

## RISKS COVERED

Unless otherwise agreed between an Owner and the Managers, the risks covered by the Association are as set out in Sections 1 to 26 below, provided always as follows:

- i Unless and to the extent that the Directors otherwise decide, an Owner is only insured in respect of such sums as he has paid to discharge the liabilities or to pay the losses, costs or expenses referred to in those sections;
- ii The maximum amount recoverable by an Owner in respect of any one accident or occurrence may be limited by virtue of the limits set out in Rule 5(B), or by virtue of a resolution of the Directors made before the commencement of the relevant policy year;
- iii Unless otherwise agreed between an Owner and the Managers, an Owner's recovery from the Association shall be subject to the deductibles set out in Appendix B to this Rule.

### SECTION 1

#### Liability to persons other than seamen

A Liability to pay damages or compensation for personal injury, illness or death of any person (other than the persons specified in paragraphs (B) and (C) of this Section and in Sections 2 and 3) and hospital, medical or funeral expenses incurred in relation to such injury, illness or death.

B Liability to pay damages or compensation for personal injury, illness or death of any person engaged to handle the cargo of an entered ship.

PROVIDED ALWAYS that:

- a Cover under paragraphs (A) and (B) of this Section is limited to liabilities arising out of a negligent act or omission on board or in relation to an entered ship or in relation to the handling of her cargo from the time of receipt of that cargo from the shipper or pre-carrier at the port of shipment until delivery of that cargo to consignee or onward carrier at the port of discharge.
- b Where the liability arises under the terms of any contract or indemnity and would not have arisen but for those terms, that liability is not covered under this Section but may be covered under and in accordance with Section 14 of this Rule.
- c Where the liability is in respect of a person on another ship, and arises out of a collision between that ship and the entered ship, that liability is not covered under this Section but may be recoverable under and in accordance with Section 10(B) of this Rule.

C Liability to pay damages or compensation:

- i for personal injury, illness or death of any passenger and hospital, medical or funeral expenses incurred in relation to such injury, illness or death;
- ii to passengers on board an entered ship arising as a consequence of a casualty to that ship, including the cost of forwarding passengers to

destination or return to port of embarkation and of maintenance of passengers ashore;

iii for loss of or damage to the effects of any passenger.

PROVIDED ALWAYS that:

- a The terms of the passage ticket or other contract between the passenger and the Owner have been approved by the Managers in writing and cover for the liabilities set out in this paragraph (C) has been agreed between the Owner and the Managers on such terms as the Managers may require.
- b There shall be no recovery from the Association under this paragraph (C) in respect of liabilities for personal injury or death, or loss of or damage to property, delay or any other consequential loss sustained by any passenger by reason of carriage by air, except where such liability occurs either
  - i during repatriation by air of injured or sick passengers or of passengers following a casualty to the entered ship; or
  - ii subject always to proviso (c) of this paragraph (C), during an excursion from the entered ship.
- c There shall be no recovery from the Association under this paragraph (C) in respect of the contractual liability of an Owner for death or injury to a passenger whilst on an excursion from the entered ship in circumstances where either:
  - i a separate contract has been entered into by the passenger for the excursion, whether or not with the Owner, or
  - ii the Owner has waived any or all of his rights of recourse against any sub-contractor or other third party in respect of the excursion.
- d Unless and to the extent that the Owner has obtained appropriate special cover by agreement with the Managers, there shall be no recovery from the Association in respect of claims relating to cash, negotiable instruments, precious or rare metals or stones, valuables or objects of a rare or precious nature.
- e For the purpose of this paragraph (C), 'casualty' means 'an incident involving either: (i) collision, stranding, explosion, fire, or any other cause affecting the physical condition of the entered ship so as to render it incapable of safe navigation to its intended destination; or (ii) a threat to the life, health or safety of passengers'.

## SECTION 2

### Injury and death of seamen

Liability to pay damages or compensation for personal injury or death of any seaman, and hospital, medical, funeral and other expenses necessarily incurred in relation to such injury or death, including expenses of repatriating the seaman and sending abroad a substitute to replace him.

PROVIDED ALWAYS that:

Where the liability arises or the costs or expenses are incurred under the terms of a crew agreement or other contract of service or employment and would not have arisen but for those terms, that liability is not covered by the Association unless and to the extent that those terms shall have been previously approved by the Managers in writing.

### SECTION 3

#### Illness and death of seamen

Liability to pay damages or compensation for illness and death resulting from illness of any seaman, and hospital, medical, funeral or other expenses necessarily incurred in relation to such illness or such death including expenses of repatriating the seaman and sending abroad a substitute to replace him.

PROVIDED ALWAYS that:

Where the liability arises or the costs or expenses are incurred under the terms of a crew agreement or other contract of service or employment and would not have arisen but for those terms, that liability is not covered by the Association unless and to the extent that those terms shall have been previously approved by the Managers in writing.

### SECTION 4

#### Repatriation and substitute expenses

Repatriation and substitute expenses which are not recoverable under Sections 2 and 3 of this Rule and which are incurred in sending abroad a substitute to replace a seaman of an entered ship who has been left ashore, or incurred under statutory obligation in repatriating any seaman of the entered ship.

PROVIDED ALWAYS that:

This Section does not cover expenses which arise out of or are the consequence of (i) the expiry of a seaman's period of service on the entered ship either in accordance with the terms of a crew agreement or other contract of service or employment or by mutual consent of the parties to it, or (ii) breach by the Owner of any agreement or other contract of service or employment, or (iii) sale of the ship, or (iv) any other act of the Owner in respect of the entered ship.

### SECTION 5

#### Loss of and damage to the effects of seamen and others

Liability to pay damages or compensation for loss of or damage to the effects of:

A Any seaman,

B Any other person, on board an entered ship (other than the persons specified in paragraph (C) of Section 1).

PROVIDED ALWAYS that:

a Unless and to the extent that the Owner has obtained appropriate special cover by agreement with the Managers, there shall be no recovery from the Association in respect of claims relating to cash, negotiable instruments, precious or rare metals or stones, valuables or objects of a rare or precious nature.

- b Where the liability arises under the terms of a contract and would not have arisen but for those terms, that liability is not covered by the Association unless and to the extent that those terms shall have been previously approved by the Managers in writing.

## **SECTION 6**

### **Shipwreck unemployment indemnity**

Liability to compensate any seaman for the loss of his employment caused in consequence of the actual or constructive total loss of an entered ship, where the wages or compensation are payable under statutory or other legal obligation or under the terms of any crew agreement or other contract of service or employment if and to the extent that those terms have previously been approved by the Managers.

## **SECTION 7**

### **Diversion expenses**

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 for the purpose of saving life at sea.

## **SECTION 8**

### **Stowaways and refugees**

Expenses, other than those covered under Section 7 of this Rule, incurred by the Owner in discharging his obligations towards or making necessary arrangements for stowaways or refugees, but only if and to the extent that the Owner is legally liable for the expenses or they are incurred with the approval and agreement of the Managers.

## **SECTION 9**

### **Life salvage**

Sums legally due to third parties by reason of the fact that they have saved or attempted to save the life of any person on or from an entered ship but only if and to the extent that such payments are not recoverable under the Hull Policies of the entered ship or from cargo owners or underwriters.

## SECTION 10 Collision with other ships

The liabilities, set out in paragraphs (A), (B) and (C) below, to pay costs and damages to any other person as a consequence of a collision between an entered ship and any other ship, but only if and to the extent that such liabilities are not recoverable under the collision liability clause contained in the Hull Policies of the entered ship:

- A One fourth, or such other proportion as may have been agreed in writing by the Managers, of the liabilities arising out of the collision other than the liabilities listed in paragraph (B) of this Section.
- B Four fourths of the liabilities arising out of the collision for or relating to
  - i removal or disposal of obstructions, wrecks, cargoes or any other thing whatsoever,
  - ii any real or personal property or any thing whatsoever except other ships or property on other ships,
  - iii 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 property,
  - iv loss of life, personal injury, illness, repatriation or substitute expenses,
  - v an escape or discharge (other than from the entered ship), of oil or any other substance, or the threat thereof, but excluding damage to other ships with which the entered ship is in collision and property on such other ships.
- C That part of the Owner's liabilities arising out of the collision, other than the liabilities listed in paragraphs (A) and (B) of this Section, which exceeds the sum recoverable under the Hull Policies of the entered ship solely by reason of the fact that the sum of the liabilities arising out of the collision exceeds the valuation of the ship in those policies.  
PROVIDED ALWAYS that:
  - a Unless and to the extent that the Directors in their discretion otherwise decide, recovery from the Association under paragraph (C) of this Section shall be limited to the excess (if any) of the amount which would have been recoverable under the Hull Policies of the entered ship if that ship had been insured thereunder at the proper value in accordance with Rule 5(D)
  - b Unless otherwise agreed at the time of entry or of subsequent annual renewal, an Owner shall not be entitled to recover from the Association any franchise or deductible borne by him under the Hull Policies of the entered ship.
  - c If a claim arises under this Section in respect of a collision involving two ships belonging wholly or partly to the same Owner, he shall be entitled to recover from the Association, and the Association shall have the same rights, as if the ships had belonged to different owners.

- d Unless otherwise agreed between the Owner and the Managers as a term of the ship's entry in the Association, if both ships are to blame, then where the liability of either or both of the ships in collision becomes limited by law, claims under this Section shall be settled upon the principle of single liability, but in all other cases claims under this Section shall be settled upon the principle of cross-liabilities, as if the owner of each ship had been compelled to pay the owner of the other ship such proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Owner of the entered ship in consequence of the collision.

*Note: Any oil pollution element in a claim under this Section 10 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.*

## SECTION 11

### Loss or damage to property

Liability to pay damages or compensation for any loss of or damage to any property (including infringement of rights) whether on land or water and whether fixed or moveable.

PROVIDED ALWAYS that:

- a There shall be no recovery by an Owner under this Section in respect of:
- i Liability which arises under the terms of any contract or indemnity to the extent that it would not have arisen but for those terms.
  - ii Liability which is within the scope of the following Sections of this Rule, or within any proviso, limit, exclusion or deductible applicable to those Sections:
    - Section 1(C) Liability to persons other than seamen.
    - Section 5 The effects of seamen and others.
    - Section 10 Collision with other ships.
    - Section 12 Pollution risks.
    - Section 13 Liability arising out of towage of or by an entered ship.
    - Section 15 Wreck liabilities.
    - Section 17 Cargo liabilities.
    - Section 18 Property on the entered ship.
  - iii Any franchise or deductible borne by the Owner under the Hull Policies of the entered ship.
- b If an entered ship causes loss or damage to property or infringes rights belonging wholly or in part to the Owner of the entered ship, the Owner shall have the same rights of recovery from the Association as if such property or rights belonged wholly to different owners.

*Note: Any oil pollution element in a claim under this Section 11 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.*

**SECTION 12**  
**Pollution risks**

The liabilities, losses, damages, costs and expenses set out in paragraphs (A) to (E) below when and to the extent that they are caused by or incurred in consequence of the discharge or escape from an entered ship of oil or any other substance, or the threat of such discharge or escape:

PROVIDED ALWAYS that

- a There shall be no recovery in respect of any liability, loss, damage, cost or expense arising as a consequence of the presence in, or the escape or discharge or threat of escape or discharge from, any land-based dump, storage or disposal facility, of any substance previously carried on the entered ship, whether or not as cargo, fuel, stores or waste, except to the extent that the Directors in their discretion, and without having to give any reasons for their decision, otherwise determine.
- b Unless and to the extent that special cover has been agreed in writing by the Managers, the Association shall not reimburse any liability, loss, cost or expense which would have been recoverable in general average if the cargo of the entered ship had been carried on terms no less favourable to the Owner than those of the York-Antwerp Rules 1994.

- A Liability for loss, damage or contamination.
- B Any loss, damage or expense which the Owner incurs, or for which he is liable, as a party to any agreement approved by the Directors, including the costs and expenses incurred by the Owner in performing his obligations under such agreements.
- C The costs of any measures reasonably taken for the purpose of avoiding or minimizing pollution or any resulting loss or damage together with any liability for loss of or damage to property caused by measures so taken.
- D The costs of any measures reasonably taken to prevent an imminent danger of the discharge or escape from the entered ship of oil or any substance which may cause pollution.
- E The costs or liabilities incurred as a result of compliance with any order or direction given by any government or authority, for the purpose of preventing or reducing pollution or the risk of pollution, provided always that:
  - a such compliance is not a requirement for the normal operation or salvage or repair of the entered ship; and
  - b such costs or liabilities are not recoverable under the Hull Policies of the entered ship.

*Note: Oil pollution claims under this Section 12 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.*

**SECTION 13****Liability arising out of towage of or by an entered ship****A. CUSTOMARY TOWAGE OF AN ENTERED SHIP**

Liability, other than for the cost of the contracted services, under the terms of a contract for the customary towage of an entered ship, that is to say:

- i towage for the purpose of entering or leaving port or manoeuvring within the port during the ordinary course of trading, or
- ii towage of such entered ships as are habitually towed in the ordinary course of trading from port to port or from place to place, to the extent that the Owner is not insured against such liability under the Hull Policies of the entered ship.

**B. TOWAGE OF AN ENTERED SHIP OTHER THAN CUSTOMARY TOWAGE**

Liability under the terms of a contract for towage of an entered ship other than the customary towage covered under paragraph (A) of this Section but only if and to the extent that cover for such liability has been agreed with the Managers upon such terms as the Managers may require.

**C. TOWAGE BY AN ENTERED SHIP**

Liability arising out of the towage of another ship or object by an entered ship but only if and to the extent that:

- i cover for such liability has been agreed with the Managers upon such terms as the Managers may require, or
- ii the Directors shall in their discretion decide that having regard to all the circumstances the claim falls within the scope of the Association and that the Owner should be reimbursed.

*Note: Any oil pollution element in a claim under this Section 13 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.*

**SECTION 14****Liability arising under certain indemnities and contracts**

Liability for loss of life, personal injury or illness, or for loss of or damage to property, arising under the terms of an indemnity or contract given or made by or on behalf of the Owner relating to facilities or services provided or to be provided to or in connection with an entered ship, but only if and to the extent that:

- i the terms have previously been approved by the Managers and cover for the liability has been agreed between the Owner and the Managers on such terms as the Managers may require, or
- ii the Directors in their discretion decide that the Owner should be reimbursed.

*Note: Any oil pollution element in a claim under this Section 14 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.*

## SECTION 15

### Wreck liabilities

- A Costs or expenses relating to the raising, removal, destruction, lighting or marking of the wreck 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 Owner.
  - B Costs or expenses relating to the raising, removal or destruction of any property being carried or having been carried on an entered ship, not being oil or any other substance within the scope of Section 12 of this Rule, when such raising, removal or destruction is compulsory by law or the costs thereof are legally recoverable from the Owner but only if and to the extent that:
    - i such property does not form part of the entered ship and is not owned or leased by the Owner or by any company associated with or under the same management as the Owner; and
    - ii the Owner is unable to recover such costs or expenses from the owner or insurer of such property, or from any other party.
  - C Liabilities incurred by an Owner as the result of any such raising, removal or destruction of the wreck of an entered ship or any property as is referred to in paragraphs (A) and (B) of this Section, or any attempt thereat.
  - D Liabilities incurred by an Owner as the result of the presence or involuntary shifting of the wreck of an entered ship or as a result of his failure to remove, destroy, light or mark such wreck, including liability arising from the discharge or escape from such wreck of oil or any other substance.
- PROVIDED ALWAYS that:
- a The entered ship became a wreck as the result of a casualty or event occurring during the period of that ship's entry in the Association, in which case the Association shall continue to be liable for the claim notwithstanding that in other respects the liability of the Association shall have terminated pursuant to Rule 29(C).
  - b In respect of a claim under paragraph (A) of this Section, the value of all stores and materials saved, as well as the wreck itself, shall first be deducted from such costs or expenses and only the balance thereof, if any, shall be recoverable from the Association.
  - c Nothing shall be recoverable from the Association under this section if the 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 or prior to the incident giving rise to the liabilities, costs and expenses referred to in this Section.
  - d Where the liability arises under the terms of an indemnity or contract, and would not have arisen but for those terms, such costs and expenses are only recoverable under this Section if and to the extent that
    - (i) the terms of the indemnity or contract have previously been approved

- by the Managers and cover has been agreed between the Owner and the Managers on such terms as the Managers may require, or
- (ii) the Directors in their discretion decide that the Owner should be reimbursed.

*Note: Any oil pollution element in a claim under this Section 15 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.*

## **SECTION 16**

### **Quarantine expenses**

Additional expenses incurred by the Owner of an entered ship as a direct consequence of an outbreak of infectious disease on that ship, including quarantine and disinfection expenses and the net loss to the Owner (over and above such expenses as would have been incurred but for the outbreak) in respect of the cost of fuel, insurance, wages, stores, provisions and port charges.

## **SECTION 17**

### **Cargo liabilities**

The liabilities and costs set out in paragraphs (A) to (D) below when and to the extent that they relate to cargo intended to be or being or having been carried in an entered ship:

#### **A. LOSS, SHORTAGE, DAMAGE OR OTHER RESPONSIBILITY**

Liability for loss, shortage, damage or other responsibility arising out of any breach by the Owner, or by any person for whose acts, neglect or default he may be legally liable, of his obligation properly to load, handle, stow, carry, keep, care for, discharge or deliver the cargo or out of unseaworthiness or unfitness of the entered ship.

#### **B. DISPOSING OF DAMAGED CARGO**

The additional costs (over and above those which would have been incurred by him if the cargo had not been damaged) incurred by the Owner in discharging or disposing of damaged cargo, but only if and to the extent that the Owner has no recourse to recover those costs from any other party.

#### **C. FAILURE OF CONSIGNEE TO REMOVE CARGO**

The liabilities and additional costs (over and above the costs which would have been incurred by him if the cargo had been collected or removed) incurred by an Owner solely by reason of the total failure of a consignee to collect or remove cargo at the port of discharge or place of delivery, but only if and to the extent that such liabilities or costs exceed the proceeds of sale of the cargo and the Owner has no recourse to recover those liabilities or costs from any other party.

**D. THROUGH OR TRANSHIPMENT BILLS OF LADING**

Liability for loss, shortage, damage or other responsibility in respect of cargo carried by a means of transport other than the entered ship, when the liability arises under a through or transshipment bill of lading, or other form of contract, providing for carriage partly to be performed by the entered ship.

*Note: By Resolution passed on 22nd January, 1981, the Directors decided that there shall be no recovery from the Association for loss or damage to cargo carried under Through Bills of Lading from ports in the Rivers Paraguay and Parana, and arising prior to shipment in the entered ship unless the owner shall have given prior notice of such carriage to the Managers, and have agreed with them special cover on such terms as they may think appropriate.*

PROVIDED ALWAYS that:

**a. Standard Terms of Contracts of Carriage**

Unless and to the extent that the Directors in their discretion otherwise decide, or special cover has been agreed in writing by the Managers, there shall be no recovery from the Association in respect of liabilities which would not have been incurred or sums which would not have been payable by the Owner if the cargo (including cargo on deck) had been carried under a contract incorporating terms no less favourable to the Owner than the Association's recommended standard terms of carriage which shall be the Hague Visby Rules and/or such other rules and/or conventions as the Directors may from time to time determine.

*Note: For the 2003 policy year the Standard Terms of Contracts of Carriage are the Hague Visby Rules, i.e. the Rules contained in the International Convention for the Unification of Certain Rules relating to Bills of Lading signed at Brussels on 25th August, 1924, as amended by the Protocol to that Convention signed at Brussels on 23rd February, 1968.*

**b. Deviation**

Unless and to the extent that the Directors in their discretion otherwise decide, or cover has been confirmed in writing by the Managers prior to the deviation, there shall be no recovery from the Association in respect of liabilities costs and expenses which arise out of or which are incurred as a consequence of a deviation, in the sense of a departure from the contractually agreed voyage or adventure which deprives the Owner of the right to rely on defences or rights of limitation which would otherwise have been available to him on the basis of the standard terms of carriage referred to in proviso (a) above to reduce or eliminate his liability.

**c. Claims payable only at the discretion of the Directors**

Unless and to the extent that the Directors in their discretion otherwise decide there shall be no recovery from the Association in respect of liabilities, costs or expenses arising out of:

- i Discharge of cargo at a port or place other than the port or place provided in the contract of carriage;
- ii Delivery of cargo carried under a negotiable bill of lading or similar

document of title without production of that bill of lading or document by the person to whom delivery is made, except where cargo has been carried on the entered ship under the terms of a non-negotiable bill of lading, waybill or other non-negotiable document, and has been properly delivered as required by that document, notwithstanding that the Owner of that entered ship may be liable under the terms of a negotiable bill of lading or other similar document of title issued by or on behalf of a party other than that Owner providing for carriage partly by a means of transport other than the entered ship;

- iii The issue of an ante dated or post dated bill of lading, waybill or other document containing or evidencing the contract of carriage, that is to say a bill of lading, waybill or other document recording the loading or shipment or receipt for shipment on a date prior or subsequent to the date on which the cargo was in fact loaded, shipped or received as the case may be;
- iv A bill of lading, waybill or other document containing or evidencing the contract of carriage, issued with the knowledge of the Owner or the Master of the entered ship with an incorrect description of the cargo or its quantity or its condition;
- v Either the failure to arrive or late arrival of the entered ship at a port of loading, or the failure to load any particular cargo or cargoes in an entered ship other than liabilities, loss and expenses arising under a bill of lading already issued.

**d. Ad Valorem Bills of Lading**

Unless and to the extent that special cover has been agreed in writing by the Managers, the Association shall not be liable for payments to cargo claimants of amounts exceeding whichever is the higher of US\$2,500 per unit, piece or package or the limitation per unit, piece or package specified in the standard terms of carriage, in respect of shipments of goods carried under an ad valorem bill of lading, waybill or other document containing or evidencing the contract of carriage in which the value of the relevant unit, piece or package has been stated to be in excess of US\$2,500.

**e. Rare and valuable cargo**

Unless and to the extent that 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.

**f. Property of the Owner**

In the event that any cargo lost or damaged on board the entered ship shall be the property of the Owner, such Owner shall be entitled to recover from the Association the same amount as would have been recoverable from him if the cargo had belonged to a third party and that third party had concluded a contract of carriage of the cargo with the Owner on the terms of the Association's recommended standard terms of carriage.

## **SECTION 18**

### **Property on the entered ship**

Liability of an Owner for loss of or damage to any containers, equipment, fuel or other property on board the entered ship.

PROVIDED ALWAYS that:

- a Such property is not within the scope of Section 1(C) or Section 5 of this Rule (the effects of passengers, seamen and others) or Section 17 of this Rule (cargo liabilities) or within any proviso, exclusion, limit or deductible applicable to those Sections;
- b Such property does not form part of the entered ship and is not owned or leased by the Owner or by any company associated with or under the same management as the Owner; and
- c Unless and to the extent that the Owner has obtained appropriate special cover by agreement with the Managers, the Association shall not reimburse an Owner to the extent that any liability arises under a contract or indemnity entered into by the Owner and would not have arisen but for such contract or indemnity.

## **SECTION 19**

### **Unrecoverable general average contributions**

The proportion of general average, special charges or salvage which an Owner may be entitled to claim from cargo or from some other party to the marine adventure and which is not legally recoverable solely by reason of a breach of the contract of carriage.

PROVIDED ALWAYS that:

Proviso (a) (Standard terms of carriage), Proviso (b) (Deviation) and Proviso (c) (Claims payable only at the discretion of the Directors) of Section 17 of this Rule shall apply to any claim under this Section.

## **SECTION 20**

### **Ship's proportion of general average**

The entered ship's proportion of general average, special charges or salvage not recoverable under the Hull Policies by reason of the value of the ship being assessed for contribution to general average or salvage at a sound value in excess of the insured value under the Hull Policies.

PROVIDED ALWAYS that:

Unless and to the extent that the Directors in their discretion otherwise decide, recovery from the Association under this Section shall be limited to the amount (if any) of the ship's proportion which would not have been recoverable under the Hull Policies if the ship had been insured thereunder at the proper value in accordance with Rule 5(D).

## SECTION 21

### Special compensation to salvors

Liability of an Owner to pay special compensation to a salvor of an entered ship, but only to the extent that such liability:

- i is imposed on the Owner pursuant to Article 14 of the International Convention on Salvage, 1989, or is assumed by the Owner under the terms of a standard form of salvage agreement approved by the Directors, and
- ii is not payable by those interested in the salvaged property.

*Note: Any oil pollution element in a claim under this Section 21 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.*

*Note: At 20th February 2003, the Directors have approved*

- (a) *Lloyd's Standard Forms of Salvage Agreement LOF 90, LOF 95 and LOF 2000, and any other standard form of salvage contract incorporating the provisions of the International Convention on Salvage 1989, to the extent of the liability of the owner to pay special compensation pursuant to Article 14 of the Convention or to pay remuneration pursuant to the Special Compensation P&I Clause (SCOPIC) or its revision (SCOPIC 2000), if incorporated in such contract, and*
- (b) *Lloyd's Standard Form of Salvage Agreement, 1980, to the extent of the liability of the owner of a tanker to reimburse a salvor for his "reasonably incurred expenses" (together with any increment awarded thereon) under the exception to the principle of "No cure-no pay" contained in clause 1(a) of that Agreement.*

## SECTION 22

### Fines

- A. Fines as set out in paragraphs (B) to (F) below when and to the extent that they are imposed in respect of an entered ship by any court, tribunal or authority and are imposed:
  - i upon the Owner, or
  - ii upon any person whom the Owner may be legally liable to reimburse (other than under the terms of a contract or indemnity) or reasonably reimburses with the approval of the Managers, or
  - iii upon any person whom the Owner may be legally liable to reimburse under the terms of a contract or indemnity, but only if and to the extent that such terms have previously been approved by the Managers in writing.
- B Fines for short or overlanded or over delivery of cargo, or for failure to comply with regulations relating to declaration of goods or to documentation of the entered ship in respect of her cargo;

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- C Fines for smuggling or for any infringement of any Customs law or Customs regulation relating to the construction, adaptation, alteration or fitment of the entered ship;
- D Fines for contravention of any law or regulation relating to immigration;
- E Fines in respect of an accidental discharge or escape of oil or other substance, or the threat thereof;  
PROVIDED ALWAYS that:  
There shall be no recovery from the Association in respect of fines arising out of
  - a the overloading of an entered ship or
  - b infringements or violations of or non-compliance with the provisions regarding construction, adaptation and equipment of ships contained in the International Convention for the Prevention of Pollution from Ships, 1973, as modified or amended by the Protocol of 1978 and any subsequent Protocol, or such of those aforesaid provisions as are contained in the laws of any State giving effect to that Convention or to such Protocol.
- F Any fine (other than those specified in paragraphs B - E above) to the extent that (i) the Owner has satisfied the Directors that he took such steps as appear to the Directors to be reasonable to avoid the event giving rise to such fine and (ii) the Directors in their discretion and without having to give any reasons for their decision, decide that the Owner should recover.
- G Notwithstanding the terms of Rule 5(G)(i), the Directors in their discretion may authorise the payment, in whole or in part, of an Owner's claim for loss of an entered ship following confiscation of the ship by any legally empowered court, tribunal or authority by reason of the infringement of any customs law or customs regulation:  
PROVIDED ALWAYS that:
  - a the amount recoverable from the Association shall under no circumstances exceed the market value of the ship without commitment at the date of the confiscation;
  - b the Owner shall have satisfied the Directors that he took such steps as appear to the Directors to be reasonable to prevent the infringement of the customs law or regulation giving rise to the confiscation;
  - c any amount claimed under this paragraph (G) of Section 22 shall be recoverable to such extent only as the Directors in their discretion may determine without having to give any reasons for their decision.

*Note: Claims relating to oil pollution fines under this Section 22 will be subject to the limitation set out in Rule 5(B) and in the corresponding note.*

**SECTION 23****Enquiry expenses**

Costs and expenses incurred by an Owner in defending himself or in protecting his interests before a formal enquiry into the loss of or into a casualty involving the entered ship but only to the extent and on such conditions as the Directors in their discretion may determine.

**SECTION 24****Expenses incidental to the operation of ships**

Liabilities, costs and expenses incidental to the business of owning, operating or managing ships which in the opinion of the Directors fall within the scope of the Association;

PROVIDED ALWAYS that:

- a Subject to paragraph (b) of this proviso there shall be no recovery under this Section in respect of liabilities, costs and expenses, which are expressly excluded by other provisions of these Rules;
- b The Directors may authorise payment of claims which are excluded by Rule 5(G) of these Rules but only if a majority of three-quarters of those Directors present when the claim is considered so decides;
- c Any amount claimed under this Section shall be recoverable to such extent only as the Directors in their discretion may determine without having to give any reasons for their decision.

**SECTION 25****Sue and labour and legal costs**

- A Extraordinary costs and expenses (other than those set out in paragraph (B) of this Section) 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 minimizing any liability or expenditure against which the Owner is wholly or, by reason of a deductible, partly insured by the Association, but only to the extent that those costs and expenses have been incurred with the agreement of the Managers or to the extent that the Directors in their discretion decide that the Owner should recover from the Association.
- B Legal costs and expenses relating to any liability or expenditure against which the Owner is wholly, or, by reason of a deductible, partly insured by the Association, but only to the extent that those costs and expenses have been incurred with the agreement of the Managers or to the extent that the Directors in their discretion decide that the Owner should recover from the Association.

**SECTION 26**

**Expenses incurred by direction of the Association**

Costs, expenses and loss which an Owner may incur either (i) by reason of a special direction of the Directors in cases in which the Directors decide that it is in the interests of the Association that the direction be given, or (ii), in the absence of such special direction, as a result of action which he has taken or refrained from taking if the Directors in their discretion decide that such action was in the interests of the Association and that the Owner should recover from the Association.

## APPENDIX A TO RULE 2

### Association's liability for oil pollution claims

- A The Association's liability for claims in respect of or relating to an escape or discharge of oil (other than for loss of or damage to such oil), howsoever arising, whether under Section 12 or any other Section or combination of Sections of Rule 2, shall be limited to such sum or sums as the Directors may determine pursuant to Rule 5(B)(iii) and shall be subject to such terms and conditions as the Directors may from time to time determine.
- B Without prejudice to the generality of paragraph A of this Appendix the Directors may determine prior to the commencement of the policy year that cover in respect of oil pollution liabilities, whether arising under any convention, statute, law, agreement or otherwise and whether arising in any geographical area or trade or otherwise shall be excluded, restricted or afforded only on terms that an additional premium is payable in respect of such cover, in which event such additional premium shall be payable in such amount and on such terms as the Directors may determine or as may be agreed between the Owner and the Managers.

*Note: For the 2003 policy year the Directors have determined that the Owners of ships carrying persistent oil as cargo to or from any port or place in the Exclusive Economic Zone of the United States of America shall pay an additional premium in respect of oil pollution risks. The terms and conditions applying to cover for oil pollution risks in the United States are set out in the Association's U.S. Oil Pollution Clause 20/2/2003.*

## APPENDIX B TO RULE 2

### Deductibles

Unless otherwise agreed between the Owner and the Managers as part of the terms upon which the ship is entered in the Association, the Owner's recovery from the Association shall be subject to the following deductibles:

**i Crew illness and related expenses**

Claims under Section 3 of this Rule relating to illness of crew shall be limited to the excess of US\$2,000 in any one port each time the ship calls at that port, unless claims at two or more ports arise out of the same illness in which case the deductible will only be applied once to the aggregate of those claims.

**ii Cargo claims and cargo's proportion of general average**

Claims under Sections 17 and 19 of this Rule shall be limited to the excess of US\$5,000 each single voyage, the deductible being applied to the aggregate of the claims under Sections 17 and 19 on that voyage.

**iii Fines**

Claims under Section 22 of this Rule shall be limited to the excess of US\$2,000 any one accident or occurrence in the case of fines for pollution and each port (each time the ship calls at that port) in the case of all other fines.