

## Amendments to Rules 2019

This Circular outlines the amendments to the Rules for Ships and the Rules for Mobile Offshore Units of both Assuranceforeningen Gard - gjensidig – and Gard P.& I. (Bermuda) Ltd (collectively the “Associations” and individually the “Association”), which will enter into force at noon GMT on 20 February 2019.

### RULES FOR SHIPS

#### Part I, Chapter 4 – ‘Premiums and Calls’ changes in terminology and structure as to calculation of calls

The following changes in structure and terminology as to premiums and calls in the Rules for Ships are made:

- The term ‘Premium Rating’ is replaced with the new expression ‘*Estimated Total Call*’.
- The expression ‘Deferred Call’ is replaced with the expression ‘*Last Instalment*’. This term comprises the proportion of the Estimated Total Call the Board can decide to defer for payment, in whole or in part, after the expiry of the relevant policy year depending on the performance of that year.
- The new term ‘*Last Instalment*’ shall be calculated as a percentage of the *Estimated Total Call* for the relevant entered ship. This is the most important structural change. Earlier the Deferred Call was calculated as a percentage of the Advance Call.
- The term ‘*Supplementary Call*’, meaning in this context premium to be levied in addition to the Estimated Total Call for the relevant entered ship for the relevant policy year, to be retained. However, the Supplementary Call shall hereafter be calculated as a percentage of the Estimated Total Call for the relevant ship in the relevant policy year.
- The existing expression ‘Advance Call’ is no longer needed and has been deleted

The changes involve; Rule 1 (Definitions) and the provisions in Part I, chapter 4 (Premiums and calls) in the Rules for Ships. Some minor adjustments have also been made in Rules 6, 7, 24, 26 and 68.

The Rule changes made due to changes in terminology and structure as to premiums and calls are set out in a separate attachment marked Appendix I.

Other Rule changes made, not related to changes in terminology and structure as to premiums and calls, are summarized below.

## Rule 28 Liabilities in respect of passengers

It has been clarified that the term ‘casualty’ referred to in Rule 28 (1) must have resulted from an incident or condition on board the entered ship or other cause affecting the physical condition of that ship or the life or safety of passengers on board the entered ship.

The amended Rule 28 (1) shall read as follows (amendment underlined):

*1 The Association shall cover:*

- a) liability for injury to, or illness or death of, or loss of or damage to the effects of passengers and hospital, medical or funeral expenses incurred in relation to such injury, illness or death;*
- b) liability to pay damages or compensation to passengers on board the Ship where such liability arises in consequence of a casualty, including any liability to return passengers to their port of departure or to forward them to their port of destination and to pay for their maintenance ashore;*
- c) liability pursuant to mandatory rules of law for loss caused by delay in the carriage of passengers and their effects;*
- d) costs and expenses incurred as a direct consequence of complying with an order for the deportation of a passenger which would not have been incurred had no such order been made,*

*provided that:*

- i) the Association's liability under paragraphs (a) and (b) above shall not exceed what it would have been had the passage contract relieved the Member of liability to the maximum extent permitted by applicable law;*
- ii) the Association's liability under paragraph (d) above shall be subject to the provisos to Rule 27.2; and*
- iii) the cover shall be subject to proviso (iii) to Rule 27.1; and*
- iv) for the purpose of paragraph (b) above a casualty shall be defined as an incident or condition on board involving either collision, stranding, explosion, fire or any other cause affecting the physical condition of the Ship so as to render it incapable of safe navigation to its intended destination or a threat to the life, health or safety of passengers.*

## Rule 42 – Salvage

Instead of referring to separate historical versions of Lloyd’s Open Form, the wording has been simplified. The reference to Lloyd’s Open Form in general is now used consistently in each paragraph.

Rule 42, sub-paragraph (b), shall be amended to read as follows (amendment underlined):

*“The Association shall cover liability for special compensation awarded to the salvor:*

- (a) .....*
- (b) Pursuant to Article 14 of the International Convention on Salvage 1989, as incorporated into Lloyd’s Open Form of Salvage Agreement or into any other salvage contract approved by the Association; or*
- (c) .....*”

### Rule 56 Non-marine personnel

The exclusion in Rule 56 regarding non-marine personnel has been slightly changed. Besides a contractual allocation of risk approved by the Association, cover is also dependent on the ship (being an accommodation vessel) being moored or anchored more than 500 meters from any oil or gas exploration facility.

The amended Rule 56 shall read as follows (amendment underlined):

#### *Rule 56 Non-marine personnel*

*The Association shall not cover under a P&I entry liabilities, losses, costs or expenses incurred by the Member in respect of any of the following:*

*a) personnel (other than marine crew) on board the Ship (being an accommodation vessel) employed otherwise than by the Member unless*

*(i) such Ship is moored or anchored more than 500 meters from any oil or gas production or exploration facility*

*and*

*(ii) there has been a contractual allocation of risks as between the Member and the employer of the personnel which has been approved by the Association;*

*b) hotel and restaurant guests and other visitors and catering crew of the Ship when the Ship is moored (otherwise than on a temporary basis) and is open to the public as a hotel restaurant, bar or other place of entertainment.*

### Rule 57 – Liability occurring during through transports

Rule 57 (a) and (b) intends merely to exclude contractual liabilities incurred by the Member in respect of passengers while on shore excursions where a separate contract has been made for that excursion, including with the Member, or where the Member has waived rights of recourse against a sub-contractor. However, the Member shall still have cover for passenger claims in tort based on negligent performance of the passenger ticket contract.

To clarify this narrow interpretation of the exclusion, Rule 57 (b) is amended to read as follows (amendment underlined):

*“The Association shall not cover under a P&I entry:*

*a) .....*

*b) liabilities, losses, costs and expenses incurred by the Member under a contract in respect of passengers on the Ship while on an excursion from the Ship where either:*

*(i) that contract has been separately entered into by the passenger for the excursion whether or not with the Member, or*

*(ii) the Member has waived any or all of his rights of recourse against any sub-contractor or third party in respect of the excursion;”*

## Rule 59 Specialist operations

Instead of having general reference to excluded 'specialist' operations, creating some uncertainty as to whether an activity is excluded or not, the Rules lists now expressly activities that are not covered.

The amended Rule 59 shall read as follows (updated list of excluded activities underlined):

### *Rule 59 Specialist operations*

*The Association shall not cover under a P&I entry liabilities, losses, costs and expenses incurred by the Member during the course of performing dredging, blasting, pile-driving, well intervention, cable or pipelaying, construction, installation or maintenance work, core sampling, depositing of spoil and power generation to the extent that such liabilities, losses, costs and expenses arise as a consequence of:*

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

*provided that this exclusion shall not apply to liabilities, losses, costs and expenses incurred by the Member in respect of:*

- i) loss of life, injury or illness of crew and other personnel on board the Ship;*
- ii) the wreck removal of the Ship; or*
- iii) oil pollution from the Ship.*

*but only to the extent that such liabilities, costs and expenses are within the cover available under any other Rule or the terms of entry agreed.*

## Rule 60 Drilling, production and accommodation vessels, barges and heavy lift vessels

The reference to accommodation units has been deleted. Rule 60 has been harmonized with the amended Rule 56 (see above). The latter contains the special terms for accommodation units. The adjustments are made because of changes in the Pooling Agreement.

The amended Rule 60 shall read as follows (deleted words crossed out):

### *Rule 60 Drilling, production ~~and accommodation~~ vessels, barges and heavy lift vessels*

*1 For drilling vessels, barges and any other vessels or barges employed to carry out drilling or production operations in connection with oil or gas exploration or production, ~~including accommodation units moored or positioned on site as an integral part of any such operations~~, the Association shall not cover under a P&I entry any liabilities, losses, costs or expenses arising out of or during drilling or production operations, provided that for the purpose of this Rule 60.1*

*(a) the Ship shall be deemed to be carrying out production operations if, inter alia, it is a storage tanker or other vessel engaged in the storage of oil, and either:*

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

(b) in respect of any Ship employed to carry out production operations in connection with oil or gas production, the exclusion in this Rule 60.1 shall apply from the time that a connection, whether directly or indirectly, has been established between the Ship and the well pursuant to a contract under which the Ship is employed, until such time that the Ship is finally disconnected from the well in accordance with that contract

2 For semi-submersible heavy lift vessels and any other vessels designed exclusively for the carriage of heavy lift cargo, the Association shall not cover under a P&I entry liability for loss of or damage to or wreck removal of cargo, save insofar as the carriage is undertaken on contractual terms approved by the Association.

### Appendix I, section 3

Appendix I, section 3, contains a reference to other additional insurances that may be agreed between the Association and the individual member on a case by case basis with a view to cover individual needs. The text in section 3 is amended to include a reference to the 'Terms and Conditions for Additional Covers' as published on [www.gard.no](http://www.gard.no). 'Terms and Conditions for Additional Covers' contains a catalogue of various insurance products designed to supplement the standard P&I cover as set out in the Rules for Ships.

Appendix I, section 3, shall be amended to read as follows (amendment underlined):

*"The Association may on terms and conditions expressly agreed between the Member and the Association provide or assist in arranging other insurances for a number of liabilities or risks not covered under the Rules. Terms and Conditions for Additional Covers 2019 contains a catalogue of various additional insurance products designed to supplement the standard P&I cover with a view to meet special needs. Further information about the additional covers is available on [www.gard.no](http://www.gard.no) or from the Association's underwriting department."*

### RULES FOR MOUs

Terms and conditions for Defence cover in respect of MOUs have now been incorporated in the Rules for MOUs in the same way it is done in the Rules for Ships. The full name of the Rules for MOUs has been changed to 'Rules for P&I and Defence cover for Mobile Offshore Units'.

The inclusion of the terms and conditions for the Defence cover has necessitated some editorial changes. Like the Rules for Ships, the Rules for MOUs have now been divided into five Parts and each Part consists of one or more chapters.

In addition to the editorial changes, some minor amendments are made in the Rules for MOUs to enhance clarity as to the scope of cover or to meet market needs. There are no substantial material changes.

**[The full text of the amended Rules for MOUs is available here.](#)**

All changes are listed in chronological order below. References are based on the new numbering in the amended Rules for MOUs.

## Part I

### Rule 1 – Definitions

Definitions of terms ‘Defence cover and Defence entry’ and ‘P&I cover and P&I entry’ are included to distinguish between the two types of covers throughout the Rules as required.

Rule 1.1 shall read as follows (amendment underlined):

“1. In these Rules the following words or expressions shall mean:

.....  
‘Defence Cover and Defence Entry - insurance by the Association for risks specified in Part III, chapter 1 of the Rules and the entry of a Vessel for such cover.  
.....

‘P&I cover and P&I entry’ - insurance by the Association for risks specified in Part II, chapter 1, of the Rules and the entry of a Vessel for such cover.”

### Part II – P&I cover, chapter 1

The former chapter 6 will now become Part II, chapter 1, and will list all categories of liabilities and losses falling within the scope of the standard P&I cover for MOUs as today. This will include Rules 19 to 33.

### Rule 28 – Salvage

Instead of referring to separate historical versions of Lloyd’s Open Form, the wording has been simplified. The reference to Lloyd’s Open Form in general is now used consistently in each paragraph (see proposed change to Rule 42 in the Rules for Ships above).

Rule 28 sub-paragraph (b), shall be amended to read as follows (amendment underlined):

“The Association shall cover liability for special compensation awarded to the salvor:

- (a) .....
- (b) Pursuant to Article 14 of the International Convention on Salvage 1989, as incorporated into Lloyd’s Open Form of Salvage Agreement or into any other salvage contract approved by the Association; or
- (c) .....

### Part II – P&I cover, chapter 2 Limitations etc on P&I cover

The former chapter 7 will become Part II, chapter 2 and renamed to ‘Limitations etc. on P&I cover’. This chapter will contain the limitations and exclusions that are specific to the P&I insurance, i.e. categories of liabilities and losses that are expressly excluded. This will include exclusions and restrictions relating to the following:

- Limitation of liability and other restrictions in the right of recovery;
- Pollution from well and damage to property caused by blowout etc;
- Production operation;
- Loss of hole, well and reservoir;
- Excluded removal and clean-up costs;
- Construction operation;
- Other excluded losses;



Amount save by member;  
Terms of contract the Association shall not cover; and  
US owned, operated or managed Vessels.

### **Part III – Defence cover**

A new Part III, chapter 1, setting out the categories of legal costs and expenses falling within the scope of the Defence cover, has been added. The terms and conditions in the new Part III, chapter 1, mirror the terms in the existing Part IV, chapter 1, in the Rules for Ships. The explanatory notes in the Guidance to the Rules in relation to the Defence cover are also relevant for the Defence cover for MOUs.

The numbering of the Rules is changed. The new Part III, chapter 1, listing the categories of legal costs and expenses falling within the scope of the Defence cover, starts with Rule 44.

Further, a new Part III, chapter 2, setting out the specific exclusions in the Defence cover, is added. The terms and conditions in the new Part III, chapter 2, of the Rules for MOUs mirror the terms in the existing Part IV, chapter 2, in the Rules for Ships. The explanatory notes in the Guidance to the Rules in relation to the Defence cover are also relevant for the Defence cover for MOUs.

The numbering of the Rules is changed. The new Part III, chapter 2, listing the specific limitations in the Defence cover, starts with Rule 46.

The new Rule 50 deals especially with the issue as to when an insurance ‘event’ shall be deemed to have arisen for the purpose of the Defence cover. The new Rule 50 in the Rules for MOUs corresponds to the existing Rule 80 (3) in the Rules for Ships. The explanatory notes in the Guidance to the Rules in relation to the Defence cover are also relevant for the Defence cover for MOUs.

### **Part IV -General limitations and exclusions both P&I and Defence cover**

The new Part IV contains general limitations and exclusions applicable for both the P&I and Defence covers. This will include the following:

Unlawful trade and sanctions (amended as set out below);  
Other insurances (amended as set out below);  
Conduct of the Member;  
War risk;  
Nuclear perils;  
Part tonnage; and  
Deductibles.

As indicated above, some further clarifications are made as highlighted below:

#### **Rule 51 – Unlawful trade and sanctions.**

The existing provisions relating to sanctions are included in a general provision dealing with unlawful trade. Rule 51 (1) is new and based on the existing Rule 74 in the Rules for Ships. Rule 51 (2) and (3) is based on the sanction clauses. There is no material amendment.

Rule 51 shall read as follows (amendment underlined):

1. The Association shall not cover liabilities, losses, costs or expenses arising out of or consequent upon the Vessel carrying contraband, blockade running or being employed in or on an unlawful, unsafe or unduly hazardous trade, activity or voyage.

2. ....
3. ....

### Rule 52 - Other insurances

New sub-section 2 is included (amendment underlined):

1. *The Association shall not cover:*
  - a) .....
  - b) .....
  - c) .....
2. *The Association shall not cover under a Defence entry costs which are or can be covered under a P&I entry.*

### Rule 57 - Deductibles

A new sub-section 3 is added to codify the standard Defence deductible for MOUs.

The new Rule 57 (3) shall read as follows (amendment underlined):

1. ....
2. ....
3. *The standard deductible for all legal and other costs covered under Rules 44 and 45 and incurred by all the Assureds under any one Defence entry and arising out of any one event shall be 25 per cent of the legal and other costs incurred, subject to a minimum deductible of USD 5,000 and a maximum deductible of USD 50,000. The Association shall determine in its absolute discretion in respect of Defence cover, whether any costs and expenses have arisen out of one or several events.*

### Part V – Miscellaneous provisions

New Part V, chapter 1, deals with Joint Members, Co-assureds and Affiliates. The Rules are renumbered. This chapter starts with Rule 58 and ends with Rule 60. No other changes.

New Part V, chapter 2, deals with the Member's obligations with respect to claims. The Rules are renumbered. The chapter starts with Rule 61 and ends with Rule 68.

New sub-sections are added to Rule 64 dealing with recoveries in Defence cases. The new provision is identical to the corresponding provision in the Rules for Ships.

The new Rule 64.2 (c) shall read (amendment underlined):

1. ....
2. *Where the Association has made a payment in respect of any liability, loss, cost or expense to or on behalf of a Member, the whole of any recovery from a third party in respect of that liability, loss, cost or expense shall be credited and paid to the Association up to an amount corresponding to the sum paid by the Association together with any interest element on that sum comprised in the recovery, provided however, that*
  - a) ..... and
  - b) .....; and



c) in respect of a Defence Entry, any recovery from a third party in respect of legal and other costs or expenses (the "Recovery") shall be applied as follows and in the following order:

- (i) first, if and to the extent a maximum deductible is agreed, the Recovery shall be credited and paid to the Association up to an amount corresponding to the sum of legal and other costs or expenses paid by the Association, in excess of the Member's maximum deductible, together with any interest element on that sum comprised in the Recovery;
  - (ii) secondly, if and to the extent the Association only has agreed to cover a percentage of legal and other costs or expenses incurred by the Member, the Association shall be credited and paid a proportion of the Recovery corresponding to the percentage of legal and other costs and expenses the Association has agreed to cover pursuant to these Rules and the terms of entry agreed;
  - (iii) Finally, when the requirements in (i) and (ii) above have been satisfied the Recovery shall be applied against the Member's minimum deductible.
3. Subject to Rule 64.2, all monies recovered for a Member with Defence cover shall be paid over to the Member, except that the Association may deduct from such monies and retain any amount due to the Association from the Member.
4. Where a Member settles or compromises a claim within its Defence cover for a lump sum which includes costs or without making provision as to costs, the Association shall determine what part of that lump sum shall be deemed attributable to costs.

New Part V, chapter 3, deals with, *inter alia*, governing law and arbitration. The legal relationship between the Member and the Association shall be governed by Norwegian law and any disputes shall be referred to arbitration. The chapter starts with Rule 69 and ends with Rule 72.

A copy of the Rules for P&I and Defence cover for Mobile Offshore Units (Rules for MOUs) as amended is available on request.

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If you have any questions, please contact [Kjetil Eivindstad](#), Senior Vice President, in Gard AS, Arendal, Norway.

Yours faithfully,  
**GARD AS**



Rolf Thore Roppestad  
Chief Executive Officer

## APPENDIX I

### Changes in structure and terminology as to premiums and calls in the Rules for Ships 2019

#### Introduction

The changes involve Rule 1 (Definitions) and the provisions in Part I, chapter 4 (Premiums and calls). Some minor adjustments are made in Rules 6, 7, 24, 26 and 68.

The amended wordings of the relevant provisions are set out below (deleted text is crossed out and new text underlined):

### Changes in structure and terminology as to premiums and calls in the Rules for Ships 2019

Part I, Chapter 1 – Introductory provisions

#### Changes in Rules 1, 6 and 7 only.

##### **Rule 1 Interpretation**

1 In these Rules the following words or expressions shall have the following meanings:

##### **Advance Call**

~~the initial premium payable for a Policy Year in respect of an entry (other than a fixed premium entry) and calculated in accordance with Rule 12.~~

##### **Affiliate**

any person who is insured pursuant to Rule 78.1(a).

##### **Articles of Association**

for entries with Assuranceforeningen Gard - gjensidig - the Statutes of Assuranceforeningen Gard - gjensidig - and for entries with Gard P. & I. (Bermuda) Ltd, the Bye-Laws of Gard P. & I. (Bermuda) Ltd.

##### **Association**

for entries with Assuranceforeningen Gard - gjensidig - the 'Association' means Assuranceforeningen Gard - gjensidig - and for entries with Gard P. & I. (Bermuda) Ltd the 'Association' means Gard P. & I. (Bermuda) Ltd.

##### **Bill of Lading**

bill of lading or similar document of title.

##### **Certificate of Entry**

document issued by the Association pursuant to Rule 5.1, including (where the context permits) any endorsement note in respect of the relevant entry issued pursuant to Rule 5.3, which evidences the terms and conditions of the contract of insurance in respect of the Ship.

##### **Charterer's Entry**

an entry effected by a charterer and which does not insure any other person except as a Co-assured or an Affiliate.

##### **Co-assured**

any person who is insured pursuant to Rule 78.1(b).

**Consortium Agreement**

shall have the meaning given to it in Appendix II

**Consortium Claim**

shall have the meaning given to it in Appendix II.

**Consortium Vessel**

shall have the meaning given to it in Appendix II.

**Crew**

officers, including the master, and seamen contractually obliged to serve on board the Ship, including substitutes and including such persons while proceeding to or from the Ship.

**Defence cover and Defence entry**

insurance by the Association for risks specified in Part IV of these Rules, and the entry of a Ship for such cover.

**Deferred Call**

~~the proportion of the Premium Rating for a Policy Year in respect of an entry (other than a fixed premium entry) which shall be deferred for payment in later years in accordance with Rule 12.~~

**Estimated Total Call**

the agreed rate of premium in respect of an entry for a Policy Year, or the fixed premium payable to the Association on a fixed premium entry, according to the terms of the Ship's entry.

**Group Excess Loss Policies**

the excess of loss reinsurance policy or policies effected by parties to the Pooling Agreement.

**Group Reinsurance Limit**

shall have the meaning given to it in Appendix VI.

**Hull Policies**

the insurance policies effected on the hull and machinery of the Ship, including any excess liability policy.

**Insurance Premium Tax**

any taxes or other dues payable in respect of an entry of a Ship in the Association in the country where the Ship is registered, the country where the Member is resident, the country where the Member has a permanent place of business or in the country where the risk is located.

**Joint Members**

where the Ship is entered in the names of more than one Member, the named Members.

**Last Instalment**

the proportion of the Estimated Total Call for a Policy Year in respect of an entry (other than a fixed premium entry) which shall be deferred for payment in later years in accordance with Rule 12

**Member**

an owner, operator or charterer (including a bareboat or demise charterer) of a ship entered in the Association who according to the Articles of Association and these Rules is entitled to membership of

the Association, provided that, where the context allows, the term 'Member' shall, in these Rules, include a Co-assured and an Affiliate.

**Overspill Call**

shall have the meaning given to it in Appendix VI.

**Overspill Claim**

shall have the meaning given to it in Appendix VI.

**Owner's Entry**

an entry effected by an owner, bareboat or demise charterer or operator of the Ship and which does not insure a charterer of the Ship (other than a charterer insured as a Co-assured or an Affiliate).

**P&I cover and P&I entry**

insurance by the Association for risks specified in Part II of these Rules, and the entry of a Ship for such cover.

**Policy Year**

a year from noon GMT on 20th February in any year to immediately prior to noon GMT on the next following 20th February.

**Pooling Agreement**

an Agreement, to which the Association is a party, between certain protection and indemnity associations dated 20th February 1998 and any addendum to, or variation or replacement of such agreement.

**Premium Rating**

~~the agreed rating on which the Advance Call is payable to the Association, or the fixed premium payable to the Association on a fixed premium entry, according to the terms of the Ship's entry.~~

**Release Call**

any premium which may be payable on termination or cesser of an entry (other than a fixed premium entry) in accordance with Rule 15.1.

**Ship**

a ship or other floating structure entered in the Association (other than a mobile offshore unit entered in accordance with Part III of these Rules).

**Supplementary Call**

further premium payable for a Policy Year in respect of an entry (other than a fixed premium entry), in addition to ~~the Estimated Total Call Advance Call and Deferred Call~~ but excluding any Overspill Call.

2 Headings and notes are for reference only, and shall not affect the construction of these Rules.

3 Any reference to a charterer shall be deemed (unless otherwise expressly indicated) to be a reference to a charterer other than a bareboat or demise charterer.

4 Any reference to a person shall be deemed to include a reference to an individual or a body corporate or unincorporated, as the context requires.

5 A person shall be deemed to be the manager or the operator of a Ship for the purposes of these Rules if the Association in its discretion shall so determine.

6 Where any matter requires the agreement, approval or consent of the Association, agreement, approval or consent shall only be deemed given if in writing.

*Rule 6 The Member's duty of disclosure*

1 The Member shall prior to the conclusion of the contract of insurance make full disclosure to the Association of all circumstances which would be of relevance to the Association in deciding whether and on what conditions to accept the entry. Should the Member subsequently become aware of any such circumstances as are mentioned above, or of any change in such circumstances as previously disclosed, he must without undue delay inform the Association.

2 Where the Member at the conclusion of the contract of insurance has neglected his duty of disclosure and the Association would not have accepted the entry at the Estimated Total Call Premium Rating agreed if the Member had made such disclosure as it was his duty to make, the Association is free from liability. Where the Association would have accepted the entry at the same Estimated Total Call Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under those conditions the Association would have accepted.

3 Where the Member neglects his duty of disclosure subsequent to the conclusion of the contract of insurance and the Association would not have accepted the entry at the same Estimated Total Call Premium Rating had it known of the circumstances prior to the conclusion of the contract, the Association is free from liability. Where the Association would have accepted the entry at the same Estimated Total Call Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under those conditions the Association would have accepted.

*Rule 7 Alteration of risk*

1 Where after the conclusion of the contract of insurance circumstances occur which result in an alteration of the risk, the Member shall disclose such circumstances to the Association without undue delay.

2 Where there is an alteration of the risk which has been intentionally caused or agreed to by the Member and the Association would not have accepted the entry at the same Estimated Total Call Premium Rating if it had known of such an alteration prior to the conclusion of the contract of insurance, the Association is free from liability to the extent that the liability, loss, cost or expense incurred by the Member was caused or increased by the alteration. Where the Association would have accepted the entry at the same Estimated Total Call Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under the conditions the Association would have accepted.

**Part I, Chapter 4 Premiums and calls**

To make a complete picture, all Rules in this chapter are included even if changes only are required to be made in some of them.

*Rule 10 Setting of Estimated Total Calls Premium Ratings*

1 Each Ship's Estimated Total Call Premium Rating shall be set taking into account all matters, including the Member's loss record, which the Association may consider relevant in assessing the degree of risk involved. All Ships under the same management may at the discretion of the Association be deemed, for the purpose of determining the loss record or otherwise for the determination of the Estimated Total Call Premium Rating, to be owned by one Member.

2 A Ship may be entered on the basis of a fixed premium in an amount agreed between the Association and the Member. The provisions of Rules 12, 13, 15, 16, 17, 18 and 19 shall not apply to fixed premium entries.

3 The Association may, in its discretion, levy an additional fixed premium for cover made available pursuant to Rule 2.2. The provisions of Rule 12 shall not apply to any such fixed premium.

*Rule 11 Variation of ~~Premium Ratings~~ Estimated Total Calls*

1 The Association may determine that for the next ensuing Policy Year the Estimated Total Calls ~~Premium Ratings~~ of the Ships entered in the Association shall generally be varied by a fixed percentage, before any further adjustment is made in order to take account of the Member's loss record, alteration in the extent of the risk or any other factor the Association may deem relevant.

2 Notification of variation of Estimated Total Calls ~~Premium Ratings~~ effective for the following Policy Year shall, if practicable, be given to Members prior to 20th December.

*Rule 12 Estimated Total Calls and Last Instalments ~~Advance Calls and Deferred Calls~~*

1 Before the commencement of each Policy Year, the Association shall decide what percentage of the Estimated Total Calls ~~Premium Ratings~~ of all Ships entered for that Policy Year is to be collected during ~~by way of Advance Calls~~ in that Policy Year and what proportion shall be deferred for call in later years (the Last Instalment ~~Deferred Call~~).

2 The Association may at any time after the end of the Policy Year call for the Last Instalment ~~Deferred Call~~ in whole or in part. All Last Instalments ~~Deferred Calls~~ so made shall be calculated pro rata of the Estimated Total Calls ~~Advance Calls~~ in the relevant Policy Year.

3 Notification of the proportion of the Estimated Total Calls to be collected during the Policy Year to which it relates and Last Installments deferred for payment in later years ~~Advance Calls and Deferred Calls effective for the following Policy Year~~ shall, if practicable, be given to Members prior to 20th January.

4 A Ship entered in the course of the Policy Year shall pay a daily pro rata proportion of the stipulated Estimated Total Call, including the Last Installment, ~~Advance Calls and Deferred Calls~~ for the year.

*Rule 13 Supplementary Calls*

If the Estimated Total Calls ~~Advance Calls and Deferred Calls~~ for a Policy Year is considered insufficient to cover the claims on, or costs, expenses and outgoings of the Association, including any allocation to reserves the Association may deem appropriate and including the excess, if any, of claims costs, expenses and outgoings of any closed Policy Year over the provisions or reserves made thereof, the Association may at any time during or after the end of the relevant Policy Year call for one or more Supplementary Calls which shall be levied on each Member in proportion to the net Estimated Total Calls ~~Advance Calls~~ for such year, unless the entry has been accepted on special terms which otherwise provide.

*Rule 14 Determination of Estimated Total Calls and Supplementary Calls ~~and Deferred Calls etc.~~*

The Association may determine Estimated Total Calls ~~Advance Calls, Deferred Calls~~ and Supplementary Calls and variations in the Estimated Total Calls ~~Premium Rating~~, either generally for all entries or separately for any entry or category of entries.



#### *Rule 15 Release Calls*

When an entry is terminated or shall cease, the Association may, without awaiting the fixing of Last Instalments ~~Deferred Calls~~ and Supplementary Calls, determine an additional premium for each open Policy Year based on, but not limited to, the anticipated rate(s) of Last Instalments ~~Deferred Calls~~ and Supplementary Calls for each year. Upon payment of such Release Calls, the Member shall be released from all liabilities for further Last Instalments ~~Deferred Calls~~ and Supplementary Calls in respect of the said entry and shall under no circumstances be entitled to participate in the distribution of any surplus decided upon thereafter.

#### *Rule 16 Closing of Policy Years*

1 The Association may decide to close a Policy Year at such time as it deems expedient.

2 No further Last Instalments ~~Deferred Calls~~ and Supplementary Calls, other than Overspill Calls, shall be levied in respect of a closed Policy Year.

#### *Rule 17 Repayment of premium*

If, at the time of the closing of a Policy Year pursuant to Rule 16, the Estimated Total Calls ~~Advance Calls, Deferred Calls~~ and Supplementary Calls in respect of that year shall exceed the claims, costs, expenses and outgoings of the year, the Association may decide that such excess shall be distributed, in whole or in part, to the Members entered in that Policy Year in proportion to their net Estimated Total Calls ~~Advance Calls~~.

#### *Rule 18 Overspill Calls*

If the Association shall at any time determine that funds are or may in the future be required to pay part of an Overspill Claim (whether incurred by the Association or by any other party to the Pooling Agreement), the Association may levy one or more Overspill Calls to meet the Association's liability for its proportion of such Overspill Claim, pursuant to the terms and conditions as set out in Appendix VI to these Rules

#### *Rule 19 Reserves*

1 The Association may establish and maintain such reserves as it may deem appropriate and may decide that any part of such reserves shall be applied to reduce Last Instalments ~~Deferred Calls~~ and Supplementary Calls including Overspill Calls.

2 Reserve funds may not be distributed to the Members except as provided for in the Articles of Association.

#### *Rule 20 Payment*

1 Subject to Rule 20.3, the proportion of the Estimated Total Calls which shall be collected during the Policy Year to which it relates pursuant to Rule 12.1 ~~Advance Calls~~ are is due in three instalments as follows:

- a) for the period 20th February - 20th June, on 20th March;
- b) for the period 20th June - 20th October, on 5th July;
- c) for the period 20th October - 20th February, on 5th November.

2 Where the Ship is entered in the course of a Policy Year, a pro rata of the proportion of Estimated Total Call to be collected during the Policy year to which it relates ~~Advance Calls~~ for the four-monthly period in which the Ship # is entered is due at once, with the remaining instalments, if any, due at the times specified in Rule 20.1.

3 The proportion of Estimated Total Calls which shall be collected during the Policy Year to which it relates ~~Advance Calls~~ for Defence cover and generally ~~Advance Calls~~ of less than USD 5,000 (or the equivalent in any other currency, as determined by the Association) per Ship is due in full on 20th March.

4 Fixed premiums are due on inception of cover.

5 ~~Last Instalments~~ ~~Deferred Calls~~ and Supplementary Calls, other than Release Calls, are due on the date specified by the Association.

6 Any other sums debited by the Association to a Member, including Release Calls, Overspill Calls, Insurance Premium Tax for which the Member is liable, reimbursement of deductibles, interest, costs or expenses, are due on demand.

7 If any sums due to the Association from the Member are not paid on or before the due date interest is chargeable on such unpaid sums at such rate as the Association may from time to time determine.

8 Members' Estimated Total Calls, Last Instalments, Advance Calls, Deferred Calls, Supplementary Calls, Overspill Calls, other premiums and other sums which cannot be collected shall be deemed to be an expense of the Association.

#### *Rule 20A Insurance Premium Tax*

The Member shall indemnify the Association and hold it harmless in respect of any liability, cost or expense incurred or amount paid by the Association in respect of any Insurance Premium Tax for which the Member is liable.

#### *Rule 21 Set-off*

1 Without prejudice to anything elsewhere contained in the Articles of Association or these Rules, the Association shall be entitled to set off any amount due from a Member to the Association against any amount due from the Association to such Member or its Co-assureds or Affiliates.

2 A Member shall not set off against any amount due from it to the Association the amount of any claim it or its Co-assureds or Affiliates may have against the Association.

#### *Rule 22 Laid-up returns*

1 Subject to any special terms which may have been agreed, if the Ship has been laid up with no cargo on board in at a safe lay-up location for a period of at least 30 consecutive days, excluding the day of arrival at and the day of departure from the lay-up location, such proportion as the Association may decide of the Estimated Total Call ~~Advance Call~~ or of the fixed premium payable, pro rata for the period of the lay-up, shall be returned to the Member.

2 No claim for laid-up returns shall be recoverable from the Association unless the Member has informed the Association of the lay-up of the Ship within 30 days after the commencement of the lay-up and the claim for laid-up returns is made within 30 days of the end of the lay-up period.



## Part I, Chapter 5 – Termination and cesser

### Changes in Rules 24 and 26 only

#### *Rule 24 Termination by the Association*

1 The Association may terminate the entry with effect from the end of the Policy Year in respect of one or more Ships by giving written notice thereof prior to 20th January.

2 The Association may also terminate the insurance of any or all of the Ships entered by a Member:

- a) without notice, where a casualty or other event has been brought about by wilful misconduct on the part of the Member, as defined in Rule 72;
- b) on three days' notice, where the Member has failed to pay when due and demanded any Estimated Total Call, Last Instalment Advance Call, Deferred Call, Supplementary Call or other amount due from him to the Association;
- c) on 14 days' notice, where the Member has neglected a duty of disclosure under Rule 6 or Rule 7 or where there has been an alteration of the risk after the conclusion of the contract of insurance;
- d) on 45 days' notice, without giving any reason.

3 Notwithstanding and without prejudice to Rules 24.1 and 24.2 and Rule 25.4, the Association may, on such notice in writing as the Association may decide, terminate the entry in respect of any and all Ship(s) in circumstances where the Member has exposed or may, in the opinion of the Association, expose the Member or the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever the State of the Ship(s) flag, by any State where the Association has its registered office or permanent place of business or by any State being a Major Power or by the United Nations or the European Union. For the purpose of this Rule 24.3 "Major Power" means any of the following States: United Kingdom, United States of America, France, the Russian Federation and the People's Republic of China.

#### *Rule 26 Effect of cesser or termination*

1 Where the insurance ceases or is terminated, the Member shall remain liable for all Estimated Total Calls, Last Instalments Advance Calls, Deferred Calls, Supplementary Calls, Overspill Calls and other premiums in respect of the then current Policy Year pro rata for the period up to the date of cesser or termination, and for all Estimated Total Calls, Last Instalments Advance Calls, Deferred Calls, Supplementary Calls, Overspill Calls and premiums in respect of prior Policy Years.

2 The Association shall be under no liability whatsoever by reason of anything occurring after cessation or termination.

## Part II P&I cover

No changes because of new terminology as to premiums and calls.

## Part III Reference to MOU Rules

No changes because of new terminology as to premiums and calls.

#### **Part IV Defence cover**

Changes in Rule 68 only.

##### *Rule 68 Disputes with the Association and other Members - unpaid sums*

1 The Association will not cover under a Defence entry costs of cases against the Association itself, its subsidiaries, agents, representatives or servants.

2 No cover shall be available under Defence entries to either party where a dispute arises between Joint Members, Co-assureds, affiliates or associates of the Member or Co-assureds or any combination thereof.

3 No Member shall be entitled to cover under a Defence entry so long as Estimated Total Calls, Last Instalments, Advance Calls, Deferred Calls or Supplementary Calls or other sums of whatsoever nature owed to the Association, whether in respect of Defence or P&I cover or otherwise, remain unpaid.

#### **Part V General limitations on P&I and Defence Cover**

No changes because of new terminology as to premiums and calls.

#### **Part VI Miscellaneous provisions**

No changes because of new terminology as to premiums and calls.

#### **Appendices to the Rules**

No changes because of new terminology as to premiums and calls.