

Rules for P&I and Defence cover for Mobile Offshore Units 2019

Applicable from noon GMT on 20 February 2019

Part I – AVAILABILITY OF COVER	3
CHAPTER 1 - INTRODUCTORY PROVISIONS	3
Rule 1 Interpretation	3
Rule 2 The cover.....	4
CHAPTER 2 ENTRIES AND DURATION OF COVER	5
Rule 3 Entries	5
Rule 4 Duration of cover	5
Rule 5 Certificate of Entry	5
CHAPTER 3 CONDITIONS OF COVER	6
Rule 6 The Member's duty of disclosure	6
Rule 7 Alteration of risk	6
Rule 8 Classification and certification of the Vessel	7
Rule 9 Survey.....	7
CHAPTER 4 PREMIUMS	8
Rule 10 Premiums	8
Rule 11 Payment	8
Rule 12 Insurance Premium Tax	9
Rule 13 Set-off.....	9
Rule 14 Laid-up returns.....	9
CHAPTER 5 TERMINATION OF COVER.....	9
Rule 15 Termination by a Member	9
Rule 16 Termination by the Association	9
Rule 17 Cesser.....	10
Rule 18 Effect of cesser or termination	11
Part II – P&I COVER.....	12
CHAPTER 1 Risks covered.....	12
Rule 19 Liabilities in respect of crew	12
Rule 20 Liability for persons other than Crew members	13
Rule 21 Diversion expenses	13
Rule 22 Refugees or persons saved at sea.....	13
Rule 23 Collision with vessels	13
Rule 24 Damage to fixed or floating objects.....	13
Rule 25 Pollution.....	14
Rule 26 Loss of or damage to property.....	14
Rule 27 Liability for obstruction, wreck removal and clean-up costs.....	14
Rule 28 Salvage	14
Rule 29 Fines.....	15
Rule 30 Legal costs	15
Rule 31 Enquiry expenses	15
Rule 32 Measures to avert or minimise loss.....	16
Rule 33 Damage to Member's own property	16
CHAPTER 2 LIMITATIONS ETC. ON P&I COVER	16
Rule 34 Limitation of liability and other restrictions in the right of recovery	16
Rule 35 Pollution from well and damage to property caused by blowout etc.	17
Rule 36 Production operations	17
Rule 37 Loss of hole, well and reservoir	17
Rule 38 Excluded removal and clean-up costs.....	17

Rule 39 Construction operations etc.	17
Rule 40 Other excluded losses.....	18
Rule 41 Amounts saved by the Member	18
Rule 42 Terms of contract the Association shall not cover	18
Rule 43 US owned, operated or managed Vessels	19
PART III – DEFENCE COVER	20
CHAPTER 1 RISKS COVERED	20
Rule 44 Cases pertaining to the operation of the Vessel.....	20
Rule 45 Cases pertaining to acquisition or disposal of the Vessel.....	20
CHAPTER 2 LIMITATIONS ETC ON DEFENCE COVER	20
Rule 46 Excluded costs.....	20
Rule 47 Disputes with the Association and other Members – unpaid sums	21
Rule 48 The Association’s right to control and direct the handling of a case - withdrawal of cover.....	21
Rule 49 Limitation	22
Rule 50 Insurance event.....	22
PART IV – GENERAL LIMITATIONS ETC. ON P&I AND DEFENCE COVER	23
Rule 51 Unlawful trade and sanctions	23
Rule 52 Other insurance	23
Rule 53 Conduct of the Member	23
Rule 54 War risks	24
Rule 55 Nuclear perils	24
Rule 56 Part tonnage	25
Rule 57 Deductibles	25
PART V – MISCELLANEOUS PROVISIONS.....	26
CHAPTER 1 – JOINT MEMBERS, CO-ASSUREDS AND AFFILIATES	26
Rule 58 Cover for Co-assureds and Protective Co-Assureds.....	26
Rule 59 Cover for Affiliates	26
Rule 60 Joint Members, Co-assureds, Affiliates and Fleet Entries	27
CHAPTER 2 – CLAIMS ETC.	27
Rule 61 Time bar	27
Rule 62 Obligations with respect to claims.....	27
Rule 63 Exclusion of liability.....	28
Rule 64 Recoveries from third parties	29
Rule 65 Discharge.....	30
Rule 66 Currency of payments.....	30
Rule 67 Payment first by Member	30
Rule 68 Payments and undertakings to third parties	31
CHAPTER 3 ASSIGNMENT, LAW, ARBITRATION AND AMENDMENTS TO RULES	31
Rule 69 Assignment.....	31
Rule 70 Governing law	31
Rule 71 Arbitration.....	31
Rule 72 Amendments to the Rules	32
APPENDICES.....	33
APPENDIX I PREMIUM CONDITIONS.....	33
APPENDIX II ADDITIONAL INSURANCE - War risks P&I insurance for mobile offshore units	35

PART I – AVAILABILITY OF COVER

CHAPTER 1 - INTRODUCTORY PROVISIONS

Rule 1 Interpretation

1 In these Rules the following words or expressions shall mean:

Affiliate

a person insured pursuant to Rule 59.

Articles of Association

for entries with Assuranceforeningen Gard - gjensidig -, the Statutes of Assuranceforeningen Gard - gjensidig - and for entries with Gard P. & I. (Bermuda) Ltd, the Bye-Laws of Gard P. & I. (Bermuda) Ltd.

Association

for entries with Assuranceforeningen Gard - gjensidig- the 'Association' means Assuranceforeningen Gard - gjensidig and for entries with Gard P. & I. (Bermuda) Ltd the 'Association' means Gard P. & I. (Bermuda) Ltd.

Certificate of Entry

a document issued by the Association pursuant to Rule 5.1, including (where the context permits) any endorsement note in respect of the relevant entry issued pursuant to Rule 5.3, which evidences the terms and conditions of the contract of insurance in respect of the Vessel.

Co-assured

any person who is insured pursuant to Rule 58.1.

Crew

officers, including the platform manager or master, and workers contractually obliged to serve on board the Vessel, including substitutes and including such persons while proceeding to or from the Vessel.

Defence Cover and Defence Entry

insurance by the Association for risks specified in Part III, chapter 1 of the Rules and the entry of a Vessel for such cover.

Hull Policies

the insurance policies effected on the hull and machinery of the Vessel, including any excess liability policy.

Insurance Premium Tax

Any taxes or other dues payable in respect of an entry of a Vessel in the Association in the country where the Vessel is registered, the country where the Member is resident, the country where the Member has a permanent place of business or in the country where the risk is located.

Joint Members

where the Vessel is entered in the names of more than one Member, the named Members.

Member

an owner, operator or charterer of a vessel entered in the Association who according to the Articles of Association and these Rules is entitled to membership of the Association, provided that, where the context allows, the term "Member" shall, in these Rules, include a Co-assured and an Affiliate.

P&I Cover and P&I Entry

insurance by the Association for risks specified in Part II, chapter 1, of the Rules and the entry of a Vessel for such cover.

Policy Year

a year from noon GMT on 20th February in any year to immediately prior to noon GMT on the next following 20th February.

Premium Rating

the fixed premium payable to the Association according to the terms of the Vessel's entry.

Protective Co-assured

any person who is insured pursuant to Rule 58.3.

Vessel

any offshore unit, any other ship or vessel or mobile or temporarily fixed craft, including the risers, flowlines, umbilicals, floating hoses, buoyancy floats or tanks and mooring systems, or any other item or equipment used as an integral part of the unit's operations, or any part thereof as accepted by and entered in the Association under these Rules or any other description of unit noted in the Certificate of Entry.

- 2 Headings and notes are for reference only and shall not affect the construction of these Rules.
- 3 Any reference to a person shall be deemed to include a reference to an individual or a body corporate or unincorporate, as the context requires.
- 4 A Vessel shall only be deemed to be US owned, operated or managed for the purposes of these Rules if it is identified as such in the terms of entry.
- 5 A person shall be deemed to be the manager or the operator of a Vessel for the purposes of these Rules if the Association in its discretion shall so determine.
- 6 Where any matter requires the agreement, approval or consent of the Association, agreement, approval or consent shall only be deemed given if in writing.

Rule 2 The cover

- 1 A Member shall be covered for
 - a) such of the risks specified in Parts II and III of these Rules as are agreed between the Member and the Association; and
 - b) such of the additional risks specified in Appendix II as are either expressed in Appendix II to be available to such a Member or as are expressly agreed between the Member and the Association.
- 2 The cover afforded by the Association to a Member shall be subject to the Articles of Association and to these Rules and to any special conditions agreed between the Association and the Member.
- 3 A Member is only covered in respect of liabilities, losses, costs and expenses incurred by him which arise

- a) in direct connection with the operation of the Vessel, which will be deemed to include activity at one or more supply bases provided that such activity is in direct connection with the operation of the Vessel and transport between the Vessel and a supply base or a port or airport in the vicinity of the base;
 - b) in respect of the Member's interest in the Vessel; and
 - c) out of events occurring during the period of entry of the Vessel in the Association.
- 4 Subject always to the provisions of Rule 2.3, the Association may in its absolute discretion exercise powers conferred in the Articles of Association to pay compensation in respect of a liability, loss, cost or expense which is not otherwise covered under these Rules.

CHAPTER 2 ENTRIES AND DURATION OF COVER

Rule 3 Entries

- 1 Application for an entry of a Vessel may be made by any owner, operator, charterer or other insurer of that vessel.
- 2 A vessel may be entered with the Association for a partial interest only.
- 3 Application for the entry of a vessel shall be made in such form as may from time to time be required by the Association. The particulars given in any application form, together with any other particulars or information given in writing in the course of applying for insurance or negotiating changes in the terms of insurance, shall form the basis of the contract of insurance between the Member and the Association.
- 4 The Association may refuse to accept an application for an entry of a vessel without stating grounds therefore, and whether or not the applicant is already a Member of the Association.

Rule 4 Duration of cover

The cover shall commence at the time and date agreed by the Association and shall continue until immediately prior to noon GMT on the 20th February next ensuing, and thereafter, unless terminated in accordance with these Rules, from Policy Year to Policy Year.

Rule 5 Certificate of Entry

- 1 After an entry has been accepted, the Association shall issue a Certificate of Entry which shall evidence the terms and conditions of the contract of insurance.
- 2 The following provision will be deemed to be incorporated into all Certificates of Entry:

"This Certificate of Entry is evidence only of the contract of indemnity insurance between the above named Member(s) and the Association and shall not be construed as evidence of any undertaking, financial or otherwise, on the part of the Association to any other party.

In the event that the Member tenders this Certificate as evidence of insurance under any applicable law relating to financial responsibility, or otherwise shows or offers it to any other

party as evidence of insurance, such use of this Certificate by the Member is not to be taken as any indication that the Association thereby consents to act as guarantor or to be sued directly in any jurisdiction whatsoever. The Association does not so consent."

- 3 If the Association and a Member at any time agree a variation in the terms and conditions of the contract of insurance the Association shall issue an endorsement note stating the terms of such variation and the date from which such variation is to be effective.

CHAPTER 3 CONDITIONS OF COVER

Rule 6 The Member's duty of disclosure

- 1 The Member shall prior to the conclusion of the contract of insurance make full disclosure to the Association of all circumstances which would be of relevance to the Association in deciding whether and on what conditions to accept the entry. Should the Member subsequently become aware of any such circumstances as are mentioned above, or of any change in such circumstances as previously disclosed, he must without undue delay inform the Association.
- 2 Where the Member at the conclusion of the contract of insurance has neglected his duty of disclosure and the Association would not have accepted the entry at the Premium Rating agreed if the Member had made such disclosure as it was his duty to make, the Association is free from liability. Where the Association would have accepted the entry on the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under those conditions the Association would have accepted.
- 3 Where the Member neglects his duty of disclosure subsequent to the conclusion of the contract of insurance and the Association would not have accepted the entry at the same Premium Rating had it known of the circumstances prior to the conclusion of the contract, the Association is free from liability. Where the Association would have accepted the entry at the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under those conditions the Association would have accepted.

Rule 7 Alteration of risk

- 1 Where after the conclusion of the contract of insurance circumstances occur which result in an alteration of the risk, the Member shall disclose such circumstances to the Association without undue delay.
- 2 Where there is an alteration of the risk which has been intentionally caused or agreed to by the Member and the Association would not have accepted the entry at the same Premium Rating if it had known of such an alteration prior to the conclusion of the contract of insurance, the Association is free from liability to the extent that any liability, loss, cost, or expense incurred by the Member was caused or increased by the alteration. Where the Association would have accepted the entry at the same Premium Rating but on other conditions, the Association shall only be liable to the extent that it is proved that any liability, loss, cost or expense would have been covered under the conditions the Association would have accepted.

Rule 8 Classification and certification of the Vessel

- 1 Unless otherwise agreed in writing, it shall be a condition of the insurance of the Vessel that:
 - a) the Vessel shall be and remain throughout the period of entry classed with a classification society approved by the Association;
 - b) the Member shall promptly call to the attention of that classification society any incident, occurrence or condition which has given or might have given rise to damage in respect of which the classification society might make recommendations as to repairs or other action to be taken by the Member;
 - c) the Member shall comply with all the rules, recommendations and requirements of that classification society relating to the Vessel within the time or times specified by the society;
 - d) the Association is authorised to inspect any documents and obtain any information relating to the maintenance of class of the Vessel in the possession of any classification society with which the Vessel is or has at any time been classed prior to and during the period of insurance and such classification society or societies are authorised to disclose and make available such documents and information to the Association upon request by it and for whatsoever purpose the Association in its sole discretion may consider necessary;
 - e) the Member shall immediately inform the Association if, at any time during the period of entry, the classification society with which the Vessel is classed is changed and advise the Association of all outstanding recommendations, requirements or restrictions specified by any classification society relating to the Vessel as at the date of such change;
 - f) the Member shall comply or procure compliance with all statutory requirements of the state of the Vessel's flag relating to the construction, adaptation, condition, fitment, equipment, manning, safe operation, security and management of the Vessel and at all times shall maintain or procure the maintenance of the validity of such statutory certificates as are issued by or on behalf of the state of the Vessel's flag in relation to such compliance.
- 2 The Association shall notify the Member when it intends to inspect classification documents or request information documents or request information from a classification society in accordance with Rule 8.1.d.
- 3 The Member shall not be entitled to any recovery from the Association in respect of any claim arising during a period when the Member is not fulfilling or has not fulfilled the conditions in Rule 8.1.

Rule 9 Survey

- 1 The Association may at any time during the period of entry appoint a surveyor to inspect the Vessel on behalf of the Association.
- 2 Where the Vessel has been laid-up for a period exceeding six months, the Member shall give the Association not less than seven days' notice prior to the Vessel leaving the place of lay-up for recommissioning, to afford the Association an opportunity to inspect the Vessel pursuant to Rule 9.1.

- 3 Should the Member refuse to co-operate in an inspection under Rule 9.1, the Association will thereafter be liable only to the extent that the Member can prove that any liability, loss, cost or expense is not attributable to defects in the Vessel that would have been detected in the course of an inspection under Rule 9.1.
- 4 Where an inspection reveals matters which, in the sole discretion of the Association, represent a deficiency in the Vessel, the Association may exclude specified liabilities, losses, costs and expenses from the cover until the deficiency has been repaired or otherwise remedied.

CHAPTER 4 PREMIUMS

Rule 10 Premiums

- 1 Each Vessel shall be entered on the basis of a fixed premium in an amount agreed between the Association and the Member.
- 2 The Association may determine (either generally for all entries, or separately for any entry or category of entries) that for the next ensuing Policy Year the Premium Rating of the Vessels entered in the Association shall be altered by a fixed percentage, before any further adjustment is made in order to take account of the Member's loss record, alteration in the extent of the risk or any other factor the Association may deem relevant.
- 3 The Association may, in its sole discretion, levy an additional fixed premium for cover made available pursuant to Rule 2.1(b).
- 4 The Association may, in its sole discretion, agree or levy premium adjustments on the renewal or termination of an entry in accordance with the premium conditions set out in paragraph A of Appendix I.

Rule 11 Payment

- 1 Premiums are due in three instalments as follows:
 - a) for the period 20th February - 20th June, on 20th March;
 - b) for the period 20th June - 20th October, on 5th July;
 - c) for the period 20th October - 20th February, on 5th November.
- 2 Where the Vessel is entered in the course of a Policy Year, a pro rata premium for the four-monthly period in which it is entered is due at once, with the remaining instalments, if any, due at the times specified in Rule 11.1.
- 3 Any other sums debited by the Association to a Member, including Insurance Premium Tax, reimbursement of deductibles, interest, costs or expenses, are due on demand.
- 4 If any sums due to the Association from the Member are not paid on or before the due date interest is chargeable on such unpaid sums at such rate as the Association may from time to time decide.

Rule 12 Insurance Premium Tax

The Member shall indemnify the Association and hold it harmless in respect of any liability, cost or expense incurred or amount paid by the Association in respect of any Insurance Premium Tax for which the Member is liable.

Rule 13 Set-off

- 1 Without prejudice to anything elsewhere contained in the Articles of Association or these Rules, the Association shall be entitled to set off any amount due from a Member to the Association against any amount due from the Association to such Member or its Co-assureds or Affiliates.
- 2 A Member shall not set off against any amount due from it to the Association the amount of any claim it or its Co-assureds or Affiliates may have against the Association.

Rule 14 Laid-up returns

- 1 Subject to any special terms which may have been agreed, if the Vessel has been laid up in a safe port or other approved lay-up location for a period of at least 15 consecutive days (or, in case of a U.S. owned, operated or managed unit, 30 consecutive days), excluding the day of arrival at and the day of departure from the lay-up location, such proportion as the Association may decide of the premium payable, pro rata for the period of the lay-up, shall be returned to the Member.
- 2 The Member shall disclose to the Association any major repairs or alterations to be undertaken during lay-up, and if required by the Association shall forward to the Association a copy or copies of the contract or contracts for such works, and the Association may in its discretion make adjustments to the rate at which laid-up returns are payable under Rule 14.1.
- 3 No claim for laid-up returns shall be recoverable from the Association unless the Member has informed the Association of the lay-up of the Vessel within 30 days after the commencement of the lay-up and the claim for laid-up returns is made within 30 days of the end of the lay-up period.

CHAPTER 5 TERMINATION OF COVER

Rule 15 Termination by a Member

A Member may terminate the entry with effect from the end of the Policy Year in respect of one or more Vessels by giving written notice thereof prior to 20th January. Except with the agreement of the Association, a Vessel may not be withdrawn nor may notice of termination be given with effect from any other date.

Rule 16 Termination by the Association

- 1 The Association may terminate the entry with effect from the end of the Policy Year in respect of one or more Vessels by giving written notice thereof prior to 20th January.

- 2 The Association may also terminate the insurance of any or all of the Vessels entered by a Member:
 - a) without notice, where a casualty or other event has been brought about by wilful misconduct on the part of the Member, as defined in Rule 53;
 - b) on three days' notice, where the Member has failed to pay when due and demanded any premium or other amount due from him to the Association;
 - c) on 14 days' notice, where the Member has neglected a duty of disclosure under Rule 6 or Rule 7 or where there has been an alteration of the risk after conclusion of the contract of insurance;
 - d) on 45 days' notice, without giving any reason.

- 3 Notwithstanding and without prejudice to Rules 16.1 and 16.2 and Rule 17.4, the Association may, on such notice in writing as the Association may decide, terminate the entry in respect of any and all Vessel(s) in circumstances where the Member has exposed or may, in the opinion of the Association, expose the Member or the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by the State of the Vessel(s) flag, by any State where the Association has its registered office or permanent place of business or by any State being a Major Power or by the United Nations or the European Union. For the purpose of this Rule 16.3 "Major Power" means any of the following States: United Kingdom, United States of America, France, the Russian Federation and the People's Republic of China.

Rule 17 Cesser

- 1 A Member shall (subject to Rule 17.5) cease to be covered by the Association in respect of any and all Vessels entered by him in the following circumstances:
 - a) where the Member is a corporation, a resolution is passed for the voluntary winding up of the Member or an order is made for its compulsory winding up or it is dissolved or a receiver or similar official to all or part of its affairs is appointed or any secured party takes possession of any of its property or it seeks protection from its creditors under any applicable bankruptcy or insolvency laws or any similar event occurs (in the determination of the Association) in any applicable jurisdiction; and
 - b) where the Member is an individual, the Member dies or becomes incapable by reason of mental disorder of managing or administering his property and affairs or he becomes bankrupt or he makes any composition or arrangement with his creditors generally or a receiving order is made against him or any secured party takes possession of any of his property or any similar event occurs (in the determination of the Association) in any applicable jurisdiction.

- 2 The Member shall (subject to Rule 17.5) cease to be covered by the Association in respect of any Vessel entered by him in the following circumstances:
 - a) the Vessel becomes a total loss;
 - b) the Vessel is accepted by the hull underwriters (whether of marine or war risks) as a constructive total loss;

- c) the Vessel suffers damage and the cost of repairs (as determined by the Association) will equal or exceed the higher of 80% of its insured value or of its value in repaired condition (as determined by the Association);
 - d) the Vessel is transferred to a new owner by sale or otherwise;
 - e) new managers of the Vessel are appointed or there is a change in the operator of the Vessel;
 - f) any mortgagee or other secured party enters into possession of the Vessel;
 - g) the Vessel ceases to be classed with a classification society approved by the Association, or its class is suspended;
 - h) the Vessel is requisitioned;
 - i) the Vessel, with the consent or knowledge of the Member, is being used for the furtherance of illegal purposes.
- 3 Where the Vessel disappears, it shall be deemed to be a total loss ten days from the day it is last heard from.
- 4 Notwithstanding and without prejudice to Rules 17.1, 17.2 and 17.3, a Member shall forthwith cease to be insured by the Association in respect of any and all Vessel(s) entered by him if any Vessel is employed by the Member in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Association to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any State where the Association has its registered office or permanent place of business or by any State being a Major Power or by the United Nations or the European Union. For the purpose of this Rule 17.4 "Major Power" means any of the following States: United Kingdom, United States of America, France, the Russian Federation and the People's Republic of China.
- 5 Notwithstanding the provisions of Rules 17.1, 17.2 and 17.4, the Association may decide in any particular case that cover shall be continued without interruption, or that cover shall be reinstated, in either case on such terms as the Association shall determine.
- 6 Notwithstanding the provisions of Rule 17.2. (a), (b) and (c) the Association shall cover subject to these Rules and the terms of entry agreed, liabilities, losses, costs and expenses flowing from the casualty which gave rise to the total loss or constructive total loss of the Vessel.

Rule 18 Effect of cesser or termination

- 1 Where the insurance ceases or is terminated, the Member shall remain liable for all premiums in respect of the then current Policy Year pro rata for the period up to the date of cesser or termination, and for all premiums in respect of prior Policy Years.
- 2 The Association shall be under no liability whatsoever by reason of anything occurring after the date of cessation or termination.

PART II – P&I COVER

CHAPTER 1 RISKS COVERED

Rule 19 Liabilities in respect of crew

- 1 The Association shall cover:
 - a) liability to pay hospital, medical, maintenance, funeral and other costs and expenses incurred in relation to the injury to, or illness or death of, a member of the Crew, including costs and expenses of repatriating the member of the Crew and his personal effects, or sending home an urn of ashes or coffin and personal effects in the case of death, and costs and expenses necessarily incurred in sending a substitute to replace the repatriated or dead man;
 - b) liability to repatriate and compensate a member of the Crew for the loss of his employment caused in consequence of the actual or constructive total loss of the Vessel or of a major casualty rendering the Vessel unseaworthy and necessitating the signing off of the Crew;
 - c) liability to pay compensation or damages in relation to the injury to, or illness or death of, a member of the Crew;
 - d) liability for costs and expenses of travelling incurred by a member of the Crew when the travelling is occasioned by a close relative having died or become seriously ill after the Crew member signed on, and costs and expenses necessarily incurred in sending a substitute to replace that Crew member;
 - e) liability for wages payable to an injured or sick member of the Crew or on death to his estate;
 - f) liability in respect of loss of or damage to the personal effects of a Crew member,

provided that under this Rule 19.1:

 - i) where the liability arises under the terms of a crew agreement or other contract of service or employment, and would not have arisen but for those terms, the liability is not covered by the Association unless those terms have been previously approved by the Association;
 - ii) references to personal effects shall exclude valuables and any other article which in the opinion of the Association is not an essential requirement of a Crew member;
 - iii) the cover shall not include liabilities, costs or expenses arising out of the carriage of specie, bullion, precious or rare metals or stones, plate or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments, whether the value is declared or not, unless the Association has been notified prior to any such carriage, and any directions made by the Association have been complied with; and
 - iv) there shall be no recovery in relation to liability which arises under a contract of indemnity or guarantee between the Member and a third party.
- 2 The Association shall cover liability to repatriate a member of the Crew pursuant to any statutory enactment giving effect to the Maritime Labour Convention 2006 as amended or any materially similar enactment, provided always that there shall be no recovery in respect of liabilities arising out of the termination of any agreement, or the sale of the Vessel, or any other

act of the Member in respect of the Vessel, save and to the extent permitted by this Rule 19.2 in respect of the Member's liability for such expense under the Maritime Labour Convention 2006 as amended.

Rule 20 Liability for persons other than Crew members

The Association shall cover liability resulting from the injury to, or illness or death of, persons other than members of the Crew.

Rule 21 Diversion expenses

The Association shall cover extra costs of fuel, insurance, wages, stores, provisions and port charges attributable to a diversion, over and above the costs that would have been incurred but for the diversion, where these are incurred solely for the purpose of securing treatment for an injured or sick person on board, or for the purpose of searching for a person missing from the Vessel, or necessarily incurred while awaiting a substitute for such person, or for the purpose of saving persons at sea.

Rule 22 Refugees or persons saved at sea

The Association shall cover costs and expenses directly and reasonably incurred in consequence of the Vessel having refugees or persons saved at sea on board, but only to the extent that the Member is legally liable for the costs and expenses or they are incurred with the approval of the Association. The cover does not include consequential loss of profit or depreciation.

Rule 23 Collision with vessels

- 1 The Association shall cover liability to pay damages to any other person incurred as a result of a collision with another vessel, if and to the extent that such liability is not covered under the Hull Policies, provided that
 - a) the Member shall not be entitled to recover from the Association any deductible borne by him under the Hull Policies; and
 - b) the cover under this Rule shall exclude liability in respect of persons or property on board the Vessel.
- 2 Unless otherwise agreed between the Member and the Association as a term of the Vessel's entry in the Association, if both vessels are to blame, then where the liability of either or both of the vessels in collision becomes limited by law, claims under Rule 23.1 shall be settled upon the principle of single liability, but in all other cases claims under this Rule shall be settled upon the principle of cross-liabilities, as if the owner of each vessel had been compelled to pay the owner of the other vessel such proportion of the latter's damages as may have been properly allowed in ascertaining the balance or sum payable by or to the Member in consequence of the collision.

Rule 24 Damage to fixed or floating objects

The Association shall cover liability for loss of or damage to any fixed or floating object by reason of contact between the Vessel and such object, if and to the extent not covered under the Hull Policies,

provided that there shall be no recovery under this Rule 24 in respect of any deductible borne by the Member under the Hull Policies.

Rule 25 Pollution

The Association shall cover liabilities, costs and expenses (excluding fines) arising in consequence of the discharge or escape from the Vessel of oil or any other pollution or the threat of such discharge or escape.

Rule 26 Loss of or damage to property

The Association shall cover liability for loss of or damage to property not specified elsewhere in this chapter.

Rule 27 Liability for obstruction, wreck removal and clean-up costs

The Association shall cover:

- a) costs and expenses relating to the raising, removal, destruction, lighting and marking of the Vessel or of the wreck of the Vessel or parts thereof or of its equipment lost as a result of a casualty, when such raising, removal, destruction, lighting and marking is compulsory by law or the costs or expenses thereof are legally recoverable from the Member, under contract or otherwise;
- b) liability incurred by reason of the Vessel or the wreck of the Vessel or parts thereof, as a result of a casualty, causing an obstruction, provided that
 - i) recovery from the Association under this Rule shall be conditional upon the Member not having transferred his interest in the wreck otherwise than by abandonment; and
 - ii) the realised value of the wreck and other property saved shall be credited to the Association.

In no circumstances shall cover under this Rule extend to any costs relating to removal or clean-up of any part of the drilling or production equipment lost or deposited on the seabed once the equipment has been deployed for drilling or production. For the purpose of this Rule equipment shall be considered deployed from the time installation of the equipment, or any part of the equipment, for drilling or production has commenced.

Rule 28 Salvage

The Association shall cover liability for special compensation awarded to a salvor

- a) pursuant to Article 14 of the International Convention on Salvage 1989; or
- b) pursuant to Article 14 of the International Convention on Salvage 1989, as incorporated into Lloyd's Open Form of Salvage Agreement, or into any other salvage contract approved by the Association; or

- c) pursuant to the Special Compensation P&I Clubs Clause (SCOPIC) as incorporated into Lloyd's Open Form of Salvage Agreement or any other "No Cure - No Pay" salvage contract approved by the Association.

Rule 29 Fines

- 1 The Association shall cover fines imposed upon the Member in respect of the Vessel by any court, tribunal or other authority of competent jurisdiction for or in respect of any of the following:
 - a) failure to comply with regulations concerning the declaration of goods, or documentation of cargo, provided that the Member is insured by the Association for cargo liability under Rule 26;
 - b) breach of any immigration law or regulations;
 - c) the accidental escape or discharge of oil or any other substance, provided that the Member is insured for pollution liability by the Association under Rule 25;
 - d) smuggling or any infringement of any custom law or regulation other than in relation to cargo carried on the vessel.
- 2 The Association may, in its sole discretion, cover in whole or in part
 - a) a fine other than those listed in Rule 29.1 above imposed upon the Member, provided the Member has satisfied the Association that he took steps as appear to the Association to be reasonable to avoid the event giving rise to the fine or penalty;
 - b) any fine imposed not upon the Member but the master or Crew member of the Vessel or on any other servant or agent of the Member or on another party, provided that the Member has been compelled by law to pay or reimburse such fine or that the Association determines that it was reasonable for the Member to have paid or reimbursed the same.
- 3 The Association shall be under no obligation to give reasons for its decision pursuant to Rule 29.2 above.

Rule 30 Legal costs

The Association shall cover legal costs and expenses relating to any liability, loss, cost or expense which, in the opinion of the Association, is (or, apart from any applicable deductible, would be) likely to result in a claim on the Association, but only to the extent that such legal costs and expenses have been incurred with the agreement of the Association.

Rule 31 Enquiry expenses

The Association shall cover costs and expenses incurred by a Member in defending himself or in protecting his interests before a formal enquiry into the loss of or casualty involving the Vessel, in cases in which, in the opinion of the Association, a claim upon the Association is likely to arise, but only to the extent that such costs and expenses have been incurred with the agreement of the Association.

Rule 32 Measures to avert or minimise loss

The Association shall cover:

- a) extraordinary costs and expenses reasonably incurred on or after the occurrence of a casualty or event, including liability for such extraordinary costs and expenses incurred by a third party, for the purpose of avoiding or minimising any liability on the Association, other than:
 - i) costs and expenses resulting from measures that have been or could have been accomplished by the Crew or by reasonable use of the Vessel or its equipment;
 - ii) loss resulting from non-fulfilment, or delay in fulfilment, of a contract or of an agreement for the sale of the Vessel;
 - iii) cost and expenses relating to the regaining of control of the well which is being drilled or worked over or serviced by the Vessel.
- b) losses, costs and expenses incurred at the direction of the Association.

Rule 33 Damage to Member's own property

If and to the extent the Vessel causes damage to property, other than cargo, belonging wholly or in part to the Member, the Member shall be entitled to recover from the Association under Rule 23 (collision with vessels), Rule 24 (damage to fixed or floating objects) and Rule 26 (loss of or damage to property) and Rule 27 (b) (liability for obstruction) as if the property belonged to a third party.

CHAPTER 2 LIMITATIONS ETC. ON P&I COVER

Rule 34 Limitation of liability and other restrictions in the right of recovery

- 1 Where the Member or a Co-assured is entitled to limit his liability pursuant to any rule of law, the maximum recovery is the amount to which the Member or the Co-assured may limit his liability save insofar as liabilities, losses, costs and expenses in excess of the amount to which the Member may limit his liability are incurred pursuant to a contract approved by the Association.
- 2 In any case, the liability of the Association for any and all liabilities, losses, costs and expenses incurred by all Members, Co-assureds and Affiliates insured under any one entry and which arise out of any one event shall be limited to the sum insured in the terms of entry, provided always that to the extent the Association has reinsured the risks insured under any one entry, the Association shall only be obliged to pay any amount in excess of USD 100 million per event as and when such funds are received by the Association from the reinsurer(s).
- 3 Notwithstanding Rule 34.2 above, the liability of the Association for fines as described in Rule 29 shall be limited to USD 50 million per Vessel per event provided that if the total amount of all categories of liabilities, losses, costs and expenses falling within Rule 29 and any other Rules incurred by all Members, Co-assureds and Affiliates under any one entry and which arise out of any one event exceeds the sum insured in the terms of entry referred to in Rule 34.2 above, the Association shall not be liable to make any payment in respect of the amount by which such claims exceed the sum insured in the terms of entry referred to in Rule 34.2 above.

Rule 35 Pollution from well and damage to property caused by blowout etc.

The Association shall not cover:

- a) liabilities, losses, costs or expenses arising out of pollution from the well which is being drilled or worked over or serviced by the Vessel and measures taken to avert or minimise such liabilities, costs or expenses;
- b) liability for loss or damage to property belonging to any person chartering the Vessel by way of a charterparty or other contract for the employment of the Vessel and any other party having an owning interest in the field being serviced by the Vessel, caused by blow-out, cratering, seepage or any other uncontrolled flow of oil, gas or water from the well or reservoirs, provided that the liability arises in connection with the well which is being drilled or worked over or serviced by the Vessel.

Rule 36 Production operations

The Association shall not cover liabilities, losses, costs or expenses arising from a Vessel engaged in production operations out of seepage or an uncontrolled flow from any flow line, riser or umbilical connected to the producing well prior to the product entering the Vessel, save insofar such flow line, riser or umbilical would be included in the description of the Vessel but always subject to Rule 35.a, and out of measures taken to avert or minimise such liabilities, losses, costs or expenses.

Rule 37 Loss of hole, well and reservoir

The Association shall not cover:

- a) loss of or damage to the hole or well;
- b) loss of or damage to the reservoir;

provided that the loss or damage arises in connection with the hole or well which is being drilled or worked over or serviced by the Vessel.

Rule 38 Excluded removal and clean-up costs

The Association shall not cover any costs relating to removal or clean-up of debris lost or deposited on the seabed during operations, unless such costs are recoverable under Rule 27.

Rule 39 Construction operations etc.

Where the Vessel is engaged in construction operations, the Association shall not cover liability in respect of pollution from, loss or damage to the contract works or to the materials supplied or to be supplied for the contract works, to the extent that the pollution, loss or damage arises either

- a) out of the installation or repair or other work being undertaken by the Vessel; or
- b) during the navigation of the Vessel to or from or about the site where the work is to be undertaken, where that liability is covered by builders all risk insurance or construction all risk insurance or would be so covered had the Member been named as co-assured on standard

builders all risk or construction all risk insurance policies in respect of the project of which the contract works form a part.

Rule 40 Other excluded losses

- 1 The Association shall not cover, except (in the case of paragraphs (a)-(d) below) where and to the extent that they form part of a claim recoverable under Rule 32:
 - a) loss of or damage to the Vessel, its equipment, outfit or supplies, used on board or outside the Vessel;
 - b) loss of hire due to the Member;
 - c) costs of salvage or services in the nature of salvage, rendered to the Vessel and any costs or expenses in connection therewith, except to the extent that they form part of a claim recoverable under Rule 28 (Salvage);
 - d) liabilities, losses, costs or expenses arising out of cancellation of a charter or other engagement of the Vessel;
 - e) liabilities, losses, costs or expenses arising out of the insolvency of the Member or any other person or out of overdue or irrecoverable debts or out of any of the circumstances described in Rules 17.1(a) or (b);
 - f) the Member's internal administrative costs and expenses.
- 2 Unless and to the extent that the Association in its sole discretion shall otherwise decide, the Association shall not cover any liability, loss, damage, cost or expense, including, without limitation, liability for the cost of any remedial works or clean-up operations, arising as a result of the presence in, or the escape or discharge or threat of escape or discharge from, any land based dump, site storage or disposal facility of any substance previously carried on the Vessel whether as cargo, fuel, stores or waste and whether at any time mixed in whole or in part with any other substance whatsoever.

Rule 41 Amounts saved by the Member

Where the Member, as a result of an event for which he is covered by the Association, has obtained extra revenue, saved costs or expenses or avoided liability or loss which would otherwise have been incurred and which would not have been covered by the Association, the Association may deduct from the compensation an amount corresponding to the benefit obtained.

Rule 42 Terms of contract the Association shall not cover

- 1 The Association shall not cover liabilities, losses, costs or expenses:
 - a) which would not have arisen but for the terms of a contract entered into by the Member that result in a greater liability than follow from terms of contract which are customary in the area where the Vessel operates;
 - b) which result from, or would not have arisen but for, the Member having used terms of contract which the Association has prohibited; or omitted to use terms which the Association has prescribed.

- 2 The Association shall not cover liabilities, losses, costs or expenses incurred pursuant to a contract entered into by the Member for the provision of services by the Vessel (other than a U.S. owned, operated or managed Vessel) which would not have been incurred had that contract contained a division of liability as between the parties which either
 - a) is in accordance with the premium conditions set out in Appendix I B or with the terms of entry; or
 - b) has been approved by the Association after the date of entry, and for which a variation in the Premium Rating has been agreed.

Rule 43 US owned, operated or managed Vessels

- 1 The Association shall not cover under the entry of a US owned, operated or managed Vessel any liability, loss, cost or expense of any description howsoever arising out of or relating to:
 - a) any liability resulting from personal injury or bodily injury or occupational disease in respect of any employee including without limitation "borrowed employees" of the Member that may arise under any worker's compensation law, unemployment compensation or disability benefit laws, United States Longshoremen and Harborworkers Compensation Act, and any other form of maritime employers liability (other than Jones Act, general maritime law remedies of the United States and any claims under the Death on the High Seas Act) or any similar laws, and/or by reason of the relationship of master and servant, nor to any employee of the Member in respect of injury to or the death of another employee of the Member injured in the course of such employment; or
 - b) any liability to the spouse, child, parent, brother or sister, or dependent of any employee as a consequence of paragraph (a) above; or
 - c) any liability which any director, officer, partner, principal, employee or stockholder of the Member may have to any employee of the Member (other than liability that may arise under Jones Act, general maritime law remedies of the United States and any claims under the Death on the High Seas Act).
- 2 The exclusions from cover under Rule 43.1(a) and (b) apply:
 - a) whether the Member may be liable as an employer or in any other capacity; and
 - b) to any obligation of the Member to share damages with or repay any party who is required to pay damages because of the injury.

PART III – DEFENCE COVER

CHAPTER 1 RISKS COVERED

Rule 44 Cases pertaining to the operation of the Vessel

The Association shall cover legal and other costs necessarily incurred in establishing or resisting claims concerning the following;

- a) charterparties and other contracts of employment;
- b) loss of or damage to the Vessel or general average;
- c) delay of the Vessel;
- d) property damage, personal injury or loss of life;
- e) repairs or deliveries to the Vessel;
- f) salvage or towage;
- g) agents or brokers;
- h) insurance contracts pertaining to the Vessel;
- i) customs, harbour or other public or quasi-public authorities, but not taxes or dues payable in countries;
 - i. where the Vessel is registered; or
 - ii. where the Member is resident; or
 - iii. where the Member has a permanent place of business.

Rule 45 Cases pertaining to acquisition or disposal of the Vessel

The Association shall cover legal and other costs necessarily incurred in establishing or resisting claims in connection with;

- a) building, purchase or mortgaging of the Vessel, provided always that the Vessel has been entered in the Association for Defence cover at the latest on signing the relevant contract;
- b) sale of the entered Vessel;
- c) conversion of or alterations to the Vessel, provided always that a separate agreement, pursuant to which the Association agrees to provide Defence cover for such legal and other costs, has been entered into with the Association at the latest on the signing of the relevant contract for the conversion of or the alterations to the Vessel.

CHAPTER 2 LIMITATIONS ETC ON DEFENCE COVER

Rule 46 Excluded costs

1. The Association may decline to cover under a Defence entry all or part of the Member's costs, where it is of the opinion that;

- a) there is no reasonable relation between the amount in dispute and the costs which are likely to be incurred;
 - b) there is no reasonable relation between the prospects of succeeding in establishing a claim or of having the claim enforced or the liability averted and the costs which are likely to be incurred;
 - c) the Member has failed to carry out his obligations under these Rules;
 - d) the claim is unreasonable or tainted with illegality or other improper conduct;
 - e) for any other reason Defence cover should not apply.
2. The Association shall be under no liability to reimburse a Member for costs incurred;
- a) before the Association has been notified of a claim under the Defence cover;
 - b) by the employment of lawyers, expert and other advisers appointed by the Member without the Association's approval.

Rule 47 Disputes with the Association and other Members – unpaid sums

- 1 The Association will not cover under a Defence entry costs of cases against the Association itself, its subsidiaries, agents, representatives or servants.
- 2 No cover shall be available under Defence entries to either party where a dispute arises between Joint Members, affiliates or associates of the Member or any combination thereof.
- 3 No Member shall be entitled to cover under a Defence entry so long as premiums or other sums of whatsoever nature owed to the Association, whether in respect of Defence or P&I cover or otherwise, remain unpaid.
- 4 All monies recovered for a Member with Defence cover shall be paid over to the Member, except that the Association may deduct from such monies and retain any amount due to the Association from the Member.

Rule 48 The Association's right to control and direct the handling of a case - withdrawal of cover

- 1 The Association shall have the right, if it so decides, to control or direct the conduct or handling of any case or legal and other proceedings relating to any matter in respect whereof legal and other costs are covered under a Defence entry and to require the Member to settle, compromise or otherwise dispose of the case or legal and other proceedings in such manner and upon such terms as the Association sees fit.
- 2 The Association may, in its sole discretion, at any stage of the handling of the case, decline to cover under a Defence entry the legal and other costs involved where;
 - a) the Member, without the Association's authority, or contrary to its advice, proceeds with the case in a manner which in the view of the Association is undesirable;
 - b) the Member refuses to settle the case on conditions which the Association recommends or which are recommended by lawyers acting on behalf of the Association or the Member;
 - c) any of the circumstances set out in Rule 46 above subsequently materialise or are brought to the attention of the Association.

Rule 49 Limitation

The maximum limit of cover under a Defence entry is USD 1 million per event or series of events arising out of the same occurrence.

Rule 50 Insurance event

For the purposes of the Defence cover, the event giving rise to a claim shall be deemed to arise as follows:

- a) claims arising out of contract (subject to paragraphs (b) and (c) below), in tort or under statute: when the cause of action accrues;
- b) claims for salvage or towage: when the services are commenced;
- c) claims arising in connection with the building of a vessel: at the date of signing the building contract.

PART IV – GENERAL LIMITATIONS ETC. ON P&I AND DEFENCE COVER

Rule 51 Unlawful trade and sanctions

- 1 The Association shall not cover liabilities, losses, costs or expenses arising out of or consequent upon the Vessel carrying contraband, blockade running or being employed in or on an unlawful, unsafe or unduly hazardous trade, activity or voyage.
- 2 The Association shall not indemnify a Member against any liabilities, costs or expenses where the provision of cover, the payment of any claim or the provision of any benefit in respect of those liabilities, costs or expenses may expose the Association to any sanction, prohibition, restriction or adverse action by any competent authority or government.
- 3 The Member shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs or expenses which is not recovered by the Association from any reinsurer because of a shortfall in recovery from such reinsurer by reason of any sanction, prohibition or adverse action by a competent authority or government or the risk thereof if payment were to be made by such reinsurer. For the purposes of this paragraph, "shortfall" includes, but is not limited to, any failure or delay in recovery by the Association by reason of the reinsurer making payment into a designated account in compliance with the requirements of any competent authority or government.

Rule 52 Other insurance

- 1 The Association shall not cover:
 - a) liabilities, losses, costs or expenses which are covered by the Hull Policies or which would have been covered by the Hull Policies had the Vessel been fully insured on standard terms, without deductible, for an insured value which is at all times not less than the market value from time to time of the Vessel without commitment;
 - b) liabilities, losses, costs or expenses recoverable under any other insurance or which would have been so recoverable:
 - i apart from any term in such other insurance excluding or limiting liability on the ground of double insurance; and
 - ii if the Vessel had not been entered in the Association with cover against the risks set out in these Rules;
 - c) liabilities, losses, costs or expenses in relation to a person performing work in the service of the Vessel covered by social insurance or by public or private insurance required by the legislation or collective wages agreement governing the contract of employment of such person, or which would have been so covered if such insurance had been effected.
- 2 The Association shall not cover under a Defence entry costs which are or can be covered under a P&I entry.

Rule 53 Conduct of the Member

The Association shall not cover liabilities, losses, costs or expenses arising or incurred in circumstances where there has been wilful misconduct on the part of the Member, such misconduct

being an act intentionally done, or a deliberate omission by the Member, with knowledge that the performance or omission will probably result in injury, or an act done or omitted in such a way as to allow an inference of a reckless disregard of the probable consequences.

Rule 54 War risks

The Association shall not cover liabilities, losses, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or his servants or agents) when the loss or damage, injury, illness or death or other accident in respect of which such liabilities arise or such losses, costs or expenses are incurred was caused by:

- a) 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 (provided that, in the event of any dispute as to whether or not, for the purpose of this paragraph (a), an act constitutes an act of terrorism, the Association shall in its absolute discretion determine that dispute and the Association's decision shall be final);
- b) capture, seizure, arrest, restraint or detention, (barratry and piracy excepted), and the consequences thereof or any attempt thereat;
- c) mines, torpedoes, bombs, rockets, shells, explosives, or other similar weapons of war, provided always that this exclusion shall not apply to the use of such weapons, whether as a result of government order or with the agreement of the Association, where the reason for such use is the mitigation of liability, cost or expenses which would otherwise fall within the cover given by the Association.

Note: Additional cover in respect of war risks is available pursuant to Rule 2.1(b) - see Appendix II.

Rule 55 Nuclear perils

The Association shall not cover liabilities, losses, costs or expenses directly or indirectly caused by or contributed to by or arising from:

- a) ionising radiation from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel; or
- b) the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof; or
- c) 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 the use or presence on board the Vessel of equipment or substances containing low-radiation industrial radioactive isotopes customarily used in the offshore industry, provided always that such equipment and/or substances are carried, kept and used in accordance with statutory rules and regulations governing the carriage, custody and use of such equipment and/or substances.

Rule 56 Part tonnage

Where a Vessel is entered with the Association for an insured interest of less than one hundred per cent, the Association shall only be liable to the Member for such proportion of any liability, loss, cost or expense as the insured interest bears to the full one hundred per cent interest.

Rule 57 Deductibles

- 1 Save as set out in Rule 57. 2 below, and unless otherwise agreed, the cover shall be subject to a deductible of USD 10,000 in respect of all liabilities, losses, costs and expenses arising under any one entry from any one event.
- 2 To the extent the Vessel is:
 - i) US owned, operated or managed or
 - ii) the liabilities, losses, costs and expenses are made, asserted or enforced in the US,the cover shall be subject to a deductible of USD 250,000, unless otherwise agreed with the Association.
- 3 The standard deductible for all legal and other costs covered under Rules 44 and 45 and incurred by all the Assureds under any one Defence entry and arising out of any one event shall be 25 per cent of the legal and other costs incurred, subject to a minimum deductible of USD 5,000 and a maximum deductible of USD 50,000. The Association shall determine in its absolute discretion in respect of Defence cover, whether any costs and expenses have arisen out of one or several events.

PART V – MISCELLANEOUS PROVISIONS

CHAPTER 1 – JOINT MEMBERS, CO-ASSUREDS AND AFFILIATES

Rule 58 Cover for Co-assureds and Protective Co-Assureds

- 1 The Association may agree, subject to the provisions of this Rule 58 and to such other terms as may be required to extend the cover afforded by the Association to the Member to any person who is named in the Certificate of Entry as a Co- assured.
- 2 The cover afforded to a Co-assured in categories (a), (b) and (c) below shall extend only to liabilities, losses, costs and expenses arising out of operations and/or activities customarily carried on by or at the risk and responsibility of the owner of the Vessel:
 - a) any person interested in the operation, management or manning of the Vessel;
 - b) the holding company or the beneficial owner of the Member or of any Co- assured falling within category a) above;
 - c) any mortgagee of the Vessel.
- 3 Where a Member enters into a charterparty or other contract for the employment of the Vessel (the "Charterparty"), the other party to the Charterparty and its co-ventures, affiliates and associates and any other interested parties may, by agreement with the Association, be named in the Certificate of Entry as a Protective Co-assured under the Member's cover.
- 4 The Co-assured and Protective Co-assured shall not be entitled to Membership of the Association.
- 5 The Protective Co-assured party may recover from the Association any liabilities, costs and expenses which are incurred by it and which
 - a) are to be borne by the Member under the terms of the Charterparty; and
 - b) would, if borne by the Member, be recoverable by the Member from the Association.
- 6 The Protective Co-assured party may not recover from the Association any liabilities, costs and expenses which are to be borne by the Protective Co-assured party under the terms of the Charterparty.
- 7 The Association agrees to waive any rights of subrogation it may have against the Protective Co-insured party in respect of liabilities, costs and expenses which are to be borne by the Member under the terms of the Charterparty.
- 8 Provided that an address for notification has been advised to the Association, the Association undertakes to give the Protective Co-insured party notice in writing with the same period of notice as to the Member in all cases where the Association terminates the entry. If termination is attributable to the failure by the Member to pay when due and demanded any premium or other amount due from him to the Association, the Association undertakes not to exercise such rights without giving the Protective Co-assured party thirty (30) days' notice in writing.

Rule 59 Cover for Affiliates

- 1 The Association shall extend the cover afforded by the Association to the Member to any person who is affiliated to or associated with the Member.
- 2 The cover afforded to an Affiliate shall extend only to claims made or enforced against the Affiliate in respect of any liabilities for which the Member has cover and nothing herein contained shall be construed as entitling an Affiliate to recover any amount which would not

have been recoverable from the Association by the Member had the claim been made or enforced against the Member.

- 3 Affiliates shall not be entitled to Membership of the Association.

Rule 60 Joint Members, Co-assureds, Affiliates and Fleet Entries

- 1 Joint Members and Co-assureds insured on any one entry shall be jointly and severally liable for all sums due to the Association in respect of such entry. Members, Joint Members and Co-assureds insured on any entry in respect of one or more Vessel(s) forming part of a Fleet Entry shall be jointly and severally liable in respect of all sums due to the Association in respect of any or all Vessels forming part of the Fleet Entry. For the purpose of this section a Fleet Entry shall mean the entry of more than one Vessel by one or more Members on the basis that those Vessels shall be treated together as a fleet.
- 2 Any payment by the Association to one of the Joint Members, Co-assureds or Affiliates shall fully discharge the obligations of the Association in respect of such payment.
- 3 Any communication by the Association to one Joint Member or Co-assured shall be deemed to be communication to all.
- 4 The conduct or omission of one Joint Member or Co-assured which under these Rules would constitute a breach of the contract of insurance, shall be deemed as the conduct or omission of all the Joint Members and Co-assureds.
- 5 To the extent that the Association has indemnified a Co-assured or an Affiliate in respect of a claim, it shall not be under any further liability and shall not make any further payment to any person whatsoever, including the Member, in respect of that claim.

CHAPTER 2 – CLAIMS ETC.

Rule 61 Time bar

- 1 The Member shall have no right to compensation unless he has given notice to the Association of any event which may give rise to a claim on the Association within six months of his becoming aware of it.
- 2 The Member's claim for compensation becomes time-barred three years from the date on which he became aware of his claim and of the circumstances that determine its extent.
- 3 Where a time-bar has not taken effect earlier, the Member's claim for compensation becomes time-barred ten years from the occurrence of the event unless litigation or a general average adjustment is in progress, when the claim becomes time-barred one year after the issue of the final judgment or adjustment.

Rule 62 Obligations with respect to claims

- 1 A Member shall:

- a) promptly notify the Association of any event which may give rise to a claim upon the Association, and of any formal enquiry into a loss or casualty involving the Vessel;
 - b) upon the occurrence of any event which may give rise to a claim upon the Association, take and continue to take all such steps as may be reasonable, including the preservation of any right of recourse against a third party, for the purpose of averting or minimising any liability, loss, cost or expense in respect whereof he may be insured by the Association;
 - c) notify and, if possible, consult the Association prior to taking any action as described in Rule 62.1(b) above;
 - d) promptly provide the Association with all documents and information which may be relevant to such event and which are required to enable the Association to determine whether the event is covered according to these Rules;
 - e) allow the Association or its appointees to interview any person who in the opinion of the Association may have knowledge relevant to the event;
 - f) not without the prior consent of the Association admit liability for or settle any claim for which he may be insured by the Association.
- 2 If a Member commits a breach of any of these obligations
- a) the Association may reject any claim, or reduce the sum payable, in relation to such event; and
 - b) the Member shall reimburse to the Association such part of any costs or expenses incurred by the Association in relation to such event as the Association shall determine.
- 3 The Association shall have the right if it so decides to control or direct the conduct of any claim or legal or other proceedings relating to any liability, loss, cost or expense in respect whereof the Member is or may be insured, in whole or in part, and to instruct, on behalf of the Member, lawyers and other advisers and experts to assist and to require the Member to settle, compromise or otherwise dispose of such claim or proceedings in such manner and upon such terms as the Association sees fit, provided that no actions or directions of the Association shall imply an obligation to cover the liability, loss, cost or expense. If the Member does not settle, compromise or dispose of a claim or of proceedings after being required to do so by the Association, any recovery by the Member from the Association in respect of such claim or proceedings shall be limited to the amount he would have recovered if he had acted as required by the Association.
- 4 A Member shall, in respect of a dispute which falls under the cover, for his own account, obtain information, make calculations, attend meetings and otherwise provide assistance, where such work can be performed by him or by persons employed by him or regularly engaged by him to perform such services.

Rule 63 Exclusion of liability

- 1 The Association shall not be liable for errors or omissions in the handling of a case which may be committed by the Association's employees or by lawyers, advisers or other experts engaged by the Association on behalf of the Member.
- 2 The Association shall not be liable for monies which are lost, having been collected by persons engaged by the Association on behalf of the Member, or entrusted to such persons.

- 3 The Association shall not be liable to pay interest on any sums due from it to the Member.

Rule 64 Recoveries from third parties

- 1 When the Member has a right of recourse against a third party for any liability, loss, cost or expense covered by the Association, the Association shall be subrogated to the Member's right of recourse upon payment by the Association to the Member in respect of the liability, loss, cost or expense.
- 2 Where the Association has made a payment in respect of any liability, loss, cost or expense to or on behalf of a Member, the whole of any recovery from a third party in respect of that liability, loss, cost or expense shall be credited and paid to the Association up to an amount corresponding to the sum paid by the Association together with any interest element on that sum comprised in the recovery, provided however, that
 - a) where because of a deductible in his terms of entry the Member has contributed towards a liability, loss, cost or expense any such interest element shall be apportioned between the Member and the Association taking into account the payments made by each and the dates on which those payments were made; and
 - b) the Association shall retain the whole amount of any award of costs in respect of its own handling of any case; and
 - c) in respect of a Defence Entry, any recovery from a third party in respect of legal and other costs or expenses (the "Recovery") shall be applied as follows and in the following order:
 - i first, if and to the extent a maximum deductible is agreed, the Recovery shall be credited and paid to the Association up to an amount corresponding to the sum of legal and other costs or expenses paid by the Association, in excess of the Member's maximum deductible, together with any interest element on that sum comprised in the Recovery;
 - ii secondly, if and to the extent the Association only has agreed to cover a percentage of legal and other costs or expenses incurred by the Member, the Association shall be credited and paid a proportion of the Recovery corresponding to the percentage of legal and other costs and expenses the Association has agreed to cover pursuant to these Rules and the terms of entry agreed;
 - iii Finally, when the requirements in (i) and (ii) above have been satisfied the Recovery shall be applied against the Member's minimum deductible.
- 3 Subject to Rule 64.2, all monies recovered for a Member with Defence cover shall be paid over to the Member, except that the Association may deduct from such monies and retain any amount due to the Association from the Member.
- 4 Where a Member settles or compromises a claim within its Defence cover for a lump sum which includes costs or without making provision as to costs, the Association shall determine what part of that lump sum shall be deemed attributable to costs.

Rule 65 Discharge

Payment of a claim by the Association to a manager of the Vessel or to any other agent of the Member shall fully discharge the Association's liability to the Member.

Rule 66 Currency of payments

1 The Association shall make all payments for liabilities, losses, costs and expenses covered by the Association in the currency in which the Member's Premium Rating is calculated (the "premium currency").

2 Where the Member has made a payment in respect of any liability, loss, cost or expense which is covered by the Association in a currency other than the premium currency, that payment shall be converted into the premium currency at the rate of exchange ruling on the day payment was made by the Member.

3 Where a deductible under Rule 57 is expressed in a currency other than the premium currency, the deductible shall be converted into the premium currency at the rate of exchange ruling on the day payment was made by the Member.

4 Where a payment in respect of a liability, loss, cost or expense is due at a fixed time and the Member without valid reason neglects to make payment when due, the Member shall not be entitled to compensation at a higher rate of exchange than that ruling on the day on which payment was due.

5 All rates of exchange for the purposes of this Rule 66 shall be as conclusively certified by the Association.

Rule 67 Payment first by Member

- 1 Unless the Association shall in its absolute discretion otherwise determine, it is a condition precedent to a Member's right to recover from the Association in respect of any liability, loss, cost or expense that he shall first have discharged or paid the same.
- 2 The Association shall not be obliged to compensate a Member for a payment made to a third party unless the Member's liability to make that payment has been determined by:
 - a) a final judgement or order of a competent court; or
 - b) a final arbitration award (if settlement of the dispute by arbitration was agreed upon before the dispute arose, or was, with the consent of the Association, agreed upon subsequently); or
 - c) a final settlement of the dispute approved by the Association.
- 3 Notwithstanding sections 1 and 2 above, where a Member has failed to discharge a legal liability to pay damages or compensation for personal injury, illness or death of a member of the Crew or in respect of repatriation under any statutory enactment giving effect to the 2006 Maritime Labour Convention as amended or any materially similar enactment, the Association shall discharge or pay such claim on the Member's behalf directly to such member of the Crew or dependent thereof, provided always that:
 - a) the member of the Crew or dependent has no enforceable right of recovery against any other party and would otherwise be uncompensated;
 - b) the amount payable by the Association shall under no circumstances exceed the amount which the Member would otherwise have been able to recover from the Association under the Rules and the Member's terms of entry; and

- c) with regard to liability, costs and expenses falling within Rule 19.2 above any payment made by the Association shall be made as agent only of the Member, and the Member shall be liable to reimburse the Association for the full amount of such payment.

Rule 68 Payments and undertakings to third parties

- 1 The Association shall be under no obligation to provide any guarantee, certificate, bail or other security or undertaking ("security") for or on behalf of a Member, or to pay the costs of such provision.
- 2 The Association may at its discretion provide security or pay the cost of such provision in relation to liabilities within the scope of a Member's cover, and may recover any costs incurred thereby from the Member.
- 3 The Member shall indemnify the Association for any liability the Association may incur to a third party under or in connection with any security issued by the Association for or on behalf of the Member and for any payment made by the Association to a third party for or on behalf of the Member (irrespective of whether that liability was incurred, or that payment was made during or after the period of the Member's insurance by the Association), save to the extent that, had that third party pursued its claims in respect of the relevant liability against the Member rather than against the Association, or had that payment been made by the Member rather than by the Association, the Member would have been entitled to reimbursement pursuant to these Rules.
- 4 The Protective Co-Assured shall indemnify the Association for any liability the Association may incur to a third party for any payment made by the Association to a third party which are to be borne by the Protective Co-assured party under the terms of the Charterparty.

CHAPTER 3 ASSIGNMENT, LAW, ARBITRATION AND AMENDMENTS TO RULES

Rule 69 Assignment

- 1 The Member shall not assign or otherwise transfer its rights under its contract of insurance with the Association or otherwise arising pursuant to these Rules, save as provided in Rule 69.2.
- 2 The Association may, in its absolute discretion, consent to an assignment or transfer by of a Member of its rights as referred to in Rule 69.1, subject to such terms and conditions as the Association deems fit and subject to the Association's right to deduct from any sum due or to become due from the Association to any assignee or transferee of the Member's rights such amount as the Association may estimate to be sufficient to discharge any existing or anticipated liability of the Member to the Association.

Rule 70 Governing law

The legal relationship between the Association and the Member shall be governed by these Rules and Norwegian law, but the provisions of the Insurance Contracts Act of 16th June 1989 shall not apply.

Rule 71 Arbitration

Unless otherwise agreed, disputes between the Association and a Member or a former Member or any other person arising out of the contract of insurance or these Rules shall be resolved by arbitration. Each party shall nominate one arbitrator and those so nominated shall appoint an Umpire. If the arbitrators cannot agree on an Umpire or a party fails to nominate his arbitrator, the nomination shall be made by the Chief Justice of the Oslo City Court. Reasons shall be given for the award. Arbitration proceedings shall take place in Oslo.

Rule 72 Amendments to the Rules

- 1 The Rules may be amended at any time with effect from the beginning of the following Policy Year, and the Association shall, where practicable, give notice of amendments to Members before 20th January.
- 2 If, in the determination of the Association, a substantial alteration of risk occurs, as a result of new legislation or for any other reason, the Association may make such amendments to the Rules as the situation may require, giving (save in the case where the amendment involves only the making available of additional cover to the Member) at least two months' notice of the amendment.
- 3 When war has broken out or, in the determination of the Association threatens to break out, the Association may decide that amendments shall come into force at shorter notice.

APPENDICES

APPENDIX I PREMIUM CONDITIONS

A Premium adjustment for renewals and termination (Rule 10)

1 Premium deferral for renewal

- a) When a Vessel is entered for a Policy Year, the Association and the Member may agree that a proportion of the premium payable for that Policy Year shall be deferred and shall only be payable in the circumstances described in paragraph A.1(b).
- b) If the Member terminates the entry pursuant to Rule 15 at the end of the Policy Year referred to in paragraph A.1(a), the deferred proportion of the premium payable shall become payable to the Association on demand. The Member shall have no other liability for payment of the deferred proportion, which shall be deemed to be cancelled on the entry being renewed for the next subsequent Policy Year or being terminated pursuant to Rule 16 or ceasing under Rule 17.

2 Additional premium on termination

On any termination of an entry under Rule 16 the Association may levy an additional premium determined by the Association, subject to the following:

- i) where the loss ratio during the four year period ending on the date of termination, or the period of entry, if less than four years, is between 51 and 75 per cent, the additional premium shall not exceed five per cent of the premium payable in the last year of entry;
- ii) where the loss ratio during the four year period ending on the date of termination, or the period of entry, if less than four years, exceeds 75 per cent, the additional premium shall not exceed ten per cent of the premium payable in the last year of entry.

B Terms of Contract (Rule 42.2)

1 Introduction

- a) The premium conditions set out in this paragraph B are applicable for all Vessels except US owned, operated or managed Vessels.
- b) The Premium Rating agreed with the Member, and the cover available to the Member are subject to any contract entered into by the Member for the provision of services by the Vessel containing a division of liability which is either
 - i) in accordance with these premium conditions or with the terms of entry; or
 - ii) approved by the Association after the date of entry, and for which a variation in the Premium Rating is agreed.
- c) For the purpose of these premium conditions:
 - i) "Operator" means the party chartering the Vessel by way of a charterparty or other form of contract, including any other party having an owning interest in the field being serviced by the Vessel;

- ii) "Operator Group" means the Operator their respective co-venturers, its and their parents and Affiliates together with the other contractors of Operator;
- iii) a Vessel shall be deemed to be an accommodation vessel if the Association so determines.

2 Guidelines indicating how various contractual arrangements entered into by the Member will influence Premium Rating. Except to the extent set out specifically in relevant cases below, the following divisions of liability in contracts entered into are acceptable within the standard cover and Premium Rating:

- a) Where the Member is liable for the injury, illness or death of his own employees and the employees of any of his sub-contractors.
- b) Where the Member is liable for loss of or damage to his own property and property belonging to any of his sub-contractors, provided that cover is conditional upon the Member obtaining a hold harmless agreement from any of his sub-contractors in respect of liability for the sub-contractor's property in the care, custody or control of the Member, onboard or outside the Vessel.
- c) Where the Member is liable for the injury, illness or death of the Operator's employees, or the employees of the Operator Group, subject as follows

Note: In the event that the Member obtains a hold harmless undertaking from the Operator in respect of the Operator's employees, there shall be a rebate of 5 per cent of premium on the first USD 50 million of cover.

In the event the Member obtains a hold harmless undertaking from the Operator in respect of the employees of the "Operator's Group", there shall be a rebate of 10 per cent of premium on the first USD 50 million of cover.

- i In the case of accommodation vessels (including flotels), where the Member is liable in tort for the injury, illness or death of the accommodees of the Operator Group, provided that the number of such accommodees at risk does not exceed 15 persons.

Note: In the event of the number of such employees exceeding 15 persons, cover is available for each excess tranche of up to 50 persons at an additional premium of 15 per cent on the first USD 50 million of cover, but subject always to a maximum additional premium of 50 per cent.

- ii In the case of accommodation vessels (including flotels), where the Member is strictly liable in contract for the injury, illness or death of accommodees of the Operator Group, provided that the number of such accommodees at risk does not exceed 15 persons.

Note: In the event of the number of such employees exceeding 15 persons, cover is available for each excess tranche of up to 10 persons at an additional premium of 5 per cent on the first USD 50 million of cover, but subject always to a maximum additional premium of 100 per cent.

- d) Where the Member is liable in tort for loss of or damage to property of the Operator's Group, provided that cover is conditional upon the Member obtaining a hold harmless agreement in respect of liability for such property in the care, custody or control of the Member, on board or outside the Vessel.

APPENDIX II ADDITIONAL INSURANCE - WAR RISKS P&I INSURANCE FOR MOBILE OFFSHORE UNITS

The Association has arranged additional War Risk P&I Insurance (the “War Risk P&I Cover”) for the benefit of Members insured for P&I risks pursuant to the Rules for P&I and Defence cover for Mobile Offshore Units. The terms and conditions for this additional War Risk P&I Cover are as follows:

General terms

The War Risks P&I Cover afforded is subject to the Rules for P&I and Defence cover for Mobile Offshore Units (the “Rules”), save that the war risks exclusion in Rule 54 shall not apply.

Scope of cover

The War Risks P&I Cover shall apply to liabilities, losses, costs and expenses as set out in Part II, chapter 1, of the Rules caused by war risks as defined in Rule 54. Such cover will only include liability or loss in excess of the amounts recoverable under the Vessel’s Hull and Machinery and/or Crew/Marine War Risks Insurance and any P&I inclusion clauses applicable thereto, but subject always to any special terms of entry agreed between the Association and the individual Member and set out in the relevant Vessel’s Certificate of Entry. The maximum limit of cover is equal to the maximum policy limit for P&I risk.

Bio – Chem Risks and Computer virus exclusion

War Risks P&I Cover shall in no case cover loss, damage, liability or expense directly or indirectly caused by or contributed to by or arising from any chemical, biological, biochemical or electromagnetic weapon.

Notice of Cancellation – Automatic Termination of Cover

The War Risks P&I cover is subject to the Institute Notice of Cancellation, Automatic Termination of Cover and War and Nuclear Exclusions Clause - Hulls etc. CL359 dated 1 January 1995. This means that the cover can be terminated upon the Associations giving 7 - seven - days’ notice of their intention to do so. In certain circumstances the cover will terminate automatically.