

CLASS I – PROTECTION AND INDEMNITY AND OTHER RISKS

Rule 2. RISKS COVERED.

Subject to any special terms which may be agreed, a Member is insured by the Association in respect of each vessel entered by him against any liabilities, costs and expenses set out in Sections 1 to 24 below, provided always as follows:

- (a) Such liabilities, costs and expenses arise
 - (i) out of events occurring during the period of insurance of that vessel ("the insured vessel"),
 - (ii) in respect of the Member's interest in the insured vessel, and
 - (iii) in connection with the operation of the insured vessel by or on behalf of the Member.
- (b) They are not excluded by any proviso, warranty, condition, exception, limitation, deductible or other term contained in these Rules or in the terms of entry.
- (c) There is no insurance under these Rules in respect of any liabilities, costs and expenses incurred by a Member in a capacity other than the capacity in which the Member has entered the insured vessel, including (without limitation) any loss incurred by the Member in his capacity as an owner of cargo, save to the extent provided for in proviso (b) to Rule 2 Section 10 and in proviso ~~(e)~~ (j) to Rule 2 Section 16 and Rule 3A.

Rule 2 Section 2. Injury, illness and death - persons other than seamen and passengers.

- (A) Liability to pay damages or compensation (excluding hospital, medical and funeral expenses) for personal injury, illness or death of any person (other than the persons specified in ~~paragraph (C) of this Section and in Sections 1 and 2A~~).
- (B) Liability to pay hospital, medical or funeral expenses in relation to such injury, illness or death. In this paragraph funeral expenses shall include the repatriation of dead bodies.
- ~~(C) Liability to pay damages or compensation for personal injury, illness or death of any person engaged to handle the cargo of the insured vessel.~~

PROVIDED THAT:-

- (a) Cover under this Section is limited to liabilities, costs and expenses arising out of any act, neglect or default on board or in relation to the insured vessel or in relation to the handling of her cargo from the time of receipt of that cargo from the shipper or precarrier at the port of shipment until delivery of that cargo to consignee at the port of discharge or, as the case may be, until delivery at the port of discharge for onward carriage to consignee.
- (b) Where the liability arises, or the costs or expenses are incurred, under the terms of any contract or indemnity and would not have arisen but for those terms, that liability or those costs or expenses are not covered under this Section but may be covered under and in accordance with Section 13 of this Rule (indemnities and contracts).
- (c) Unless the Committee otherwise determines, there is no cover under this Section in respect of liability to persons (other than persons specified in Sections 1 and 2A or persons connected with the operation of the insured vessel or the handling of its cargo) visiting the insured vessel, unless such visit is made upon terms approved in writing by the Managers.

Section 3. Repatriation and substitutes' expenses.

- (A) The expense of repatriating a seaman of the insured vessel:-
- (a) who is sick or injured; or
 - (b) if, during the course of a voyage, the ~~wife~~ [spouse](#), child or, in the case of a single seaman, parent of that seaman falls dangerously ill and his [or her](#) presence is essential; or
 - (c) if the Member is under statutory obligation to repatriate him; or
 - (d) if the Member is obliged to repatriate him under the terms of a crew agreement or other contract of service or employment approved in writing by the Managers.
- (B) The expense of engaging, sending out and repatriating a substitute for a seaman of the insured vessel who has died, been left ashore (by reason of desertion or otherwise), or been repatriated in the circumstances specified in the preceding paragraph.

PROVIDED THAT:-

This Section does not cover expenses which arise out of (i) the termination of any agreement, whether the termination is in accordance with the terms of that agreement or by mutual consent of the parties to it, or (ii) breach by the Member of any agreement or other contract of service or employment, or (iii) sale of the vessel, or (iv) any other act of the Member in relation to the insured vessel.

Section 16. Cargo

(B) Disposing of damaged cargo

The additional costs and expenses (over and above those which would have been incurred by him in any event under the contract of carriage) incurred by the Member in discharging or disposing of damaged or worthless cargo, but only if and to the extent that the Member is unable to recover those costs from any other party [and/or by sale of such cargo](#).

Section 17. Unrecoverable general average contributions.

The proportion of general average expenditure, special charges or salvage which the Member is or would be entitled to claim from cargo or from some other party to the marine adventure and which is not legally recoverable by reason only of a breach of the contract of carriage.

PROVIDED THAT:-

- (a) All the provisos to Section 16 (Cargo) shall also apply to claims under this Section; in the case of proviso (h) (value declared on Bill of Lading), the limit of US\$2,500 shall apply to the aggregate of claims under Section 16 and this Section.
- (b) General average shall be adjusted according to the York/Antwerp Rules 1974 or 1994. If it is not, then the liability of the Association shall be limited to what would be recoverable if general average were adjusted according to the law [of England and the York/Antwerp Rules 1974](#) ~~and practice of the place where the adventure ended~~; but a Member may be covered beyond this limit by special agreement with the Managers in writing.

Section 20. Salvors' expenses under standard forms of salvage agreement.

Liability of the Member to reimburse a salvor of the insured vessel for:

- (i) his "reasonably incurred expenses" (together with any increment awarded thereon) under the exception to the principle of "No cure - No pay" contained in Clause 1(a) of the Lloyd's Standard Form of Salvage Agreement (1980);
- (ii) the "Special Compensation" to which a salvor may be entitled under the exception to the principle of "No cure - No pay" contained in Article 14 of the International Convention on Salvage 1989 [or the Special Compensation P. & I. Clause \(SCOPIC\)](#) as incorporated into the Lloyd's Standard Form of Salvage Agreement (1990) or the Lloyd's Standard Form of Salvage Agreement (1995), or ~~where the equivalent of the said Article 14 is incorporated in the terms of a Standard Salvage Agreement approved by the Association.~~

PART II - DEDUCTIBLES, LIMITATIONS, EXCLUSIONS AND WARRANTIES

6. DEDUCTIBLES.

Unless otherwise agreed in writing between a Member and the Managers as part of the terms upon which a vessel is entered in the Association, the Member's recovery from the Association shall be subject to the following deductibles:-

(1) Crew Illness and related Expenses.

In respect of liabilities, costs or expenses referred to in Sections 1(B), 3, 4(A), 5 and 6 of Rule 2 (other than those relating to Loss of Life, Personal Injury or Repatriation of Deceased Seamen), the first US\$1,000 of liabilities, costs or expenses arising in any one port. ~~except that if an insured vessel remains in any one port or place for more than 30 consecutive days, a separate deductible as aforesaid shall apply in respect of each successive 30 days or part thereof whilst the insured vessel remains in such a port or place.~~

PROVIDED THAT:-

~~In the case of [Where](#) two or more claims on the Association which it is established have arisen out of the same illness and have necessitated expenditure at more than one port, the first US\$1,000 of the aggregate of those claims shall be deducted.~~

(2) Effects.

In respect of liabilities, costs or expenses referred to in Section 8 of Rule 2, the first US\$1,000 arising out of any one incident.

(3) Cargo claims and cargo's proportion of General Average.

In respect of liabilities, costs or expenses referred to in Sections 16 and 17 of Rule 2 respectively:-

- (a) US\$3,000 in respect of liabilities, costs or expenses in respect of cargo (other than bulk cargo) carried on each cargo voyage.
- (b) US\$2,000 in respect of liabilities, costs or expenses in respect of bulk cargo carried on each cargo voyage.

(4) Fines.

In respect of the liabilities referred to in Section 21 of Rule 2, the first US\$1,000 arising out of any one incident.

PROVIDED THAT:-

~~The deductibles stipulated under any one paragraph of this Rule shall not be applied cumulatively and~~

Where two or more claims on the Association have arisen out of the same incident and are subject to more than one deductible by reason of paragraphs (1) to (4) of this Rule or by reason of any special terms agreed with the Member, the Member's recovery shall be subject to the highest only of such deductibles. None of the above deductibles shall apply to costs or expenses recoverable under Section 24 of Rule 2 (sue and labour and legal costs).

7. LIMIT OF THE ASSOCIATION'S LIABILITY FOR POLLUTION.

- (1) 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 in connection with pollution by oil or hazardous substances, either generally or in relation to any particular port, place or part of the world, flag or class of vessel, trade, substance or type of substance.
- (2) All contracts of insurance between a Member and the Association shall, [except as provided in Rule 3A or otherwise agreed in writing by the Managers](#), be subject to the Association's Oil Pollution Limitation of Cover Clause for the time being in force, which clause shall be a Bye-Law of the Association and shall also at all times be and be deemed to be incorporated in these Rules.

(NOTE: The current Oil Pollution Limitation of Cover Clause is printed in the Third Schedule).

- (3) The Committee shall have power under this Rule to extend by means of Bye-Laws the provisions of the said Clause to include any hazardous substances with such modifications, exclusions and restrictions as it may think fit and to vary or revoke any such Bye-Laws made hereunder.

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 his 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 his liability in respect of any vessel, but the Committee determines that he has unreasonably failed to take the necessary steps to limit his 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 he is 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 he could have limited his liability for the claim if he had been the registered owner and had not been denied the right to limit, and all contracts of insurance between a Member who is a charterer (other than a demise charterer) and the Association shall, [except as provided in Rule 3A or otherwise agreed in writing by the Managers](#), be subject to the Association's Charterer's Limitation of Cover Clause (otherwise than in respect of oil pollution) for the time being in force which clause shall be a Bye-Law of the Association and shall also at all times be and be deemed to be incorporated in these Rules.

NOTE: The current Charterer's Limitation of Cover Clause (otherwise than in respect of oil pollution) is printed in the Third Schedule).

40. CESSER OF INSURANCE ON CERTAIN SPECIFIED EVENTS.

- (1) A Member shall cease to be insured by the Association and the period of insurance shall terminate in respect of any and all vessels entered by him upon the happening of any of the following events:
 - (a) If the Member is an individual:
 - (i) upon his death, or
 - (ii) if a receiving order shall be made against him, or
 - (iii) if he shall become bankrupt or make any composition or arrangement with his creditors, or
 - (iv) if he shall become incapable by reason of mental disorder or criminal conviction of managing and administering his property and affairs, or
 - (v) if under any system of law other than English law, there occurs an event in relation to that individual which has a similar effect to any of the above.
 - (b) If the Member is a corporation:
 - (i) upon the passing of any resolution for voluntary winding up, or
 - (ii) upon an order being made for compulsory winding up, or
 - (iii) upon dissolution, or
 - (iv) upon the appointment of an administrator, receiver, trustee, custodian, liquidator or other similar official for its or for substantially all of its assets, or
 - (v) upon crystallisation of, and/or possession being taken of any of its assets comprised in or subject to a floating charge, by or on behalf of the holder of such charge, or
 - (vi) if under any system of law other than English law, there occurs an event in relation to that corporation which has a similar effect to any of the above.

Termination shall be deemed to take place when the event occurred or, where relevant, upon the making of the first court order, but if there is no such method of determination the effective date and time shall be such date and time as when the Managers notify the Member that they have reasonable grounds for believing that any of the above situations or conditions have occurred.

The provisions of this Rule 40(1) shall also apply to any Co-Assured as if he had been a Member.

- (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 him upon the happening of any of the following events affecting such vessel:-
 - (i) if he shall part with or assign the whole or any part of his 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 his 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;
- (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 40 paragraph ~~(2)(i)-(2)(vii)~~ [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 40 \(2\)\(iv\), 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.](#)

57. NOTICES.

- (1) Any notice, demand, order, direction, recommendation, request or other document (hereinafter referred to collectively as "notice or other document") required by these Rules to be served on a Member may be served as the Managers may determine in any one or more of the following modes:-
 - (a) personally, or
 - (b) by sending it through the post in a prepaid letter or by telegram, cable, radio telegraph, telefax or telex or courier or electronic mail addressed to him:-
 - (i) at his address as appearing in the Register of Members; or
 - (ii) at any other address of which he has given written notice to the Managers as his address for service; or
 - (iii) if a vessel to which the notice or other document relates, or another vessel entered by the Member whose period of insurance has not come to an end, was last entered for insurance, or her insurance was last renewed (whichever is the later), through a broker or other agent, at any place of business of that broker or agent.
- (2) Every notice or other document served as aforesaid shall, if posted, be deemed to be served on the day following the day of postage; if sent by telegram, cable, radio ~~or telegraph~~, be deemed to be served on the day of handing in to the relevant office; if sent by telex or telefax, [courier or electronic mail](#), on the day of despatch. In any case proof of posting, handing in or despatch shall be sufficient proof of service.
- (3) The successors of any Member served as aforesaid with any notice or other document shall be bound by that notice or other document whether or not the Association has notice of that person's death, disability, lunacy, bankruptcy or liquidation.

By order of the Board
P A Aspden
Secretary
33 Boulevard Prince Henri
1724 Luxembourg

12 November 1999

A Member entitled to attend and vote is entitled to appoint a proxy (who need not be a Member of the Association) to attend and on a poll vote instead of him. The instrument appointing a proxy shall be left with the Secretary not less than 48 hours before the holding of the Meeting.