

CALLS

- A The Owners who have entered ships for insurance in the Association in respect of any policy year (not being a policy year closed in accordance with Rule 25) otherwise than on terms that a fixed premium shall be payable in respect of such ship, shall provide by way of Calls to be levied from such Owners all funds which in the opinion of the Directors are required:
- i. To meet such of the general expenses of the Association as the Directors may from time to time think fit to charge against the insurance business of the Association in respect of such policy year;
 - ii. To meet the claims, expenses and outgoings (whether incurred, accrued or anticipated) of the insurance business of the Association in respect of such policy year (including, without prejudice to the generality of the foregoing, any such excess of the claims and other outgoings in respect of fixed premium entries over the premiums payable to the Association in respect thereof as the Directors may charge to such policy year, and any proportion of any claims, expenses or outgoings of any insurer other than the Association which has fallen or which may be thought likely to fall upon the Association by virtue of any reinsurance or pooling agreement concluded between the Association and such other insurer);
 - iii. For such transfers to the contingency account, catastrophe or other reserves of the Association (as referred to in Rule 24) and for subsequent application for the purposes of such reserves or otherwise as the Directors may think expedient;
 - iv. For such transfers as the Directors may think proper to meet any deficiency which has occurred or may be thought likely to occur in any closed policy year or years.
- B The said Calls shall be levied by means of Mutual Premium, Supplementary Premium and Overspill Calls in accordance with the provisions of Rules 20 to 22.

MUTUAL PREMIUM

- A Before each policy year commences the Directors shall decide the percentage which is to be applied to the premium ratings of all ships entered for that year (other than Fixed Premium Entries) in ascertaining the Mutual Premium payable in respect of that policy year. This decision may be made at the same time as a decision to increase the premium ratings of entered ships pursuant to Rule 17(A).
- B An Owner of a ship (other than a Fixed Premium Entry) which is entered for any policy year shall be bound to pay by way of Mutual Premium in respect of such policy year a sum ascertained by multiplying the percentage ordered by the Directors pursuant to paragraph (A) of this Rule by the premium rating of the ship (as agreed between the Owner and the Managers and/or as increased pursuant to Rule 17(A), as the case may be) by the entered tonnage of the ship in the Association.
- C If at any time before the final instalment of Mutual Premium in respect of a policy year has become payable it shall appear to the Directors unlikely that the whole of such Mutual Premium (together with any transfers from reserves and provisions made for the credit of or in respect of such policy year) is required for the purposes set out in Rule 19;
 - i the Directors may resolve to reduce the amount of Mutual Premium payable in respect of that policy year by declaring a Mutual Premium Discount, expressed as a percentage of the Mutual Premium or of any instalment thereof, and
 - ii the liability of the Owners under paragraph (B) of this Rule to pay Mutual Premium shall be reduced accordingly.

SUPPLEMENTARY PREMIUM

- A At any time or times during or after the end of each policy year (but not after such policy year has been closed) the Directors may decide to levy from the Owners of ships entered in respect of that year (other than Fixed Premium Entries) one or more Supplementary Premiums. The Directors may levy such a Premium either (i) by deciding upon a percentage of the net Mutual Premium or (ii) by deciding upon a percentage of the premium ratings of all ships entered for that year.

- B An Owner of a ship (other than a Fixed Premium Entry) entered for any policy year shall be bound to pay by way of Supplementary Premium a sum ascertained, in the case of (i) by multiplying the percentage ordered by the Directors by the net Mutual Premium paid or payable by him in respect of such policy year and, in the case of (ii) by multiplying the percentage ordered by the Directors by the premium rating of the entered ship by the entered tonnage of the ship in the Association.

- C The Directors, the Managers or their servants or agents may at any time seek to enable Owners to become aware of their financial commitment for the relevant policy year by indicating an estimate of the percentage at which it is hoped that any Supplementary Premium will be levied. If any such estimate shall be given to any Owner it shall be without prejudice to the right of the Directors to levy Supplementary Premiums and Overspill Calls for the relevant policy year in accordance with these Rules at a greater or lesser percentage than so indicated and neither the Association, the Directors, the Managers nor any of their servants or agents shall under any circumstances be under any liability in respect of any estimate so given or in respect of any error, omission or inaccuracy contained therein.

OVERSPILL CLAIMS, CALLS AND GUARANTEES

SECTION 1

Introductory

- A All claims (other than claims arising in respect of oil pollution) incurred by the Association or by any other party to the Pooling Agreement under the entry of any one ship arising from any one incident or occurrence including any claim in respect of liability for the removal or non-removal of any wreck shall for the purpose of the definitions in these Rules of "Overspill Claim" and "Group Reinsurance Limit" be treated as if they were one claim.
- B Any reference to a claim incurred by the Association or by any other party to the Pooling Agreement shall be deemed to include the costs and expenses associated therewith.
- C That part (if any) of a claim (other than a claim in respect of oil pollution) incurred by the Association or by any other party to the Pooling Agreement under the terms of entry of a ship which exceeds or may exceed the Group Reinsurance Limit is referred to herein as an "Overspill Claim".

SECTION 2

Recoverability of overspill claims

- A Without prejudice to any other applicable limit, any Overspill Claim incurred by the Association shall not be recoverable from the Association in excess of the aggregate of:
 - i that part of the Overspill Claim which is eligible for pooling under the Pooling Agreement but which, under the terms of the Pooling Agreement, is to be borne by the Association; and
 - ii the maximum amount that the Association is able to recover from the other parties to the Pooling Agreement as their contributions to the Overspill Claim.
- B The aggregate amount referred to in paragraph (A) of this Section shall be reduced to the extent that the Association can evidence:
 - i that costs have been properly incurred by it in collecting or seeking to collect
 - a Overspill Calls levied to provide funds to pay that part of the Overspill Claim referred to in sub-paragraph (A)(i) of this Section, or
 - b the amount referred to in sub-paragraph (A)(ii) of this Section; or
 - ii that it is unable to collect an amount equal to that part of the Overspill Claim referred to in sub-paragraph (A)(i) of this Section which it had intended to pay out of the levy of Overspill Calls because any Overspill Calls so levied, or parts thereof, are not economically recoverable, provided that if, due to a change in circumstances, such amounts subsequently become economically recoverable, the aggregate amount referred to in paragraph (A) of this Section shall be reinstated to that extent.

RULE 22 CONT.

- C In evidencing the matters referred to in sub-paragraph (B)(ii) above the Association shall be required to show that:
 - i it has levied Overspill Calls in respect of the Overspill Claim referred to in paragraph (A) of this Section on all Owners entered in the Association on the Overspill Claim Date in accordance with and in the maximum amounts permitted under Section 5 of this Rule 22; and
 - ii it has levied those Overspill Calls in a timely manner, has not released or otherwise waived an Owner's obligation to pay those calls and has taken all reasonable steps to recover those calls.

SECTION 3

Payment of overspill claims

- A The funds required to pay any Overspill Claim incurred by the Association shall be provided:
 - i from such sums as the Association is able to recover from the other parties to the Pooling Agreement as their contributions to the Overspill Claim, and
 - ii from such sums as the Association is able to recover from any special insurance which may, in the discretion of the Association, have been effected to protect the Association against the risk of payments of Overspill Claims, and
 - iii from such proportion of any sums standing to the credit of the Catastrophe Reserve as the Directors in their discretion decide, and
 - iv by levying one or more Overspill Calls in accordance with Section 5 of this Rule, irrespective of whether the Association has sought to recover or has recovered all or any of the sums referred to in sub-paragraph (ii) above but provided the Association shall first have made a determination in accordance with sub-paragraph (iii) above, and
 - v from any interest accruing to the Association on any funds provided as aforesaid.
- B The funds required to pay such proportion of any Overspill Claim incurred by any other party to the Pooling Agreement which the Association is liable to contribute under the terms of the Pooling Agreement shall be provided in the manner specified in sub-paragraphs (A)(ii) – (v) of this Section.
- C To the extent that the Association intends to provide funds required to pay any Overspill Claim incurred by it in the manner specified in sub-paragraph (A)(iv) of this Section, the Association shall only be required to pay such Overspill Claim as and when such funds are received by it, provided that it can show from time to time that, in seeking to collect such funds, it has taken the steps referred to in paragraph (C) of Section 2 of this Rule 22.

SECTION 4

Overspill claims - expert determinations

- A Any issue, arising from the application to an Overspill Claim (the “relevant Overspill Claim”) of paragraphs (B) or (C) of Section 2 of this Rule or paragraph (C) of Section 3 of this Rule, of whether
- i costs have been properly incurred in collecting or seeking to collect funds to pay Overspill Claims, or
 - ii any Overspill Call or part thereof is economically recoverable, or
 - iii in seeking to collect the funds referred to in Section 3(C), the Association has taken the steps referred to in that Section, on which the Association and the Owner cannot agree shall, notwithstanding Rule 40, be referred to a panel (the “Panel”) constituted in accordance with arrangements established in the Pooling Agreement which, acting as a body of experts and not as an arbitration tribunal, shall determine the issue.
- B If the Panel has not been constituted at a time when the Owner wishes to refer an issue to it, the Association shall, on request by the Owner, give a direction for the constitution of the Panel as required under the Pooling Agreement.
- C The Association may (and, on the direction of the Owner, shall) give such direction as is required under the Pooling Agreement for the formal instruction of the Panel to investigate any issue and to give its determination as soon as reasonably practicable.
- D The Panel shall in its discretion decide what information, documents, evidence and submission it requires in order to determine an issue and how to obtain these, and the Association and the Owner shall co-operate fully with the Panel.
- E In determining any issue referred to it under this Section 4 the Panel shall endeavour to follow the same procedures as it follows in determining issues arising in respect of the relevant Overspill Claim which are referred to it under the Pooling Agreement.
- F In determining an issue the members of the Panel
- i shall rely on their own knowledge and expertise, and
 - ii may rely on any information documents evidence or submission provided to it by the Association or the Owner as the Panel sees fit.
- G If the three members of the Panel cannot agree on any matter, the view of the majority shall prevail.
- H The Panel shall not be required to give reasons for any determination.

RULE 22 CONT.

- I The Panel's determination shall be final and binding upon the Association and the Owner (subject only to Paragraph J below) and there shall be no right of appeal from such determination.
- J If the Panel makes a determination on an issue referred to in sub-paragraphs (A)(ii) or (iii) of this Section 4 the Association or the Owner may refer the issue back to the Panel, notwithstanding paragraph (I) above, if it considers that the position has materially changed since the Panel made its determination.
- K The costs of the Panel shall be paid by the Association.
- L Costs, indemnities and other sums payable to the Panel by the Association in relation to any Overspill Claim, whether the reference to the Panel has been made under Section 4 of this Rule 22 or under the Pooling Agreement, shall be deemed to be costs properly incurred by the Association in respect of that Overspill Claim for the purposes specified in sub-paragraph (B)(i) of Section 2 of this Rule.

SECTION 5

Levying of overspill calls

- A If
 - i the Directors shall at any time determine that funds are or may in future be required to pay part of an Overspill Claim (whether incurred by the Association or by any other party to the Pooling Agreement); and
 - ii the Directors shall have made a declaration under Rule 25(C)(i) or 25(C)(iii) that a Policy Year shall remain open for the purpose of levying an Overspill Call or Calls in respect of that Overspill Claim, the Directors in their discretion, at any time or times after such declaration has been made, may levy one or more Overspill Calls in respect of that Overspill Claim in accordance with paragraph (B) below.
- B The Directors shall levy any such Overspill Call
 - i on all Owners entered in the Association on the Overspill Claim Date in respect of ships entered by them at that time, notwithstanding the fact that, if the Overspill Claim Date shall be in a Policy Year in respect of which the Directors have made a declaration under Rule 25(C)(iii), any such ship may not have been entered in the Association at the time the relevant incident or occurrence occurred, and
 - ii at such percentage of the Convention Limit of each such ship as the Directors in their discretion shall decide.
- C An Overspill Call shall not be levied in respect of any ship entered on the Overspill Claim Date with an overall limit of cover equal to or less than the Group Reinsurance Limit.

- D The Directors shall not levy on any Owner in respect of the entry of any one ship an Overspill Call or Calls in respect of any one Overspill Claim exceeding in the aggregate two and a half per cent (2.5%) of the Convention Limit of that ship.

SECTION 6

Security for overspill calls on termination or cesser

- A If
 - i the Directors make a declaration in accordance with Rule 25 (C) (i) or 25 (C) (iii) that a Policy Year shall remain open for the purpose of levying an Overspill Call or Calls, and
 - ii an Owner who is liable to pay any such Overspill Call or Calls as may be levied by the Directors in accordance with Section 5 of this Rule ceases or has ceased to be insured by the Association for any reason, or the Association determines that the insurance of any such Member may cease

the Managers may require such Owner to provide to the Association a guarantee or other security in respect of the Owner's estimated future liability for such Overspill Call or Calls, such guarantee or other security to be provided in such form and amount (the "guarantee amount") and by such date (the "due date") and upon such terms as the Managers in their discretion may deem to be appropriate in the circumstances.
- B Unless and until such guarantee or other security as is required by the Managers has been provided by the Owner, the Owner shall not be entitled to recovery from the Association of any claims whatsoever and whensoever arising in respect of any and all vessels entered in the Association by him or on his behalf for any Policy Year.
- C If such guarantee or other security is not provided by the Owner to the Association by the due date, a sum equal to the guarantee amount shall be due and payable by the Owner to the Association on the due date, and shall be retained by the Association as a security deposit on such terms as the Managers in their discretion may deem to be appropriate in the circumstances.
- D The provision of a guarantee or other security as required by the Association (including a payment in accordance with paragraph (C) above) shall in no way restrict or limit the Owner's liability to pay such Overspill Call or Calls as may be levied by the Directors in accordance with Section 5 of this Rule.

PAYMENT

- A Every Call (Mutual Premium, Supplementary Premium or Overspill Call) shall be payable at such rate and, save as otherwise agreed in writing by the Managers, in such instalments and on such dates as the Directors may specify.
- B As soon as reasonably practical after the rate of any Call (Mutual Premium, Supplementary Premium or Overspill Call) shall have been so fixed the Managers shall notify each Owner concerned:
 - i Of such rate;
 - ii Of the date on which the Call concerned is payable or, if such Call is payable by instalments, of the amounts of such instalments and the respective dates on which they are payable;
 - iii Of the amount payable by such Owner in respect of each ship entered by him;
 - iv If such Call is payable by such Owner in any currency other than U.S. Dollars, of such fact.
- C The Managers may require any Owner to pay all or any part of any Call payable by him in such currency or currencies as the Managers may specify.
- D No claim of any kind whatsoever by an Owner against the Association shall constitute any set-off against the Calls, fixed premiums or other sums of whatsoever nature due to the Association or shall entitle an Owner to withhold or delay payment of any such sum.
- E Without prejudice to the rights and remedies of the Association under these Rules and in particular Rules 29 to 33 inclusive, if any Call or instalment or part thereof or any other sum of whatsoever nature (including, without prejudice to the generality of the foregoing, any fixed premium and any amount due pursuant to Rules 30 or 33 and any part thereof) due from any Owner is not paid by such Owner on or before the date specified for payment thereof, such Owner shall pay interest on the amount not so paid from and including the date so specified down to the date of payment at such rate as the Directors may from time to time determine, but the Directors may waive payment of such interest in whole or in part.
- F The Association shall have a lien or other right of action against any ship entered by the Owner in respect of any sum of whatsoever nature owed by him to the Association, notwithstanding that the cover of the Owner or in respect of any ship entered by him may have ceased or been terminated or cancelled.
- G If any Call or other payment due from an Owner to the Association is not paid and if the Directors decide that payment cannot be obtained, the sums required to make good any resulting shortfall or deficiency in the funds of the Association shall be deemed to be expenses of the Association for which, as the Directors may decide, Calls may be levied in accordance with Rule 20 (or, if the shortfall or deficiency is in respect of an Overspill Call under Rule 22, Section 5, a further Overspill Call under that Rule), or the reserves may be applied in accordance with Rules 24 and 25.

RESERVES

- A The Directors may establish and maintain such reserve funds or other accounts for such contingencies or purposes as they think fit.
- B Without prejudice to the generality of paragraph (A) of this Rule the Directors may establish and maintain reserves or other accounts for one or more of the following specific purposes:
- i A reserve (herein called the "Catastrophe Reserve") to provide a source of funds which may be applied towards meeting any Overspill Claim or Claims whether occurring in the same or in any other policy year;
 - ii A reserve (herein called the "Contingency Account") to provide a source of funds which may be applied for any general purposes of the Association including the following; to stabilize the level of Mutual or Supplementary Premiums and to eliminate or reduce the need to levy such Premiums or any part thereof in respect of any policy year, past present or future; to eliminate or reduce a deficiency which has occurred or may be thought likely to occur in respect of any closed policy year; to protect the Association against any actual or potential losses on exchange, or in connection with its investments, realised or unrealised.
- C The Directors may apply the sums standing to the credit of any reserve for any of the purposes for which the reserve was maintained even though the sum be paid in respect of any different policy year or years from that from which the funds originated. The Directors may also apply the sums standing to the credit of any reserve for any other or different purposes whenever the Directors consider this to be in the interests of the Association or its Members. The Directors may also at any time transfer sums from one reserve to another.
- D The funds required to establish such reserves or accounts may be raised in either or both of the following ways:
- i The Directors, when deciding on the rate of any Mutual or Supplementary Premium for any policy year, may resolve that any specified amount or proportion of such Premium shall be transferred to and applied for the purposes of any such reserve or account;
 - ii The Directors may on the closing of any policy year or at any time or times thereafter resolve that any specified amount or proportion of the funds standing to the credit of that policy year shall be transferred to and applied for the purposes of any such reserve or account.
- E If the Directors shall resolve as set out in paragraph (D) (i) of this Rule, then the Managers shall inform the Owners entered for such policy year on or before the time that payment is demanded.

CLOSING OF POLICY YEARS

- A The Directors shall with effect from such date after the end of each policy year as they think fit declare that such policy year shall be closed or that such policy year shall be closed save for the purpose of levying one or more Overspill Calls as provided in paragraph (C) of this Rule.
- B After any policy year shall have been closed no further Supplementary Premiums or Overspill Calls may be levied in respect of that policy year, save as provided in paragraph (C) of this Rule and under Rule 22.
- C
 - i If at any time prior to the expiry of a period of thirty-six months from the commencement of a Policy Year (the "relevant Policy Year"), any of the parties to the Pooling Agreement sends a notice (an "Overspill Notice") in accordance with the Pooling Agreement that an incident or occurrence has occurred in the relevant Policy Year which has given or at any time may give rise to an Overspill Claim, the Directors shall as soon as practicable declare that the relevant Policy Year shall remain open for the purpose of levying an Overspill Call or Calls in respect of that claim and the relevant Policy Year shall not be closed for the purpose of making an Overspill Call or Calls in respect of that claim until such date as the Directors shall determine.
 - ii If at the expiry of the period of thirty-six months provided for in sub-paragraph (i) above, no Overspill Notice as therein provided for has been sent, the relevant Policy Year shall be closed automatically for the purpose of levying Overspill Calls only, whether or not closed for any other purposes, such closure to have effect from the date falling thirty-six months after the commencement of the relevant Policy Year.
 - iii If at any time after a Policy Year has been closed in accordance with the provisions of sub-paragraphs (i) or (ii) above, it appears to the Directors that an incident or occurrence which occurred during such closed Policy Year may then or at any time in the future give rise to an Overspill Claim, the Directors shall as soon as practicable declare that the earliest subsequent open Policy Year (not being a Policy Year in respect of which the Directors have already made a declaration in accordance with sub-paragraphs (C) (i) or (C) (iii) of this Rule) shall remain open for the purpose of levying an Overspill Call or Calls in respect of that claim and such open Policy Year shall not be closed for the purpose of making an Overspill Call or Calls in respect of that claim until such date as the Directors shall determine.
 - iv If the Directors shall make a declaration as provided for in sub-paragraphs (C) (i) or (C) (iii) of this Rule, the Managers shall inform the Owners entered for the Policy Year in respect of which such declaration is made.
 - v If at any time after the levying of an Overspill Call upon the Owners entered in the Association in any Policy Year, it shall appear to the Directors that the whole of such Overspill Call is unlikely to be required

to meet the Overspill Claim in respect of which such Overspill Call was levied, the Directors may decide to dispose of any excess which in their opinion is not so required in one or both of the following ways:

- a by transferring the excess or any part thereof to the Catastrophe Reserve in accordance with Rule 24; or
- b by returning the excess or any part thereof to those Owners who have paid that Overspill Call in proportion to the payments made by them.

vi A Policy Year shall not be closed for the purpose of levying Overspill Calls save in accordance with this Rule 25.

D Save as provided in paragraph (C) of this Rule, the Directors may declare that any policy year is closed notwithstanding that it is known or anticipated that there are in existence or may in the future arise claims, expenses or outgoings in respect of such policy year which have not yet accrued or whose validity, extent or amount have yet to be established.

E If upon the closing of any policy year it shall appear to the Directors that the whole of the Calls and other receipts in respect of such policy year (and of all transfers from reserves and provisions made for the credit of or in respect of such policy year) are unlikely to be required to meet the claims, expenses and outgoings arising in respect of that policy year (as referred to in Rule 19(A) (i) and (ii)), then the Directors may decide to dispose of any excess which in their opinion is not so required in one or both of the following ways:

- i By transferring the excess or any part thereof to the reserves of the Association in accordance with Rule 24.
- ii By returning the excess or any part thereof to the Owners entered for such policy year in accordance with paragraph (H) of this Rule.

F If at any time or times after a policy year shall have been closed it shall appear to the Directors that the claims, expenses and outgoings arising in respect of that policy year (as referred to in Rule 19(A)(i) and (ii)) exceed or are likely to exceed the totality of the Calls and other receipts in respect of such policy year (and of all transfers from reserves and provisions made for the credit of or in respect of such policy year) then the Directors may decide to provide for such deficiency in any one or more of the following ways:

- i By transferring funds from the reserves of the Association;
- ii By transferring funds standing to the credit of any different closed policy year;
- iii By charging a Mutual Premium or Supplementary Premium in respect of an open policy year with the intention (as permitted by Rule 19 (A) (iv)) of applying a part thereof to meet any such deficiency.

If the Directors shall resolve as set out in sub-paragraph (iii) above, then the Managers shall inform the Owners entered for such policy year on or before the time that payment is demanded.

RULE 25 CONT.

- G At any time after any policy year shall have been closed the Directors may resolve to amalgamate the accounts of any two or more closed policy years and to pool the amounts standing to the credit of the same. If the Directors shall so resolve then the two or more closed policy years concerned shall for all purposes be treated as though they constituted a single closed policy year.

- H Any amount which the Directors may decide to return to the Owners in accordance with paragraph (E)(ii) of this Rule shall be returned to the Owners entered in respect of such policy year in proportion to the Calls paid by them in respect of such policy year (after taking into account any returns or rebates applicable thereto under their terms of entry or under any other provision of these Rules).
PROVIDED ALWAYS that:
 - a No return shall be made to any Owner whose liability for Calls has been assessed in accordance with the provisions of Rules 30 or 33, and
 - b Where the insurance of an Owner has been cancelled in accordance with the provisions of Rule 31 any amounts due for any reason whatsoever (whether by way of Calls or otherwise and whether in respect of the policy year for which the return has been decided or in respect of any other policy year or years) from the Owner to the Association shall be deducted from the return and only the balance (if any) refunded to the Owner.

INVESTMENT

- A The funds of the Association may (subject to the general supervision of the Directors) be invested by the Managers by means of the purchase of such stocks, shares, bonds, debentures or other securities or the purchase of such currencies, commodities, or other real or personal property, or by means of being deposited in such accounts as the Managers may think fit. The funds of the Association may also be invested by such other method as the Directors may approve.
- B Unless the Directors otherwise decide, all the funds standing to the credit of any policy year or of any reserve or account shall be pooled and invested as one fund.
- C When funds are pooled as provided in paragraph (B) above, the investment income arising on the pooled funds (taking into account any capital gains or losses) shall be apportioned among and between the different policy years, reserves and accounts from which the fund or funds, so invested, originated, in such manner as to ensure so far as possible that each is credited with a proportion of such income corresponding to the proportion which the amount standing to the credit of the policy year, reserve or account over the period during which the income arose bears to the total of the pooled funds over the same period.
- D Without prejudice to paragraph (C) of this Rule, the Directors may direct that after the closing of any policy year that year shall not be credited with any share of the apportionments made under that paragraph and that its share shall instead be credited to any reserve or account maintained by the Association.

LAID-UP RETURNS

Subject to any terms and conditions which may have been agreed, if an entered ship shall be laid-up in any safe port or place for a period of thirty or more consecutive days after finally mooring there (such period being computed from the day of arrival to the day of departure, one only being excluded) the Owner shall be allowed a return of Calls calculated at the rate of 95 per cent of his total Calls payable in respect of such ship for the period of lay-up after deduction of such allowance for reinsurance, administrative expenses and other outgoings as the Managers may from time to time determine, save that there shall be no laid-up returns in respect of Overspill Calls. For the purpose of this Rule a ship shall not be treated as laid-up if she has either crew members (other than for her maintenance or security) or cargo on board, unless the Directors shall in their discretion otherwise determine. No claim for laid-up returns relating to any policy year shall be recoverable from the Association unless written notice thereof has been given to the Association within six months of the end of the policy year concerned.

TERMINATION AND ITS EFFECTS

- A Upon an Owner ceasing to be insured by the Association in respect of any ship by virtue of a notice given (whether by the Owner or the Directors) in accordance with Rule 17 or Rule 18 and without prejudice to the effects of cancellation of insurance pursuant to Rule 31, then:
- i Unless and to the extent that in the case of Call Entries the Owner's liability may have been otherwise agreed or assessed under Rule 30 (Release Calls upon Cesser), such Owner and his successors shall be and remain liable for all contributions, premiums and other sums payable in respect of the whole of the policy year in which such notice was given, and in respect of previous policy years, and
 - ii Subject to the other provisions of these Rules and to the terms of entry the Association shall remain liable in respect of such entered ship for all claims under these Rules arising by reason of any event which had occurred prior to noon on 20th February immediately following the giving of such notice, but shall not otherwise be under any liability whatsoever by reason of anything occurring at or after that date and time.
- B Upon an Owner ceasing to be insured by the Association in respect of any ship otherwise than in accordance with Rule 17, Rule 18, Rule 29 (A), (B) or (C), or Rule 31 (A), then:
- i Unless and to the extent that in the case of Call Entries the Owner's liability may have been agreed or assessed under Rule 30 (Release Calls upon Cesser), such Owner and his successors shall be and remain liable in relation to any Overspill Calls for the whole amount payable by him in accordance with Rule 22, and in relation to all other contributions, premiums and other sums payable:
 - a in respect of the policy year in which such cessation occurs, on a pro rata basis, namely for the proportion of such sums applicable to the period beginning at the commencement of that policy year (or, in the case of a ship entered during that policy year, the date of entry) and ending at noon on the date of such cessation, and
 - b in respect of previous policy years, for the whole of those policy years, and
 - ii Subject to the other provisions of these Rules and to the terms of entry the Association shall remain liable in respect of such entered ship for all claims under these Rules arising by reason of any event which had occurred prior to noon on the day of such cessation, but shall not otherwise be under any liability whatsoever by reason of anything occurring at or after that date and time,

PROVIDED ALWAYS that nothing in paragraph (B) of this Rule shall be taken to confer validity on any notice purporting to terminate the entry of any ship given otherwise than in accordance with Rule 17, Rule 18 or Rule 31 (A).

CESSER OF INSURANCE AND ITS EFFECTS

- A An Owner shall forthwith cease to be insured by the Association in respect of any and all ships entered by him or on his behalf upon the happening of any of the following events:
- i Where the owner is an individual,
 - a upon his death,
 - b if a receiving order is made against him,
 - c if he becomes bankrupt,
 - d if he makes any composition or arrangement with his creditors generally,
 - e if he becomes incapable by reason of mental disorder of managing or administering his property and affairs;
 - ii Where the owner is a corporation,
 - a upon the passing of any resolution for its voluntary winding up (other than voluntary winding up for the purposes of company or group reorganisation),
 - b upon an order being made for its compulsory winding up,
 - c upon its dissolution,
 - d upon a receiver or manager being appointed of all or part of its business or undertaking,
 - e upon its commencing proceedings under any bankruptcy or insolvency laws to seek protection from its creditors or to reorganise its affairs.
- B Unless otherwise agreed in writing by the Managers, an Owner shall forthwith cease to be insured by the Association in respect of any ship entered by him or on his behalf upon the happening of any of the following events in relation to such ship:
- i upon the Owner parting with or assigning the whole or any part of his interest in the ship whether by bill of sale or other formal document or agreement or in any other way whatsoever;
 - ii upon the mortgaging or hypothecation of the ship or of any part of the Owner's interest in that ship;
 - iii upon the managers of the ship being changed by the appointment of new managers;
 - iv upon undisputed possession being taken of the ship by or on behalf of a secured party.
 - v upon the Owner, as at noon on 20th February in any policy year, failing to pay in respect of the ship any amounts due from him to the Association.
 - vi upon the Owner, as at noon on 20th February in any policy year, being in breach of, or otherwise failing to fulfil, his obligations in respect of the ship under Rules 5 (K), 5 (Q) or 5 (R).
- C Unless otherwise agreed in writing by the Managers, an Owner shall forthwith cease to be insured by the Association in respect of any ship

entered by him or on his behalf upon the happening of whichever shall be the earliest of the following events:

- i upon the ship being missing for ten days from the date when she was last heard of;
- ii upon the ship being posted at Lloyd's as missing;
- iii upon the ship becoming an actual total loss;
- iv upon acceptance by hull underwriters (whether of marine or war risks) that the ship is a constructive total loss;
- v upon agreement by hull underwriters (whether of marine or war risks) to pay to the Owner of the ship an unrepaired damage claim which exceeds the market value of the ship without commitment immediately prior to the casualty which gave rise to such claim;
- vi upon a compromise or settlement with hull underwriters (whether of marine or war risks) on the basis of which the ship is considered or deemed to be an actual or constructive total loss;
- vii upon a decision by the Managers that the ship is to be considered or deemed to be an actual or constructive total loss or otherwise commercially lost.

PROVIDED ALWAYS that:

- a Notwithstanding the cesser of the insurance under Rule 29(C) the Association shall, subject always to the Rules and to the terms and conditions of the entry of the ship in the Association, remain liable as regards liabilities flowing directly from the casualty which has given rise to the actual or constructive loss of the ship.
 - b If the Managers agree that the insurance of the ship shall continue after the happening of any of the events listed in paragraph (B) and (C) of this Rule they may in their discretion impose such terms and conditions as they think fit for the continuation of the insurance.
- D On the occurrence of any of the events specified in paragraphs (A) to (C) inclusive of this Rule in respect of an entered ship, the Owner shall give notice in writing of such event to the Managers within one month after the date thereof.
- E Upon an Owner ceasing to be insured by virtue of paragraph (A) of this Rule, and upon an Owner ceasing to be insured in respect of any ship by virtue of paragraphs (B) or (C) of this Rule, and without prejudice to the effects of cancellation of insurance pursuant to Rule 31 (A) then:
- i Unless and to the extent that in the case of Call Entries the Owner's liability may have been agreed or assessed under Rule 30 (Release Calls upon Cesser), such Owner and his successors shall be and remain liable in relation to any Overspill Calls for the whole amount payable by him in accordance with Rule 22, and in relation to all other contributions, premiums and other sums payable:
 - a in respect of the policy year in which such cessation occurs, on a pro rata basis, namely for the proportion of such sums applicable to the period beginning at the commencement of that policy year (or, in the case of a ship entered during that policy year, the date of

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- entry) and ending at noon on the date of such cessation; provided that, if the Owner fails to give notice of the event in accordance with paragraph (D) of this Rule, such period shall end at noon on such later date as the Managers in their discretion shall decide, and
- b in respect of previous policy years, for the whole of those policy years, and
- ii Subject to the other provisions of these Rules and to the terms of entry the Association shall remain liable in respect of any ship entered by such Owner or in respect of such entered ship (as the case may be) for all claims under these Rules arising by reason of any event which had occurred prior to the date of such cessation, but shall not otherwise be under any liability whatsoever by reason of anything occurring after that date.

RELEASE CALLS UPON CESSER OF INSURANCE

Upon an entered ship ceasing to be insured by the Association for any reason, whether or not the circumstances giving rise to such cesser of insurance shall be any of those specified in Rules 17 and 18 or in paragraphs (A), (B) and (C) of Rule 29, the Managers may:

- A Release the Owner from liability to pay Supplementary Premiums in respect of such ship, wholly or partly or upon such terms as the Managers in their discretion may deem to be appropriate in the circumstances.
- B Whether or not negotiations may have taken place with the view to the application of paragraph (A) hereof, assess as at the date of the cesser of insurance the amount which seems to the Managers in their discretion to represent the likely liability of the Owner for Supplementary Premiums and for Mutual Premiums falling due after such date in respect of such ship.

If the Managers shall exercise their powers under paragraph (A) or paragraph (B) of this Rule, then:

- i Any terms imposed by the Managers or agreed between the Managers and the Owner pursuant to paragraph (A) hereof shall be performed at such time or times as the Managers shall have specified;
- ii The amount of any assessment made under paragraph (B) hereof shall be payable by the Owner without deduction on demand; and
- iii The Owner shall be under no liability for any Supplementary Premiums which the Directors may decide to levy after the date of a release given under paragraph (A) hereof or after the date of an assessment made under paragraph (B) hereof, as the case may be, or for any Mutual Premiums becoming due after such date, and the Owner shall have no right to share in any return of contributions or other receipts, or any Mutual Premium Discount, which the Directors may thereafter decide to declare or make in accordance with Rule 20 or 25 (E) respectively.

CANCELLATION OF INSURANCE AND ITS EFFECTS

- A Where an Owner has failed to pay, either in whole or in part, any amount due from him to the Association, the Managers may give him notice in writing requiring him to pay such amount by any date specified in such notice, not being less than seven days from the date on which such notice is given. If the Owner fails to make such a payment in full on or before the date so specified, the insurance of the Owner (whether the insurance is current on such date or has ceased by virtue of paragraphs (A), (B), or (C) of Rule 29 or in accordance with any other provisions of these Rules) in respect of any and all ships referred to in such notice and entered in the Association by him or on his behalf shall be cancelled forthwith without further notice or other formality.
- B When the insurance of an Owner is cancelled in accordance with paragraph (A) of this Rule (which time is hereinafter in this Rule 31 referred to as "the date of cancellation") then:
- i Unless and to the extent that in the case of Call Entries the Owner's liability may have been otherwise assessed under Rule 33 (Release Calls upon Cancellation), such Owner and his successors shall be and remain liable in relation to any Overspill Calls for the whole amount payable by him in accordance with Rule 22, and in relation to all other contributions, premiums and other sums payable:
 - a in respect of the policy year in which the date of cancellation falls, on a pro rata basis, namely for the proportion of such sums applicable to the period beginning at the commencement of that policy year (or, in the case of a ship entered during that policy year, the date of entry) and ending on the date of cancellation or such earlier date as the Managers in their discretion decide and agree in writing, and
 - b in respect of previous policy years, for the whole of those policy years, and
 - ii The Association shall with effect from the date of cancellation cease to be liable for any claims of whatsoever kind under these Rules in respect of any and all ships in relation to which the insurance of the Owner has been cancelled.
 - a irrespective whether such claims have occurred or arisen or may arise by reason of any event which has occurred at any time prior to the date of cancellation, including during previous years;
 - b irrespective whether such claims arise by reason of any event occurring after the date of cancellation;
 - c irrespective whether the Association may have admitted liability for or appointed lawyers, surveyors or any other person to deal with such claims;
 - d irrespective whether the Association at the date of or prior to the date of cancellation knew that such claims might or would arise, and as from the date of cancellation any liability of the Association for such claims shall terminate retrospectively and the Association

shall be under no liability to such Owner for any such claims or on any account whatsoever;

PROVIDED ALWAYS that:

The Directors may in their discretion and upon such terms as they think fit, including but not restricted to terms as to payment of contributions, premiums or other sums, admit either in whole or in part any claim in respect of any ship entered by an Owner for which the Association is under no liability by virtue of paragraph (A) or (B) of this Rule, whether such claim has arisen before or arises after the date of cessation or the date of cancellation as the case may be, or remit wholly or partly any payment of contribution, premiums or other sums due to the Association.

SUMS DUE TO THE ASSOCIATION FOR THE PURPOSE OF APPLICATION OF THE RULES ON CANCELLATION

- A For the purpose of determining whether any (and, if so, what) sum is due for the purposes of Rule 31 (A) or otherwise under these Rules no account shall be taken of any amount due or alleged to be due by the Association to the Owner on any ground whatever, and no set-off of any kind (including set-off which might otherwise have arisen by reason of the bankruptcy or winding up of the Owner) shall be allowed against such sum (whether or not any set-off against contributions has been allowed at any time in the past), except to the extent (if any) to which any sum demanded by the Managers as due, and required to be paid in a notice served under the said sub-paragraph, may (in the Managers' discretion) in itself have already allowed for a set-off or credit in favour of the Owner.

- B Without prejudice to the generality of Rule 39 no act, omission, course of dealing, forbearance, delay or indulgence of any kind by or on behalf of the Association nor the granting of time, nor the acceptance by the Association (whether express or implied) of liability for, or the recognition of, any claim, and whether occurring before or after any date of cessation or date of cancellation as hereinbefore referred to shall derogate from the effect of Rules 28 to 33 inclusive or be treated as any waiver of any of the Association's rights thereunder.

RELEASE CALLS UPON CANCELLATION

- A Upon the cancellation of an Owner's insurance in accordance with paragraph (A) of Rule 31, notwithstanding that, if there has been a cesser of insurance prior to such cancellation, the Managers at the time of such prior cesser may not have exercised or may have agreed not to exercise the powers described in paragraphs (A) and (B) of Rule 30, the Managers may assess as at the date of the cancellation of insurance the amount which seems to the Managers in their discretion to represent the likely liability of the Owner for Supplementary Premiums and for Mutual Premiums falling due after such date in respect of such ship.
- B If the Managers shall exercise their powers under paragraph (A) of this Rule 33, then:
- i The amount of any such assessment made under paragraph (A) hereof shall be payable by the Owner without deduction on demand, and
 - ii The Owner shall be under no liability for any Supplementary Premiums which the Directors may decide to levy after the date of such assessment made under paragraph (A) hereof, or for any Mutual Premiums becoming due after such date, and the Owner shall have no right to share in any return of contributions or other receipts or any Mutual Premium Discount, which the Directors may thereafter decide to declare or make in accordance with Rule 20 or 25 (E) respectively.