

ARTICLES OF ASSOCIATION

(Amended in September 2018)

Note: This is a translation of the Articles of Association in Japanese language as amended in September 2018. In case of doubt, the Japanese original shall take precedence over the translation.

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ARTICLES OF ASSOCIATION

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CHAPTER I GENERAL PROVISIONS

ARTICLE 1 NAME

- 1 The name of the Association is “Nihon Senshu Sekinin Sogo Hoken Kumiai” (hereinafter called “the Association”).
- 2 The English name is “The Japan Ship Owners’ Mutual Protection & Indemnity Association” abbreviated as the Japan P & I Club.

ARTICLE 2 OBJECT AND BUSINESS

- 1 The purpose of the Association is to protect the interests of Members, to promote the sound development of the Association and to contribute to secure stabilized management of the shipping and related maritime industry by carrying on the business of non-life insurance under a system of mutual insurance to cover the expenses and liabilities incidental to the operation of non-wooden ships by registered owners, demise charterers or other persons engaged in such operation.
The business of the Association is conducted within Japan and foreign countries.
- 2 In addition to the business stipulated in the preceding paragraph, the Association may, subject to approval from the Commissioner of Financial Services Agency, carry on the following:-
 - (1) act as an agent or an intermediary on behalf of non-life insurance companies, provided that such activity is undertaken for the benefit of the Members.
 - (2) undertake non-life insurance business to cover the expenses and legal liabilities incidental to, or arising from, the operation of non-wooden ships owed by a person who is neither a Member nor entitled to be a Member, but who provides capital, such as investment, financing and mortgage etc, for the non-wooden ships (hereinafter referred to as a “capital investor”), Provided always that:-
 - (a) such non-wooden ships are eligible under Article 2.1; and
 - (b) there exists an insurance contract between a Member and the Association to cover the expenses and liabilities incidental to the operation of the non-wooden ship in respect of which a claim under this Rule arises; and
 - (c) the “capital investor” complies with Article1.2(3) of the Enforcement Regulation of the Ship Owners’ Mutual Insurance Association Law,

ARTICLE 3 JURIDICAL PERSONS AND DOMICILE

- 1 The Association is a juridical person incorporated in compliance with “The Ship Owners’ Mutual Insurance Association Law” (hereinafter called “the Law”).
- 2 The principal office of the Association is at Chuoh-ku in the Metropolis of Tokyo and branch offices in the cities of Kobe, Fukuoka, Imabari and Singapore. The Association may also establish local offices, representative office, etc. in certain areas.

ARTICLE 4 BUSINESS YEAR

The business year of the Association shall be one (1) year from any 1st April to the next following 31st March.

ARTICLE 5 TOTAL AMOUNT OF CONTRIBUTION FUND

The total amount of the contribution fund of the Association shall be not less than Two Million (2,000,000) yen.

ARTICLE 6 JURISDICTION

The Law Court which has jurisdiction over the principal office of the Association shall have jurisdiction for all suits to be brought against the Association.

ARTICLE 7 METHOD OF PUBLIC NOTICE

Public notice of the Association shall be published in the Official Gazette.

CHAPTER II MEMBERSHIP

ARTICLE 8 QUALIFICATION FOR MEMBERSHIP

Persons qualified for Membership shall be registered owners, demise charterers, charterers, operators, management companies or manning companies of non-wooden ships.

ARTICLE 9 ENTRY AND CONCLUSION OF INSURANCE CONTRACT, ETC.

- 1 A person wishing to become a Member of the Association in respect of non-life insurance business as stipulated in Article 2.1 of these Rules shall submit an application, in the prescribed form, stating therein matters regarding qualification for membership, the number of shares for which he assumes the responsibility in the

contribution fund, description of the ship which is to be the subject of insurance (a ship other than wooden ship which is defined as a ship in the Shipping Law and/or other laws, and which is recognized as a ship by the Association. Hereinafter called an "Entered Ship") and other items specified in the said form, and shall affix signature on his seal thereto.

When the application is accepted by the Association and when the full amount of subscribed shares is either paid in cash or covered by the transfer of shares from other Member and also when calls or premiums are paid in full or part, then the insurance contract between such person and the Association shall become effective and such person shall become a Member of the Association.

- 2 A person wishing to conclude an insurance contract with the Association conducting non-life insurance business, as is stipulated in Article 2.2(2), shall submit an application, in the prescribed form, containing therein a description of the ship which is to be the subject of insurance and any other information required in the said form.

If the application is accepted by the Association and when calls or premiums are paid in full, or in part to the satisfaction of the Association, the insurance contract between such person and the Association shall become effective.

- 3 A transferee of an Entered Ship may become a Member upon approval of the Association as to entry of and by succeeding to the insurance contract to the ship.

In such a case, the transferee must cover full amount of his subscribed shares by the time of succession of the insurance contract, either by payment in cash or by receiving transfer from other Member.

ARTICLE 10 CONTRIBUTION FUND

- 1 Amount of one share in the contribution fund shall be Five thousand (5,000) yen.
- 2 Each Member shall hold not less than one share in the contribution fund; but the number of shares to be held by one Member shall not exceed ten (10) per cent of the total number of shares in the fund.

ARTICLE 11 TRANSFER OF SHARES

A member may transfer, upon approval of the Association, the whole or a part of his shares to another Member or person who is qualified for membership.

ARTICLE 12 PROHIBITION OF CO-HOLDING OF SHARES

No Members shall hold share in common.

ARTICLE 13 SECESSION FROM MEMBERSHIP

- 1 A member may withdraw from the Association at end of the business year by giving an advance notice of three (3) months or more.
- 2 The creditor who has seized the shares of a Member may make the Member withdraw from the Association at the end of business year.
In this case, the creditor must give notice of withdrawal three (3) months in advance to both the Association and the Member.
- 3 A member shall, in addition to the cases provided for in paragraphs 1 and 2, withdraw in any one of the following cases:-
 - (1) Forfeiture of the qualification of membership.
 - (2) Expulsion.
 - (3) Death or dissolution of the Member.
 - (4) Transfer of all his shares.
 - (5) Extinction of all insurance contracts due to expiration of insurance period, loss of transfer of the Entered Ship or other causes.

ARTICLE 14 EXPULSION

A Member may be expelled from the Association by resolution of a general meeting of Members (hereinafter called "general meeting") if the interest of the Association is considered significantly injured by the willful act or gross negligence of that Member.

ARTICLE 15 REFUND OF SHARES

- 1 A member who has withdrawn from the Association is entitled to receive a refund of his shares when there is, at the end of the business year to which the date of secession belongs, any surplus of asset over the liabilities, in the proportion which the amount of his contribution bears to the total amount of the contribution fund; but the amount of such refund shall in no case exceed the amount of the shares.
- 2 In computing the amount of such refund as above, where the total assets do not cover the total liabilities, the Association can claim against the Member who withdrew any deficit computed in accordance with Article 50.2.

ARTICLE 16 NOTIFICATIONS AND DEMAND NOTICES

Notifications or demand notices to Member shall be made to his domicile stated in the list of Members.

CHAPTER III ORGANS

SECTION I GENERAL MEETING OF MEMBERS

ARTICLE 17 CONVENING OF GENERAL MEETING

- 1 The chairman shall convene an ordinary general meeting within four (4) months after expiration of each business year.
- 2 In case the chairman deems it necessary, he may convene an extraordinary general meeting at any time.
- 3 In case Members of not less than one-fifth (1/5) in number of the whole Members have demanded the convening of general meeting, submitting to the chairman a document which contains subject matters to be considered thereat and the reason for convening general meeting, the chairman shall convene an extraordinary general meeting within twenty (20) days from the day on which such demand was made.
- 4 The convening of general meeting shall be notified, stating the matters to be considered thereat, to the Members ten (10) days or more prior to the day on which it is to be held.
But in case where an extraordinary general meeting shall be convened because of emergency, the above period of notification can be made shorter.

ARTICLE 18 MATTERS TO BE RESOLVED

Other than those the matters which are required to be resolved at a general meeting by virtue of the applicable laws, regulations and other provisions of these Articles of Association, a resolution relating to the following matters shall be adopted at a general meeting.

- (1) Alteration of matters stated in the Article of the Association.
- (2) Alteration of items specified in the plan of business operations, and in the document showing the basis of calculating calls and premiums and liability reserve.
- (3) Reduction of the amount of insurance money, or collection of additional contribution.

- (4) Approval of inventory, balance sheet, profit and loss account, business reports and proposal for disposition of surplus or loss.
- (5) Election and release of officers.
- (6) Expulsion of Members.
- (7) Dissolution or merger of the Association.
- (8) Assignment of affiliated companies' shares (only if the assignment falls under Article 31(5) a and b of the Law).

ARTICLE 19 PROCEDURE FOR A RESOLUTION

- 1 A resolution at a general meeting, except in the case provided for in paragraph 4 of this Article, applicable laws, regulations and other provisions of these Articles of the Association, shall be adopted by a majority vote of the Members present and voting when at least one-half (1/2) of all Members are present.
- 2 The president shall be elected at a general meeting.
- 3 The president shall have no right to participate as a Member in the resolution at a general meeting.
- 4 The matters listed in items (1), (3), (6), (7), (8) and the release of officers prescribed in item (5) of the preceding Article shall be decided upon by a resolution of a majority of not less than two-thirds (2/3) of all Members are present and voting when at least one-half (1/2) of all Members are present.

ARTICLE 19-2 MINUTE

All proceedings of general meetings including all matters, which are provided for in law shall be entered into and described in the minutes of the meetings.

ARTICLE 20 VOTING RIGHT

Each Member shall, irrespective of the number of shares in the contribution fund and of the number and tonnages of the Entered Ships, have one voting right at a general meeting.

ARTICLE 21 EXERCISE OF VOTING RIGHT BY PROXY

- 1 A member may exercise his voting by a proxy (a proxy shall be a Member) provided that the member shall delegate his voting rights to the proxy for each general meeting.
- 2 The proxy under the preceding paragraph shall submit to the Association a document showing his power of attorney.

SECTION II OFFICERS, DIRECTERS' MEETING AND SANJI (MANAGERS)

ARTICLE 22 DIRECTORS AND AUDITORS

- 1 The officers of the Association shall consist of not more than thirty-three (33) directors and not more than four (4) auditors.
- 2 Directors shall execute the business of the Association, and auditors shall inspect the financial state of the Association. The scope of inspection by the auditors shall be limited to matters in respect of accounting.
- 3 Directors and auditors shall be elected amongst the Members at a general meeting, provided, however, that those directors executing the day-to-day business of the Association may be elected from others than the Members, subject to the approval of the Commissioner of Financial Services Agency.
- 4 The term of office of director shall expire by the conclusion of the second, and that of auditor by the conclusion of the first ordinary general meeting after their respective election.
- 5 In case vacancies occur in the directors or in the auditors, they may be filled at a general meeting, and persons so elected shall hold the offices for the remaining periods of the predecessors.
- 6 The officers shall be unremunerated except those directors who execute the daily business of the Association.

ARTICLE 23 CHAIRMAN, DEPUTY CHAIRMAN, DIRECTOR GENERAL, SENIOR EXECUTIVE DIRECTORS, EXECUTIVE DIRECTORS AND DIRECTORS

- 1 The directors shall elect from among them a chairman, one or two deputy chairmen, a director general, and a certain number of senior executive directors and executive directors who shall represent the Association.
- 2 The chairman shall preside over the Association and shall convene the meeting of the board of directors. The meeting of the board of directors shall be chaired by the Chairman, or in his /her absence, by the deputy chairman or any of the other directors in the order set out and as stipulated in the rules of the board of directors.
- 3 The deputy chairman shall assist the chairman in his duty and when the chairman is unable to act, the deputy chairman shall act instead; and when the position of chairman is vacant, the deputy chairman shall have the power of the chairman.
- 4 The director general, senior executive directors, executive

directors and directors (who deal with the day-to-day business of the Association. Hereinafter called “in-house directors”) shall execute the day-to-day business of the Association.

ARTICLE 24 BOARD OF DIRECTORS

- 1 The board of directors shall consist of the directors including in-house directors and shall convene the general meeting of the Members and shall decide by its resolution the important affairs of the Association as provided for in the rules of the board of directors.
- 2 A majority of the directors shall constitute a quorum and a concurrence of a majority of the directors present and voting shall be necessary for decision.
- 3 No director having an interest in the subject matter of the vote shall have voting right at the meeting.
- 4 The board of directors may entrust to the Managerial Committee those matters which relate to the day-to-day business of the Association including but not limited to those matters which are provided for in the rules of the board of directors. The Managerial Committee is comprised of in-house directors and may further refer such above matters to the Executive Directors, General Managers and other executives and employees, as they see fit.

ARTICLE 25 COUNSELOR

The Association may appoint, if necessary, counselors by the resolution of the board of directors.

ARTICLE 26 SANJI

The Association may appoint, by the resolution of the board of directors, a certain number of Sanji to serve in the routine works.

CHAPTER IV INSURANCE

ARTICLE 27 RULES

- 1 The Association shall make Rules stipulating the cover and any terms and condition of insurance afforded by the Association to a Member and/or a capital investor in respect of ships entered by them with the Association.
The Association may, in its discretion, apply any of the provisions in Chapter IV to a capital investor.

- 2 The Association may, by special resolution passed by the board of directors and upon obtaining a prior consent of the Commissioner of Financial Services Agency, amend such Rules of the Association at any time.

ARTICLE 28 DUTIES OF DISCLOSURE AND NOTIFICATION

- 1 A Member shall correctly and accurately complete an application form either for Membership or for entry of a ship for insurance in the Association. The Association may refuse any application as above or may cancel an existing insurance contract if a Member falsely stated any important materials and information on his application either for Membership or for the entry of a ship.
- 2 A member shall notify without delay the Association in writing of any alternation to the particulars and information requested on the application forms as stipulated in the preceding paragraph whenever such an alteration occurs. Whenever the Member fails to give written notice to the Association of any alteration in respect of important items of the particulars and information as stipulated above, the Association is entitled to refuse or reduce the amount of its indemnification in respect of loss of or damage to the Entered Ship under the insurance contract for the ship.

ARTICLE 29 POLICY YEAR

The Policy Year of the Association shall be one (1) year from 2100 JST on any 20th February (noon GMT on 20th February) to 2100 JST on next following 20th February (noon GMT on 20th February).

ARTICLE 30 INSURANCE PERIOD

- 1 Unless otherwise agreed at the time of entry, the insurance period shall be one (1) year from 2100 JST on the 20th February (noon GMT on 20th February) to 2100 JST on the next following 20th February.
- 2 The insurance contract shall continue to run from Policy Year to Policy Year except for the case that the insurance terminates for the reasons stipulated in the Rules of the Association.

ARTICLE 31 AMOUNT INSURED

There shall not be established any fixed sum insured in the contract of insurance, provided always that, subject to an agreement between a Member and the Association, a Member may conclude an insurance contract with a fixed sum insured.

ARTICLE 32 CALLS AND PREMIUMS

- 1 In respect of an insurance contract with no fixed sum insured, the Members who have Entered Ships for insurance by the Association shall pay Advance Call before the start of a Policy Year.

Upon due consideration of the loss record relating to a Policy Year, etc., the Association may levy Supplementary Calls at any time or times during or after the end of each Policy Year and/or return part of the Advance Call levied and paid by the Members in respect of that Policy Year after the end of the Policy Year.

If the Association considers that the Association is to pay a contribution to any Overspill Claim which exceeds or may exceed the maximum sum recoverable in respect of that claim under the General Excess Loss Reinsurance Contract effected by parties to the Pooling Agreement as stipulated in Article 43, the Association may levy Overspill Calls on all Members in respect of ships insured with no fixed sum insured.

- 2 In respect of an insurance contract with no fixed sum insured, if a Member ceases to be insured in respect of an Entered Ship for any reason whatsoever, the Association may collect Release Calls from such Member.
- 3 In respect of an insurance contract with fixed sum insured, the Members who have Entered Ships for insurance by the Association shall pay fixed premiums before the start of a Policy Year.

ARTICLE 33 DEFAULT IN PAYMENT OF CALLS OR PREMIUMS

If any Member fails to pay any due calls or premiums on or before the payment date, the Association may ask the Member to pay interest, and/or suspend the Member's voting rights and/or cover of the Member's claim, and/or cancel or cease all the contracts of insurance in accordance with the provisions of the Rules of the Association.

ARTICLE 34 SET-OFF

The Association shall be entitled to set off full or a portion of the amount of calls and premiums payable by the Member that remains unpaid against the insurance money that the Association owes to the Member.

ARTICLE 35 FINALIZATION OF CALLS

- 1 In respect of an insurance contract with no fixed sum insured, if the Association decides that it is unnecessary to collect Supplementary Calls and Overspill Calls and to return part of the Advance Call levied and paid by the Members in respect of a Policy Year after the end of each Policy Year, then the calls for that Policy Year shall become final.
- 2 When the calls for a Policy Year become final according to the preceding paragraph, the Association shall notify the Members to that effect.

ARTICLE 36 CANCELLATION OF INSURANCE CONTRACT

A Member may cancel the insurance contract in respect of an Entered Ship in accordance with the provisions of the Rules of the Association.

ARTICLE 37 RISKS COVERED

- 1 Unless otherwise agreed between a Member and the Association, the Association shall indemnify a Member according to the stipulations under this Chapter against liabilities in respect of losses, damages and expenses, which arise in respect of his interest in an Entered Ship, out of events occurring during the period of entry of the ship in the Association and in connection with the operation of the ship by or on behalf of the Member, for which the Member has become liable to pay and has paid (except cases approved by the board of directors).
- 2 The Association shall indemnify a Member the following liabilities, costs and expenses according to the stipulations of Article 2(4) of the Law. The risks cover provided by the Association and the terms and conditions of insurance for a Member are as set out in the Rules of the Association.
 - (1) Liabilities arising out of the loss of or damages to any harbour, dock, pier, jetty, land or moveable or immovable objects.
 - (2) Liabilities, costs and expenses which a Member may incur in respect of raising, removal or destruction, etc. of the wreck of the Entered Ship, its fuel, cargo or property therein.
 - (3) (a) Liabilities, costs and expenses which a Member may incur in respect of death, missing, injury or illness (hereinafter collectively called "death or injury") of a seaman.
 - (b) Wages or compensation paid by a Member to seamen during unemployment under a statutory obligation or under

the terms of a contract which arise because of marine casualty on an Entered Ship.

- (c) Compensation in respect of the loss or damage to the seamen's personal effects.
 - (d) Expenses necessarily incurred in repatriating a seaman who is unfit for duty because of death or injury and/or in providing a substitute for that seaman.
 - (e) Extra expenses incurred by a Member by the deviation of an Entered Ship by reason of seamen's death or injury.
 - (f) Expenses borne by a Member under statutory obligation in respect of distressed seamen by reason of desertion, strike or otherwise.
 - (g) Liabilities, costs and expenses incurred under financial security given by the Association in compliance with the Maritime Labour Convention, 2006.
- (4) Liabilities, costs and expenses which a Member may incur in respect of passengers on an Entered Ship.
 - (5) Liabilities, costs and expenses which a Member may incur in respect of the death or injury of any person other than a seaman or passenger.
 - (6) Costs necessarily incurred in landing or repatriating stowaways or persons saved at sea.
 - (7) Extraordinary expenses incurred by a Member as a direct consequence of an outbreak of infectious disease, for disinfection of an Entered Ship or the cargo or persons on board such ship, or in respect of quarantine.
- (8) (a) Liabilities in respect of the other ship, its cargo or property on board arising from a collision between a Member's ship and other ship.
 - (b) Liabilities for loss of or damage to cargo carried in an Entered Ship arising out of the collision with another ship caused by the fault both of the Entered Ship and of the other ship for which the Member is held responsible jointly and severally, where the "Both to Blame Collision Clause" is held invalid by the competent court.
 - (c) Liabilities to the other ship in respect of life, personal injury of the seamen, passengers and other person on board the other ship, the damage to property other than properties covered by (a), and the damage arising from an escape or discharge or threatened escape or discharge of oil or other pollutants, as a result of a collision between an Entered

Ship and any other ship.

- (9) Liabilities for loss of or damage to the any ship, cargo or property of a third party occasioned otherwise than by contract or collision with the Entered Ship.
- (10) (a) Liabilities for compensation payable to a third party arising out of damages caused by an escape or discharge of oil or other pollutants.
 - (b) The costs of any measures reasonably taken for the purpose of preventing, minimizing or cleaning up an escape or discharge of oil or other pollutants, and any liability for losses or damages arising out of the measures so taken.
 - (c) Liabilities for loss, damage or expenses for which the Member is liable as a party to an agreement concerning liability for an escape or discharge of oil.
 - (d) The costs or liabilities incurred as a result of compliance with any order or direction given by any government or government authority for the purpose of preventing or reducing an escape or discharge of oil or other pollutants.
 - (e) Liabilities of the Member to pay special compensation to a salvor of an Entered Ship in respect of work done or measures taken to prevent or minimize damage to the environment according to Salvage Convention, 1989 or salvage contract.
- (11) (a) Liabilities in respect of cargo carried in an Entered Ship, which arises out of a breach by the Member of the Member's obligations or duties as a carrier to properly load, handle, stow, carry, keep care for, discharge or deliver the cargo or out of any other similar causes approved by the Association.
 - (b) The extraordinary additional costs of discharging and disposing of or restowing damaged cargo.
 - (c) The additional costs of discharging, disposing of or restowing cargo which are necessarily incurred in order to continue the safe prosecution of the voyage.
 - (d) Liabilities for loss of or damage to cargo carried under a contract of through carriage, including transit by land, water or air to or from the Entered Ship.
 - (e) The additional costs of discharging, storing and disposing of cargo rejected or not collected by receivers.
- (12) Cargo's or some other party's proportion of general average,

- which was borne by the Member because of irrecoverability from the others, ship's proportion of general average.
- (13) Liabilities arising out of the towage of an Entered Ship or of the towage operation of any ship or object by an Entered Ship.
 - (14) Liabilities which a Member may incur for death of or injury to any person other than seamen or passengers or for loss of or damage to cargo or other property, arising under the terms of a contract made by the Member.
 - (15) Fines which are imposed in respect of an Entered Ship by any public authorities such as immigration bureau or quarantine office or customs upon the Member or such fines upon any seamen for which the Member is liable to pay.
 - (16) Costs and expenses for lawyers and surveyors appointed for defending or minimizing the Member's liability, as well as for lawsuits and costs and expenses necessarily incurred by the Member in consequence of occurrence of any casualty, and additional costs, expenses and losses which a Member may be required to incur by special direction of the Association.
 - (17) Liabilities and costs incidental to the operation of the Entered Ship, when the Association considers it appropriate at its sole discretion to indemnify them in case by case.
- 3 The Association may not indemnify the liabilities, costs and expenses arise out of the following events or circumstances by stipulating so in the Rules of the Association.
- (1) Liabilities, costs, and expenses arising out of the following events or circumstances.
 - (a) Wilful misconduct of the Member.
 - (b) War and other similar incident.
 - (c) Radioactive, explosive and other hazardous properties.
 - (d) Blockade running, an unlawful trade and other similar trade.
 - (e) Voyage as imprudent and indiscreet.
 - (f) Drilling, core sampling, dredging or other special operation.
 - (g) Other events which the Association in its discretion decides to exclude from the scope of cover.
 - (2) Liabilities costs and expenses arising out of the following events or circumstances in connection with an Entered Ship.
 - (a) Loss of or damage to hull, engine or other equipment of the Entered Ship.
 - (b) Loss of freight or hire relating to the Entered Ship.
 - (c) Demurrage or detention damage or loss by delay.

- (d) Other events which the Association in its discretion decides to exclude from the scope of cover.
- 4 The Association may make a special terms and conditions as a provision of the Rules of the Association in respect of the deductibles and the limit of cover according to any laws pertaining to limitation of shipowners' liability.

ARTICLE 38 SETTLEMENT AND PAYMENT OF CLAIMS

- 1 When a Member presents claim for insurance money against the Association, he must produce documents properly proving the fact that an accident occurred resulting in liabilities, costs and expenses for which he became liable, together with a voucher as a proof showing completion of payment.
- 2 In case any untrue statement or willful concealment or omission of fact is made in the documents stipulated in the preceding paragraph, the Association shall not be liable to indemnify.
- 3 The Association shall pay insurance money without delay after necessary investigation.

ARTICLE 39 REDUCTION OR REJECTION OF PAYMENT OF CLAIMS

The Association is entitled to reduce the amount of, or reject the payment of claims due to the reasons stipulated in the Rules of the Association including but not limited to Member's breach of his duty concerning notification to the Association.

ARTICLE 40 SUBROGATION

When the Association has indemnified a Member for any liabilities, costs and expenses, the Association shall have the full subrogation to the right of the Member to the extent the Association's indemnification to the Member.

ARTICLE 41 ARBITRATION

Should any dispute arise between the Association and a Member in respect of the insurance contract between the Association and the Member, the dispute shall be referred to the arbitration of the Japan Shipping Exchange, Inc. (Shadan Hojin Nippon Kaiun Shukaisho), and any award of the arbitration shall be final and binding on the parties involved, provided, however, that, subject to agreement between all the parties involved, the dispute may be referred to the arbitration by an arbitrator registered with the London Maritime Arbitrators' Association.

ARTICLE 42 REINSURANCE

The Association may enter into reinsurance contracts on its own behalf whereby agrees to be reinsured or may agree to reinsure the whole or part of the insurance business of another Association or insurer.

ARTICLE 43 INTERNATIONAL GROUP AGREEMENT AND POOLING AGREEMENT

The Association may become a party to the International Group Agreement or participate in the Pooling Agreement (the agreement concluded among Associations and/or insurers whereby the parties undertake to share in agreed portions the burden for claims or outgoings exceeding an agreed retention), or may become a party to any other agreement of a similar nature/purpose.

ARTICLE 44 SPECIAL COVER

- 1 The Association may, by a resolution passed by the board of directors, insure a Member against the risks which are more extended or more restricted than the scope of the cover as stipulated in Chapter 2 of the Rules of the Association.
- 2 The Association may, by a resolution passed by the board of directors and upon obtaining a prior consent of the Commissioner of Financial Services Agency, conclude the insurance contract with special conditions, which are different from the special cover stipulated in the preceding paragraph and the Rules of the Association.

CHAPTER V ACCOUNTS

ARTICLE 45 FILING OF DOCUMENTS ON CLOSING THE ACCOUNT

- 1 The Association shall close its books at the end of March each year, and shall make out and submit to the ordinary general meeting inventory, balance sheet, profit and loss account, business report and draft resolution relating to the disposition of surplus or loss.
- 2 The Association shall provide the document of closing accounts mentioned in the foregoing paragraph together with the attached detailed document for inspection at the principal office for the period of five years from the date two weeks before the ordinary general meeting of the Members and for copies of the above

document to be kept at the subordinate offices for the period of three years from the date two weeks before the ordinary general meeting of the Members.

ARTICLE 46 RESERVE FUNDS

- 1 The Association shall establish and maintain a reserve account to provide a source of funds to pay unpaid claims, return calls or estimates thereof (hereinafter called "Claims") and any corresponding Claims incurred but not reported.
- 2 The Association shall establish and maintain liability reserve account in order to meet the liabilities under the insurance contracts and to prepare for future catastrophe claims.

ARTICLE 47 DISPOSITION OF SURPLUS

- 1 The disposition of surplus shall be made in the itemized order as shown below; however, some other disposition may be made by resolution of an ordinary general meeting of the Association.
 - (1) Reserve for offsetting losses.
 - (2) Special reserve.
 - (3) Bonus for officers.
 - (4) Pension fund for retiring officers.
 - (5) Distribution to Members:
 - (a) Distribution in proportion to the amount of share in the contribution fund.
 - (b) Distribution in proportion to the volume of business a Member had with the Association.
 - (6) Surplus carried forward to the next year.
- 2 More than one-twentieth (1/20) of the surplus of each business year shall be allotted to the reserve for offsetting losses, as referred to in item (1) of the preceding paragraph until aggregate amount thereof becomes equal to the total amount of the contribution fund.
- 3 A distribution to Members as mentioned in paragraph 1 (5) of this Article 47 shall not exceed the sum obtained by deducting the following amount from the net assets (the amount that assets exceed liabilities on the balance sheet) at the end of the business year of the Association.
 - (a) The total amount of contribution fund.
 - (b) The reserve for offsetting losses, including the amount which shall be established for the business year.

- (c) The net unrealised gain on securities (only if such gain is zero or greater than zero).

ARTICLE 48 DISTRIBUTION OF SURPLUS TO MEMBER

- 1 Distribution of surplus to a Member shall be paid to the Members registered in the list of Members as of the 31st March of each year.
- 2 The distribution on the contribution fund prescribed in Article 47.1 (5) (a) shall not exceed six (6) per cent annum on the contribution fund.
- 3 The distribution prescribed in Article 47.1 (5) (b) shall be made in proportion to the amount of excess in case the total premium paid by a Member during a business year exceeds the total sum of insurance money and other money paid by the Association in respect of the insurance contract during the same business year plus the amount of business expenditures to be shared by the same Member.
- 4 In case a Member fails to receive the payment of his share of the distribution for more than two (2) years after it became due, the Association shall be exonerated from the liability to pay.
- 5 No interest shall be paid on the distribution to the Members.

ARTICLE 49 DISPOSITION OF DEFICIT

The whole or a part of the deficit shall be carried to next year and/or shall be covered by the items in the order as below.

- (1) Reserve fund.
 - (a) Special reserve.
 - (b) Reserve for offsetting losses.
- (2) Reduction of the insurance money, or collection of additional calls and premiums.

ARTICLE 50 REDUCTION OF INSURANCE MONEY AND COLLECTION OF ADDITIONAL CALLS OR PREMIUMS

- 1 The sum to be deducted from the insurance money of a Member pursuant to Article 49 (2) shall be subject to proportion of the insurance money of each Member toward gross insurance money payable to all Member for the same business year.
- 2 The collection of additional calls and premiums as prescribed in Article 49 (2) shall be made in the manner where the deficit is allotted to each Member in a proportion which each Member's calls or premiums bear to the total amount of calls or premiums during the current business year.

- 3 Where the Association demands additional calls or premiums provided for in the preceding paragraph, the Members shall pay it within two (2) weeks on receipt of such demand.
- 4 The Association is empowered to reduce the insurance money and/or collection of an additional calls or premiums only by resolution of general meeting and with approval of the Commissioner of Financial Services Agency.