

RULE 3

SPECIAL COVER

- A Subject to the Act, the Managers may accept entries of ships on terms which afford cover to an Owner against any special or additional risks not set out in Rule 2. The nature and extent of the risks and the terms of the cover shall be as agreed in writing between the Owners and the Managers.

- B Notwithstanding Rule 1(5), an Owner may be insured on the special term that the risks insured may arise otherwise than in respect of the entered ship or otherwise than in connection with the operation of the entered ship provided always that this shall have been expressly agreed in writing between the Owners and the Managers.

SPECIAL COVER FOR CHARTERERS, SPECIALIST OPERATIONS AND PASSENGER SHIPS

Without prejudice to the generality of Rule 3, an Owner may be insured against such of the risks set out below as may be appropriate to his interest in an entered ship or to his operations as an Owner, but only by special agreement in writing with the Managers and upon such terms and conditions as the Managers may require.

SECTION 1 Charterers

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:

- A Liability of the charterer, together with costs and expenses incidental thereto, to indemnify the owner or disponent owner of the entered ship in respect of the risks set out in Rule 2.
- B Notwithstanding the provisions of sub-paragraphs (i), (ii) and (iii) of Rule 5(G) the charterer's liability, together with costs and expenses incidental thereto, for loss of or damage to the entered ship.
- C Notwithstanding the provisions of sub-paragraph (ii) of Rule 5(G) the loss incurred by the charterer as a result of loss of or damage to bunkers, fuel or other property of the charterer onboard the entered ship.

SECTION 2 Specialist operations

An Owner may be insured against any of the liabilities, fines, losses, costs or expenses which arise out of or during any of those operations in respect of which cover is excluded or restricted either under Rule 5(H) or otherwise under these Rules upon such terms and conditions as may be expressly agreed in writing between the Owner and the Managers.

Note: The terms and conditions which the Managers will normally require to be agreed in respect of the risks referred to in this section are set out in a separate document, available from the Managers, entitled "Standard Terms and Conditions of Cover under Rule 4 Section 2".

SECTION 3

Passenger ships

The Owner of a passenger ship may be insured against any of the following risks upon such terms and conditions as may be agreed by the Managers in writing:

- A Liability for loss of or damage to the effects of any passenger or personal injury, illness or death of any passenger and hospital, medical or funeral expenses incurred in connection therewith to the extent that such liability, costs or expenses are not recoverable under Section 1(C) of Rule 2.
- B Notwithstanding the provisions of sub-paragraph (vi) of Rule 5(G) liability to pay damages or compensation to passengers intended to be carried on board an entered ship arising as a consequence of a casualty to that ship, including the costs of travel and maintenance.
- C Liability to pay damages or compensation to passengers for breach of contract or warranty in respect of failure to provide facilities on board or in connection with a voyage on board an entered ship in accordance with the Owner's legal obligations.

CONDITIONS, EXCEPTIONS AND LIMITATIONS

A. PAYMENT FIRST BY THE OWNER

Unless the Directors in their discretion otherwise decide, it is a condition precedent of an Owner's right to recover from the funds of the Association in respect of any liabilities, costs or expenses that he shall first have discharged or paid the same out of funds belonging to him unconditionally and not by way of loan or otherwise.

B. LIMITATION OF THE ASSOCIATION'S LIABILITY

i General

Subject to these Rules and to any special terms and conditions upon which a ship may be entered, the Association insures the liability of the Owner in respect of an entered ship as this liability may be determined and fixed by law including any laws pertaining to limitation of liability. The Association shall in no circumstances be liable for any sum in excess of such legal liability. If less than the full tonnage of a ship is entered in the Association, the Owner shall, unless the entry of the ship has been accepted on special terms which otherwise provide, be entitled only to recover such proportion of his claim as the entered tonnage bears to the full tonnage. Such proportion shall, if the Owner's claim is subject to any other limits under these Rules, be applied after the application of such limits.

ii Charterers

Where the entry of a ship in the Association is in the name of or on behalf of a charterer other than a charterer by demise or bareboat charterer then, unless otherwise agreed in writing between such charterer and the Managers, the liability of the Association in respect of any claim brought by such charterer relating to the entry of that ship in the Association shall be limited to the amount to which such charterer could have limited his liability if he had been the registered owner of that ship and had sought and not been denied the right to limit.

iii Oil Pollution

For the purpose of this sub-paragraph and the provisos thereto, and without prejudice to anything elsewhere contained in these Rules, a "claim in respect of oil pollution" shall mean a liability, cost, loss or expense, howsoever incurred, in respect of or relating to an escape or discharge of oil or any threat or consequence of such escape or discharge, but excluding liability for loss of or damage to such oil.

Unless otherwise limited to a lesser sum, the Association's liability for any and all claims in respect of oil pollution shall be limited to such sum or sums as the Directors may from time to time determine.

Such limit shall, unless the Directors otherwise decide, apply in respect of any one entered ship each accident or occurrence and shall apply irrespective of whether the accident or occurrence involves the escape

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or threatened escape of oil from one or more than one ship and to all claims in respect of oil pollution brought by the Owner or Joint Owners of the entered ship whether under one Section or more than one Section of Rule 2. If the aggregate of such claims exceeds that limit, the liability of the Association for each claim shall be limited to such proportion of that limit as such claim bears to the aggregate of all such claims.

PROVIDED ALWAYS that:

- a Where the entered ship provides salvage or other assistance to another ship following a casualty, a claim by the Owner of the entered ship in respect of oil pollution arising out of the salvage, the assistance or the casualty shall be aggregated with any liabilities or costs incurred in respect of oil pollution by any other ship similarly engaged in connection with the same casualty when such other ships are insured for oil pollution risks by the Association or by any other insurer which participates in the Pooling Agreement and/or the Group Excess Reinsurance Policies. In these circumstances the limit of the Association's liability shall be such proportion of the limit determined by the Directors pursuant to sub-paragraph (iii) of this Rule 5(B) as the claim of the Owner bears to the aggregate of the said claims.
- b Where a ship entered in the Association by or on behalf of any person (except a charterer other than a demise or bareboat charterer) is also separately insured in the name of or on behalf of the same or any other such person by the Association or by any other insurer which is a party to the Pooling Agreement and/or the Group Excess Reinsurance Policies for claims in respect of oil pollution, the aggregate recovery in respect of all such claims arising out of any one accident or occurrence shall not exceed the limit determined by the Directors pursuant to sub-paragraph (iii) of this Rule 5(B) and the liability of the Association to each such person insured by the Association shall be limited to such proportion of that limit as the maximum claim otherwise recoverable by such person from the Association bears to the aggregate of all such claims otherwise recoverable from the Association and from all such insurers.
- c Unless otherwise determined by the Directors pursuant to sub-paragraph (iii) of this Rule 5(B), in the event that more than one charterer other than a demise or bareboat charterer is insured in respect of the same ship by the Association or by any other insurer which participates in the Pooling Agreement and/or the Group Excess Reinsurance Policies, the aggregate recovery in respect of all claims brought by all such charterers in respect of oil pollution arising out of any one accident or occurrence shall not exceed the limit determined by the Directors pursuant to sub-paragraph (iii) of this Rule 5(B) and the liability of the Association to each charterer insured by the Association shall be limited to such proportion of the limit as the maximum claim otherwise recoverable from the Association by each such charterer bears to the aggregate of all the said claims.
- d If and to the extent that the Owner has, in relation to any claim in respect of oil pollution, other insurance not being solely in excess of the limit determined by the Directors pursuant to this sub-paragraph (iii) of

Rule 5(B) nor being a quota share arrangement agreed in advance with the Association in writing, then (1) the amount of the said limit shall, as applied to such claim, be reduced by the amount of the stated limit of such other insurance and (2) the Association shall not pay such claim to the extent that it does not exceed the stated limit of such other insurance.

Note: For the 2003 policy year, the Directors have determined that the sums to which the Association's liability for any and all claims in respect of oil pollution shall be limited are;

US\$1000 million each accident or occurrence in respect of each ship entered by or on behalf of an Owner not being a charterer other than a demise or bareboat charterer, OR US\$100 million each accident or occurrence in respect of each ship entered separately by or on behalf of a charterer (other than a demise or bareboat charterer), or by more than one such charterer as Joint Owners, subject to an aggregate limit in accordance with proviso (c) to Rule 5(B)(iii) of US\$300 million.

C. SET-OFF

Without prejudice to anything elsewhere contained in these Rules the Association shall be entitled to set off any amount due from an Owner against any amount due to such Owner from the Association.

D. EXCLUSION OF SUMS INSURABLE UNDER HULL POLICIES

Unless and to the extent that the Directors in their discretion otherwise decide, or the Managers agree in writing as a term of entry, the Association shall not indemnify the Owner of an entered ship against any liabilities, costs or expenses against which that Owner would have been insured if at the time of the incident giving rise to those liabilities, costs or expenses the ship had been fully insured for its proper value under Hull Policies on terms equivalent to those of the Lloyd's Marine Policy MAR form 1/1/82 with the Institute Time Clauses Hulls 1/10/83 attached. For the purposes of these Rules "proper value" shall mean the market value of the ship, without commitment, at the date of the incident referred to above.

Note: When considering the proper value for which an entered ship should be insured or deemed to be insured for the purposes of claims under Rule 2 Sections 10 and 20, the Directors will require to be satisfied that the hull and/or excess liability policies of the Member concerned have been the subject of periodic review as market conditions may require, so that the total amount of liability coverage contained in those policies is maintained at levels approximating to the market value of the ship without commitment. Members are recommended to consult their brokers and/or shipvaluers to assess periodically in the light of the above, the proper amount for which insurances should be effected to cover against collision and general average or salvage liabilities. Provided the necessary insurances are placed on the basis of the advice received, the Directors will give every consideration to a claim if, as may transpire, the values and amounts upon which the insurances have been placed are lower than the values which may

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have been assessed by a Court or Tribunal for general average or salvage purposes.

E. EXCLUSION OF WAR RISKS

The Association shall not indemnify an Owner against any liabilities, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Owner or on the part of the Owner's servants or agents) when the loss or damage, injury, illness or death or other accident in respect of which such liability arises or cost or expense is incurred, was caused by:

- i War, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power, or any act of terrorism.
- ii Capture, seizure, arrest, restraint or detention (barratry and piracy excepted) and the consequences thereof or any attempt thereat;
- iii Mines, torpedoes, bombs, rockets, shells, explosives or other similar weapons of war (save for those liabilities, costs or expenses which arise solely by reason of the transport of any such weapons whether on board the entered ship or not), provided always that this exclusion shall not apply to the use of such weapons either as a result of government order or with the written agreement of the Directors or the Managers where the reason for such use is the avoidance or mitigation of liabilities, costs or expenses which would otherwise fall within the cover given by the Association.

PROVIDED ALWAYS that:

The Directors may resolve that special cover be provided to the Members against any or all of the risks set out in Rule 2 notwithstanding that those liabilities, costs or expenses would otherwise be excluded by this paragraph (E) and that such special cover should be limited to such sum or sums and be subject to such terms and conditions as the Directors may from time to time determine.

In the event of any dispute as to whether or not an act constitutes an act of terrorism, the decision of the Directors shall be final.

F. EXCLUSION OF NUCLEAR RISKS

The Association shall not indemnify an Owner against any liabilities, losses, costs or expenses directly or indirectly caused by or contributed to by or arising from

- i ionising radiations from, or the radioactive, toxic, explosive or other hazardous or contaminating properties of
 - a any nuclear fuel or any nuclear waste or the combustion of nuclear fuel, or
 - b any nuclear installation, reactor or other nuclear assembly or nuclear component thereof; or
- ii any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter,

PROVIDED ALWAYS that:

- a this exclusion shall not apply to liabilities, losses, costs or expenses arising out of the carriage of "excepted matter" as cargo on an

entered ship. For this purpose "excepted matter" consists of certain radio isotopes, used in or intended to be used for any industrial, commercial, agricultural, medical or scientific purpose and such further exceptions as the Directors may approve within the scope of the definition of "excepted matter" contained in the Nuclear Installations Act 1965 of the United Kingdom and any regulations made thereunder.

- b The Directors may resolve that special cover be provided to the Members against any or all of the risks set out in Rule 2 notwithstanding that those liabilities, losses, costs, or expenses would otherwise be excluded by this paragraph (F) and that such special cover should be limited to such sum or sums and be subject to such terms and conditions as the Directors may determine.

G. EXCLUSION OF DAMAGE TO ENTERED SHIP, LOSS OF HIRE, ETC

Subject to paragraph (F) of Section 22 and to Section 24 of Rule 2, the Association shall not, except as otherwise provided in this paragraph, pay for:

- i Loss of or damage to the entered ship or any part thereof;
- ii Loss of or damage to any equipment on board the entered ship or to any containers, lashings, stores or fuel thereon, to the extent that the same are owned or leased by the Owner or by any company associated with or under the same management as the Owner;
- iii The cost of repairs to the entered ship or any charges or expenses in connection therewith;
- iv Claims by or against the Owner relating to loss of freight or hire of an entered ship or any proportion thereof unless such loss of freight or hire forms part of a claim recoverable from the Owner for liabilities in respect of cargo or is, with the consent of the Managers, included in the settlement of such a claim;
- v Salvage or services in the nature of salvage and any costs and expenses in connection therewith;
- vi Loss arising out of cancellation of a charter or other engagement of an entered ship;
- vii Loss arising out of irrecoverable debts or out of the insolvency of any person, including insolvency of agents;
- viii Claims by or against the Owner relating to demurrage on, detention of or delay to an entered ship unless such demurrage, detention or delay forms part of a claim recoverable from the Owner for liabilities in respect of cargo within the scope of these Rules or is, with the consent of the Managers, included in the settlement of such a claim.

PROVIDED ALWAYS that:

The foregoing exceptions shall not apply to claims under the following Sections of Rule 2:

- Section 9 Life Salvage.
- Section 19 Unrecoverable general average contributions.
- Section 20 Ship's proportion of general average.
- Section 21 Special compensation to Salvors.
- Section 25 Sue and labour and legal costs.
- Section 26 Expenses incurred by direction of the Association.

H. EXCLUSION OF CERTAIN LIABILITIES, COSTS AND EXPENSES OF SALVAGE SHIPS, DRILLING SHIPS, DREDGERS AND OTHERS

Unless and to the extent that special cover shall have been agreed between the Owner and the Managers in accordance with the provisions of Rules 3 or 4, the Association shall not be liable for any claim relating to liabilities, costs and expenses incurred by the Owner of:

- i An entered ship which is a salvage tug or firefighting ship or other ship used or intended to be used for salvage or firefighting operations, when the claim arises out of any salvage or firefighting service or attempted salvage or firefighting service;
- ii An entered ship which is used for or in connection with drilling or oil or gas production operations, when the claim arises out of or during those operations;
- iii An entered ship which is used for the operations of dredging, blasting, piledriving, well-stimulation, laying, maintaining or removing cables or pipes, core sampling, depositing of spoil, or other specialist operations, when the claim arises out of those operations;
- iv An entered ship which is used for waste disposal or incineration operations, when the claim arises out of those operations;
- v An entered ship which is used for or in connection with the operations of submarines or underwater vessels or equipment, or an entered ship which is used for or in connection with professional or commercial diving operations, when the claim arises out of those operations.
- vi An entered ship which is moored (otherwise than on a temporary basis) and is open to the public as a hotel, restaurant, bar or other place of entertainment, when the claim is in respect of hotel or restaurant guests or other visitors or catering crew of such ship.
- vii An entered ship which is used as an accommodation vessel, when the claim is in respect of personnel (other than marine crew) on board such ship employed otherwise than by the Owner, where there has not been a contractual allocation of risks as between the Owner and the employer of the personnel which has been approved by the Managers.
- viii An entered ship which is a semi-submersible heavy lift vessel or which is designed exclusively for the carriage of heavy lift cargo, when the claim is in respect of loss of or damage to or wreck removal of cargo, save where the cargo is carried under a contract on HeavyCon terms or any other terms approved in writing by the Managers.

I. DOUBLE INSURANCE

The Association shall not, unless and to the extent that the Directors in their discretion otherwise decide, be liable for any liabilities, costs or expenses recoverable under any other insurance or which would have been so recoverable:

- i apart from any terms in such other insurance excluding or limiting liability on the ground of double insurance; and
- ii if the ship had not been entered in the Association with cover against the risks set out in these Rules.

J. CONTRABAND, BLOCKADE RUNNING, UNLAWFUL TRADE, IMPRUDENT OR HAZARDOUS OPERATIONS

No claim shall be recoverable from the Association if it arises out of or is consequent upon an entered ship carrying contraband, blockade running or being employed in an unlawful trade or if the Directors, having regard to all the circumstances, shall be of the opinion that the carriage, trade or voyage was imprudent, unsafe, unduly hazardous or improper.

K. CLASSIFICATION AND STATUTORY REQUIREMENTS

Unless otherwise agreed in writing between the Owner and the Managers, the following conditions are terms of the insurance of every entered ship:

- i The ship must be and remain throughout the period of entry classed with a Classification Society approved by the Managers, and
- ii Any incident or condition in respect of which that Classification Society might make recommendations as to repairs or other action to be taken by the Owner must be promptly reported to that Classification Society.
- iii The Owner must comply with all the Rules, recommendations and requirements of the Classification Society relating to the entered ship within the time or times specified by the Society.
- iv The Owner authorises the Managers to inspect any information, relating to the maintenance of class of the entered ship, in the possession of any Classification Society with which that ship is or at any time has been classed, and will where necessary authorise such Classification Society or Societies to disclose and make available that information to the Managers upon request by the Managers and for whatsoever purposes the Managers may consider necessary.
- v The Owner must immediately inform the Managers if, at any time during the period of entry, the Classification Society with which the ship is classed is changed and advise the Managers of all outstanding recommendations, requirements or restrictions specified by any Classification Society relating to that ship as at the date of such change.
- vi The Owner must comply with all statutory requirements of the state of the ship's flag relating to the construction, adaptation, condition, fitment, equipment and manning of the entered ship and must at all times maintain the validity of such statutory certificates as are issued by or on behalf of the state of the ship's flag in relation to such requirements and in relation to the International Safety Management (ISM) Code.

Unless and to the extent that the Directors otherwise decide, an Owner shall not be entitled to any recovery from the Association in respect of any claim arising during a period when that Owner is not fulfilling or has not fulfilled those conditions.

PROVIDED ALWAYS that:

where the entry of a ship is solely in the name of or on behalf of a charterer other than a demise or bareboat charterer the rights of recovery of such charterer shall not be dependent on the fulfilment of conditions (ii), (iii), (iv), (v), or (vi) of this paragraph (K).

L. RULES SUBJECT TO MARINE INSURANCE ACT

These Rules and all contracts of insurance made by the Association shall be subject to and incorporate the provisions of the Marine Insurance Act, 1906, of the United Kingdom and any statutory modifications thereof except insofar as such Act or modifications may have been excluded by these Rules or by any term of such contracts.

M. OBLIGATION TO SUE AND LABOUR

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

N. OBLIGATIONS WITH REGARD TO CLAIMS

- i An 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 Owner to incur liabilities, costs or expenses for which he may be insured by the Association.
- ii An Owner must promptly notify the Managers of every survey or opportunity for survey in connection with a matter referred to under (i).
- iii An 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 under (i) 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 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 Owner in connection therewith.
- iv An Owner shall not settle or admit liability for any claim for which he may be insured by the Association without prior written consent of the Managers.

In the event that an Owner commits any breach of his obligations referred to in (i) to (iv) above, the Directors may in their discretion reject any claim by the 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.

O. TIME BAR

In the event that:

- i an Owner fails to notify the Managers of any casualty, event or claim referred to in paragraph (N) (i) of this Rule within one year after he has knowledge thereof; or
- ii an Owner fails to submit a claim to the Managers for reimbursement of any liabilities, costs or expenses within one year after discharging or settling the same;

the Owner's claim against the Association shall be discharged and the Association shall be under no further liability in respect thereof unless the Directors in their discretion shall otherwise determine.

P. RECOVERIES

Unless otherwise agreed in writing by the Managers, where the Association has paid a claim to or on behalf of an Owner the whole of any recovery from a third party in respect of that claim shall be credited and paid to the Association up to an amount corresponding with the sum paid by the Association together with any interest element on that sum comprised in the recovery, provided however that where, because of a deductible in his terms of entry, the Owner has contributed to settlement of the claim, any such interest element shall be apportioned between the Owner and the Association taking into account the payments made by each and the dates on which those payments were made.

Q. SURVEYS OF SHIPS

The Managers at any time in their discretion may appoint a surveyor or such other person as they may think fit to inspect an entered ship on behalf of the Association. The Owner (i) shall afford such facilities as may be required for such inspection, and (ii) shall comply with such recommendations as the Managers may make following such inspection.

Unless and to the extent that the Directors in their discretion otherwise decide, an Owner who commits any breach of his obligations referred to in (i) to (ii) above shall not be entitled, in relation to any casualty, event or matter occurring during the period of the breach, to any recovery from the Association in respect of any claim arising out of such casualty, event or matter.

R. SURVEYS OF SHIPS AFTER LAY-UP

- i If an entered ship has been laid-up for a period of six months or more, whether the ship has been entered in the Association for all or part of the period of lay-up and whether or not laid-up returns have been claimed or paid in accordance with Rule 27, the Owner shall give the Managers notice that the ship is to be recommissioned not less than seven days before the ship leaves the place of lay-up.
- ii Upon receipt of such notice the Managers in their discretion may appoint a surveyor or such other person as they may think fit to inspect the ship on behalf of the Association and the Owner shall

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- afford such facilities as may be required for such inspection.
- iii The Owner shall comply with such recommendations as the Managers may make following such inspection.

Unless and to the extent that the Directors in their discretion otherwise decide, an Owner who commits any breach of his obligations referred to in (i) to (iii) above shall not be entitled, in relation to any casualty, event or matter occurring during the period of the breach, to any recovery from the Association in respect of any claim arising out of such casualty, event or matter. A breach of the obligation in (i) above shall be deemed to have ended at such time as the Owner has complied with his obligations referred to in (ii) above.

S. ELECTRONIC COMMUNICATION

The Association's logs and records of any electronic communication sent or received by the Association shall, in the absence of manifest error, be conclusive evidence of such communication and of its despatch or receipt.

T. INTEREST

In no case shall interest be paid upon sums due from the Association.

OWNERS AND SUCCESSORS BOUND BY RULES

- A All 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.

- B An Owner or other person (including an insurer to be reinsured under Rule 13) 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 contract of insurance with the Association.

APPLICATIONS FOR INSURANCE

- A Any applicant Owner who desires to enter a ship for insurance in the Association shall make application for such entry in such form as may from time to time be required by the Managers.

- B The particulars given by an applicant Owner in any application form together with any other particulars or information given in the course of applying for insurance or negotiating changes in the terms of insurance to the Managers of the Association shall, if the entry of the relevant ship be accepted, be deemed to form the basis of the contract of insurance between the Owner and the Association and it shall be a condition precedent of such insurance that all such particulars and information were true so far as the Owner knew or could with reasonable diligence have ascertained.

- C The Managers shall be entitled, in their discretion and without assigning any reason, to refuse any application for the entry of a ship for insurance in the Association whether or not the applicant Owner of such ship is a Member of the Association.

PREMIUM RATING

Before an application is accepted for the entry of a ship on the terms (as set out in Rule 1 (6)) that the Owner is to pay Calls (including Mutual Premiums, Supplementary Premiums, or Overspill Calls) to the Association ("Call Entries"), the applicant Owner and the Managers shall agree the premium rating of the ship concerned. In deciding upon the premium rating of any ship the Managers may take into account all matters which they may consider relevant including (without prejudice to the generality of the foregoing) the degree of risk estimated to be involved in the proposed insurance.

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FIXED PREMIUMS

- A Before an application is accepted for the entry of a ship on the terms (as set out in Rule 1 (7)) that the Owner is liable to pay a fixed premium to the Association ("Fixed Premium Entries"), the applicant Owner and the Managers shall agree the amount of the premium and the time or times at which it is payable.

- B Every Owner by whom or on whose behalf an application is made for the entry of a ship as a Fixed Premium Entry shall, if his application is accepted, be bound to pay and shall pay to the Association such sums as shall have been agreed with the Managers and at such time or times as the Managers shall have specified.

JOINT ENTRIES

- A If a ship shall be entered in the names of or on behalf of more persons than one (hereinafter referred to as "Joint Owners") the terms upon which each Joint Owner shall be entitled to recover losses from the Association and upon which the Association shall be entitled to recover Calls or Fixed Premiums from the Joint Owners shall be such as may be agreed in writing between the Joint Owners and the Managers.
- B Unless otherwise agreed in writing all Joint Owners shall be jointly and severally liable to pay all contributions or other sums due to the Association in respect of such entry, and the receipt by any one of such persons for any sums payable by the Association in respect of such entry shall be a sufficient discharge of the Association for the same.
- C Failure by any Joint Owner to disclose material information within his knowledge shall be deemed to have been failure of all the Joint Owners.
- D Conduct of any Joint Owner which would have entitled the Association to decline to indemnify him shall be deemed the conduct of all the Joint Owners.
- E Unless the Managers have otherwise agreed in writing, the contents of any communication from or on behalf of the Association to any Joint Owner shall be deemed to be within the knowledge of all the Joint Owners, and any communication from any Joint Owner to the Association, the Managers or their agents shall be deemed to have been made with the full approval and authority of all the Joint Owners.

GROUP AFFILIATE COVER

- A The Managers may accept the entry of any ship upon terms that within the limits and upon the conditions set out in paragraphs (B) and (C) of this Rule, the benefit of the cover afforded by the Association to the Owner in respect of that ship shall be extended to persons or companies affiliated or associated with that Owner. The rights and obligations as between the Association and any such persons or companies (both referred to hereafter in this Rule as Group Affiliates) shall, subject always to paragraphs (B) and (C) of this Rule, be such as may be agreed between the Owner and the Managers.
- B The benefit of the cover extended to Group Affiliates in accordance with paragraph (A) of this Rule shall be limited to reimbursement of claims relating to liabilities, costs or expenses incurred by them to the extent that the Owner (i) would have incurred the same liabilities, costs and expenses if the same claims had been pursued against him and (ii) would thereafter have been entitled to obtain reimbursement from the Association in accordance with the terms of entry of the ship in the Association.
- C The total liability of the Association in respect of any one event to the Owner and to all Group Affiliates to whom the benefit of that Owner's cover has been extended in accordance with this Rule shall not exceed such sum as would have been recoverable from the Association in respect of such event by that Owner, and the receipt by any one of the Owner and any such Group Affiliates of that sum or of separate payments by the Association amounting in aggregate to that sum shall be a full and sufficient discharge of the Association's liability.

CERTIFICATE OF ENTRY AND ENDORSEMENT SLIP

- A As soon as reasonably practical after accepting an application for the entry of a ship for insurance in the Association the Managers shall issue to the Owner of such ship a Certificate of Entry in such form as may from time to time be prescribed by the Managers but so that such Certificate of Entry shall state the date of the commencement of the period of insurance and the terms and conditions on which the vessel has been accepted for insurance.
- B If at any time or from time to time the Managers and the Owner of any ship entered for insurance shall agree to vary the terms relating to the entered ship, the Managers shall, as soon as reasonably practical thereafter, issue to the Owner of such ship an Endorsement Slip stating the terms of such variation and the date from which such variation is to be effective.
- C Every Certificate of Entry and every Endorsement Slip issued as aforesaid shall be conclusive evidence and binding for all purposes as to the commencement of the period of insurance, as to the terms and conditions on which the ship has been entered for insurance, and as to the terms of any variation and the date from which such variation is to be effective; provided that in the event that any Certificate of Entry or any Endorsement Slip shall in the opinion of the Managers contain any error or omission the Managers may in their discretion issue a new Certificate of Entry or a new Endorsement Slip which shall be conclusive evidence and binding as aforesaid.

REINSURANCE

- A Subject to the Act and save insofar as expressly prohibited by these Rules, the Managers may enter into contracts of reinsurance on behalf of the Association whereby the Association agrees to reinsure the risks arising in connection with any one or more ships insured by another Association or insurer or else agrees to reinsure the whole or any part or proportion of the insurance business of any other Association or insurer. The consideration payable to the Association and the terms and conditions on which the reinsurance is accepted by the Association shall be such as are agreed between the Managers and such other Association or insurer. Save where otherwise agreed in writing the other Association or insurer shall be in every respect subject to and bound by the provisions of these Rules and his contract with the Association shall for all purposes take effect as though he were the Owner of any ship or ships in connection with which the relevant risks may arise and had as Owner entered the ship or ships in the Association for insurance.
- B The Association may continue to be a party to the Pooling Agreement or to any other agreement of a similar nature or purpose.
- C The Managers shall have the right in their discretion to effect on behalf of the Association the reinsurance or ceding of any risks insured by the Association (including any risk which may fall on the Association by reason of a reinsurance or pooling agreement referred to in paragraphs (A) or (B) of this Rule) with such reinsurers and on such terms as the Managers shall consider appropriate.

MEMBERSHIP

- A If the Association accepts an application from an Owner who is not already a Member of the Association for a ship to be entered on terms that Calls are payable to the Association ("Call Entries"), then such Owner shall, as from the date of the acceptance of such entry, be and become a Member and his name shall be entered in the register of Members.
- B If the Association accepts an application from an Owner for a ship to be entered on terms that a fixed premium is payable to the Association ("Fixed Premium Entries"), the Managers may in their discretion decide either that the Owner is to be or that he is not to be a Member and they may accept the application on either basis.
- C Whenever the Association agrees to accept the reinsurance of any risks in accordance with Rule 13 (A) the Managers may in their discretion decide that the insurer reinsured by the Association and/or the Owner insured by such insurer is to be a Member or that neither of them is to be a Member and they may accept the application on any such basis.
- D An Owner shall cease to be a Member if for any reason whatsoever the period of insurance shall have terminated in respect of all ships entered in the Association in his name. Whenever the period of any reinsurance shall have terminated the insurer reinsured by the Association and the Owner insured by such insurer, if previously a Member, shall cease to be one.

ASSIGNMENT

- A No insurance given by the Association and no interest under these Rules or under any contract between the Association and any 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 decide, be void and of no effect.

- B 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.

PERIOD OF INSURANCE

- A Subject as otherwise provided in these Rules the insurance by the Association of a ship entered in the Association otherwise than for a fixed period shall commence at the time and date specified in the Certificate of Entry and shall continue until noon of the 20th February next ensuing and thereafter, unless terminated in accordance with these Rules, from policy year to policy year.

- B The insurance by the Association of each ship entered for insurance for a fixed period shall, subject as otherwise provided in these Rules, cease at the expiry of such fixed period.

VARIATION OF CONTRACT

- A The Directors may decide during the course of any policy year that for the next ensuing policy year the premium ratings of the ships entered in the Association shall generally be increased by a single fixed percentage. If before the 20th December in any year the Managers shall have given notice to an Owner of such a decision, then the period of insurance shall continue for the next policy year upon the terms that the premium rating of the entered ship has been varied by the percentage fixed by the Directors, and the terms of entry of the entered ship shall be deemed for all purposes to have been varied accordingly, unless:
- i. a further notice of variation is given pursuant to paragraph (C) of this Rule; or
 - ii. a notice of termination is given pursuant to Rule 18; or
 - iii. the period of insurance has previously terminated for some other reason.

A notice of the Directors' decision shall constitute an Endorsement Slip for the purposes of Rule 12.

- B 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.
- C If the Managers shall give a notice not later than noon on the 20th January in any policy year that for the next ensuing policy year they require the premium rating of an entered ship to be altered (otherwise than in accordance with paragraph (A) of this Rule) or that they require some other change to be made in the terms or conditions of entry, then the insurance for the entered ship for the next ensuing policy year shall continue upon such premium rating, terms or conditions as may be agreed between the Owner and the Managers before noon on the 20th February immediately following such notice and if by then no such agreement shall have been made the period of insurance shall thereupon terminate.

NOTICE OF TERMINATION

- A The period of insurance of any ship entered in the Association (otherwise than for a fixed period) may be terminated in the following manner:
- i The Directors in their discretion and without giving any reason may give a written notice of termination to any Owner not later than noon on the 20th January in any policy year.
 - ii An Owner in his discretion and without giving any reason may give a written notice of termination to the Association not later than noon on the 20th January in any policy year.
- B If a notice shall have been given pursuant to paragraph (A) of this Rule the period of insurance shall terminate at noon on 20th February immediately following such notice. Save with the agreement of the Managers a ship may not be withdrawn from the Association nor may any notice of termination be given at any other time.