

January 2013

Notice to Members No. 25 2012/2013

Notice to Members

NOTICE is hereby given that an Extraordinary General Meeting of the Members of the Association will be held at 1000 hours on Wednesday, 6 February 2013 in the Steigenberger Grand Hotel Brussels, Avenue Louise 71, 1050 Brussels, Belgium for the purpose of considering and, if thought fit, passing the following SPECIAL Resolutions:

A. SPECIAL RESOLUTION

THAT alterations to certain Rules of Class 1 and Class 2 (as hereafter set out with commentary) be made to take effect from noon GMT on 20 February 2013:-

B. SPECIAL RESOLUTION

THAT alterations to the Constitution (as hereafter set out with commentary) be made to take effect from noon GMT on 20 February 2013:-

C. SPECIAL RESOLUTION

THAT the date of the Annual General Meeting for 2014 is to take place (exceptionally at the request of the Board) one week later than usual on 24 September 2014.

INTRODUCTION

Unless stated otherwise, those parts of the 2012 Rules or Constitution where it is proposed that changes are made are attached with the changes marked. A proposed deletion from the 2012 Rules or Constitution is identified by striking through the text to be deleted. Proposed additions are underlined. All proposed changes are accompanied by a vertical mark in the margin for ease of identification. Pages headers and page numbering of the Rules will be adjusted once the changes are adopted and prior to printing for the 2013 policy year.

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R.C.S. Luxembourg B 8963

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SPECIAL RESOLUTION A

TEXT OF CHANGES – CLASS 1

1. RULE 2 SECTION 2A – LIABILITY TO PASSENGERS

The proposed amendment allows the Managers to defer payment of claims in respect of passengers until claims covered by a certificate of financial responsibility issued by the Club under Article IV of the Athens Convention 2002 or under the European Union's Passenger Liability Regulations EC 392/2009 have been paid. Such prioritisation of claims is required because the overall cover provided by the Club in respect of passengers is limited by Rule 7(5) and because the Club has a direct liability to claimants under the certificate of financial responsibility.

The proposed amendment is as follows:

Section 2A - Liability to passengers

Liability to pay damages or compensation:-

- (i) for personal injury, illness or death of any passenger of an insured vessel and hospital, medical or funeral expenses incurred in relation to such injury, illness or death. In this paragraph funeral expenses shall include the repatriation of dead bodies;
- (ii) other than for those risks covered under paragraphs (i) and (iii) of this Section to passengers on board an insured vessel, including the cost of forwarding passengers to destination or return to port of embarkation and of maintenance of passengers ashore, arising as a consequence of a collision, stranding, explosion, fire or any other incident affecting the physical condition of the insured vessel so as to render it incapable of safe navigation to its intended destination or constituting a threat to the life, health or safety of passengers;
- (iii) for loss of or damage to the effects of any passengers on board an 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.
- (b) The terms of the passage ticket or other contract between the passenger and the Member have been approved by the Managers in writing and cover for the liabilities, costs and expenses set out in this Section has been agreed between the Member and the Managers on such terms as the Managers may require.
- (c) There is no cover under this Section in respect of liabilities, costs and expenses incurred by a Member for personal injury, illness or death or loss or damage to property, delay or any other consequential loss sustained by any passenger on an insured vessel by reason of carriage of that passenger by air, except where such liabilities, costs and expenses occur during repatriation by air of injured or sick passengers following a casualty to the insured vessel, or during excursions from the insured vessel (but subject to proviso (d) below).
- (d) There is no cover under this Section in respect of contractual liabilities, costs and expenses incurred by a Member arising in respect of a passenger on board the insured vessel whilst on an excursion from the insured vessel in circumstances where either:-
 - (i) a separate contract has been entered into by the passenger for the excursion, whether or not with the Member, or

- (ii) the Member has waived any or all of his rights of recourse against any subcontractor or other third party in respect of the excursion.
- (e) Unless and to the extent that the Member has obtained appropriate special cover by agreement in writing with the Managers, there is no cover under this Section in respect of claims relating to cash, negotiable instruments, precious or rare metals or stones, valuables or objects of a rare or precious nature.
- (f) Where liabilities to passengers include liabilities arising under a certificate issued by the Club in compliance with either Article IV of the Athens Convention relating to the Carriage of Passengers and their Luggage by sea, 1974 and the Protocol thereto of 2002 or Regulation (EC) No.392/2009 of the European Parliament and of the Council of 23rd April 2009 on the liability of carriers of passengers by sea in the event of accidents ("Certified Liabilities") and all liabilities to passengers exceed or may exceed in the aggregate the limit of cover specified in Rule 7:-
 - (i) the Managers may in their absolute discretion, until the Certified Liabilities, or such part of the Certified Liabilities as the Managers may decide, have been discharged, defer payment of a claim in respect of other liabilities to passengers or any part thereof; and
 - (ii) if and to the extent any Certified Liabilities discharged by the Club exceed the said limit any payment by the Club in respect thereof shall be by way of loan and the Member shall indemnify the Club in respect of such payment.

2. RULE 2 SECTION 3 - REPATRIATION AND SUBSTITUTES' EXPENSES AND RULE 10 - PAYMENT FIRST BY THE MEMBER, SUBROGATION AND ASSIGNMENT

The International Group of P&I Clubs have agreed to extend cover to liabilities arising under the Maritime Labour Convention 2006 which comes into force in 2013. Liabilities under the Convention in respect of personal injury and repatriation following a casualty to an insured vessel are covered by the Club's existing Rules, but those relating to repatriation following insolvency of a shipowner are not. The proposed amendments to Rule 2 Section 3 extend the scope of cover to include such liability and, to the extent, the Convention requires, modify the "pay to paid" provision of Rule 10.

The amendment reads:

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~~ including an obligation under the Maritime Labour Convention 2006; 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:-

There is no cover under this Rule 2 Section 3 for liabilities, costs or expenses which arise out of: ~~This Section does not cover~~

- (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 the sale of the vessel or any other Act of the Member in relation to the vessel.
- (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. the termination of any agreement, or the sale of an insured vessel, or any act of the Member in respect of the ship, save in both cases and to the extent permitted by Rule 10 in respect of the Member's liability for such costs or expenses under the Maritime Labour Convention 2006.~~
- ~~(iv) any other act of the Member in relation to the insured vessel.~~

Rule 10 – Payment First by the Member, Subrogation and Assignment

The amendment reads:

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' powers 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 amount 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.

The cover provided by the Association as set out in these Rules is solely for the benefit of the Member. It is not intended, save as otherwise provided in this Rule 10, that rights should be acquired by any third party through the operation of the Contracts (Rights of Third Parties) Act 1999 of the United Kingdom or similar legislation.

Notwithstanding any other provisions of this Rule 10 and the provisions of Rules 11 and 39, where a Member has failed to discharge a legal liability to pay damages or compensation for personal injury, illness or death of a seaman or under any statute giving effect to the Maritime Labour Convention 2006 or any similar enactment, the Association shall discharge or pay such claim on the Member's behalf directly to such seaman or dependant thereof.

PROVIDED ALWAYS THAT:-

- (i) the seaman or dependant has no enforceable right of recovery against any other party and would otherwise be uncompensated,
- (ii) subject to (iii) below, the amount payable by the Association shall under no circumstances exceed the amount which the Member would have been able to recover from the Association under the Rules and the Member's terms of entry,
- (iii) where the Association is under no liability to the Member in respect of such claim by reason of Rule 39, the Association shall nevertheless discharge or pay that claim to the extent only that it arises from an event occurring prior to the date of cancellation, but as agent only of the Member, and the Member shall be liable to reimburse the Association for the full amount of such claim.

3. RULE 3 - SPECIAL COVER AND CHARTERERS RISKS and RULE 43 LIABILITY FOR CALLS AND OTHER SUMS

The Board has agreed that the Club may underwrite a limited range of risks for owners' entries on a fixed premium basis. It is therefore proposed that Rule 3 is amended by adding an additional paragraph at the end of the Rule together with a consequential amendment to Rule 43 as follows:

3 - Special Cover and Charterers Risks

(C) Cover for Fixed Call Risks

Without prejudice to the generality of this Rule 3, the Association may, without derogation from Rule 43, insure a Member, including a charterer of any kind, in respect of the liabilities, losses, costs and expenses covered under Rule 2 upon terms that the Member shall pay a fixed Call, instead of an Advance Call, consisting of a single fixed element which may include the cost of reinsurance other than that placed under the General Excess Loss Contracts or other reinsurance effected collectively by the parties to the Pooling Agreement and that the Member shall not be liable to pay an Additional Call, Overspill Call, Release or contribution in respect of a Solvency Margin and/or Guarantee Fund.

43 – Liability for Calls and Other Sums

Members who have vessels entered for insurance in the Association in respect of any Policy Year shall, unless otherwise agreed in writing in accordance with Rule 3, provide by way of Advance Calls, Additional Calls, Overspill Calls, Releases and contributions to a Solvency Margin and Guarantee Fund all funds which the Committee determines are required:-

- (i) To meet such of the general expenses of the Association as the Committee may from time to time determine shall be charged against the insurance business of this Class in respect of such Policy Year.
- (ii) To meet the claims, reinsurance premiums, expenses and outgoings (whether incurred, accrued or anticipated) of the insurance business of this Class in respect of such Policy Year (including without prejudice to the generality of the foregoing, any proportion of any claims, expenses or outgoings of any insurer other than the Association which has fallen or which may be thought likely to fall upon this Class by virtue of any reinsurance or pooling agreement concluded between the Association and such other insurer).
- (iii) For such transfers to the reserves or other accounts of the Association (as referred to in Rule 49) and for subsequent application for the purposes of such reserves or other accounts or otherwise as the Committee determine.
- (iv) For such transfers as the Committee may determine to meet any deficiency which has occurred or may be thought likely to occur in any closed Policy Year or Years.
- (v) To meet such proportion (if any) as the Committee may determine appropriate of the claims, reinsurance premiums, expenses and outgoings (whether incurred, accrued or anticipated) of the other Classes of the Association.
- (vi) To be set aside in order to establish and/or maintain an adequate Solvency Margin and Guarantee Fund in respect of any Policy Year.

4. RULE 6 – DEDUCTIBLES

It is proposed to increase the deductible contained in the Rules from US\$6,000 to US\$7,000 as follows:

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) *Cargo claims and cargo's proportion of General Average*

In respect of liabilities, costs and expenses referred to in Rule 2 Sections 16 and 17 and any costs and expenses incurred in connection therewith under Rule 2 Section 24 the first US\$67,000 in respect of one insured vessel in respect of each cargo voyage.

(2) *All other Claims*

In respect of the liabilities costs and expenses referred to in Rule 2 Sections 1 to 14 inclusive and 18 to 23 inclusive and any costs and expenses incurred in connection therewith under Rule 2 Section 24 the first US\$67,000 in respect of one insured vessel in respect of each incident.

PROVIDED THAT:-

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 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.

5. RULE 44 – ADVANCE CALL

It is proposed to amend this Rule to include reference in sub paragraph (ii) of the Rule to other reinsurance effected collectively by the parties to the Pooling Agreement.

The amendment reads as follows:

44 – Advance Call

- (ii) the fixed element, which shall be such contribution as the Committee may determine to the premiums payable by the Association for that Policy Year under the General Excess Loss Reinsurance Contracts and other reinsurance effected collectively by the parties to the Pooling Agreement.

6. RULE 45B – RELEASES

Following discussions with the European Commission's Competition Directorate DG Comp, the International Group Clubs have agreed to make changes to the International Group Agreement including the provisions relating to Releases. A rule change is proposed in order to reflect the revisions to this Agreement.

The amendment reads:

45B - Releases

- (1) Without prejudice to Rule 45A (Overspill Claims and Calls) and for the purposes of this Rule 45B only, Calls means Calls other than Overspill Calls. If a Member ceases to be insured in respect of an insured vessel for any reason whatsoever, the Managers may at any time after termination of insurance of that vessel calculate and at the Member's request shall calculate, and notify such Member of the estimated amount of his liability for further Calls which the Association may levy in respect of such vessel, according to the Release formula determined from time to time by the Committee, together with the amount of all other sums due by such Member to the Association.
- (2) In determining the Release formula to be used for estimating the amount of liability of Members for further Calls the Committee may take into account any contingencies and other special considerations which it may determine are relevant for this purpose ~~(including but not limited to matters such as inflation and currency fluctuations)~~ and shall in any event take account of the factors as are set out in, and otherwise comply with, the International Group Agreement 2013.
- (3) The amounts calculated and notified by the Managers under paragraph (1) of this Rule shall be a Release and shall be payable by such Member on such date or dates as the Managers may require, in either case without deduction.
- (4) When a Member has paid his Release in full in accordance with paragraph (3) of this Rule he shall be under no further liability for any further Calls which the Association may levy after the date of such notification and shall have no right to share in any return of an excess or any part thereof which the Committee may thereafter determine in accordance with Rule 50(4).
- (5) The Managers may, at any time prior to payment of a Release in full in accordance with paragraph (3) of this Rule, recalculate such Release in accordance with the Release formula referred to in paragraph (1) of this Rule and notify the relevant Member thereof, whereupon such Member shall become liable to pay such recalculated Release in accordance with this paragraph (5), credit being given against such recalculated Release for any part or instalments of a Release paid to the Association in respect of such vessel.

- (6) Until a Member has paid his Release in full in accordance with paragraph (3) of this Rule, he shall remain liable to pay all Calls levied in respect of such vessel after the date of such notification, credit being given against such further Calls for any part or instalments of a Release paid to the Association in respect of such vessel.
- (7) A Member who may be entitled under the terms of the International Group Agreement 1999 or other subsequent similar agreement to make a request to the Association to pay such further Calls as and when they become due instead of a Release, shall:
 - (a) make such request in writing no later than seven days after the Managers have notified such Release to such Member,
 - (b) within 14 days of the Managers' request to do so, provide to the Association as security for such further Calls a bank guarantee on terms and from a bank acceptable to the Managers in the amount of such Release together with such Member's written undertaking on terms acceptable to the Managers to increase, within 14 days of a request by the Managers to do so, the amount of such bank guarantee to cover any increase in the Association's or the Managers' estimate of such further Calls.
- (8) Until a Member has both made a request as required by sub-paragraph 7(a) and provided a bank guarantee and undertaking as required by sub-paragraph 7(b), he shall remain liable to pay any Release or revised Release notified under paragraphs (1) and (5) of this Rule, and the Managers may recalculate such Release in accordance with the Release formula referred to in paragraph (1) and notify such Member thereof, whereupon he shall become liable to pay such recalculated Release in accordance with this paragraph (8), credit being given for any instalments of a Release received by the Association in respect of such vessel.
- (9) A Member shall have no right to dispute any Release save that, after payment thereof in full to the Association or after payment of all instalments required by the Managers, the Member shall be entitled to claim repayment thereof in whole or in part using the procedure set out in Rule 57.

7. RULE 48 – LAID-UP RETURNS

In order to monitor lay-up arrangements more closely and to encourage Members to submit timely requests for returns, it is proposed to amend this Rule to require notice to be given to the Managers of an intended lay-up and of completion of lay-up and to require requests for returns to be submitted within 3 months rather than 6 months of completion of lay-up. The Rule will continue to permit Members to make periodical requests for a return where a vessel is laid up for a long period.

The proposed change reads:

48 Laid-Up Returns

- (1) If an insured vessel shall be laid-up in any safe port or place for a period of thirty or more consecutive days after ~~finally anchoring or~~ mooring there (such period being computed from the day of arrival to the day of departure, one only of such days being included) the Member concerned shall be allowed in respect of such vessel for the period of lay-up a return of Calls except Overspill Calls calculated at the rate of 75 per cent of ~~his total~~ the mutual element of his Advance Call and of his estimated Additional Call ~~Calls except Overspill Calls~~ plus such amount as the Committee shall determine shall be allowed in respect of the premium payable by the Association under the General Excess Loss reinsurance Contracts effected collectively by the parties to the Pooling Agreement. ~~payable in respect of such vessel for the period of lay-up. From that return there shall be deducted the reinsurance premiums which the Association remains liable to pay to reinsurance underwriters in respect of the insured vessel for the period of lay-up.~~

- (2) For the purpose of this Rule a vessel shall not be treated as laid-up if it had either crew members (other than crew necessary in the opinion of the Managers for its maintenance and safety) or cargo on board. Provided that the Managers may allow in respect of such vessel for the period of lay-up a return of up to 50 per cent of the Calls except Overspill Calls calculated at up to 50 per cent of the mutual element of his Advance Call and of his estimated Additional Call plus such amount as the Committee shall determine shall be allowed in respect of the premium payable by the Association under the General Excess Loss reinsurance Contracts effected collectively by the parties to the Pooling Agreement in respect of such vessel for such period of lay-up where the vessel is laid up with crew (other than crew necessary in the opinion of the Managers for its maintenance and safety) but without any cargo on board. ~~From that return there shall be deducted the reinsurance premiums which the Association remains liable to pay to reinsurance underwriters in respect of the insured vessel for the period of lay-up.~~
- (3) Unless otherwise agreed in writing by the Managers no claim for laid-up returns relating to any Policy Year shall be recoverable from the Association unless:
- (a) written notice of the intended lay-up has been given to the Managers before its commencement, including details of the place of lay-up and of the number of crew and the amount and nature of any cargo on board.
 - (b) written notice of termination of lay-up has been given to the Managers before the vessel leaves the place of lay-up
 - ~~(a) written notice thereof has been given to the Association within three months of the end of the Policy Year concerned, and a Member shall not be entitled to laid-up returns in respect of an insured vessel as from the time such vessel shall have been 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 have become a commercial total loss.~~
 - (c) the claim for laid-up returns is submitted to the Managers within three calendar months of termination of lay-up accompanied by a certificate or other document issued by the government or port authority having jurisdiction over the port or place of lay-up which states:
 - (i) the port or place of lay-up
 - (ii) the date on which the lay-up period began and, (if the lay-up has ended), the date on which the lay-up ended
 - (iii) that the insured vessel had no cargo on board at any time during the lay-up period
 - (iv) the number of crew on board during the lay-up period.
 - (d) the Member has provided the Managers with such information as they may require from time to time in connection with such lay-up.
- (4) If an insured vessel commences or recommences trading after ~~such vessel~~ it has been and has remained in safety in any safe port for a period of four consecutive calendar months or more after ~~finally anchoring or mooring~~ there (such period being computed from the day of arrival to the day of departure, one only of such days being included) in circumstances in which the Member concerned is entitled to Laid-up Returns under paragraph (1) or (2) of this Rule, the Member shall be obliged immediately to inform give the Managers seven days prior written notice of such commencement or recommencement so as to enable the Managers if they think

fit to require to be satisfied as to the condition of the insured vessel by a survey of the insured vessel or otherwise.

- (5) If the Member does not so inform the Managers, the Association shall not be liable for any loss, damage, liability, costs or expenses which would have been avoided if the opportunity for such survey had been given, a survey had been carried out and all defects revealed in that survey had been remedied.
- (6) The Directors shall have sole discretion in determining whether the port or place concerned is safe within the meaning of this Rule 48.

TEXT OF CHANGES - CLASS 2

1. RULE 2 – DISPUTES COVERED

It is proposed to change this Rule to remove redundant wording, since the cover already extends to the trading of an insured vessel generally.

The proposed change reads as follows:

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 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.

2. RULE 3 – EXTENT OF COVER

It is proposed to amend this Rule to:

- (i) allow cover to be provided by agreement for more than US\$ 5 million, and
- (ii) to exclude from cover claims against the Club and its Managers

The amendment reads as follows

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:

(A) 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.

(B) ~~Unless otherwise agreed by the Managers in writing~~ 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 52 and where such case relates to the building of an insured vessel, there shall be no recovery from the Association in excess of US\$ 2 million in the aggregate.

There is no cover for any claims, dispute or proceeding with or against the Association, its directors, the Managers or their employees or agents.

3. RULE 52 - DEFINITIONS

It is proposed to make the definitions of "EVENT" more flexible so that it is determined by the Club in each case rather than by reference to a cause of action accruing.

The amendment reads as follows:

"EVENT", for the purpose of determining whether a claim, dispute or proceedings arise out of events occurring during the period of insurance of a vessel, means:

- (a) where the claim, dispute or proceedings relate to a contract of towage or salvage of the vessel, the beginning of the towage or salvage services;
- (b) in all other cases, ~~the accruing of the cause of action~~ as the Association shall determine.

In the Class 2 Rules the term "INCIDENT" is redundant and shall be deleted from Rule 52.

SPECIAL RESOLUTION B

CONSTITUTION CHANGE

It is proposed that paragraph 12 of the Constitution of the Association be amended in line with advice received from the Association's Luxembourg lawyers to comply with the requirement under Luxembourg law that the date of the Annual General Meeting and the period of the financial year must be specified.

The proposed change reads as follows:

General Meetings

The Association shall in each calendar year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Association and that of the next. The Annual General Meeting shall be held in the Grand Duchy of Luxembourg on the third Wednesday of September each year or such other date as may be otherwise determined by the Members of the Association at a General Meeting, provided that the alternative date determined is not later than the latest date otherwise required by Luxembourg law. All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings. The Association's financial year shall run from 20 February.

SPECIAL RESOLUTION C

If the Members pass Resolution B they are requested to pass Resolution C, because arrangements have already been put in place to hold the Annual General Meeting for 2014 in Luxembourg on 24 September 2014 to coincide with the Meeting of the Club's Board there.

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

January 2013

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 to 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.