

TEXT OF CHANGES

Rule 2 Section 6 - Stowaways, deserters and refugees

Expenses, other than those covered under Section 5 of this Rule, incurred by the Member in discharging his obligations towards or making necessary arrangements for stowaways, deserters, refugees or persons saved at sea, including rescue expenses, but only if and to the extent that:-

- a. the Member is legally liable for the expenses or they are incurred with the approval and agreement in writing of the Managers; and
- b. those expenses are not recoverable from any third party; or
- c. the Committee so determines.

PROVIDED THAT

There is no cover under this Rule or Rule 5 for consequential loss of profit or depreciation arising from the rescue of refugees.

Rule 10 Payment First by the Member, Subrogation and Assignment

The insurance afforded to a Member is indemnity only and not liability.

Unless the Committee in its discretion otherwise determines it shall be a condition precedent of a Member's right to recover from the funds of the Association in respect of any loss, damage, liabilities, costs or expenses that he shall first have discharged or paid the same otherwise than from money advanced expressly or impliedly for that purpose whether by way of loan or otherwise.

Without prejudice to the Managers' power under Rule 27 relating to the handing and settlement of claims, where the Association makes a payment to a Member or a Co-Assured and the Member or Co-Assured has rights against a third party, whether by way of a claim for contribution, indemnity or otherwise arising out of a claim or matter in respect of which the Association has made such payment to the Member or the Co-Assured, the Association shall be subrogated to the rights of the Member and the Co-Assured in respect of the claim or matter to the extent of that payment, including the right to any interest accruing on that mount prior to its recovery from such third party and the right to recover any costs incurred in relation to the exercise of such rights.

Further, the Member and the Co-Assured agree to hold such rights as trustees for the Association and to take such steps as the Association may direct with regard to their enforcement and recovery. All such recoveries, including interest and recovered costs howsoever and whensoever made, are to be paid to the Association, provided that if any such recovery exceeds the amounts paid by the Association, including interest and costs whether paid to third parties or incurred by the Association, the balance shall be paid to the Member.

If required by the Association, the Member and the Co-Assured shall execute a legal assignment of such rights to the Association. In the event that such rights are not assignable or transferable as a matter of law, the Member and the Co-Assured undertake not to dissolve themselves or otherwise render themselves incapable of taking such steps as may be required by the Association in enforcing any such rights against a third party.

Rule 14 Liability Excluded for War Risks

1. Except as provided in paragraph 2 and 3 of this Rule or unless either (a) the Committee otherwise determines or (b) it is otherwise agreed in writing between any Member and the Association, there is no cover in respect of any liabilities, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or on the part of the Member's servants or agents) when the loss or damage, injury, illness or death or other accident in respect of which such liability arises or cost or expense is incurred, was caused by:-
 1. War, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power or any act of terrorism.

2. Capture, seizure, arrest, restraint or detention (barratry and piracy excepted) and the consequences thereof or any attempt thereat.
3. Mines, torpedoes, bombs, rockets, shells, explosives or similar weapons of war (save for those liabilities, costs or expenses which arise solely by reason of the transport of any such weapons whether on board the insured vessel or not).

PROVIDED ALWAYS THAT:-

- a. This exclusion shall not apply to the use of such weapons, either as a result of government order or through compliance with a written direction given by the Managers or the Committee, where the reason for such use is the avoidance or mitigation of liabilities, costs or expenses which would otherwise fall within the cover given by the Association.
- b. In the event of any dispute as to whether or not any act constitutes an act of terrorism, the decision of the Committee shall be final.

2. A Member shall be covered in respect of the risks set out in Rule 2 which would otherwise not be covered by reason of paragraph 1 of this Rule in the following terms:

- a) Such cover shall be subject to an excess of the greater of either:
 - i. The fully insured value of the entered vessel as defined in Rule 12, which for the purposes only of this Rule 14 shall be deemed to be not less than US\$50,000 and not more than US\$100 million; or
 - ii. The amounts recoverable under any War Risk Protection and Indemnity insurance (other than provided under these Rules or the Member terms of entry) including but not limited to Hull and Machinery and Crew War Risk insurance and including any Protection and Indemnity inclusive clauses attached thereto, which for the purpose of this Rule 14 shall be deemed both to exist and to have provided the Member with a full recovery.
- b) Such cover shall be subject to a limit of US\$400 million each vessel, any one accident or such limit as may be applicable to the claim under the Member's terms of entry with the Association.
- c) The limit under sub paragraph (b) of this paragraph 2 shall not in any case exceed US\$400 million in respect of all the Member's entries (whether as an owner or a charterer or otherwise) in the Association or any other party to the Pooling Agreement.
- d) Where the Association reinsures in whole or in part any risk covered under this paragraph 2, the Member shall be entitled to the recover from the Association only the net amount recovered under any reinsurance together with that proportion (if any) of the cover retained by the Association.
- e) Save as provided in sub-paragraph (f) of these paragraphs 2 and 3 of this Rule 14 but otherwise notwithstanding anything to the contrary in this or any other of the Association's Rules there is no cover for any liability, loss, damage, cost or expense directly or indirectly caused by or contributed to by or arising from:
 - i. any chemical, bio-chemical or electromagnetic weapon; or
 - ii. the use or operation, as a means of inflicting harm, of any computer virus.
- f) The Committee may determine to pay one or more Members up to US\$65 million in the aggregate in respect of any liability, loss, damage, cost or expense which is not covered by reason of sub paragraph e) of this paragraph 2.
- g) The Committee may at any time whatsoever determine that any port, place, countries, zones or areas (whether of land or sea) be excluded from the cover provided under this Rule 14.

Such cover shall cease in respect of such ports, places, countries, zones or areas at midnight on the seventh day following the date of issue by the Association to the Members of Notice of such determination.

Unless the Committee otherwise determines there shall be no cover in respect of any claim howsoever arising out of any event, accident or occurrence within such ports, places, countries, zones or areas after such time and date.

h) Whether or not Notice has been given under sub-paragraph (g) of this proviso, cover provided under this Rule 14 shall cease immediately:-

i) in respect of any vessel, in connection with the cover provided under this paragraph 2 of Rule 14, in the event of such vessel being requisitioned either for title or use.

ii) upon the outbreak of war (whether declared or not) between any of the following countries:

the United Kingdom, The United States of America, France, the Russian Federation, the Peoples Republic of China; and

there is no cover for any liability, lose, damage, cost or expense arising from such outbreak of war.

i) Notwithstanding any other term or condition of cover provided under this paragraph 2 the Committee may determine to cancel such cover upon giving 7 days notice to Members such notice becoming effective on the expiry of 7 days from midnight of the day on which it was given; and the Committee may at any time after such notice is given resolve to reinstate such cover on such terms and conditions and with such limits as it may determine.

3. A Member shall be covered for liability to seamen and for sue and labour costs upon the following terms:

SUPPLEMENTAL COVER 2004 (BIO-CHEMICAL RISKS)

1.1 Subject to the terms and conditions and exclusions set out herein, cover is extended to include the liability of the Member:

(a) to pay damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitute expense and shipwreck unemployment indemnity).

(b) for the legal costs and expenses incurred solely for the purpose of avoiding or minimising any liability or risk insured by an Association (other than under the Omnibus Rule)

1.2 where such liability is not recoverable under either

(a) cover provided by the Association for such liabilities, costs, losses and expenses as would be covered under the Rules but for the exclusion of war risks in Rule 14, or

(b) any underlying war risk policies covering the same risks.

1.3 solely by reason of the operation of an exclusion of liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising from

(a) any chemical, biological, biochemical or electromagnetic weapon

(b) the use or operation, as a means for inflicting harm, of any computer, computer system, computer software programme, malicious code, computer virus or process or any other electronic system.

1.4 other than liabilities, costs, losses and expenses arising from

(i) explosives or the methods of the detonation or attachment thereof

(ii) the use of the entered ship or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon

(iii) the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.

2 Excluded Areas

2.1 Unless and to the extent the Directors may in their discretion otherwise determine, there shall be no recovery in respect of any liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising out of any event, accident or occurrence within the ports, places, zones or areas or during such period as are specified in Clause 2.2 of this paragraph 3.

2.2 At any time or times before, or at the commencement of, or during the Policy Year, the Managers on behalf of the Association may by notice to the Member specify, the ports, places, countries, zones and periods referred to in Clause 2.1 of this paragraph 3 from a date and time not being less than 24 hours from midnight on the day the notice is given to the Member.

3 Cancellation

Cover hereunder may by notice to the Member be cancelled by the Association from a date and time specified by the Association, not being less than 24 hours from midnight on the day notice of cancellation is given to the Member.

4 Limit of Liability

4.1 Subject to Clause 4.2 of this paragraph 3 the limit of the liability of the Association under this extension of cover in respect of all claims shall be in the aggregate US\$30 million each ship any one accident or occurrence or series thereof arising from any one event.

4.2 In the event that there is more than one entry by any person for Bio-Chem cover as provided herein in respect of the same ship with the Club and/or any other insurer which participates in the Pooling Agreement or General Excess Loss Reinsurance Contract, the aggregate recovery in respect of all liabilities, costs, losses and expenses arising under such entries shall not exceed the amount stipulated in Clause 4.1 of this paragraph 3 and the liability of the Association under each such entry shall be limited to such proportion of that amount as the claims arising under that entry bear to the aggregate of all such claims recoverable from the Association and any such other insurer.

5 Deductible

The deductible shall be the deductible applicable to the relevant cover set out in the Certificate of Entry.

Rule 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, or
- (c) the radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive 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.

(d) The intended or actual carriage of live animals.

(e) The discharge or escape, or the threat of discharge or escape, or the presence of any substance, material, product, or waste determined or deemed to be hazardous, from or in any dump, site, storage or disposal facility, whether or not such substance, material, product or waste was previously carried on an entered ship as cargo, fuel or stores and whether at any time mixed or combined in any way in whole or in part with any other substance whatsoever.

Rule 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;~~

A (i) liabilities, costs and expenses arising out of salvage operations conducted by an insured vessel or provided by a Member, other than liabilities, costs and expenses arising out of salvage operations conducted by an insured vessel for the purpose of saving or attempting to save life at sea; and

(ii) liabilities, costs and expenses incurred by an Insured Owner (being a professional salvor) which are covered by a special agreement between that Insured Owner and the Association or Reinsured Entity, and which arise out of the operation of, and in respect of that Insured Owner's interest in an insured vessel.

~~(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 liabilities, costs and expenses incurred in respect of 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 liabilities, costs or expenses arise out of or during drilling or production operations.

For the purposes of this paragraph B 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;

(i) the oil is transferred directly from a producing well to the storage vessel; or

(ii) 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.

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;~~

C liabilities, costs and expenses incurred by a Member during the course of performing specialist operations including but not limited to dredging, blasting, pile-driving, well-stimulation, cable or pipelaying, construction, installation or maintenance work, core sampling, depositing of spoil, professional oil spill response or professional oil spill response training and tank cleaning (otherwise than on the insured vessel) (but excluding fire-fighting) 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 an 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.

- i. 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);~~

D liabilities, costs and expenses incurred by a Member in connection with any claim brought against it arising out of:

- (i) waste incineration or disposal operations carried out by the insured vessel (other than any such operations carried out as an incidental part of other commercial activities, not being specialist operations); or
- (ii) the operation by the Member of submarines, mini-submarines or diving bells; or
- (iii) the activities of professional or commercial divers where the Member is responsible for such activities, other than
 - (a) activities arising out of salvage operations being conducted by an insured vessel where the divers form part of the crew of that insured vessel (or of diving bells or other similar equipment or craft operating from the insured vessel) and where the Member in respect of the insured vessel is responsible for the activities of such divers; and
 - (b) incidental diving operations carried out in relation to the inspection, repair or maintenance of the insured vessel or in relation to damage caused by the insured vessel; and
 - (c) recreational diving activities.

Rule 30 Eligibility for Insurance or Reinsurance

- (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 and in particular may be or become a shareholder in Hydra and a party to any agreement with or associated with Hydra and the Association's shareholding in it.

Rule 60 Definitions

- (b) "CONVENTION LIMIT" in respect of a vessel, means the limit of liability of the Shipowner of that vessel for claims (other than claims for loss of life or personal injury) at the Overspill Claim Date calculated in accordance with the text at 19th November 1976 of Article 6 paragraph 1(b) of the International Convention on Limitation of Liability for Maritime Claims 1976 (the "Convention") unchanged or revised by any subsequent protocol, revision or amendment and converted from Special Drawing Rights into United States Dollars at the rate of exchange conclusively certified by the Association as being the rate prevailing on the Overspill Claim Date, provided that,
 - (a) where a vessel is entered for a proportion (the "relevant proportion") of its tonnage only, the Convention Limit shall be the relevant proportion of the limit of liability calculated and converted as aforesaid, and
 - (b) each vessel shall be deemed to be a seagoing ship to which the Convention applies, notwithstanding any provision in the Convention to the contrary and

(c) where the gross tonnage of the vessel has not been measured in accordance with the Convention, that gross tonnage shall, for the purposes only of determining the Convention Limit, be determined in such manner as the Association shall consider appropriate