 2, Section 17, proviso (e) – rare and valuable cargo

The purpose of this change is to align the language of the Rule with the wording of the corresponding provision of the Pooling Agreement.

## Rule 4, Section 1 – special cover for charterers Amend Section 1 of Rule 4 by addition of the words in bold type below:

For the purpose of this section, a 'charterer' shall mean a charterer other than a demise or bareboat charterer. Where the entry of a ship in the Association is in the name of or on behalf of a charterer, the following liabilities, losses, costs and expenses may be covered on such terms and conditions as may be agreed by the Managers in writing...

## Rule 4, Section 1 – special cover for charterers

The purpose of the amendment is to make clear that the special cover provided in this section is for a time charterer or a voyage charterer, not a bareboat or demise charterer.

## Rule 5(V) - sanctions risks

Amend subparagraph (ii) of paragraph V of Rule 5 by addition of the words in bold type below:

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

## Rule 5(V) - sanctions risks

The proposed amendment is to clarify that delay in recovery is not just limited to delays resulting from Pool/reinsurers paying into blocked accounts, but also delays which might be incurred for any other reasons, for instance, in resolving issues as to whether prospective payments would be subject to the risks of sanctions.

## AMENDMENTS TO THE RULES

#### Rule 5(V) - sanctions risks

Amend paragraph V of Rule 5 by addition of a new subparagraph (iii) in bold type below:

iii Notwithstanding, and without prejudice to, any other provisions of these Rules, the Directors may terminate the insurance of an Owner in respect of any and all ships entered by him where, in the opinion of the Directors, the Owner has exposed or will expose the Association to a material risk of being or becoming subject to a sanction, prohibition, restriction or other adverse action by a competent authority or government, which may materially affect the Association.

## **EXPLANATORY NOTES**

#### Rule 5(V) - sanctions risks

The principle and text of this subparagraph were agreed by the Directors and the Members and incorporated as Rule 5(J)(ii) for the 2010 policy year. However, when recommending the adoption of Rule 5(J)(ii) to the Members, the Board made clear that this was an interim measure only and would last just for the 2010 policy year. The Rule lapsed at the year end and starting from the 2011 policy year, the Association adopted an IG recommended model rule on sanctions which has been incorporated as Rule 5(V). During the course of the year, it has become clear that even where entitlement to recovery has been lost by the effect of Rule 5(V), the mere existence of insurance may itself expose the Association to a risk of sanctions in some circumstances and that in such cases it is still necessary for the Directors to have the power to terminate a Member's insurance. The Managers accordingly propose that this rule be restored and be incorporated more logically into Rule 5(V)(iii).

## Rule 17, paragraph B – variation of contract Amend Rule 17, paragraph B by addition of the words in bold type below:

B (i) 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 contract of insurance between the Owner and the Association, then such alteration shall be binding upon the Owner and for all purposes take effect as from the commencement of the next ensuing policy year. (ii) Notwithstanding the provisions of sub-paragraph (i) above, where, in the opinion of the Directors, there occurs or may occur a material change in the risks to the Association or the cover provided by it, either as a result of the implementation of new legislation or for any other reason whatsoever, the Association may alter the Rules in accordance with Bye-Law 15 and decide that such alteration shall take effect during the policy year on no less than 30 days notice.

## Rule 17, paragraph B – variation of contract

Currently Bye-Law 15A allows the Association to alter the Rules at a general meeting any time, but Rule 17B provides for the alteration to take effect only from the next 20th February. The purpose of adding the proposed new sub-paragraph is to afford more flexibility for the Club to implement an alteration to the Rules in the course of the policy year if exceptional circumstances arise where it is considered that such mid-year implementation of a Rule change would service the interests of the Club and its Members. The reference in the new sub-paragraph to Bye-Law 15 is to make clear that any such decision to implement a Rule change in mid year can still only be made by the Members in a special general meeting.