

INTRODUCTION

Unless otherwise indicated those parts of the 2025 Rules where it is proposed that changes are made are set out in full with the changes marked. A proposed deletion from the 2025 Rules is identified by striking through the text to be deleted. Proposed additions are underlined. All changes are in red.

CLASS 1 RULES

1. RULE 2 SECTION 12 – TOWAGE LIABILITIES

The current format of the Rules requires that every contract for towage by an insured vessel is approved in writing by the underwriting department in advance of the tow. An amendment is proposed that would allow automatic approval of standard form contracts listed in the Pooling Agreement as follows:

Section 12. Towage Liabilities

(A) Liability under contracts for the towage of the insured vessel during the ordinary course of trading for loss, injury or damage arising out of or during the course of such towage:

- (i) For the purpose of entering or leaving port or manoeuvring within the port; or
- (ii) Where the insured vessel is habitually towed from port to port or place to place, but only if the insured vessel has been declared to the Association and then only to the extent that such liability is not covered by a hull policy on the insured vessel.

(B) Liability under a contract for the towage of the insured vessel other than as described in paragraph (A) of this Section, but only if and to the extent that cover for such liability has been agreed in writing with the managers upon such terms as the Managers require.

(C) Liability arising from the towage by the insured vessel of another vessel or other floating structure or the cargo or other property on such tow (together with costs and expenses associated therewith) but only if and to the extent that:-

- (i) the towage or attempt ~~thereat~~ is made for the purpose of saving or attempting to save, life or property at sea, or
- (ii) the terms of the towage contract are either in one of the following unamended forms:

(a) The United Kingdom, Netherlands and Scandinavian standard towage conditions;
(b) "TOWCON" or "TOWHIRE";

(c) Lloyd's Open Form Salvage Agreement (whether or not incorporating SCOPIC); or

(d) "SUPPLYTIME";

or have been approved in writing by the Managers and cover for such liability has been agreed in writing with the Managers upon such terms as they may require, or

- (iii) the Committee determines that in all the circumstances the Member ought to be reimbursed.

2. RULE 2 SECTION 16 – CARGO

Proviso (k) of Section 16 contains a condition precedent that requires cargo intended to be carried on deck to be suitable for such carriage. Only if this test is satisfied can cover then be potentially provided against the separate requirement of meeting one of the criteria at (a) to (c). Suitability is determined on a case-by-case basis by a factual and technical analysis undertaken by the Managers.

To reflect this fact and to provide transparency and certainty as to how the rule is applied an amendment is proposed as follows:

Section 16. Cargo

The liabilities costs and expenses set out in paragraphs (A) to (C) which arise in respect of cargo intended to be or being or having been carried in the insured vessel:-

(k) Deck Cargo

There is not cover in respect of claims arising out of the carriage of cargo on deck unless in the opinion of the Managers, the cargo is suitable for carriage on deck and either:

- (a) the contract of carriage is specially endorsed to the effect that the cargo is carried on deck and provides that:-
 - (i) the carrier is exempted from all liability for loss or damage to such cargo howsoever caused; or
 - (ii) that the Hague Rules or Hague-Visby Rules apply to the on deck carriage notwithstanding Article 1 (c) of the said Rules; or
- (b) the contract of carriage contains an appropriate liberty to carry cargo on deck and makes such carriage subject to the Hague Rules, the Hague-Visby Rules or similar rights, immunities and limitations in favour of the Carrier; or
- (c) where the contract of carriage is compulsorily subject to the Hamburg Rules by operation of law, the Member has complied with the provisions of paragraphs 1 and 2 of Article 9 thereof.

(NB: The other provisions of Rule 2 Section 16 which remain unaltered are not reproduced here for sake of brevity)

3. RULE 2 SECTION 16 - CARGO

As set out in Notice to Members No. 11 2025/26, the Pooling Agreement has been amended to include a requirement for Members to preserve certain rights of recourse for the carriage of dangerous goods in all contracts of carriage. An amendment is proposed to reflect this change, as follows:

Section 16. Cargo

The liabilities costs and expenses set out in paragraphs (A) to (C) which arise in respect of cargo intended to be or being or having been carried in the insured vessel:-

(p) Rights of recourse

In accordance with Rule 8 (4), there is no cover for liabilities, costs and expenses (save insofar as the Committee may determine) arising out of or in connection with contracts for carriage wholly or partly by sea to the extent that such liabilities, costs and expenses which would not have been incurred or borne by the Member but for a waiver or limitation of, or failure to incorporate, by it of rights of recourse that would otherwise have been available under a bill of lading contract which incorporated Article IV Rule 6 to it under the contract of carriage in accordance with of the Hague or Hague Visby Rules and/or any equivalent provision under other applicable law, provided that such liabilities, costs and expenses shall not be excluded losses if such rights of recourse are not available by reason of and/or mandatorily applicable law.

(NB: The other provisions of Rule 2 Section 16 which remain unaltered are not reproduced here for sake of brevity)

4. RULE 2 SECTION 22- INQUIRIES AND CRIMINAL PROCEEDINGS

For greater transparency around what factors are considered when granting approval for costs and expenses incurred during an inquiry or criminal proceedings, as well as the type of costs and expenses which can be covered, it is proposed that these are expressly set out in the rule. The proposed amendment is as follows:

Section 22. Inquiries and Criminal Proceedings

Legal costs and expenses incurred by the Member:-

- (a) in protecting their interests, or of their servant or agent, before a formal inquiry into the loss of or a casualty involving the insured vessel; or
- (b) in connection with the defence of criminal proceedings brought against the Master of or a Seafarer aboard the insured vessel or some other servant or agent of the Member ~~or some other person associated with the Member;~~

PROVIDED THAT:-

No costs or expenses shall be recoverable under this Section unless:-

- (i) in the opinion of the Managers, the inquiry or criminal proceedings may affect any claim upon the Association arising out of such loss or casualty; and
- (ii) they ~~were~~ are or have been incurred with the written approval of the Managers, or the Committee determines that they should be recoverable from the Association.

5. RULE 8 – OTHER LIMITATIONS OF THE ASSOCIATION’S LIABILITY

As set out above in item (3), the requirement in the Pooling Agreement to preserve rights of recourse applies to all contracts of carriage and losses beyond cargo. To ensure proper incorporation into the

Rules, it is proposed that the wording of the relevant section of the Pooling Agreement is repeated in the general limitations, as follows:

8. Other Limitations of the Association's Liability

(1) Generally

The Association shall in no circumstances be liable hereunder for a sum in excess of the liability in law of the Member for damages or otherwise and, when a Member is entitled to limit their liability, the liability of the Association shall not exceed the amount of such limitation. Where the Association is sued directly by a third party, it shall be entitled to adopt each and every denial, defence and right to limitation of liability that would have been available to the Member in such proceedings were the Member and not the Association to be the party sued.

(2) Unreasonable failure to limit

When a Member is or would be entitled to limit their liability in respect of any vessel, but the Committee determines that they have unreasonably failed to take the necessary steps to limit their liability, the liability of the Association shall not exceed the amount of the limitation. The burden of proving that a failure to limit is not unreasonable shall be on the Member.

(3) Limitation for persons other than shipowners

- (a) The Committee shall have power under this Rule to make Bye-Laws from time to time providing for limitation of or other restrictions upon the liability of the Association for claims (otherwise than in connection with oil pollution) against charterers (other than demise charterers) and to vary or revoke any such Bye-Laws.
- (b) If a Member has entered a vessel in the Association, and they are not the registered owner or demise charterer of that vessel or the manager or operator having control of the operation and employment of that vessel (being such control as is customarily exercised by a ship owner) or any other person in possession or control of that vessel or an insurer of protection and indemnity risks of such description of persons, then unless otherwise agreed in writing between the Member and the Managers the liability of the Association in respect of any claim brought by the Member relating to that vessel shall not exceed the amount to which they could have limited their liability for the claim if they had been the registered owner and had not been denied the right to limit.

(4) Rights of Recourse

There is no cover for liabilities, costs and expenses (save insofar as the Committee may determine) arising out of or in connection with contracts for carriage wholly or partly by sea to the extent such liabilities, costs and expenses would not have been incurred or borne by the Member but for its waiver or limitation of, or failure to incorporate, rights of recourse that would have been available under a bill of lading contract which incorporated

(a) Article IV Rule 6 of the Hague or Hague Visby Rules, or

(b) any equivalent provision under other applicable law,

provided that such liabilities, costs and expenses shall not be excluded losses if such rights of recourse are not available by reason of mandatorily applicable law.

6. 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.

An amendment is proposed to this rule to align with amendments to the Pooling Agreement which now includes the use of pneumatic barriers (bubble curtains) as an excluded activity under the specialist operations rule.

The proposed amendment reads 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, the deployment, operation and recovery of pneumatic barriers, 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 sake of brevity)

7. RULE 29 – ABANDONMENT OF VESSEL TO ASSOCIATION ON TOTAL LOSS

An amendment is proposed to this rule to make clear that a declaration by a war risk insurer that a vessel is total loss shall have the same effect as if it were any other class of hull insurance.

29. Abandonment of Vessel to Association on Total Loss

Upon an insured vessel becoming an actual total loss, or if the vessel is agreed by Hull Underwriters as constituting a constructive or compromised total loss (whether or not subject to production to Hull Underwriters of further evidence concerning the casualty), or becomes a commercial total loss the Managers shall, subject to the Hull Underwriters' rights in the matter, be entitled to request the

Member concerned to abandon the vessel to the Association, or to such other person, body, corporation, authority etc. (including the world at large), as the Managers shall nominate. Unless the Member concerned, upon receipt of such request from the Managers, so abandons the vessel, the liability of the Association arising from such loss shall be limited to the amount they would have recovered if they had abandoned the vessel as requested by the Managers. For the purpose of these Rules, 'Hull Underwriters' also includes the underwriters of war risks hull insurance or of any other class of hull insurance.

8. RULE 38 – CESSER OF INSURANCE ON CERTAIN SPECIFIED EVENTS

As at 7 above, an amendment is proposed to this rule to make clear that a declaration by a war risk insurer that a vessel is a total loss shall have the same effect as if it were any other class of hull insurance.

Rule 38

- (2) A Member shall cease to be insured by the Association and the period of insurance shall terminate in respect of any vessel entered by them upon the happening of any of the following events affecting such vessel:-
- (i) if they shall part with or assign the whole or any part of their interest in the insured vessel whether by Bill of Sale or other formal document or otherwise or shall cease to have an interest in the insured vessel or shall part with or transfer the entire control or possession of the insured vessel, whether by demise charter or otherwise;
 - (ii) if the insured vessel shall be mortgaged or otherwise hypothecated without an undertaking or guarantee having been given to the Association, in a form and by such person as may be approved by the Managers in writing, to pay all Calls and other sums due or to become due in respect of the insured vessel;
 - (iii) if any person having given an undertaking or guarantee under the preceding paragraph (2)(ii) fails to discharge their liability thereunder upon demand by the Managers;
 - (iv) if the management of the insured vessel is transferred or the flag of the insured vessel is changed. Where a vessel is entered for insurance through an agent (not being an insurance broker) such agent shall for the purpose of this paragraph (2)(iv) of this Rule be deemed to be the manager of the insured vessel unless at the time of the vessel's entry for insurance the Managers were furnished in writing with the name of the management of the vessel to be insured;
 - (v) if the insured vessel shall become an actual total loss or shall be agreed by Hull Underwriters as constituting a constructive total loss or a compromised total loss (whether or not subject to production to Hull Underwriters of further evidence concerning the casualty), or shall become a commercial total loss, except as regards liabilities, costs and expenses arising out of the casualty which gave rise to the loss of the vessel. For the purpose of these Rules, 'Hull Underwriters' also includes the underwriters of war risks hull insurance or of any other class of hull insurance;
 - (vi) if the insured vessel shall be missing for ten days from the date she was last heard of or from her being posted at Lloyd's as missing, whichever shall be the earlier;
 - (vii) if the insured vessel ceases to be classed or its classification is suspended or the Member fails to fulfil any of the conditions of Rule 20(A) to 20(F) inclusive.

PROVIDED THAT:- Where a Member ceases to be insured by reason of any of the events set out in this Rule 38 paragraph (2)(i) - (2)(iii) and (2)(v) - (2)(vii), the Managers may on behalf of the Association agree in writing to extend the period of insurance on such terms as they think fit.

Where a Member ceases to be insured by any of the events set out in Rule 38 (2)(iv), the Managers may determine that the Member shall remain insured on the same terms and conditions that applied at the time of the event until the end of the same policy year.

(NB: The other provisions of Rule 38 which remain unaltered are not reproduced here for sake of brevity)

Class 2 RULES

1. RULE 31- CESSER OF INSURANCE ON CERTAIN SPECIFIED EVENTS

An amendment to this rule is proposed to align it with the proposed Class 1- Rule 38 amendment, above.

31. Cesser of Insurance on Certain Specified Events

- (2) A Member shall cease to be insured by the Association and the period of insurance shall terminate in respect of any vessel entered by them upon the happening of any of the following events affecting such vessel:-
- (i) if they shall part with or assign the whole or any part of their interest in the insured vessel whether by Bill of Sale or other formal document or otherwise or shall cease to have an interest in the insured vessel or shall part with or transfer the entire control or possession of the insured vessel, whether by demise charter or otherwise;
 - (ii) if the insured vessel shall be mortgaged or otherwise hypothecated without an undertaking or guarantee having been given to the Association, in a form and by such person as may be approved by the Managers in writing, to pay all Calls and other sums due or to become due in respect of the insured vessel;
 - (iii) if any person having given an undertaking or guarantee under the preceding paragraph (2)(ii) fails to discharge their liability thereunder upon demand by the Managers;
 - (iv) if the management of the insured vessel is transferred or the flag of the insured vessel is changed. Where a vessel is entered for insurance through an agent (not being an insurance broker) such agent shall for the purpose of this paragraph (2)(iv) of this Rule be deemed to be the manager of the insured vessel unless at the time of the vessel's entry for insurance the Managers were furnished in writing with the name of the management of the vessel to be insured;
 - (v) if the insured vessel shall become an actual total loss or shall be agreed by Hull Underwriters as constituting a constructive total loss or a compromised total loss (whether or not subject to production to Hull Underwriters of further evidence

concerning the casualty), or shall become a commercial total loss, except as regards liabilities, costs and expenses arising out of the casualty which gave rise to the loss of the vessel. For the purpose of these Rules, 'Hull Underwriters' also includes the underwriters of war risks hull insurance or of any other class of hull insurance;

- (vi) if the insured vessel shall be missing for ten days from the date she was last heard of or from her being posted at Lloyd's as missing, whichever shall be the earlier;

PROVIDED THAT:- Where a Member ceases to be insured by reason of any of the events set out in this Rule 31 paragraph (2)(i) -(2)(vi), the Managers may on behalf of the Association agree in writing to extend the period of insurance on such terms as they think fit.