

Changes to the Rules of the Association for the 2022 Policy Year

(The underlined parts are to be changed.)

RULE 1 CONCLUSION OF INSURANCE CONTRACT

Existing Rules	New Rules
<p><u>NEW</u></p>	<p>10 <u>The Association may refuse an application by any person for entry of a ship, whether or not the person desiring to insure his ship is already a Member of the Association, if the Association reasonably considers:</u></p> <p>(1) <u>that the person desiring to insure his ship has links to a terrorist organisation or drug cartel; or</u></p> <p>(2) <u>that the person desiring to insure his ship is involved in any way in violations of sanctions, embargoes or any other restrictions imposed by any regulatory authorities and / or government bodies of Japan, the United States, European Union, or the United Kingdom; or</u></p> <p>(3) <u>that, taking relevant facts, such as the condition of the ship and the management systems into consideration, the person desiring to insure his ship fails to prove that the ship, which he wishes to enter in the Association, is within the Association's risk tolerance.</u></p>

Explanation:

To stipulate that the Association is entitled to refuse an application under certain conditions.

RULE 8 DEFAULT IN PAYMENT OF CALLS AND PREMIUMS

Existing Rules	New Rules
<p>3 Without prejudice to applying the provision of the preceding paragraph, the Association shall:</p> <p>(1) Serve a notice requiring a Member to pay calls or premiums within a reasonable grace period in case the calls or premiums are to be paid in advance and if all of them are not paid on or before the due date, and the provision of paragraph 1 shall not be applicable to any liabilities, losses, damages and expenses incurred by the Member in consequence of events which occur during the period between the due date and a date the calls or premiums are actually paid if the calls or premiums are paid by the last day of such grace period, and</p> <p>(2) Apply the provision of the preceding subparagraph mutatis mutandis in case where each instalment is not paid on or before the due date.</p> <p><u>NEW</u></p>	<p>3 Without prejudice to applying the provision of the preceding paragraph, the Association shall:</p> <p>(1) Serve a notice requiring a Member to pay calls or premiums within a reasonable grace period in case the calls or premiums are to be paid in advance and if all of them are not paid on or before the due date, and the provision of paragraph 1 shall not be applicable to any liabilities, losses, damages and expenses incurred by the Member in consequence of events which occur during the period between the due date and a date the calls or premiums are actually paid if the calls or premiums are paid by the last day of such grace period, and</p> <p>(2) Apply the provision of the preceding subparagraph mutatis mutandis in case where each instalment is not paid on or before the due date.</p> <p>(3) <u>Where a Member should pay the principal amount as well as interest and costs with respect to his obligation to pay calls or premiums, and the tendered payment falls short of the amount necessary to extinguish such obligation in its entirety, the payment made will be allocated first to any sum the member owes the Association, and then to the interest and principal amount, in this order. Where a Member is obliged to pay more than one set of calls or premiums, and payment is not sufficient to extinguish such obligations in their entirety, any payment made shall be allocated in the order in which the calls become due, unless otherwise agreed between the Association and the Member.</u></p>

Explanation:

To stipulate the allocation of payments made which do not wholly extinguish sums of principal, interest, and

expenses due from the Member.

RULE 10 CONTINUATION OF INSURANCE CONTRACT

Existing Rules	New Rules
<p>The insurance contract shall continue to run from Policy Year to Policy Year except for the case that the insurance contract terminates for one of the following reasons:</p> <ol style="list-style-type: none"> (1) When a Member withdraws from the Association in accordance with the provision of Article 13 of the Articles of the Association. (2) When the contract of insurance is cancelled in accordance with the provisions of Rules 2.1, 8.2(3), 16.2(1) and 17.2. (3) When a Member ceases to be insured by the Association in accordance with the provision of Rule 11. (4) In addition to the preceding items, when the Association deems it justifiable to discontinue a Member's contract 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) When a Member notifies the Association in writing that he does not desire to continue the insurance contract not later than one (1) month prior to the end of the insurance period. 	<p>The insurance contract shall continue to run from Policy Year to Policy Year except for the case that the insurance contract terminates for one of the following reasons <u>(1) – (5). In addition, where the Association reasonably considers that the premium rate and/or insurance conditions should be revised and if the Association and the Member cannot reach an agreement on such revisions before the end of the insurance period, the insurance contract shall not be continued.</u></p> <ol style="list-style-type: none"> (1) When a Member withdraws from the Association in accordance with the provision of Article 13 of the Articles of the Association. (2) When the contract of insurance is cancelled in accordance with the provisions of Rules 2.1, 8.2(3), 16.2(1) and 17.2. (3) When a Member ceases to be insured by the Association in accordance with the provision of Rule 11. (4) In addition to the preceding items, when the Association deems it justifiable to discontinue a Member's contract 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. <u>The reasons for discontinuation of insurance contract include:</u> <ol style="list-style-type: none"> (a) <u>that a Member has links to a terrorist organisation or drug cartel; or</u> (b) <u>that a Member is involved in any way in violations of sanctions, embargoes or any other restrictions imposed by any regulatory authorities and / or government bodies of Japan, the United States, European Union, or the United Kingdom; or</u> (c) <u>that, taking relevant facts, such as the condition of the ship and the management systems, into consideration, a Member fails to prove that the ship, which he wishes to enter in the Association, is within the Association's risk tolerance.</u> (5) When a Member notifies the Association in writing that he does not desire to continue the insurance contract not later than one (1) month prior to the end of the insurance period.

Explanation:

To stipulate that the Association may discontinue the insurance contract in the ensuing policy year if the Association and a Member cannot agree on the insurance conditions, and also to make clear such reasons as the Association may deem it justifiable to discontinue the insurance contract.

RULE 15 JOINT ENTRY

Existing Rules	New Rules
<p>6 Where any ship is entered in the names of or on behalf of Joint Members, <u>the aggregate sum of</u> the cover provided by the Association according to these Rules and the Certificate of Entry shall <u>not exceed the sum to be paid if the ship had been entered by only one Member.</u></p>	<p>6 Where any ship is entered in the names of or on behalf of Joint Members, <u>any limits on</u> the cover provided by the Association according to these Rules and the Certificate of Entry <u>shall apply to insured parties in the aggregate as if the ship had been entered by a sole Member.</u></p>

Explanation:

To make it clear that the limits on the cover shall apply to all insured parties in the aggregate.

RULE 21 LIABILITIES IN RESPECT OF ILLNESS, INJURY OR DEATH OF THIRD PARTIES

Existing Rules	New Rules
<p>1 The Association shall indemnify a Member for the following liabilities, costs and expenses for which the Member is liable in respect of any person other than a Seaman or passenger of the Entered Ship.</p> <ul style="list-style-type: none"> (1) Liability for death or injury of any person other than a Seaman or passenger (2) Extra costs and expenses due to a deviation of the Entered Ship for the purpose of landing <u>in order to secure necessary treatment</u> of a sick or injured marine engineer of the dockyard or other person who were approved by a Member to get on board the Entered Ship, provided always that the extra expenses incurred due to deviation which are to be borne by the employer of such engineer or person under the law or ordinances shall be excluded. (3) Such extra costs and expenses as may be incurred as a result of a deviation in respect of saving the life of any person other than a Seaman or passenger of the Entered Ship. 	<p>1 The Association shall indemnify a Member for the following liabilities, costs and expenses for which the Member is liable in respect of any person other than a Seaman or passenger of the Entered Ship.</p> <ul style="list-style-type: none"> (1) Liability for death or injury of any person other than a Seaman or passenger (2) Extra costs and expenses due to a deviation of the Entered Ship for the purpose of landing in order to secure necessary treatment of a sick, injured or dead marine engineer of the dockyard or other person who were approved by a Member to get on board the Entered Ship, provided always that the extra expenses incurred due to deviation which are to be borne by the employer of such engineer or person under the law or ordinances shall be excluded. (3) Such extra costs and expenses as may be incurred as a result of a deviation in respect of saving the life of any person other than a Seaman or passenger of the Entered Ship, <u>regardless of success or failure of the rescue.</u>

Explanation:

To make it clear that the person who may be landed can either be sick, injured or dead and also that the costs and expenses incurred as a result of a deviation shall be indemnified regardless of success or failure of the rescue.

RULE 24 LOSS OF OR DAMAGE TO PROPERTY

Existing Rules	New Rules
<p>The Association shall indemnify a Member for following liabilities, together with costs and expenses incidental thereto, to pay damages or compensation for any loss of or damage to any property including infringement of rights (hereinafter called “property”) arising from contact or non-contact with the Entered Ship. If loss, damage, costs or expenses, set out in subparagraphs (1) to (3) below, relates to any property belonging to the Member, such Member shall be entitled to recover from the Association to the extent that such loss, damage, costs or expenses are not recoverable under any other insurance upon the said property.</p> <p>NEW</p>	<p>The Association shall indemnify a Member for following liabilities, together with costs and expenses incidental thereto, to pay damages or compensation for any loss of or damage to any property including infringement of rights (hereinafter called “property”) arising from contact or non-contact with the Entered Ship. If loss, damage, costs or expenses, set out in subparagraphs (1) to (3) below, relates to any property belonging to the Member, such Member shall be entitled to recover from the Association to the extent that such loss, damage, costs or expenses are not recoverable under any other insurance upon the said property.</p> <p><u>Liabilities arising out of or in connection with a contract which a Member made with any third party and which has not been approved by the Association in advance shall not be indemnified.</u></p>

Explanation:

To make it clear that the losses in connection with liabilities which a Member assumes as a result of entering into a contract with third parties and where the terms of such contract have not been approved by the Association in advance shall not be indemnified.

RULE 35 RISKS GENERALLY EXCLUDED

Existing Rules	New Rules
<p>1 The Association shall not indemnify liabilities, costs and expenses arising out of the following events or circumstances:</p> <p>...omitted...</p> <p><u>(13) Liabilities, costs and expenses incurred by the Member in respect of personnel (other than marine crew) on board the Entered Ship (being an accommodation vessel) employed otherwise than by the Member where either:</u></p> <p><u>(a) such vessel is moored or anchored within 500 metres of an oil or gas production or exploration facility; or</u></p> <p><u>(b) there has not been a contractual allocation of risk between the Member and the employer of the personnel which has been approved by the Association.</u></p>	<p>1 The Association shall not indemnify liabilities, costs and expenses arising out of the following events or circumstances:</p> <p>...omitted...</p> <p><u>(13) Liabilities, costs and expenses incurred by the Member in respect of personnel (other than marine crew) on board the Entered Ship, employed otherwise than by the Member, where the Entered Ship is providing accommodation to such personnel in relation to their employment on or about an oil or gas exploration or production facility, unless a contractual allocation of such risk has been approved in advance by the Association.</u></p>

Explanation:

The IG pooling agreement in respect of non-marine personnel previously set out a minimum distance between the insured vessel and an oil or gas production or exploration facility, but this has been deleted and the clause has been amended such that Clubs should focus on a contractual allocation of risk which must be approved in advance.

RULE 36 RISKS SPECIFICALLY EXCLUDED

Existing Rules	New Rules
<p>The Association shall not indemnify whatsoever such liabilities, costs and expenses which arise out of the following events or circumstances (save for the additional costs, expenses and losses set out in Rule 32(3)):</p> <p>...omitted...</p> <p>(5) Claims relating to demurrage on or detention of the Entered Ship except in a case when those claims attribute to a part of liability to cargo.</p>	<p>The Association shall not indemnify whatsoever such liabilities, costs and expenses which arise out of the following events or circumstances (save for the additional costs, expenses and losses set out in Rule 32(3)):</p> <p>...omitted...</p> <p>(5) Claims relating to demurrage on, detention of <u>or delay to</u> the Entered Ship except in a case when those claims attribute to a part of liability to cargo.</p>

Explanation:

The amendment is to add “delay to (the Entered Ship)” as regards the excluded claims, which was previously missing.

RULE 37 LIMITATION OF COVERAGE

Existing Rule(s)	New Rule(s)
<p>New</p>	<p>6 <u>Where the Association has issued any guarantee, undertaking or certificate as referred to in Rule 35.2 or other bail or security by which it undertakes to directly meet or guarantee any relevant liabilities (together the “Direct Liabilities”) and claims in respect of Direct Liabilities alone or in combination with other claims may in the sole opinion of the Association exceed any limit(s) on the cover provided by the Association as set out in the Rules or in the Certificate of Entry, the Association may in its absolute discretion defer payment of any such other claims or any part thereof until the Direct Liabilities, or such parts of the Direct Liabilities as the Association may in its absolute discretion decide, have been discharged.</u> <u>To the extent that any claims or liabilities (including any Direct Liabilities) discharged by the Association exceed the said limit(s) any payment by the Association in respect thereof shall be by way of loan and the Member shall indemnify the Association promptly upon demand in respect of such payment and shall assign to the Association to the extent and on the terms that the Association determines in its discretion to be practicable all the rights of the Member under any other insurance and against any third party.</u></p>

Explanation:

Following the recommendation of the International Group, a new section of Rule 37 (Rule 37.6) will be added whereby the Association is given the right, but not the obligation, to prioritise certified claims and other direct liabilities over uncertified claims.

Changes to Special Clauses for the 2022 Policy Year

WHO COMMUNICABLE DISEASE EXCLUSION CLAUSE

Existing Clause(s)	New Clause(s)
<p>New (replacing "CORONAVIRUS EXCLUSION CLAUSE")</p>	<ol style="list-style-type: none"> 1 <u>In the event that the World Health Organization ("WHO") has determined an outbreak of a Communicable Disease to be a Public Health Emergency of International Concern (a "Declared Communicable Disease"), no coverage will be provided under this insurance for any loss, damage, liability, cost or expense directly arising from any transmission or alleged transmission of the Declared Communicable Disease.</u> 2 <u>The exclusion in paragraph 1 of this clause will not apply to any liability of the Member otherwise covered by this insurance where the liability directly arises from an identified instance of a transmission of a Declared Communicable Disease and where the Member proves that identified instance of a transmission took place before the date of determination by the WHO of the Declared Communicable Disease.</u> 3 <u>However even if the requirements of paragraph 2 of this clause are met, no coverage will be provided under this insurance for any:</u> <ol style="list-style-type: none"> (1) <u>liability, cost or expense to identify, clean up, detoxify, remove, monitor, or test for the Declared Communicable Disease whether the measures are preventative or remedial;</u> (2) <u>liability for or loss, cost or expense arising out of any loss of revenue, loss of hire, business interruption, loss of market, delay or any indirect financial loss, howsoever described, as a result of the Declared Communicable Disease;</u> (3) <u>loss, damage, liability, cost or expense caused by or arising out of fear of or the threat of the Declared Communicable Disease.</u> 4 <u>As used in this clause, Communicable Disease means any disease, known or unknown, which can be transmitted by means of any substance or agent from any organism to another organism where:</u> <ol style="list-style-type: none"> (1) <u>the substance or agent includes but is not limited to a virus, bacterium, parasite or other organism or any variation or mutation of any of the foregoing, whether deemed living or not, and</u> (2) <u>the method of transmission, whether direct or indirect, includes but is not limited to human touch or contact, airborne transmission, bodily fluid transmission, transmission to or from or via any solid object or surface or liquid or gas, and</u> (3) <u>the disease, substance or agent may, acting alone or in conjunction with other co-morbidities, conditions, genetic susceptibilities, or with the human immune system, cause death, illness or bodily harm or temporarily or permanently impair human physical or mental health or adversely affect the value of or safe use of property of any kind.</u> 5 <u>This clause shall not extend this insurance to cover any liability which would not have been covered under this insurance had this clause not been attached.</u>

Explanation:

Following the changes in the terms and conditions of reinsurance arranged by the Association from the 2022 policy year, a new special clause entitled "WHO Communicable Disease Exclusion Clause" (which replaces the existing Coronavirus

Exclusion Clause), forming part of the contract for all insurance entries, special covers and other additional insurance policies (policies incepting on or after 20 February 2022) except for mutual entries, excludes cover for costs and expenses directly arising from the transmission of any communicable disease declared as a Public Health Emergency of International Concern (PHEIC) by the World Health Organization (WHO) or from any fear or threat of such communicable disease, expenses related to quarantine, and other economic losses, etc.