

TEXT OF CHANGES - CLASS 1 RULES

Unless otherwise indicated those parts of the 2022 Rules where it is proposed that changes are made are set out in full with the changes marked. A proposed deletion from the 2022 Rules is identified by striking through the text to be deleted. Proposed additions are underlined. All proposed changes are accompanied by a vertical mark in the margin for ease of identification.

Please also note that all rules will be reviewed and amended where necessary for more appropriate pronoun usage. It is not intended to identify each of these changes, which are minor but numerous.

1. RULE 2 SECTION 21A – CONFISCATION OF VESSELS

Two changes are proposed to this rule to align with amendments to the Pooling Agreement.

The first is intended to ensure that the confiscation rule will respond to a forfeiture of a vessel as punishment for smuggling if that smuggling is deemed to be in contravention of provisions other than a customs law or regulation.

The second change clarifies that a Member must have been permanently denied of their interest in the vessel as one of the conditions for potential recovery under this rule.

The proposed change reads as follows:

Section 21A. Confiscation of vessels

Notwithstanding the terms of Rule 16(i) the Committee may authorise the payment, in whole or in part, of a Member's claim for loss of an insured vessel following confiscation of that vessel by any legally empowered court, tribunal or authority ~~by reason of the resulting from smuggling~~ or infringement of any customs law or customs regulation:

PROVIDED THAT:-

- (i) the total aggregate amount recoverable from the Association shall under no circumstances exceed the market value of the insured vessel without commitment at the date of the confiscation;
- (ii) the Member shall have satisfied the Committee that he took such steps as appear to the Committee to be reasonable to prevent the infringement of the customs law or customs regulation giving rise to the confiscation;
- (iii) any amount claimed under this Section 21A of Rule 2 shall be recoverable to such extent only as the Committee in its sole discretion may determine without having to give any reasons for its decision;
- (iv) no such claim shall be considered by the Committee until such time as the Member has been permanently deprived of his interest in the insured vessel.

2. RULE 7 – LIMITS OF THE ASSOCIATION’S LIABILITY OTHER THAN IN RESPECT OF OVERSPILL

The limit of cover for affiliated charterers and for consortium claims will increase to US\$ 500 million, which is reflected at various places throughout this Rule.

Also, a change is proposed to ensure that the limits on cover set out in sections(3)(b) and (4)(b) of this Rule are aggregate limits for both the insured owner and any co-assured named on that policy.

The proposed changes reads as follows:

7. Limits of the Association’s Liability other than in respect of Overspill

(3) Limit of the Association’s liability in respect of oil pollution for Owner’s Entries and Charterers Co-assured under an Owner’s Entry

- (a) The Association’s liability in respect of all Co-Assured charterers under an Owner’s Entry as described in Rule 36 for any and all claims, including claims in respect of oil pollution, in respect of one vessel in respect of one incident shall not exceed in the aggregate the amount of US\$ ~~350,000,000~~ 500,000,000.
- (b) The Association’s liability in respect of an Owner’s Entry ~~and including~~ all Co-Assureds insured under that Owner’s Entry for any and all claims in respect of oil pollution in respect of one vessel in respect of one incident shall not exceed in the aggregate the amount of US\$ 1,000,000,000.

(4) Passengers and Seamen

- (a) For the purposes of this paragraph (4), and without prejudice to anything else contained in these Rules, a “Passenger” shall mean a person carried onboard a vessel under a contract of carriage or who, with the consent of the carrier, is accompanying a vehicle or live animals covered by a contract for the carriage of goods and a “Seaman” shall mean any other person onboard a ship who is not a Passenger.
- (b) Unless otherwise limited to a lesser sum, the Association’s liability under any one Owner’s Entry including all Co-Assureds insured under that Owner’s Entry in respect of one vessel in respect of one incident shall not exceed
 - (i) In respect of liability to Passengers US\$ 2,000,000,000 in the aggregate and
 - (ii) in respect of liability to Passengers and Seamen US\$ 3,000,000,000 in the aggregate.

(6) Consortium claims

(d) Limit

The Association’s liability in respect of a Consortium Claim on one Consortium Vessel in respect of all insured vessels under all entries in the Association and any other association which is a party to the Pooling Agreement in respect of one incident shall be limited in the aggregate to the amount of US\$ ~~350,000,000~~ 500,000,000.

(NB: The other provisions of Rule 7 which remain unaltered are not reproduced here for the sake of brevity.)

3. RULE 17 - LIABILITY EXCLUDED FOR CERTAIN RISKS AND EXCLUSION OF CERTAIN LIABILITIES, COSTS AND EXPENSES OF SALVAGE VESSELS, DRILLING VESSELS, DREDGERS AND OTHERS, SPECIALIST OPERATIONS, DIVING ETC.

To align with amendments to the Pooling Agreement, a change is proposed to add mining to the list of excluded activities.

The proposed changes read as follows:

17 Liability excluded for certain risks and exclusion of Certain Liabilities, Costs and Expenses of Salvage Vessels, Drilling Vessels, Dredgers and Others, Specialist Operations, Diving etc.

Without prejudice to Rule 4, unless special cover shall have been agreed in writing between a Member and the Managers, there is no cover in respect of:

(C) liabilities, costs and expenses incurred by a Member during the course of performing dredging, blasting, pile-driving, well-intervention, cable or pipelaying, construction, installation or maintenance work, core sampling, mining, depositing of spoil, power generation and decommissioning to the extent that such liabilities, costs and expenses arise as a consequence of:

- (i) 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
- (ii) the failure to perform such specialist operations by the Member or the fitness for purpose or quality of the Member's work, products or services; or
- (iii) any loss of or damage to the contract work.

Provided always that this exclusion shall not apply to liabilities, costs and expenses incurred by a Member in respect of:

- (a) loss of life, injury or illness of crew and other personnel on board the insured vessel; or
- (b) the wreck removal of the insured vessel; or
- (c) oil pollution emanating from the insured vessel or the threat thereof.

but only to the extent that such liabilities, losses, costs and expenses are covered under Rule 2.

(NB: The other provisions of Rule 17 which remain unaltered are not reproduced here for the sake of brevity.)

TEXT OF CHANGES - CLASS 2 RULES

1. RULE 11 - DEDUCTIBLES AND PARTY AND PARTY COSTS

An amendment is proposed to underline the existing requirement for a Member to account to the Club for a costs contribution where a claim has been compromised or settled, even where such compromise or settlement is on a “drop hands as to costs” basis.

The proposed change reads as follows:

11 Deductibles and Party and Party Costs

- (1) Each claim covered under Rule 3 shall be subject to a deductible of US\$ 5,000 and 25% of the claim in excess of the amount of US\$ 5,000, provided that the total deductible shall not exceed US\$ 50,000 except where the claim relates to a contract for the building of an insured vessel where the total deductible shall not exceed US\$ 100,000.
- (2) Whenever, in accordance with Rule 9, any lawyer, surveyor or other third party is appointed and employed by the Managers on behalf of the Member or appointed and employed by the Member with the prior consent of the Managers, the Members shall on the Managers’ request pay to the Association US\$ 5,000 on account of the deductible which shall be repayable to the Member without interest to the extent that the Member’s payment on account exceeds the amounts payable by the Association to such third parties.
- (3) The Member shall account to the Association for all costs, expenses and disbursements recovered by any order, award or settlement in every case supported by the Association. If any claims, disputes or proceedings are settled or compromised for a lump sum, the Association shall be entitled to recover from the Member such reasonable sum as the Association may in its sole discretion determine ~~as being~~ attributable to-in respect of its incurred costs.