

CLASS 2 – FREIGHT, DEMURRAGE & DEFENCE

2. DISPUTES COVERED.

The Association insures each of its Members in the manner and to the extent provided in Rule 3 in connection with claims, disputes or proceedings which arise:-

- (a) out of events occurring during the period of insurance of any insured vessel entered by him (~~"the insured vessel"~~) and
- (b) in respect of the Member's interest, whether actual or prospective, in the insured vessel and which relate to the matters enumerated below, namely:-
 - (i) freight, deadfreight, demurrage, detention or any other matter arising out of a charter party, Bill of Lading or other contract of affreightment or the carriage of goods in or the trading of the insured vessel generally;
 - (ii) detention, salvage, general average contributions and charges (except where the insured vessel is a salvage tug or other craft specially designed, converted, or maintained for use in salvage operations and the claim arises as a result of or during any salvage operations or attempted salvage operations; but the Committee in its absolute discretion may allow claims of this type to be covered);
 - (iii) a policy of insurance, other than with the Association, the West of England Ship Owners' Mutual Insurance Association (London) Limited or the West of England Mutual War Risks Association Limited;
 - (iv) damage sustained by the insured vessel;
 - (v) representation at official inquiries and protection against any interference by a public body, authority, company or corporation in matters connected with the business of ship owning;
 - (vi) any contract for the building, purchase, sale, conversion or repair of the insured vessel (including any guarantee in connection with such contract) only if the contract was made at the beginning of or during the period of insurance or the Managers agree in writing that claims, disputes or proceedings arising from the particular contract will be covered;
 - (vii) any mortgage of the insured vessel or contract for such mortgage;
 - (viii) any other contract in relation to the insured vessel;
 - (ix) any other matter which the Committee determines falls within the scope of the Freight, Demurrage and Defence Class.

3. EXTENT OF COVER.

Subject to any special terms which may be agreed a Member is entitled:-

- (a) to recover from the Association the costs and expenses incurred in connection with any of the claims, disputes and proceedings described in Rule 2, (including costs and expenses payable to other parties to such proceedings under any judgement or order therein), but only if the Committee has determined that the case merits the support of the Association and has not withdrawn that support;
- (b) to receive legal advice from the Association in connection with any of the claims, disputes and proceedings described in Rule 2 or the possibility thereof;
- (c) to recover from the Association the costs and expenses incurred in obtaining advice in connection with the claims, disputes and proceedings aforesaid or the possibility thereof from lawyers, surveyors, representatives and other persons (other than employees of the Member or of the Association or Managers), where the Managers have consented to the obtaining of such advice.

PROVIDED THAT :-

No costs or expenses shall be recoverable from the Association unless:-

- a) they have been incurred with the prior consent in writing of the Managers; or
- b) they have been incurred by the Association on behalf of the Member in accordance with Rule 9 (Employment of Lawyers and others); or
- c) the Committee shall determine that they were reasonably incurred and ought in all the circumstances to be borne by the Association, and
- d) they are not excluded by any proviso, warranty, condition, exemption, limitation, deductible or other term contained in these Rules or in the terms of entry, and
- e) they were incurred by the Member in the capacity in which the Member has entered the insured vessel in the Association.

There shall be no recovery from the Association in excess of US\$5 million in the aggregate in respect of any case as defined in Rule 55.

23. 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 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 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 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 agreement referred to in paragraph (2) of this Rule) with such reinsurers and on such terms as the Managers shall consider appropriate.
- (4) 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 of the Association whereby the Members of this Class of the Association agree to indemnify by way of reinsurance or otherwise any other one or more of the other Classes of the Association in respect of all or any part of the risks insured by such Class on such terms as the Committee shall determine.

55. DEFINITIONS.

"CASE" means any claim or claims, dispute or disputes or proceedings which the Committee determines shall be treated as a case.

"INSURED VESSEL" means a vessel which has been entered for insurance in this Class of the Association, whether identified or not at the time of entry.

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.