

AMENDMENTS TO THE RULES

TO BE CONSIDERED BY THE MEMBERS OF THE ASSOCIATION AT THE ANNUAL GENERAL MEETING OF THE ASSOCIATION TO BE HELD IN SEOUL ON 25th OCTOBER, 2004

RULES

RULE 2, SECTION 12 - POLLUTION RISKS

Add a new paragraph c to the proviso of Rule 2, Section 12, as indicated in bold type below:

PROVIDED ALWAYS that

- a ...
- b ...
- c Unless the Managers otherwise agree in writing, the Owner of an entered ship which is a "relevant ship" as defined in the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) shall during the currency of that Agreement be a party to STOPIA for the period of entry of such ship in the Association and, unless the Directors otherwise determine, shall not be entitled to any recovery under this Rule 2, Section 12 in respect of such ship in relation to any casualty, event or matter occurring during a period when the Owner is not a party to STOPIA.**

Corresponding change to

RULE 5 (E) - EXCLUSION OF WAR RISKS

Amend the proviso b of Rule 5, Paragraph E by adding a new sub-paragraph (iii), as indicated in bold type below:

PROVIDED ALWAYS that

- a ...
 - b The exclusions in this paragraph (E) shall not apply to liabilities, costs or expenses of an Owner insofar only as they are discharged by the Association on behalf of the Owner pursuant to a demand made under
 - (i) a guarantee or other undertaking given by the Association to the Federal Maritime Commission under Section 2 of US Public Law 89-777, or
 - (ii) a certificate issued by the Association in compliance with Article VII of the International Conventions on Civil Liability for Oil Pollution Damage 1969 or 1992 or any amendments thereof,
- or**
- (iii) an undertaking given by the Association to the International Oil Pollution Compensation Fund 1992 in connection with the Small Tanker Oil Pollution Indemnification Agreement (STOPIA), to the extent that such liabilities, costs and expenses are not recovered by the Owner under any other policy of insurance or extension to the cover provided by the Association, and**
- c

EXPLANATORY NOTES

RULE 2, SECTION 12 - POLLUTION RISKS

The purpose of the proposed amendment is to provide for automatic participation in the scheme known as STOPIA (Small Tanker Oil Pollution Indemnification Agreement), for CLC tankers up to 29,548 tons (defined as 'relevant ships' in that scheme), so that liabilities incurred under STOPIA may be covered under the same Section of Rule 2.

The scheme provides for a voluntary increase in the limit of liability for those ships, under the 1992 CLC, from SDR 4.5 million to SDR 20 million, and has been developed in order to maintain a balance between compensation by shipowners and by oil companies for pollution damage in states which are parties to the Supplementary Fund Protocol (that Fund being financed solely by oil receivers).

RULE 5 (E) - EXCLUSION OF WAR RISKS

The purpose of this related amendment is to allow the Association to provide cover for increased liability under STOPIA, even where the liability arises as a result of an act of terrorism which would otherwise be excluded by virtue of Rule 5 (E).

RULES

RULE 2, SECTION 17D - CARGO LIABILITIES - THROUGH OR TRANSHIPMENT BILLS OF LADING

Amend paragraph D by addition of the words in bold type below:

D. THROUGH OR TRANSHIPMENT BILLS OF LADING
Liability for loss, shortage, damage or other responsibility in respect of cargo carried by a means of transport other than the entered ship, when the liability arises under a through or transshipment bill of lading or other form of contract, **approved by the Managers**, providing for carriage partly to be performed by the entered ship.

RULE 5 (Q) AND (R) - SURVEYS OF SHIPS

Add a new sub-paragraph to paragraph Q of Rule 5, as indicated in bold type below:

Q SURVEYS OF SHIPS

...

Notwithstanding the above and in addition thereto, the Directors may, in the light of such inspection or in the event of any breach of the obligations referred to in (i) to (ii) above, terminate the Owner's entry forthwith whereupon the Owner shall cease to be insured in respect of the entered ship.

Add a new sub-paragraph to paragraph R of Rule 5, as indicated in bold type below:

R. SURVEYS OF SHIPS AFTER LAY-UP

...

Notwithstanding the above and in addition thereto, the Directors may, in the light of such inspection or in the event of any breach of the obligations referred to in (ii) to (iii) above, terminate the Owner's entry forthwith whereupon the Owner shall cease to be insured in respect of the entered ship.

Corresponding change to

RULE 28 - TERMINATION AND ITS EFFECTS

Amend paragraph B of Rule 28 by addition of the words in bold type below:

B Upon an Owner ceasing to be insured by the Association in respect of any ship **pursuant to paragraph Q or R of Rule 5** or otherwise than in accordance with Rule 17, Rule 18, Rule 29 (A), (B) or (C), or Rule 31 (A)...

EXPLANATORY NOTES

RULE 2, SECTION 17D - CARGO LIABILITIES - THROUGH OR TRANSHIPMENT BILLS OF LADING

The purpose of the proposed amendment is to ensure that in respect of carriage by land, rail or air, contracts accord with guidelines contained in the International Group Pooling Agreement. A new note to reflect those guidelines will be added to paragraph D in the following terms:

"Note: For the purpose of paragraph D, a contract is deemed to be approved if it incorporates the ICC Rules or the internationally accepted conventions such as CMR 1956 (Convention relative au Contrat de transport international de Marchandises par Route), CIM 1980 (Les règles uniformes concernant le Contrat de transport International ferroviaire de Marchandises), or the Warsaw Convention 1929 or 1955, as appropriate."

RULE 5 (Q) AND (R) - SURVEYS OF SHIPS

The purpose of the proposed amendments to Rule 5, paragraphs (Q) and (R) is to ensure that the Directors have the power to terminate forthwith cover of an entered ship, if found to be in an unacceptably poor condition.

RULE 28 - TERMINATION AND ITS EFFECTS

The proposed amendment is for the purpose of delimiting the effects of termination under Rule 5, paragraphs Q and R.

RULES

EXPLANATORY NOTES

RULE 40 - DISPUTES

RULE 40 - DISPUTES

Amend paragraph B by addition of the words in bold type and by deletion of the proviso below:

The purpose of the proposed amendment is to allow the Directors to waive the procedure of adjudication even if they have not previously considered the case giving rise to such dispute.

B. Save as provided in Section 4 of Rule 22, if any other difference or dispute shall arise between an Owner and the Association out of or in connection with these Rules or any contract between them or as to the rights or obligations of the Association or the Owner thereunder or in connection therewith, such difference or dispute shall in the first instance be referred to and adjudicated upon by the Directors, **unless the Directors elect to waive such adjudication, whereupon the Owner concerned shall be entitled to refer the difference or dispute to arbitration in accordance with the provisions of paragraph C of this Rule.** Such reference and adjudication shall be on written submissions only.

~~PROVIDED ALWAYS that:~~

~~Where the Directors have previously considered the facts or matters giving rise to such difference or dispute, whether in the exercise of a discretion conferred on them under any other provision of these Rules, or otherwise, reference to the Directors for the purposes of adjudication in accordance with this paragraph (B) may be waived at the election of the Association, such election to be made by the Directors, and the Owner concerned shall be entitled to refer the difference or dispute to arbitration in accordance with the provisions of paragraph (C) of this Rule.~~