

PLAN OF BUSINESS OPERATION

(Amended in September 2018)

Note: This is a translation of the Plan of Business Operation 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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Plan of Business Operations

CHAPTER I Business Area and Purpose of Insurance or Scope of the Purpose of the Insurance Contract

RULE 1 Business Area

The business of the Association is conducted within Japan and internationally.

RULE 2 Scope of the Purpose of the Insurance Contract

The scope of coverage of liability insurance contract under a system of mutual insurance which the Association offers shall be the indemnification of expenses and liabilities arising from, or incidental to, the operation of non-wooden ships owed by Members and/or a person who provides capital funds for the operation of non-wooden ships (hereinafter referred to as a “capital investor”) as defined in The Ship Owners’ Mutual Insurance Association Law.

CHAPTER II Authority of Branch and Other Offices

RULE 3 Authority of Branch Offices

Branch offices have the same authority as the principal office save in the following areas:

- (1) Matters to be decided by the Board of Directors, including decisions on rates of calls and payments of insurance money. (Except those matters which are entrusted to the Managerial committee, Executive Directors, General Managers and other executives and employees of the Association in connection with the day-to-day business of the Association.)
- (2) Convocation of a general meeting of Members and Directors’ meeting, and such other matters set forth in the Articles of the Association.
- (3) Matters directed by the principal office.

RULE 3-2 Authority of Other Offices

Local offices other than branch offices shall have no independent authority. All the business of local offices shall be conducted in accordance with the instructions of the principal office or branch offices in charge of local offices.

CHAPTER III Limitation of Amount Insured and Insurance Period

RULE 4 Limitation of Amount Insured

The maximum insured amount which the Association may retain shall not exceed 2,500 million yen per one accident of one contract.

RULE 5 Limitation of Insurance Period

- 1 The insurance period shall not exceed one year and this shall be specified in the relevant certificate of entry as to each contract.
- 2 The insurance contract shall continue to run from Policy Year to Policy Year except for the following cases:
 - (1) Where a Member withdraws from the Association in accordance with the provisions of the Article 13 of the Articles of the Association.
 - (2) Where a Member ceases to be insured by the Association in accordance with the provisions of the Rules of the Association.
 - (3) Where the Association ceases to insure a Member in accordance with the provisions of the Rules of the Association.
 - (4) Where, in addition to the cases in the preceding paragraphs, the Association deems it justifiable to discontinue the contract with a Member or a capital investor for the next Policy Year and notifies him to that effect not later than one (1) month prior to the end of the insurance period.
 - (5) Where a Member or a capital investor notifies the Association not later than one (1) month prior to the end of the insurance period that he does not desire to continue the insurance contract.

CHAPTER IV Contract of Insurance

RULE 6 Rules

The Association shall make the Rules stipulating the cover and any terms and conditions 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 III, IV, V, VI, VII and VIII of this Plan of Business Operations to a capital investor.

RULE 7 Procedure for Concluding the Insurance Contract

- 1 The Association shall make an insurance contract with a Member in accordance with the Articles of the Association and the Rules of the Association.

- 2 A person wishing to become a Member of the Association and to insure his ship shall submit a prescribed and completed application form to the Association stating therein matters regarding
- qualification for membership,
 - the number of shares for which he assumes the responsibility in the contribution of the fund,
 - a description of the ship which is to be the subject of insurance (a ship other than a 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")
 - other matters specified in the said form,
- and shall sign the document or affix his signature or his name and seal thereto.

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

- 3 A Member desiring to insure his ship shall submit to the Association a prescribed application form stating the particulars of the ship which is to be the subject matter of the insurance, and other matters specified therein, and shall sign the document or affix his signature or his name and seal thereto. If and when the Association accepts the application, the Member shall pay a part or whole of calls and/or premiums.
- 4 When the above process has been followed, the Association shall make an entry of the prescribed matters on the list of Members and give notice to the person who has joined the Association that the insurance contract has been concluded and that he has become a Member. Such notice shall be in the form of a certificate of membership issued by the Association. For someone who is already a Member and has begun to insure a ship not previously entered with the Association, the issuing of a certificate of entry by the Association shall be confirmation that the insurance contract has been concluded.
- 5 A representative director of the Association shall affix his name and seal and also affix the seal of the Association on the certificates.
- 6 A capital investor desiring to insure his ship shall submit to the Association the prescribed application form stating the particulars of the ship which is to be the subject matter of the insurance and other matters specified therein and shall sign the document or affix his signature or his name and seal thereto.

When the application is accepted by the Association and when calls and/

or premiums are paid in full or in part, at the discretion of the Association, the insurance contract between the capital investor and the Association shall become effective.

RULE 8 Payment of Commission to Insurance Brokers

- 1 The Association may pay commission to insurance brokers licensed by Japanese authority under the Insurance Business Law in Japan, or to similar entities who mediate the concluding of insurance contracts in other countries under the laws of those countries, (collectively, “insurance brokers”) when insurance brokers mediate the concluding of insurance contracts as set forth in the second and third paragraphs of Rule 7.
- 2 The Association shall pay the commission in such amount and payment method as set forth below:
 - (1) The amount of the commission shall be determined by the contract between the Association and the insurance brokers concerned.
 - (2) The Association shall receive the total amount of the calls and the premiums in connection with the insurance contract which the insurance brokers facilitated and shall pay the commission to the insurance brokers separately, unless the Association and the insurance brokers agree otherwise in advance.

CHAPTER V Receipt, Payment and Return of Calls and Premiums

RULE 9 Receipt of Calls and Premiums

- 1 A Member shall pay calls and/or premiums in lump sum or in fewer than four (4) installments on dates decided by the Association in accordance with terms of the insurance contract, provided, however, the Association has discretion to determine the payment dates thereof differently.
- 2 The Association is entitled to set off against any insurance money the Association owes the Member all or a portion of any unpaid calls and/or premiums payable by or on behalf of the Member.

RULE 10 Payment of Insurance Money

When a Member presents a claim for insurance money in accordance with established procedure, the Association shall assess the claim in the light of the submitted documents and pay insurance money if appropriate after the deliberations of the Board of Directors, provided, however, that if the Association finds it necessary, it may appoint a suitably-qualified person to investigate the factual situation in advance of payment, or seek an opinion on the claim from an impartial third party.

RULE 11 Return of Insurance Calls and Premiums

The Association shall return the amount of calls and premiums attributable to the relevant period in accordance with the Rules of the Association in the following cases:

- (1) The entered ship without cargo on board is laid-up in the same safe port or place for a period of thirty (30) or more consecutive days after mooring there (the period shall be computed from the day of arrival to the day of departure minus one day only therefrom).
- (2) An insurance contract is cancelled or terminated either by a Member or by the Association in the course of the insurance period and there are prepaid premiums corresponding to the cancelled period.

CHAPTER VI Application Form, Certificate of Entry and Appendix Document

RULE 12 Application Form and Insurance policy

1 The following matters shall be entered or recorded on an Application for Membership, an Application for Entry, a Certificate of Membership and a Certificate of Entry. The Certificate of Membership and the Certificate of Entry may be issued at a Member's option as a paper document or in an electronic format.

- (1) Application for Membership
 - a) Date of Application
 - b) Name or tradename of the applicant and matters regarding qualification for membership
 - c) Name of the ship which is to be the subject of insurance
 - d) Matters necessary to determine the rate of the calls and/or premiums and special clauses to be applied
 - e) The amount insured (In case of no fixed sum insured, specify so.)
 - f) Dates of commencement and end of the insurance period
 - g) Number of shares in contribution fund
- (2) Application for Entry

The items a) through f) inclusive in the preceding paragraph
- (3) Certificate of Membership
 - a) Name or tradename of the Member
 - b) Name of the ship which is to be subject of insurance
 - c) Rate of calls and/or premiums to be applied
 - d) Special clauses if any
 - e) The amount insured (In case of no fixed sum insured, specify so.)
 - f) Dates of commencement and end of the insurance period

- g) Amount of calls and/or premiums, method of payment, due date and place of payment
- h) The date of the insurance contract
- i) The date of issue of the certificate of entry
- j) Number of shares in contribution fund, method of payment, due date and place of payment

Provided that c) and g) may be omitted from the Certificate of Membership at the Member's option.

(4) Certificate of Entry

The items a) through i) inclusive in the preceding paragraph

Provided that c) and g) may be omitted from the Certificate of Entry at the Member's option.

- 2 The Certificate of Entry shall be deemed an insurance policy.

CHAPTER VII Reinsurance

RULE 13 Reinsurance

- 1 The Association may enter into reinsurance contracts on its own behalf whereby the Association agrees to be reinsured, or may agree to reinsure the whole or part of the insurance business of another Association or insurer.
- 2 The Association may underwrite reinsurance for another Association or insurer further to a resolution of the Board of Directors in case the conditions of the requested reinsurance are found appropriate.
- 3 The reinsurers with which the Association can conclude reinsurance contracts shall be limited to those whose financial conditions are good in light of their assets, credit and business. The selection of the reinsurer, rate of call of reinsurance contracts and brokerage and other conditions of the reinsurance contract shall be subject to the resolution of the Board of Directors.

CHAPTER VIII Special Cover

RULE 14 Special cover

- 1 In accordance with Article 44.1 of the Articles of the Association, when requested by a Member the Association may insure a Member against risks which are more extensive or more restrictive than the coverage set forth in Chapter 2 of the Rules of the Association provided, however, that the Association may adjust calls or premiums payable if the Association decides this is appropriate.

- 2 In accordance with the Article 44.2 of the Articles of the Association, the Association may conclude the insurance contract with special conditions which are different from the special cover set forth in the preceding paragraph and the Rules of the Association.

CHAPTER IX Distribution of Surplus

RULE 15 Distribution of Surplus

- 1 The Association may distribute its surplus to a Member in accordance with the provisions of Article 48 of the Articles of Association.
- 2 In computing the amount of distribution, the amount of general business expenses to be taken into account shall be the sum of the total amount of general expenses multiplied by the ratio that the number of a Member's ships bears to the total number of ships entered with the Association.
- 3 Distribution to a Member as outlined in paragraph 1 of this article shall not exceed the sum obtained by deducting the following amounts from the net assets (the amount by which assets exceed liabilities on the balance sheet) of the Association at the end of its business year.
 - (a) The total amount of the 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).

CHAPTER X Utilisation of Assets

RULE 16 Utilisation of Assets

- 1 The assets of the Association shall be utilised in accordance with the following methods, the details of which shall be separately set forth in the internal regulations:
 - (1) Deposits, including negotiable deposits
 - (2) Call loans
 - (3) Yen banker's acceptance bills or commercial paper
 - (4) Money trust or loan trust bonds
 - (5) Government bonds, local bonds and public corporation bonds (bonds issued by the corporation in accordance with special law or by the corporation established under special law) or corporate bonds

- (6) Stock
 - (7) Foreign negotiable securities
 - (8) Loans secured by negotiable securities and the certificate of loan trust prescribed in item (5) and (7) of this paragraph or guaranteed by a bank
 - (9) Mortgage securities
 - (10) Investment trust bonds
 - (11) Repurchase agreements
 - (12) Real estate
 - (13) Forward exchange transactions
 - (14) Other transactions permitted by the Commissioner of the Financial Services Agency in addition to those set out in the preceding paragraphs
- 2 Money trusts or loan trust bond as prescribed in item (4) of the preceding paragraph shall be those where the trustee is a bank or a trust company has a reliable credibility and assets.
 - 3 Corporate bonds rated A by a credible rating agency as prescribed in item (5) of paragraph 1 of this article shall be secured by collateral or other security so as to prevent any delay in the reimbursement of principal and/or payment of interest.
 - 4 The Stock prescribed in item (6) of paragraph 1 of this article shall be converted from convertible bonds, provided, however, that the Stock must be sold without delay after the conversion.
 - 5 Foreign negotiable securities as prescribed in item (7) of paragraph 1 of this article shall mean bonds issued by foreign governments, government-affiliated agencies, local public bodies, international organisations or business corporations. Bonds issued by business corporations must be rated higher than A by a creditable rating agency.
 - 6 Loans as prescribed in item (8) of paragraph 1 may be made to a borrower with solid financial credentials upon obtaining sufficient security, provided, however, that the loan period may not exceed one (1) year and the amount of the loan shall not exceed 90% of the mortgage value at the time of the loan except where a bank guarantee has been issued for the payment by the borrower of the loan.
 - 7 Bills for repurchase agreements as prescribed in item (11) of paragraph 1 of this article shall be limited to those set forth in item (1), (3), (5) and (7) of paragraph 1.
 - 8 The real estate prescribed in item (12) of paragraph 1 of this article shall be limited to that used for the business of the Association or fringe benefits for employees.
 - 9 Forward exchange transactions as set out in item (13) of paragraph 1 of this article shall be limited to transactions to reduce the risk of foreign exchange currency fluctuations.

RULE 17 Rate of Utilisation of Assets

The Association shall not utilise its assets exceeding the following rates to the value of total assets of the Association unless the permission of the Commissioner for the Financial Services Agency has been obtained under special circumstances:

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|--|--|
| (1) Aggregate amount of deposits, certificates of money trust and loan trust to the same bank or trust company | less than 20% of the value of total assets |
| (2) Call loans (in total) | less than 20% of the value of total assets |
| (3) Public corporation bonds (in total) | less than 30% of the value of total assets |
| (4) Real estate (in total) | less than 5% of the value of total assets |
| (5) Loans, including mortgage securities (as to each borrower) | less than 5% of the value of total assets |
| (5) Loans, including mortgage securities (in total) | less than 10% of the value of total assets |
| (6) Corporate bonds (in total) | less than 30% of the value of total assets |
| (7) Aggregate amount of Yen banker's acceptance bills and commercial paper (in total) | less than 10% of the value of total assets |
| (8) Investment trust bonds (in total) | less than 20% of the value of total assets |
| (8) Investment trust bonds (in total) (of which Stock investment bonds) (in total) | less than 10% of the value of total assets |
| (9) Foreign negotiable securities (in total) | less than 50% of the value of total assets |
| (10) Repurchase agreements (in total) | less than 10% of the value of total assets |

CHAPTER XI Report of Rules and Special Cover

RULE 18 Report of Rules and Special Cover

1 The Association shall report in advance to the Commissioner of the Financial Services Agency any alteration of the Rules of the Association or concluding of a contract with special conditions as set out in Article 44.2.

2 If within 30 days of the date of filing of the report under the preceding paragraph the Commissioner of the Financial Services Agency announces his dis-satisfaction with the report and advises or recommends the alteration or suspension of underwriting, the Association shall file an amended report or refrain from concluding a contract with special conditions, provided, however, that if the Commissioner announces within such period his satisfaction with what the Association has reported, the Association may alter the Rules or underwrite such insurance contract from the time of such announcement.

CHAPTER XII Transfer of Authority from the Board of Directors to the Managerial Committee

RULE 19 Transfer of Authority from the Board of Directors to the Managerial Committee

Amongst those matters over which the Board of Directors has authority according to this Plan of Business Operations, by virtue of Article 24.4 of the Articles of the Association the Board of Directors may entrust to the Managerial Committee matters which relate to the day-to-day business of the Association, including but not limited to matters provided for in the Rules of the Board of Directors. The Managerial Committee is comprised of in-house directors and may further entrust such matters to Executive Directors, General Managers and other executives and employees of the Association as they see fit.