

Changes to the Rules of the Association for the 2023 Policy Year

(The underlined parts are to be changed.)

RULE 6 CALLS AND PREMIUM

Existing Rules	New Rules
<p>1 In respect of an insurance contract with no fixed sum insured, the Members shall pay <u>advance, supplementary</u>, overspill and release calls, as defined below, when required by the Association in accordance with Rule 7.</p> <p>(1) <u>Advance Call</u> At the time of entry of a ship, the Association shall decide the rate of <u>call</u> to be applied to the <u>ships</u> for any Policy Year based on the standard specially stipulated by the Association and produce <u>an "Advance Call"</u> multiplied by the ship's entered tonnage. The <u>Advance Call</u> payable for <u>individual ships</u> for the following Policy <u>Years</u> shall be decided in accordance with <u>loss records of an individual Entered Ship</u> and the ratio by which the rates of <u>call</u> of the previous Policy Year applicable to all <u>Entered Ships</u> is to be increased or decreased.</p> <p>(2) <u>Supplementary Calls</u> (a) As the Association may think fit upon due consideration of the loss record of each Policy Year or otherwise, the Association may, at any time or times during or after the end of such Policy Year (but not after such Policy Year has been closed as set out in Rule 9.1), decide to levy <u>"Supplementary Calls"</u> on the Members. Such <u>Supplementary Calls</u> shall be levied upon all ships entered in the Association during that Policy Year for which the <u>Supplementary Calls</u> are judged necessary (save for the case as set out in Rule 6.1(4)). (b) <u>Supplementary Calls</u> shall be calculated pro rata to the <u>Advance Call</u> in the relevant Policy Year.</p> <p>(3) Overspill Calls (a) If the Association considers that the Association is to pay a contribution to any Overspill Claim (defined as a 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 Articles 43 of the Articles of the Association), including the costs and expenses associated with the Overspill Claim, the Association may decide at any time or times during or after the end of a Policy Year (but not after such Policy Year has been closed as set out in Rule 9.2) that Overspill Calls shall be levied by the Association for the purpose of providing funds to pay an Overspill Claim in respect of ships entered for the Policy Year in which the Overspill Claim arises.</p>	<p>1 In respect of an insurance contract with no fixed sum insured, the Members shall pay <u>mutual premiums, and additional</u>, overspill and release calls, as defined below, when required by the Association in accordance with Rule 7.</p> <p>(1) <u>Mutual Premium</u> At the time of entry of a ship, the Association shall decide the rate of <u>premium</u> to be applied to the <u>ship</u> for <u>the</u> Policy Year based on the standard specially stipulated by the Association, and produce <u>a "Mutual Premium," to be</u> multiplied by the ship's entered tonnage. The <u>Mutual Premium</u> payable for <u>the ship</u> for the following Policy <u>Year</u> shall be decided in accordance with <u>the loss record of the ship</u> and the ratio by which the <u>rate of premium</u> of the previous Policy Year applicable to all <u>entered ships</u> is to be increased or decreased.</p> <p>(2) <u>Additional Calls</u> (a) As the Association may think fit upon due consideration of the loss record of each Policy Year or otherwise, the Association may, at any time or times during or after the end of such Policy Year (but not after such Policy Year has been closed as set out in Rule 9.1), decide to levy <u>"Additional Calls"</u> on the Members. Such <u>Additional Calls</u> shall be levied upon all ships entered in the Association during that Policy Year for which the <u>Additional Calls</u> are judged necessary (save for the case as set out in Rule 6.1(4)). (b) <u>Additional Calls</u> shall be calculated pro rata to the <u>Mutual Premium</u> in the relevant Policy Year.</p> <p>(3) Overspill Calls (a) If the Association considers that the Association is to pay a contribution to any Overspill Claim (defined as a 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 Articles 43 of the Articles of the Association), including the costs and expenses associated with the Overspill Claim, the Association may decide at any time or times during or after the end of a Policy Year (but not after such Policy Year has been closed as set out in Rule 9.2) that Overspill Calls shall be levied by the Association for the purpose of providing funds to pay an Overspill Claim in respect of ships entered for the Policy Year in which the Overspill Claim arises.</p>

<p>...Omitted...</p> <p>(4) Release Calls</p> <p>(a) If a Member ceases to be insured in respect of <u>an Entered Ship</u> for any reason whatsoever, the Association may release the Member/former Member from <u>Supplementary Calls</u> due on and after the date of cesser of the insurance contract upon such terms, including the payment of such amount (hereinafter, referred to as "Release Calls") as the Association may deem to be appropriate in the circumstances.</p> <p>(b) The amount of Release Calls shall be determined by the Association <u>on the basis of Supplementary Calls</u> which the Association anticipates to levy at the date of cesser.</p> <p>...Omitted...</p> <p>2 In respect of an insurance contract with no fixed sum insured, the Association may decide, after the end of a Policy Year upon due consideration of the loss record relating to the Policy Year, etc., to return part of the <u>Advance Call</u> levied and paid by the Members in respect of that Policy Year.</p>	<p>...Omitted...</p> <p>(4) Release Calls</p> <p>(a) If a Member ceases to be insured in respect of <u>a ship</u> for any reason whatsoever, the Association may release the Member/former Member from <u>Additional Calls</u> due on and after the date of cesser of the insurance contract upon such terms, including the payment of such amount (hereinafter, referred to as "Release Calls") as the Association may deem to be appropriate in the circumstances.</p> <p>(b) The amount of Release Calls shall be determined by the Association <u>pro rata to the Mutual Premium for the relevant open Policy Year</u>.</p> <p>...Omitted...</p> <p>2 In respect of an insurance contract with no fixed sum insured, the Association may decide, after the end of a Policy Year upon due consideration of the loss record relating to the Policy Year, etc., to return part of the <u>Mutual Premium</u> levied <u>on</u> and paid by the Members in respect of that Policy Year.</p>
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Explanation:

To address introduction of the new basis for charging calls, namely the "Mutual Premium system". This will replace the current "Supplementary Call system." Under the new Mutual Premium system, the estimated total premium for any given policy year will be charged as "Mutual Premium," instead of the conventional "Advance call".

RULE 7 PAYMENT OF CALLS AND PREMIUMS

Existing Rules	New Rules
<p>1 A Member shall pay <u>Advance Calls</u> or fixed premiums for the Entered Ship for the whole period not later than the day on which the insurance period commences. Subject to the Association's approval, a Member may pay the <u>calls/premiums</u> in instalments on the dates decided by the Association.</p> <p>2 Whenever the Association decides to levy, a Member/former Member must pay all <u>Supplementary Calls</u>, Overspill Calls or Release Calls on or before the dates specified by the Association.</p>	<p>1 A Member shall pay <u>a Mutual Premium</u> or fixed <u>premium</u> for the Entered Ship for the whole period not later than the day on which the insurance period commences. Subject to the Association's approval, a Member may pay the <u>premium</u> in instalments on the dates decided by the Association.</p> <p>2 Whenever the Association decides to levy, a Member/former Member must pay all <u>Additional Calls</u>, Overspill Calls or Release Calls on or before the dates specified by the Association.</p>

Explanation:

Please see the explanation for Rule 6 above.

RULE 9 CLOSING OF POLICY YEAR

Existing Rules	New Rules
1 In respect of an insurance contract with no fixed sum insured, if the Association decides after the end of a Policy Year that it is necessary <u>neither</u> to collect any more <u>Supplementary Calls</u> or Overspill Calls nor to return any part of the <u>Advance Call</u> for the Policy Year, the Association may declare that the Policy Year shall be closed in respect of <u>Calls</u> .	1 In respect of an insurance contract with no fixed sum insured, if the Association decides after the end of a Policy Year that it is <u>not</u> necessary <u>either</u> to collect any more <u>Additional Calls</u> or Overspill Calls, <u>or to reduce</u> <u>or</u> return any part of the <u>Mutual Premium</u> for the Policy Year, the Association may declare that the Policy Year shall be closed in respect of <u>Premium/Calls</u> .

Explanation:

Please see the explanation for Rule 6 above.

RULE 10 CONTINUATION OF INSURANCE CONTRACT

Existing Rules	New Rules
<p>(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></p> <p>(a) <u>that a Member has links to a terrorist organisation or drug cartel; or</u></p> <p>(b) <u>that a Member is involved in any way in violation of sanctions, embargoes or any other restrictions imposed by any regulatory authority and/or government body of Japan, the United States, European Union, or the United Kingdom; or</u></p> <p>(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></p>	<p>(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. The reasons for discontinuation of insurance contract include, <u>further to the Association having taken all</u> relevant facts, such as the condition of the ship and the management systems, into consideration, a Member <u>failing</u> to prove that the ship, <u>the entry of which in the Association the Member wishes to continue</u>, is within the Association's risk tolerance.</p>

Explanation:

To make it clear that (a) & (b) of the current Rule 10 (4) is better placed under Rule 11.3(3) & (4), as this enables the Association to cancel the contract of insurance without having to serve one month's notice upon Members of concern.

RULE 11 CONTINUATION OF INSURANCE CONTRACT

Existing Rules	New Rules
<p>3 The Association may cancel the contract of insurance <u>in</u> any events <u>mentioned in any item</u> set out in subparagraphs (1) to (3) below in addition to other provisions <u>set out</u> in the <u>rules</u>. In the event that <u>having cancelled</u> the contract of insurance pursuant <u>to the</u> provisions of this paragraph, the Association shall not be liable to <u>cover</u> any damage or expenses incurred after the events <u>mentioned in each item</u> set out in subparagraphs (1) to (3) <u>below has occurred</u>.</p> <p>(1) If a Member has caused or has intended to cause damage in an attempt to make the Association pay insurance money under the contract of insurance;</p> <p>(2) If a Member has committed or has intended to commit a fraud in connection with the claim for insurance money under the contract of insurance; or</p> <p>(3) If a Member has exposed or will expose the Association to a material risk of being or becoming subject to a sanction, prohibition, restriction or other adverse action by a competent authority or government, which may materially affect the Association.</p> <p>(4) If any material events occur other than those mentioned in the preceding items in which the Association's trust in the Member is undermined, thus making the continuance of the contract of insurance difficult.</p>	<p>3 The Association may cancel the contract of insurance in <u>on the occurrence of</u> any <u>event</u> set out in subparagraphs (1) to (3) below in addition to other provisions in the <u>Rules</u>. In the event that <u>the Association cancels</u> the contract of insurance pursuant to <u>any</u> provision of this paragraph, the Association shall not be liable to <u>indemnify the Member in respect of</u> any <u>loss</u>, damage or expenses incurred after <u>the occurrence of the</u> event set out in subparagraphs (1) to (3).</p> <p>(1) If a Member has caused or has intended to cause damage in an attempt to make the Association pay insurance money under the contract of insurance;</p> <p>(2) If a Member has committed or has intended to commit a fraud in connection with the claim for insurance money under the contract of insurance; or</p> <p>(3) If a Member has exposed or will expose the Association to a material risk of being or becoming subject to a sanction, prohibition, restriction or other adverse action by a competent authority or government, which may materially affect the Association.</p> <p>(4) If any material events occur other than those mentioned in the preceding items in which the Association's trust in the Member is undermined, thus making the continuance of the contract of insurance difficult.</p>

Explanation:

Grammatical error correction.

RULE 19 LIABILITIES IN RESPECT OF SEAMEN

Existing Rules	New Rules
<p>(5) DEVIATION EXPENSES Extra costs of fuel, insurance, Seamen's <u>wages</u>, stores, provisions and port charges incurred by a Member by the deviation of the Entered Ship solely for the purpose of disembarkation of Seamen and/or embarkation of substitute in case of a Seaman's death or injury or strike or other causes approved by the Association at its discretion.</p>	<p>(5) DEVIATION EXPENSES Extra costs of fuel, insurance, Seamen's <u>overtime allowance</u>, stores, provisions and port charges incurred by a Member by the deviation of the Entered Ship solely for the purpose of disembarkation of Seamen and/or embarkation of substitute in case of a Seaman's death or injury or strike or other causes approved by the Association at its discretion.</p>

Explanation:

To clarify that costs falling within the Club's cover as regards seamen's wages are limited to an overtime allowance paid solely as a consequence of the deviation.

RULE 25 LIABILITIES IN RESPECT OF POLLUTION

Existing Rules	New Rules
1 The Association shall indemnify a Member for the liabilities, costs and expenses set out in subparagraphs (1) to (5) below (unless covered under Rule 23.1 (4) (d) and (e)) when and to the extent that they are caused by or incurred in consequence of the escape or discharge of oil carried as cargo, fuel oil or other pollutants from an Entered Ship or other property, or the threat of the escape or discharge thereof.	1 The Association shall indemnify a Member for the liabilities, costs and expenses set out in subparagraphs (1) to (5) below (unless covered under Rule 23.1 (4) (d) and (e)) when and to the extent that they are caused by or incurred in consequence of the escape or discharge of oil carried as cargo, fuel oil or other pollutants from an Entered Ship, <u>other ship</u> or other property, or the threat of the escape or discharge thereof.

Explanation:

To add "other ship" as a source of escape or discharge of oil, which was previously missing.

RULE 26 TOWAGE LIABILITIES

Existing Rules	New Rules
<p>(1) TOWAGE OF AN ENTERED SHIP</p> <p>Liability which the Member may incur arising out of the towage of the Entered Ship unless recoverable from any other insurance:</p> <p>(a) under the terms of a contract entered into for the purpose of entering or leaving port, or manoeuvring within the port, during the ordinary course of trading;</p> <p>(b) under the terms of any contract, except for the contract as above, for the towage of the Entered Ship set out either of (i) to (iii) below, provided however that the area of the services, contents of the contract in respect of jurisdiction, arbitration, governing law together with such other matters which the Association may require have been notified to the Association and the Association has approved the contract before commencement of the towage;</p> <p>(i) a contract entered into in the ordinary course of trading of an Entered Ship, which is habitually towed from port to port or from place to place;</p> <p>(ii) a contract in which it is agreed between a Member of an Entered Ship and the owner of the towing vessel that each shall be responsible for any loss or damage to his own vessel, <u>and for loss of life or personal injury on his own vessel</u>, without any recourse whatsoever against the other;</p> <p>(iii) the Lloyd's Open Form of Salvage Agreement (no cure, no pay) or similar salvage contract.</p> <p>(2) TOWAGE BY AN ENTERED SHIP</p> <p>Liability which a Member may incur under any of the following contracts or terms arising out of the towage by the Entered Ship of a towed ship provided however that the area of services, contents of the contract in respect of jurisdiction, arbitration, governing law together with such other matters which the Association may require have been notified to the Association and the Association has approved the contract before commencement of the towage. Provided always that there shall be no recovery from the</p>	<p>(1) TOWAGE OF AN ENTERED SHIP</p> <p>Liability which the Member may incur arising out of the towage of the Entered Ship unless recoverable from any other insurance:</p> <p>(a) under the terms of a contract entered into for the purpose of entering or leaving port, or manoeuvring within the port, during the ordinary course of trading;</p> <p>(b) under the terms of any contract, except for the contract as above, for the towage of the Entered Ship set out either of (i) to (iii) below, provided however that the area of the services, contents of the contract in respect of jurisdiction, arbitration, governing law together with such other matters which the Association may require have been notified to the Association and the Association has approved the contract before commencement of the towage;</p> <p>(i) a contract entered into in the ordinary course of trading of an Entered Ship, which is habitually towed from port to port or from place to place;</p> <p>(ii) a contract in which it is agreed between a Member of an Entered Ship and the owner of the towing vessel that each shall be responsible for any loss or damage to his own vessel, and for loss of life or personal injury on his own vessel, without any recourse whatsoever against the other;</p> <p>(ii') the Lloyd's Open Form of Salvage Agreement (no cure, no pay) or similar salvage contract.</p> <p>(2) TOWAGE BY AN ENTERED SHIP</p> <p>Liability which a Member may incur under any of the following contracts or terms arising out of the towage by the Entered Ship of a towed ship provided however that the area of services, contents of the contract in respect of jurisdiction, arbitration, governing law together with such other matters which the Association may require have been notified to the Association and the Association has approved the contract before commencement of the towage. Provided always that there shall be no recovery from the</p>

<p>Association in respect of liabilities for loss of, damage to or wreck removal of, the towed ship or of any cargo or other property carried thereon, whether such liabilities arise under the terms of the contract or otherwise, unless the Association has agreed in advance to cover such liabilities.</p> <p>(a) United Kingdom, Netherlands and Scandinavian standard towage conditions;</p> <p>(b) Towcon and Towhire;</p> <p>(c) The Lloyd's Open Form of Salvage Agreement (no cure, no pay) or similar salvage contract;</p> <p><u>(d)</u> A term as between the Member on the one part, and the owner of the towed ship and the owners of any cargo or other property on board the towed ship on the other part, that each shall be responsible for any loss or damage to his own ship, cargo or property <u>and for loss of life or personal injury</u> on his own ship, without any recourse whatsoever against the other (i.e. a knock-for-knock clause).</p> <p><u>(e)</u> If the Entered Ship is working under a time charter and there is no contract between a Member and an owner of towed ship, then liability for loss of or damage to the towed ship and cargo and property on board the towed ship shall only be covered provided the Association has approved in advance that the charter contains a knock-for-knock clause covering the property of sub-contractors of the charterers as well as the property of the charterers themselves, or a separate clause requiring that all towage be carried out on terms no worse than knock-fck.</p>	<p>Association in respect of liabilities for loss of, damage to or wreck removal of, the towed ship or of any cargo or other property carried thereon, whether such liabilities arise under the terms of the contract or otherwise, unless the Association has agreed in advance to cover such liabilities.</p> <p>(a) United Kingdom, Netherlands and Scandinavian standard towage conditions;</p> <p>(b) Towcon and Towhire;</p> <p>(c) The Lloyd's Open Form of Salvage Agreement (no cure, no pay) or similar salvage contract;</p> <p><u>(d) SUPPLYTIME:</u></p> <p><u>(e)</u> A term as between the Member on the one part, and the owner of the towed ship and the owners of any cargo or other property on board the towed ship on the other part, that each shall be responsible for any loss or damage to his own ship, cargo or property and for loss of life or personal injury on his own ship, without any recourse whatsoever against the other (i.e. a knock-for-knock clause).</p> <p><u>(f)</u> If the Entered Ship is working under a time charter and there is no contract between a Member and an owner of towed ship, then liability for loss of or damage to the towed ship and cargo and property on board the towed ship shall only be covered provided the Association has approved in advance that the charter contains a knock-for-knock clause covering the property of sub-contractors of the charterers as well as the property of the charterers themselves, or a separate clause requiring that all towage be carried out on terms no worse than knock-for-knock.</p>
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Explanation:

The amendments are in line with the amendments to the Pooling Agreement: one is to include the Supplytime form among the acceptable contracts in relation to towage by an insured vessel, and the other is the removal from the "knock for knock" arrangements reference to loss of life and personal injury on the relevant party's vessel.

RULE 31 FINES

Existing Rules	New Rules
(6) involving the confiscation of the Entered Ship. However, the Association may determine, taking into account all the surrounding circumstance to afford cover to a Member for his claim for the loss of the Entered Ship following confiscation of the ship by reason of the infringement of any customs law or regulation, <u>but limited to the extent of the assessed value of the Entered Ship at the date of the confiscation.</u>	(6) involving the confiscation of the Entered Ship. However, the Association may determine, taking into account all the surrounding circumstance to afford cover to a Member for his claim for the loss of the Entered Ship following confiscation of the ship by reason of the infringement of any customs law or regulation, <u>but only where:</u> <u>(a) the Member took all such steps as appear to the Association to be reasonable to avoid the event giving rise to the confiscation; and</u> <u>(b) the Member has been permanently deprived of its interest in the Entered Ship; and</u> <u>(c) any payment does not exceed the assessed value of the Entered Ship at the date of the confiscation.</u>

Explanation:

The amendment is in line with the amendment to the Pooling Agreement, which sets out the criteria to be applied before a claim arising from confiscation can be paid.

RULE 35 RISKS GENERALLY EXCLUDED

Existing Rules	New Rules
1 The Association shall not indemnify liabilities, costs and expenses arising out of the following events or circumstances: ...omitted...	1 The Association shall not indemnify liabilities, costs and expenses arising out of the following events or circumstances: ...omitted...
(8) Liabilities, costs and expenses incurred by the Member during the course of performing specialist operations including but not limited to dredging, blasting, pile-driving, well-intervention, cable or pipe-laying, construction, installation or maintenance work, core sampling, depositing of spoil, power generation, decommissioning and such other operations as the Association may agree, to the extent that such liabilities, costs and expenses arise as a consequence of:	(8) Liabilities, costs and expenses incurred by the Member during the course of performing specialist operations including but not limited to dredging, blasting, pile-driving, well-intervention, cable or pipe-laying, construction, installation or maintenance work, core sampling, <u>mining</u> , depositing of spoil, power generation, decommissioning and such other operations as the Association may agree, to the extent that such liabilities, costs and expenses arise as a consequence of:

Explanation:

The amendment is in line with the amendment to the Pooling Agreement. It has been agreed that the excluded activities include mining.

Changes to Special Clauses for the 2023 Policy Year

CHARTERERS (JOINT MEMBERS) LIMITATION CLAUSE

Existing Clause(s)	New Clause(s)
The cover in terms of Rule 37.4 afforded to charterers who jointly enter with the Association under the shipowner's and/or the bareboat charterer's insurance contract in the terms of Rule 15 shall be limited to <u>US\$350</u> million each ship any one occurrence.	The cover in terms of Rule 37.4 afforded to charterers who jointly enter with the Association under the shipowner's and/or the bareboat charterer's insurance contract in the terms of Rule 15 shall be limited to <u>US\$500</u> million each ship any one occurrence.

Explanation:

The amendment is in line with the amended arrangement of the reinsurance program. The insurance coverage amount afforded to Charterers/Joint members under the clause has been increased from US\$350 million to US\$500 million.