

Class 1 – Protection & Indemnity and Other Risks

Rule 2

Section 1. Injury, illness and death – seamen.

- (A) Liability to pay damages or compensation (excluding hospital, medical and funeral expenses) for personal injury, illness or death of any seaman of the insured vessel whether or not on board that vessel.
- (B) Liability to pay hospital, medical, funeral or other expenses (other than wages and the expenses of repatriation, substitution, or diversion) in relation to such injury, illness or death. In this paragraph funeral expenses shall include the repatriation of dead bodies.
- (C) Expenses incurred in medical examination of seamen prior to engagement.

PROVIDED THAT:-

Where the liability arises or the costs or expenses are incurred under the terms of a crew agreement or other contract of service or employment and would not have arisen but for those terms, that liability or those costs or expenses are only covered by the Association if and to the extent that those terms shall have been previously approved by the Managers in writing and, in the case of personal injury to a seaman on leave, only if the insured vessel was the last vessel on which he served prior to such injury.

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 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.

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~~ The Managers may from time to time require as a condition of cover for liability to certain 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 that such visits is~~ are made upon terms approved in writing by the Managers.

Rule 2

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 spouse, child or, in the case of a single seaman, parent of that seaman falls dangerously ill or dies 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.

(C) The expense of sending out and repatriating a spouse, child or, in the case of a single seaman, parent of a seaman who has died or is dangerously ill when the presence of such spouse, child or parent is essential.

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.

Rule 2

Section 10. Loss or damage ~~to~~ in respect of property.

Liability to pay damages or compensation for any loss ~~of~~ or damage ~~to~~ in respect of any property (including infringement of rights) whether on land or water and whether fixed or movable.

PROVIDED THAT:-

- (a) There shall be no cover under this Section in respect of:-
 - (i) Liabilities which arise under the terms of any contract or indemnity to the extent that they would not have arisen but for those terms.
 - (ii) Liabilities against which cover is available under the following Sections of this Rule:-
 - Section 2A: The effects of passengers;
 - Section 8: The effects of seamen and others;
 - Section 9: Collision with other vessels;
 - Section 11: Pollution;
 - Section 12: Liability under towage contracts;
 - Section 14: Wreck liabilities;
 - Section 16: Cargo;
 - Section 19: Property on board the insured vessel.
 - (iii) Liabilities excluded from any of the Sections listed in paragraph (ii) above by reason only of some proviso, warranty, condition, exception, limitation or other like term applying to claims under such Section.
 - (iv) Any franchise or deductible borne by the Member under the Hull Policies of the insured vessel.
- (b) If the insured vessel causes loss or damage ~~to~~ in respect of property or infringes rights belonging wholly or in part to the Member, he shall have the same rights of recovery from the Association as if such property or rights belonged wholly to different owners.

Rule 2

Section 11. Pollution.

The [Subject to the provisions of Rule 15 the](#) liabilities, loss, damage, costs and expenses set out in paragraphs (A) to (E) below when and to the extent that they arise out of or are incurred in consequence of the discharge or escape from the insured vessel of oil or any hazardous substance, or the threat of such discharge or escape:-

- (A) Liability for loss, damage, contamination, costs and expenses.
- (B) Any loss, damage or expense which the Member incurs, or for which he is liable, as a party to any agreement in respect of pollution approved by the Committee, including the costs and expenses incurred by the Member in performing his obligations under such agreements.
- (C) The costs of any measures reasonably taken for the purpose of avoiding or minimising pollution or any resulting loss or damage together with any liability for loss of or damage to property caused by measures so taken.
- (D) The costs of any measures reasonably taken to prevent an imminent danger of the discharge or escape from the insured vessel of oil or any hazardous substance.
- (E) The costs or liabilities incurred as a result of compliance with any order or direction given by any government or authority for the purpose of preventing or reducing pollution or the risk of pollution, provided always that such costs or liabilities are not recoverable under the Hull Policies of the insured vessel.

PROVIDED THAT:-

- (a) If the discharge or escape from the insured vessel causes loss, damage or contamination to property belonging wholly or in part to the Member, he shall have the same rights of recovery from the Association as if such property belonged wholly to different owners.
- (b) Without prejudice to Rule 18 (Double Insurance) in the event that a Member is insured by any other Association or insurer against any or all the liabilities, loss, damage, contamination, costs and expenses set out in this Section or any other Section of this Rule 2, the Association shall not indemnify such Member to any extent whatever against any such liabilities, loss, damage, costs and expenses (or similar risks) up to the limits of such other insurance.

In the event that the limits of such other insurances are less than the Association's limits under the Association's Rules and Bye-Laws, the Association's limit of cover shall be restricted to the amount by which such liabilities, loss, damage, costs and expenses (or similar risks) exceed the limits of such other insurance and then only up to the Association's said limits and no pro-rating, allocation or replacement of cover shall be provided.

Furthermore, there shall be no recovery from the Association in respect of liabilities insured under any other insurance, nor shall the Association provide pro-rated or allocated cover, on the basis of double insurance or otherwise, nor will the Association's cover replace any other insurance where (for whatever reason) that other insurance does not or is not able to respond to a claim thereunder.

- (c) Where any liability for loss, damage, contamination, costs and expenses arises under the terms of any contract or indemnity and would not have arisen but for those terms, that liability is only covered if and to the extent that those terms have previously been approved in writing by the Managers.

Rule 2
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:-

(A) Loss, (including shortage), or damage

Liability for loss, (including shortage), or damage arising out of any breach by the Member or by any person for whose acts, neglect or default he may be legally liable, of his obligation properly to load, handle, stow, carry, keep, care for, discharge or deliver the cargo or out of unseaworthiness or unfitness of the insured vessel.

(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 or in order to make the vessel fit to receive cargo) incurred by the Member in discharging or disposing of ~~damaged or worthless~~ cargo as a result of

- (a) such cargo being damaged or worthless, or
- (b) the owner of such cargo refusing to take delivery, or
- (c) damage to the insured vessel against which the Member is, or would be, insured in accordance with Rule 12.

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 and/or in general average.

Rule 2
Section 16 Cargo

... **(e) Certain exclusions from cover.**

Unless the Committee shall otherwise determine, there is no cover in respect of any liabilities, costs and expenses arising from:-

- (i) the issue of a Bill of Lading, Waybill or other document containing or evidencing the contract of carriage, with a description of the cargo or its condition which the Member, or the Master of the insured vessel, knew to be incorrect,
- (ii) short delivery of cargo where a Bill of Lading, Waybill or other document containing or evidencing the contract of carriage, is signed for a greater quantity of cargo than is known by the Member, or Master or Chief Officer of the insured vessel to have been shipped or received for shipment,
- (iii) the issue of a Bill of Lading, Waybill or other document containing or evidencing the contract of carriage, which contains any fraudulent misrepresentation,
- (iv) the issue of an ante-dated or post-dated Bill of Lading, Waybill or other document containing or evidencing the contract of carriage, that is to say a Bill of Lading, Waybill or other document recording the loading or shipment or receipt for shipment on a date prior or subsequent to the date on which the cargo was in fact loaded, shipped or received as the case may be,
- (v) delivery of cargo carried under a negotiable Bill of Lading or similar document of title without production of that Bill of Lading or document properly endorsed, except where cargo has been carried on a Member's insured vessel under the terms of a non-negotiable Bill of Lading, Waybill or other non-negotiable document, and has been properly delivered as required by that document, notwithstanding that that Member may be liable under the terms of a negotiable Bill of Lading or other similar document of title issued by or on behalf of a party other than that Member providing for carriage in part on that Member's vessel and in part upon another vessel,
- (vi) delivery of cargo carried under a Waybill or similar non-negotiable document to a party other than the party nominated by the shipper as the person to whom delivery should be made,

- (vii) discharge of cargo at a port or place other than in accordance with the contract of carriage, except where such cargo is so discharged with the consent in writing of the Managers,
- (viii) late arrival or non-arrival of the insured vessel at a port or place of loading, or failure to load any particular cargo, [other than liabilities, loss and expense arising under a Bill of Lading already issued](#), or
- (ix) any deliberate breach of the contract of carriage on the part of the Member or his manager...

Rule 2

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. Clauses (SCOPIC) [and \(SCOPIC 2000\) where they are](#) as incorporated into the Lloyd's Standard Form of Salvage Agreements (1990), ~~of the Lloyd's Standard Form of Salvage Agreement (1995)~~ [or \(2000\)](#), or incorporated in the terms of a Standard Salvage Agreement approved by the Association.

3A. SPECIAL COVER FOR CHARTERERS AND RELATED PARTIES.

Without prejudice to the generality of Rule 3, where an entry of a vessel in the Association is in the name of or on behalf of a charterer (other than a bareboat charterer or charterer by demise), the charterer may be covered as a Member, and any cargo interests wholly owned or controlled by such charterer or in the same ownership or control as him may be covered as a Co-Assured, upon such terms and conditions as the Managers of the Association may require in respect of the following liabilities, losses, costs and expenses and against the risks set out in Rule 2 on the following terms and conditions, subject always to the Constitution and these Rules.....

..... (g) The provisions of Rules 7(2) and 8(3)(b) and of the Oil Pollution Limitation of Cover and Charterer's Limitation of Cover clauses shall not apply, ~~but the Association's liability~~ [but the Committee shall have power under this Rule to make Bye-Laws from time to time providing for the limitation of or other restrictions upon the liability of the Association for claims under all paragraphs of this Rule 3A, including cover under Rule 2. In the absence of any such Bye-Law, the Association's liability](#) under all paragraphs of this Rule 3A, including cover under Rule 2 or otherwise, in respect of all parties insured in respect of any one vessel under any one contract of insurance in respect of any one incident shall not exceed in the aggregate the amount of ~~US\$300,000,000~~ [US\\$500,000,000](#) inclusive of interest and costs. For the purposes of this proviso, claims in respect of loss of or damage to cargo on the same cargo carrying voyage (including claims in respect of cargo's contribution to general average payable by the Member solely by reason of a breach of the contract of carriage) shall be deemed to have arisen out of the same incident and that incident shall be deemed to have occurred at the earliest of:-

- (i) the first place of discharge or port at which such loss or damage was ascertained and at the time of such ascertainment; and
- (ii) if such loss or damage was ascertained after discharge of the cargo from the insured vessel, at the time and place of discharge; and
- (iii) where the Member sold the insured vessel (or otherwise disposed of the interest in the insured vessel in respect of which he has been insured) during the cargo carrying voyage, at the time when last entry for the insured vessel terminated and at the place where the insured vessel was at that time,

and a reference in this proviso to a cargo carrying voyage shall include, in cases where cargo is carried under a contract for carriage partly in the insured vessel and partly by other means of transport, the entire through or combined transport of that cargo under that contract...

5. OMNIBUS RULE.

Notwithstanding anything to the contrary contained in these Rules, the Committee may determine that the Association shall pay a Member any amount, whether or not the full amount claimed, or shall insure such Member in respect of liabilities, costs or expenses incidental to the business of owning, operating or managing vessels, which arise in accordance with paragraphs (a)(i) to (iii) of the preamble to Rule 2 and which in the opinion of the Committee fall within the scope of the Association's business.

PROVIDED THAT:-

- (i) if any such liabilities, costs or expenses are expressly excluded by the provisions of any other Rule, the Committee's decision in favour must be unanimous among those present when the claim is considered; and
- (ii) the Committee need not give any reasons for its decision.

15. LIABILITY EXCLUDED FOR NUCLEAR RISKS AND IN RESPECT OF POLLUTION BY WASTE AND THE CARRIAGE OF LIVE ANIMALS.

Unless either (1) the Committee otherwise determines or (2) it is otherwise agreed in writing between the Member and the Association, there is no cover in respect of any liabilities, costs or expenses directly or indirectly caused by or contributed to by or arising from:-

- (a) ionising radiations from, or the radioactive, toxic, explosive or other hazardous or contaminating properties of
 - (i) any nuclear fuel or any nuclear waste or the combustion of nuclear fuel, or
 - (ii) any nuclear installation, reactor or other nuclear assembly or nuclear component thereof, or
- (b) any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter,

other than liabilities, costs and expenses arising out of carriage of "excepted matter" (as defined in the Nuclear Installations Act 1965 of the United Kingdom or any regulations made thereunder) as cargo in an Insured Vessel.

- (c) the intended or actual carriage of live animals.

(d) The discharge or escape, or the threat of discharge or escape of any hazardous waste (previously carried in the insured vessel) from any land in or on which such waste is kept, treated or deposited.

17. 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:-

- A. any claim relating to liabilities, losses, costs and expenses incurred in respect of:-
 - (i) an insured vessel which is a salvage tug or other vessel used or intended to be used for salvage operations, when the claim arises as a result of or during any salvage operations or attempted salvage operations;

- (ii) an insured vessel which is a drilling vessel or barge or any other vessel or barge employed to carry out drilling or production operations in connection with oil or gas exploration or production, including any accommodation unit moored or positioned on site as an integral part of any such operations to the extent that such a claim arises out of or during drilling or production operations; a vessel 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:-
 - (a) the oil is transferred directly from a producing well to the storage vessel; or
 - (b) 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.
- B. any claim relating to any liabilities, losses, costs and expenses incurred by a Member:-
- (i) during the course of performing specialist operations (including but not limited to, dredging, blasting, pile-driving, well stimulation, cable or pipe laying, construction, installation or maintenance work, core sampling, depositing of spoil, professional oil spillage response or professional oil spillage response training but excluding fire-fighting) 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 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 under this paragraph B(i) shall not apply to any claim relating to liabilities, losses, costs and expenses incurred by the Member in respect of:

- (1) loss of life, injury or illness of crew and other personnel on board the insured vessel; or
- (2) wreck removal of the insured vessel; or
- (3) oil pollution emanating from the insured vessel;

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

- (ii) in connection with any claim brought against him arising out of:-
 - (a) waste incineration or disposal operations carried out by the Member (other than any such operations carried out as an incidental part of other commercial activities);
 - (b) the operation by the Member of submarines, mini submarines or diving bells;
 - (c) the activities of professional or commercial divers where the Member is responsible for such activities (other than activities arising out of salvage operations being conducted by an insured vessel where the divers form part of the crew of the insured vessel (or of diving bells or other similar equipment or craft operating from the insured vessel) and where the vessel owner (being the Member) is responsible for the activities of such divers).

19. YEAR 2000 AND DATE COMPLIANCE & EXCLUSION OF COVER IF ADVENTURE ILLEGAL, HAZARDOUS OR IMPROPER.

- (1) Without prejudice to the provisions of paragraph (2) of this Rule and of Rule 23, a Member shall at all times take such steps to protect his interests in relation to Date Compliance as the Directors would expect an uninsured person acting reasonably in similar circumstances to take.

For the purpose of this Rule "Date Compliance" shall mean that, in relation to computers and other equipment or systems for processing, storing or retrieving data, hardware, software, firmware and microprocessors and any equipment which contains or relies upon microprocessors, neither performance nor functionality is adversely affected, whether before or after any implemented or attempted changes or modifications for the purposes of Date Compliance, by any date and in particular that:-

- (a) no value for current date would cause any interruption in operation
- (b) date based functionality and performance shall behave consistently for all dates
- (c) in all interfaces and data storage, the century in any date shall be specified either explicitly or by unambiguous algorithms or inference Rules
- (d) the year 2000 shall be recognised as a leap year.

If a Member fails to fulfil the obligations contained in this Rule the ~~Directors~~ Committee may reject or reduce any claim against the Association arising directly or indirectly out of such failure.

- (2) There is no cover in respect of an insured vessel carrying contraband, blockade running or being employed in an unlawful trade, or if the Committee determines that the carriage, trade, voyage or any other activity on board or in connection with the insured vessel, was imprudent, unsafe, unduly hazardous or improper.

30. ELIGIBILITY FOR INSURANCE OR REINSURANCE.

- (1) The Managers on behalf of the Association may enter into a contract of insurance in respect of any vessel with any of the following persons: the registered owner, owners in partnership, owners holding separate shares in severalty, part owner, mortgagee, trustee, charterer, operator, manager or builder of that vessel, any other person whatsoever interested in or in possession of the vessel, or any other person who in the opinion of the Managers should be regarded and treated as any of the persons above mentioned.

For the purposes of this paragraph, a vessel shall include an unidentified vessel which the person entering into a contract of insurance with the Association has agreed to employ or operate under a charter or similar contract, provided that such vessel shall be entered as a named vessel as soon as it is identified.

- (2) Subject to the Constitution and save insofar as expressly prohibited by these Rules, the Managers may enter into contracts of reinsurance on behalf of the Association whereby the Association agrees to reinsure the risks arising in connection with any one or more vessels insured by another association or insurer or else agrees to reinsure the whole or any part or proportion of the insurance business of any other association or insurer. The consideration payable to the Association and the terms and conditions on which the reinsurance is accepted by the Association shall be such as are agreed between the Managers on behalf of the Association and such other association or insurer. Save where otherwise agreed in writing the other association or insurer shall be in every respect subject to and bound by the provisions of these Rules and his contract with the Association shall for all purposes take effect as though he were the owner of any vessel or vessels in connection with which the relevant risks may arise and had as owner entered the vessel or vessels in the Association for insurance.
- (3) The Association may continue to be a party to The Pooling Agreement and to any addendum, variation or replacement which may be made to such agreement, or to any other agreement of a similar nature or purpose.
- (4) The Association or the Managers on its behalf may effect the reinsurance or ceding of any risks insured by the Association (including any risk which may fall on the Association by reason of a reinsurance or pooling agreement referred to in paragraphs (2) and (3) of this Rule) with such reinsurers and on such terms as the Managers shall consider appropriate.

- (5) Subject to the Constitution and save insofar as expressly prohibited by these Rules the Committee may agree to enter into arrangements on behalf of the Members of this Class whereby this Class agrees to indemnify by way of reinsurance or otherwise any other one or more of the other Classes in respect of all or any part of the risks insured by such Class on such terms as the Committee shall determine.

33. CERTIFICATE OF ENTRY ~~AND ENDORSEMENT SLIP~~: NOTIFICATION OF VARIATIONS

- (1) As soon as reasonably practical after accepting an application for the entry of a vessel for insurance in the Association the Managers on behalf of the Association shall issue to the applicant a Certificate of Entry in such form as may from time to time be prescribed by the Managers but so that such Certificate of Entry shall state the date of the commencement of the period of insurance and the terms and conditions on which the vessel has been accepted for insurance.
- (2) If at any time or from time to time the Managers on behalf of the Association and a Member shall agree to vary the terms relating to an insured vessel, the Managers shall, as soon as reasonably practical thereafter, ~~issue to~~ notify the Member ~~an Endorsement Slip stating in writing of~~ the terms of such variation and the date from which such variation is to be effective.
- (3) Every Certificate of Entry and every ~~Endorsement Slip issued~~ notification as aforesaid shall be conclusive evidence and binding for all purposes as to the commencement of the period of insurance, as to the terms and conditions on which the vessel has been entered for insurance, and as to the terms of any variation and the date from which such variation is to be effective; provided that in the event that any Certificate of Entry or any ~~Endorsement Slip~~ such notification shall have been defaced or lost or in the opinion of the Managers contains any error or omission the Managers may on behalf of the Association issue a new Certificate of Entry or a new ~~Endorsement Slip~~ notification which shall be conclusive evidence and binding as aforesaid.

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

10 November 2000

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.