

**AMENDMENTS TO THE RULES OF THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (BERMUDA) LIMITED AND TO THE RULES OF THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (EUROPE) LIMITED.**

**TO BE CONSIDERED BY THE MEMBERS OF THE ASSOCIATION AT THE SPECIAL GENERAL MEETING OF THE ASSOCIATION TO BE HELD IN BERMUDA ON 15<sup>th</sup> JANUARY, 2015**

AMENDMENTS TO THE RULES	EXPLANATORY NOTES
<p>Rule 2, Section 13 - Liability arising out of towage of or by an <u>entered ship</u></p> <p><i>Amend Rule 2, Section 13 by deletions as indicated and by addition of the words in bold type below:</i></p> <p>C Towage by an entered ship  Liability arising out of the towage of another ship or object by an entered ship <del>but only if and to the extent that:</del>  <del>i cover for such liability has been agreed with the Managers upon such terms as the Managers may require, or</del>  <del>ii the Directors shall in their discretion decide that having regard to all the circumstances the claim falls within the scope of the Association and that the Owner should be reimbursed.</del>  <b>PROVIDED ALWAYS that</b></p> <p><b>There shall be no recovery by an Owner for loss of or damage to or wreck removal of a ship or other object towed by the entered ship or the cargo or other property on such tow (together with costs and expenses associated therewith) save in so far as</b></p> <ul style="list-style-type: none"> <li><b>(a) the towage or attempt thereat is made for the purpose of saving or attempting to save life or property at sea, or</b></li> <li><b>(b) the entered ship is towing under a contract approved in writing by the Managers or on such terms as the Managers may require</b></li> </ul> <p><i>Note: The Managers will approve contracts for towage by an entered ship on terms not less favourable to the towing ship than:</i></p> <ul style="list-style-type: none"> <li><i>a) United Kingdom, Netherlands and Scandinavian standard towage conditions;</i></li> <li><i>b) Towcon and Towhire</i></li> <li><i>c) The Lloyds standard form of salvage agreement (1980, 1990, 1995 or 2000, whether or not incorporating SCOPIC) – no-cure no pay;</i></li> <li><i>d) a contract that contains a term that the parties to the towage contract, and any parties on whose behalf they contract, shall be responsible for any loss or damage to or wreck removal of their own ship, cargo or property and for loss of life or personal injury thereon, without recourse against the other and will indemnify the other against any such liability (a “knock for knock” clause);</i></li> <li><i>e) other contracts where</i> <ul style="list-style-type: none"> <li><i>(i) A term or terms of the contract complying with d) above is or is likely to be unlawful or unenforceable in whole or in part; and</i></li> <li><i>(ii) The contract does not impose on the Owner any liability to any person arising out of any act, neglect or</i></li> </ul> </li> </ul>	<p><i>Rule 2, Section 13 - Liability arising out of towage of or by an <u>entered ship</u></i></p> <p><i>The amendment aligns the rules with the structure and the wording of the Pooling Agreement, with the effect that poolable cover for a towing ship is provided pursuant to Rule 2, section 13C, while non-poolable cover for tower’s contractual risks may be separately insured via the “Addendum Relating to Offshore and Specialist Operations” attached to the Rules.</i></p>

<p><i>default of the owner of the tow or any other person; and</i></p> <p><i>(iii) The contract limits the liability of the Owner under the contract or otherwise to the maximum extent possible by law.</i></p> <p><i>In addition, when cargo is carried on board the towed vessel the Managers will expect that:</i></p> <p><i>1) a Himalaya clause or similar provision is incorporated in the towage or other contract under which the entered ship is hired to perform towage services, to protect the tug owner's own employees, servants and sub-contractors from being sued in tort by the hirer or charterer of the tug; and</i></p> <p><i>2) the towage or other contract under which the entered ship is hired to perform towage services should include a requirement that any other contract entered into by the hirer or charterer of the tug with any third party should contain a Himalaya clause, under which the tug is afforded the same defences as the hirer or charterer."</i></p> <p><i>Note: "Supplying or Towing Extension Cover" is set out in "Addendum Relating to Offshore and Specialist Operations" attached to the Rules.</i></p>	
<p><u>Rule 2, Section 17D Cargo liabilities - through or trans-shipment bills of lading</u></p> <p><i>Amend Rule 2, Section 17D by deletion as indicated and by addition of the word in bold type below:</i></p> <p>D Through or transshipment bills of lading  Liability for loss, shortage, damage or other responsibility <del>in respect of</del> <b>to</b> 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, provided that the Owner has contracted on terms that seek to preserve rights of recourse against others involved in the performance of the contract of carriage.</p>	<p><u>Rule 2, section 17 D: Cargo liabilities – through or trans-shipment bills of lading</u></p> <p><i>The purpose of this change is to make clear that paragraph D, of Rule 2, section 17, relates to liabilities for loss of or damage to cargo, not liabilities caused by cargo.</i></p>
<p><u>Rule 4 – Special Cover for Charterers, Specialist Operations and Passenger Ships</u></p> <p><i>Amend Rule 4 by deletions as indicated and by addition of the words in bold type below:</i></p> <p>Rule 4 Special Cover for Charterers, Specialist Operations, <del>and</del> <b>and TT Risks</b></p> <p>Section 2  <b>Offshore and Specialist operations</b></p> <p>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.</p> <p><i>Note: The terms and conditions which the Managers will</i></p>	<p><u>Rule 4 – Special Cover for Charterers, Specialist Operations and Passenger Ships</u></p> <p><i>The purpose of these amendments is to clarify the basis on which the Club will offer covers for offshore/specialist operations and for TT risks.</i></p>

~~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” “Addendum Relating to Offshore and Specialist Operations” attached to the Rules.~~

**Section 4  
TT Risks**

**An Owner may be insured against liabilities, fines, losses, costs or expenses in respect of carrying equipment upon such terms and conditions as may be expressly agreed in writing between the Owner and the Managers.**

*Note: A fuller description of covers available under Rule 4, Section 4 is contained in “Addendum – TT Risks”.*

Rule 4, section 3 – Special cover for passenger ships

*Amend Rule 4, Section 3 by deletion of paragraph C as indicated below:*

~~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.~~

Rule 4, section 3 – Special cover for passenger ships

*Cover envisaged in paragraph C has never been provided to Members and as there is no intention to provide such cover, it is proposed that Paragraph C be deleted.*

Rule 5H – Exclusion of certain liabilities, costs and expenses of salvage ships, drilling ships, dredgers and others

*Amend Rule 5H by deletions as indicated and by addition of the words in bold type below:*

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 (including for the purpose of this paragraph, wreck removal);

**other than**

**(a) liabilities, costs and expenses arising out of salvage or firefighting service or attempted salvage or firefighting service conducted by an entered ship for the purpose of saving or attempting to save life at sea; and**

**(b) liabilities, costs and expenses incurred by the Owner (being a professional salvor) which are covered by a special agreement between the Owner and the Association and which arise out of the operation of, and in respect of that Owner's interest in an entered ship.**

~~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;~~

**(a) constructed or adapted for the purpose of carrying out drilling operations in connection**

Rule 5H – Exclusion of certain liabilities, costs and expenses of salvage ships, drilling ships, dredgers and others

*The amendments align the Rules with the structure and the wording of the Pooling Agreement, to ensure that non-poolable risks in connection with offshore or specialist operations are clearly excluded from standard P&I cover and may be separately insured via the “Addendum Relating to Offshore and Specialist Operations” attached to the Rules.*

with oil or gas exploration or production, or

- (b) used for or in connection with drilling or oil or gas production operations, including any accommodation unit moored or positioned on site as an integral part of any such operations, when the claim arises out of or during those operations;

For the purposes of paragraph ii(b) above the entered ship shall be deemed to be carrying out production operations if (inter alia) it is a storage tanker or other ship engaged in the storage of oil, and either:

- (i) the oil is transferred directly from a producing well to the storage ship; or
- (ii) the storage ship has oil and gas separation equipment on board and gas is being separated from oil whilst on board the storage ship other than by natural venting.

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, professional oil spill response or professional oil spill response training and tank cleaning (otherwise than on the entered ship), or other specialist operations, when the claim arises as a consequence of: ~~out of those operations;~~

- (a) claims brought by any party for whose benefit the work has been performed, or by any third party (whether connected with any party for whose benefit the work has been performed or not), in respect of the specialist nature of the operations; or
- (b) the failure to perform such specialist operations by the Owner or the fitness for purpose or quality of the Owner's work, products or services; or
- (c) any loss of or damage to the contract work.

**PROVIDED ALWAYS that this exclusion shall not apply to liabilities, costs and expenses incurred by an Owner in respect of:**

- (i) loss of life, injury or illness of crew and other personnel on board the entered ship; or
- (ii) the wreck removal of the entered ship; or
- (iii) oil pollution emanating from the entered ship or the threat thereof,

**but only to the extent that such liabilities, costs and expenses are covered by the Rules.**

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-, **except a claim**

- (a) arising out of salvage operations being conducted by an entered ship where the divers form part of the crew of that entered ship (or of diving bells or other similar equipment or craft operating from the entered ship) and where the Owner of that entered ship ((except a charterer other than a demise or bareboat charterer) is responsible for the activities of such divers; and**
- (b) incidental diving operations carried out in relation to the inspection, repair or maintenance of the entered ship or in relation to damage caused by the entered ship; and**
- (c) recreational diving activities.**

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.

Rule 5U – Certificates and undertakings

*Amend Rule 5U by addition of a sub-paragraph f) in bold type below:*

**f) a certificate issued by the Association in compliance with Article 12 of Nairobi International Convention on the Removal of Wrecks, 2007**

Rule 5U – Certificates and undertakings

*The proposed amendment is to enable the Association to issue blue cards which will be required under the Wreck Removal Convention when it enters into force in April 2015.*

Rule 41 – Notices

*Amend Rule 41 by addition of a new paragraph D in bold type below and renumbering the subsequent paragraph accordingly:*

**D. Any such notice or other document may be sent or supplied to an Owner by making it available on the Association’s website (www.ukpandi.com), and it is deemed served or delivered when the Owner is notified by electronic transmission (e-mail) that it is available on such website.**

Rule 41 – Notices

*The Club website is becoming increasingly useful and used by the Members. The new paragraph will allow the Club to send formal notices to Members via the Club’s website coupled with email notifications of the online notices. A number of clubs have operated on this basis for several years.*