

## TEXT OF CHANGES - CLASS 1 RULES

### 1. RULE 2 SECTION 1 - INJURY, ILLNESS AND DEATH – SEAMEN

In order to clarify the position on cover for pre-employment medical examinations (PEME) costs it is proposed that Rule 2 Section 1 (C) be deleted and a proviso added.

The proposed change reads as follows:

#### **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:-*

- (a) 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; and
- (b) Unless the Member and the Managers have otherwise agreed in writing, there is no cover in respect of expenses incurred in the medical examination of seamen prior to engagement.

### 2. RULE 2 SECTION 2A - LIABILITY TO PASSENGERS

An amendment to the proviso concerning cover for passenger excursions is proposed to clarify the extent of cover where a claim for injury or death arising during an excursion purchased from a third-party vendor is bought by a passenger against the Member.

The proposed change reads as follows:

#### **Section 2A Liability to passengers**

*PROVIDED THAT:-*

- (d) There is no cover under this Section in respect of ~~contractual~~ liabilities, costs and expenses incurred by a Member under a contract 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~~that contract has been entered into separately 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 sub-contractor or other third party in respect of the excursion.

***(NB: The other provisions of Rule 2 Section 2A which remain unaltered are not reproduced here for the sake of brevity.)***

### **3. RULE 3 - SPECIAL COVER AND CHARTERERS RISKS**

It is proposed to make a specific head of cover available to charterer Members to respond to extraordinary costs and expenses reasonably and necessarily incurred where the Member supplies off-spec bunkers to a vessel and it becomes necessary to discharge those bunkers back ashore as well as to clean the bunker spaces affected in order to prevent damage to the vessel's engines and other equipment.

Also, although the usual cover limit for charterers cover is US\$500 million, the Club is now able to offer limits by separate agreement up to US\$1 billion. It is proposed that this is reflected in the Rule.

The proposed changes read as follows:

#### **3 Special Cover and Charterers Risks**

##### ***(B) Cover for Charterers and related parties***

Without prejudice to the generality of this 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 liabilities, losses, costs and expenses set out in Rule 2 and in respect of one or more of the liabilities, losses, costs and expenses set out in sub-paragraphs (1) to (7~~6~~) of this paragraph (B), namely:

(7) Liability as charterer to pay extraordinary costs and expenses reasonably and necessarily incurred in the removal and replacement of bunkers aboard the insured vessel for the purpose of avoiding or minimising liability on the part of the Member for physical damage to the insured vessel, its engines or other equipment, in particular the following activities:

(i) the removal from the ship of bunkers (including any fuel oil and/or lubricating oil);

(ii) the replacement of bunkers so removed with new and sound bunkers;

(iii) the cleaning of the ship's engines, tanks, pipelines and/or other similar affected areas; and

(iv) the lawful disposal of bunkers and other substances resulting from the activities set out in sub-paragraphs (i) and (iii) of this paragraph (B).

PROVIDED THAT there shall be no cover for any of the following:

(a) The value or price of the bunkers removed from the insured vessel and/or the new and sound bunkers supplied to it;

(b) Costs and expenses resulting from steps taken or which could reasonably have been taken by the Member's employees or from the reasonable use of equipment operated by or on behalf of the Member, and

(c) Costs and expenses incurred by the Member in any capacity other than as charterer of the insured vessel, in particular as supplier of bunkers removed and/or replaced.

***Cover under sub-paragraphs (1) to (6~~7~~) of this paragraph (B) is subject to the following provisos:-***

- (e) The provisions of Rule 7 shall not apply, 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 paragraph (B), including cover under Rule 2. In the absence of any such Bye-Law and save as provided in Rule 3(B)6(e-), or as otherwise agreed in writing with the Managers, the Association's liability under all paragraphs of this paragraph (B), 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\$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:-

**(NB: The other provisions of Rule 3 which remain unaltered are not reproduced here for the sake of brevity.)**

#### **4. RULE 6 - DEDUCTIBLES**

In line with Notice to Members No.10 of 2018/2019 (Renewals 2019/2020) as it relates to general increases in standard deductibles, it is proposed to amend Rule 6 to substitute US\$12,000 with US\$13,000.

The proposed change reads 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\$132,000 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 15 inclusive and 18 to 23 inclusive and any costs and expenses incurred in connection therewith under Rule 2 Section 24 the first US\$132,000 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 8 - OTHER LIMITATIONS OF THE ASSOCIATION'S LIABILITY**

It is proposed that section 4 from the Rule is removed in its entirety and put together with other sanctions-related provisions to create a single sanctions rule – please see Rule 19A below.

The proposed change reads as follows:

~~(4) Sums not recovered from the International Group Pool and from its reinsurers~~

~~The Association shall in no circumstances have a liability to a Member in respect of that part of any liabilities, costs and expenses which is not recovered by the Association from parties to the Pooling Agreement, and / or under the Group Excess Loss Reinsurance Contract or any other reinsurer because of a shortfall in recovery from such parties or reinsurers thereunder by reason of a sanction, prohibition or adverse action against them by a state or international organisation or other competent authority or the risk thereof if payment were to be made by such parties or reinsurers. For the purposes of this Rule 8 "shortfall" includes but is not limited to any failure or delay in recovery by the Association by reason of such parties or reinsurers making payment into a designated account in compliance with the requirements of any state or international organisation or other competent authority.~~

**(NB: The other provisions of Rule 8 which remain unaltered are not reproduced here for the sake of brevity.)**

**6. RULE 17 - LIABILITY EXCLUDED FOR CERTAIN RISKS AND EXCLUSION OF CERTAIN LIABILITIES, COSTS AND EXPENSES OF SALVAGE VESSELS, DRILLING VESSELS, DREDGERS AND OTHERS, SPECIALIST OPERATIONS, DIVING ETC.**

Following discussion and agreement by all IG Clubs, it is proposed that the specialist operations rule is amended in two ways. Firstly, the list of excluded operations is to be made a finite list to aid clarity for Members. The opportunity was also taken to refine the list.

Secondly, the basis of cover for accommodation units has been amended slightly to now require not only that there has been an acceptable allocation of risk but also that the unit is moored at least 500 metres from the production or exploration facility.

The proposed changes to Rule 17 read as follows:

**17 Liability excluded for certain risks and 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)

(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 (and which for the purposes of this Rule shall include wreck removal 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.

(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.

In respect of any entered vessel employed to carry out production operations in connection with oil or gas production, the exclusion shall apply:

- (a) from the time that a connection whether directly or indirectly, has been established between the Insured Vessel and the well until such time that the Insured Vessel has been disconnected from the well as part of a planned procedure to leave the site for the purpose of navigation to shore or to another production site; or
  - (b) where the Insured Vessel is unintentionally, as well as intentionally as an emergency response, disconnected from the well; or
  - (c) where the Insured Vessel remains connected to the well, but the production is shut down, whether or not as an emergency response.
- (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 ~~and power generation, 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 a 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.

- (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.
- (E)
  - (a) personnel (other than marine crew) on board the insured vessel (being an accommodation vessel) employed otherwise than by the Member unless:
    - (i) such vessel is moored or anchored more than 500 metres from any oil or gas production or exploration facility, and
    - (ii) there has been a contractual allocation of risks as between the Member and the employer of the personnel which has been approved by the Association;

~~when there has not been a contractual allocation of risks as between the Member and the employer of the personnel which has been approved by the Association; and,~~
  - (b) hotel and restaurant guests and other visitors and catering crew of the insured vessel when the insured vessel is moored (otherwise than on a temporary basis) and is open to the public as a hotel, restaurant, bar or other place of entertainment.

**7. RULE 19 - EXCLUSION IN RESPECT OF SANCTIONS, CONTRABAND, BRIBERY AND IMPRUDENT, UNSAFE, HAZARDOUS OR IMPROPER ACTIVITY**

The provisions relating to sanctions are currently to be found in various places around the Rules. To make the Club's rules on sanctions clearer, it is proposed that a new, comprehensive sanction Rule 19A is created which will take the relevant parts from Rules 8(4) and 19. It is also proposed that an express right of immediate cancellation for sanctionable activity be added.

The proposed change to Rule 19 and the new Rule 19A read as follows:

**19 Exclusion in Respect of ~~Sanctions~~, Contraband, Bribery and Imprudent, Unsafe, Hazardous or Improper Activity**

- (1) There is no cover in respect of an insured vessel, 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.
- (2) ~~Unless the Directors otherwise determine there is no cover in respect of an insured vessel being employed by the Member in a carriage, trade or on a voyage which thereby in any way howsoever exposes the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation or other competent authority.~~
- (3) ~~Unless the Committee otherwise determines there is no cover in respect of an insured vessel carrying contraband or in respect of any activity on the part of the Member or~~

the member's servants, agents or sub-contractors (including seafarers of the insured vessel) which is or would be, if subject to the jurisdiction of the Courts of the United Kingdom, an offence under the United Kingdom Bribery Act 2010.

#### **19A Sanctions, Prohibitions and Adverse Action**

- (1) Unless the Committee otherwise determines, there is no cover in respect of an insured vessel being employed by the Member in a carriage, trade or on a voyage which thereby in any way howsoever exposes the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation or other competent authority.
- (2) The Association shall in no circumstances have a liability to a Member in respect of that part of any liabilities, costs and expenses which is not recovered by the Association from parties to the Pooling Agreement, and/or under the Group Excess Loss Reinsurance Contract or any other reinsurer because of a shortfall in recovery from such parties or reinsurers thereunder by reason of a sanction, prohibition or adverse action against them by a state or international organisation or other competent authority or the risk thereof if payment were to be made by such parties or reinsurers. For the purposes of this Rule 19A "shortfall" includes but is not limited to any failure or delay in recovery by the Association by reason of such parties or reinsurers making payment into a designated account in compliance with the requirements of any state or international organisation or other competent authority.
- (3) Notwithstanding the express or implied terms of any other provision of these Rules, on becoming aware of any prima facie evidence of any conduct by a Member which exposes or might expose the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation or other competent authority the Association shall be entitled to terminate its insurance of the Member immediately and without notice, whereupon that Member shall immediately cease to be insured by the Association and the period of insurance shall immediately terminate in respect of any and all vessels entered by him.

#### **TEXT OF CHANGES - CLASS 2 RULES**

##### **1. RULE 19 – LIABILITY EXCLUDED IF ADVENTURE ILLEGAL, HAZARDOUS OR IMPROPER**

It is proposed that the changes set out above relating to sanctions should be mirrored in their Class 2 counterpart. No changes are required to the current Rule 19 but it is proposed that a new Rule 19A is added, which reads as follows:

#### **19A Sanctions, Prohibitions and Adverse Action**

- (1) Unless the Committee otherwise determines, there is no cover in respect of an insured vessel being employed by the Member in a carriage, trade or on a voyage which thereby in any way howsoever exposes the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation or other competent authority.
- (2) The Association shall in no circumstances have a liability to a Member in respect of that part of any liabilities, costs and expenses which is not recovered by the Association from any reinsurer because of a shortfall in recovery from such parties or reinsurers thereunder by reason of a sanction, prohibition or adverse action against them by a state or international organisation or other competent authority or the risk thereof if payment were to be made by such parties or reinsurers. For the purposes of this Rule 19A "shortfall" includes but is not limited to any failure or delay in recovery



by the Association by reason of such parties or reinsurers making payment into a designated account in compliance with the requirements of any state or international organisation or other competent authority.

- (3) Notwithstanding the express or implied terms of any other provision of these Rules, on becoming aware of any prima facie evidence of any conduct by a Member which exposes or might expose the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation or other competent authority the Association shall be entitled to terminate its insurance of the Member immediately and without notice, whereupon that Member shall immediately cease to be insured by the Association and the period of insurance shall immediately terminate in respect of any and all vessels entered by him.

No other changes relating to Class 2 Rules are proposed.