



THE LONDON

STEAM-SHIP OWNERS'
MUTUAL INSURANCE ASSOCIATION LIMITED

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CLASS 5, THE PROTECTING AND INDEMNITY CLASS

NOTICE IS HEREBY GIVEN that a SEPARATE MEETING of the MEMBERS OF CLASS 5, THE PROTECTING AND INDEMNITY CLASS, of the Association will be held at the REGISTERED OFFICE of the Association, 50 LEMAN STREET, LONDON, E1 8HQ at 12 noon on WEDNESDAY, 31st JANUARY 2007, or as soon thereafter as the meeting of the Committee called for that day is finished, for the purpose of amending the Rules.

The following amendments together with such further amendments, if any, as may be proposed will be submitted for adoption with or without modification and with effect from noon G.M.T. on the 20th day of February 2007.

[New wording is in bold. The explanatory notes in italics will not appear in the actual Rules.]

RULE 9 RISKS COVERED

9.3 Injury and Death – Seamen

9.3.1 Liability to pay damages or compensation for personal injury or death of any seaman of an entered Ship who is on board or proceeding to or from the Ship, and hospital, medical, funeral and other expenses necessarily incurred in relation to such injury or death, including expenses of repatriating the seaman and sending abroad and/or awaiting a substitute to replace him,

9.3.1.1 PROVIDED that where the liability arises or the costs or expenses are incurred under the terms of a crewing agreement, collective agreement or other contract of service or employment and would not have arisen but for those terms, such liability is only covered to the extent that those terms shall have been previously approved by the Association in writing.

9.3.1.2 PROVIDED that, subject to ~~Rule 9.3.1~~ and to Rule 9.3.1.1, where the liability arises or the costs or expenses are incurred while a seaman is on leave, the seaman shall be deemed to have been serving at the material time on the Ship on which he last served prior to his injury or death.

[Explanation: The proposed change clarifies that the deeming provision set out in Rule 9.3.1.2 is subject to the proviso contained in Rule 9.3.1.1 alone.]

9.4 Illness - Seamen

9.4.1 Liability to pay damages or compensation for illness ~~or (including industrial disease)~~ of a seaman of an entered Ship who is on board or proceeding to or from that Ship, and hospital, medical, funeral and other expenses necessarily incurred in relation to such illness or industrial disease including expenses of repatriating the seaman and sending abroad and/or awaiting a substitute to replace him.

9.4.1.1 The PROVISOS in Rules 9.3.1.1 and 9.3.1.2 shall apply to recovery under Rule 9.4.

[Explanation: The change is proposed to achieve consistency in the language and presentation of the Rule.]

9.15 Pollution

9.15.1 Liabilities, costs and expenses set out in Rule 9.15.1.1 - 9.15.1.4 to the extent that they are the result of the discharge or escape from an entered Ship of oil or any other polluting substance, or the threat of such discharge or escape, namely:

9.15.1.1 liability for loss, damage or contamination;

9.15.1.2 liability of an Assured as a party to any agreement previously approved by the Association in writing, and the costs and expenses incurred by an Assured in performing his obligations under such agreements;

9.15.1.3 the costs of measures reasonably taken (or taken in compliance with any order or direction given by any government or authority) for the purpose of avoiding the threat of or minimising pollution, and liability incurred as a result of such measures;

9.15.1.4 liability of an Assured to pay special compensation to a salvor of an entered Ship in respect of work done or measures taken to prevent or minimise damage to the environment, but only to the extent that such liability is imposed on the Assured pursuant to Article 14 of the International Convention on Salvage 1989, or is assumed by the Assured under the terms of a standard form of salvage agreement approved by the Association, or the Lloyd's standard Form of Salvage Agreement (LOF1995) and subsequent amendments thereto,

9.15.1.5 PROVIDED that, unless the Committee in its sole discretion shall otherwise determine, there shall be no recovery under this Rule:

9.15.1.5.1 in respect of any liabilities, costs and expenses which but for the terms of a charter or contract of employment entered into for the employment of the entered Ship would have been allowable in general average adjusted under the unamended York-Antwerp Rules 1994 and would have been recoverable from other parties to the contract;

9.15.1.5.2 in respect of any liability for loss, damage, contamination, costs and expenses arising as a consequence of the discharge or escape, or the threat of discharge or escape, or the presence, of any substance, material, product or waste, determined or deemed to be hazardous, in any dump, site, storage or disposal facility, whether or not such substance, material, product or waste was previously carried on an entered Ship as cargo, fuel or stores;

9.15.1.5.3 in respect of liabilities, costs and expenses in respect of an escape or discharge or threatened escape or discharge of oil arising out of any incident or occurrence to which the United States Oil Pollution Act of 1990 ("OPA 90") is applicable and which relates to a "tank vessel" (as defined in OPA 90) unless the Assured who has entered such a tank vessel has complied with the following terms and conditions:

(a) the Assured shall agree before 20th February of the relevant Policy Year to make and shall make quarterly declarations in arrears, at the latest within two months of each quarter ending 20th May, 20th August, 20th November and 20th February, declaring whether or not any entered tank vessel has made a voyage carrying cargo to or from ports or places in the United States of America, including the exclusive economic zone (EEZ), to which OPA 90 applies, and, if any such voyages have been made, giving the date on which the cargo was loaded or discharged, the name of the United States port or location at which the cargo was loaded or discharged, and the type of the cargo carried, in accordance with the U.S. Voyage Quarterly Declaration form issued to the Assured by the Managers; and

(b) if a voyage declared under (a) above involves the carriage of persistent oil (as defined in the U.S. Voyage Quarterly Declaration form) as cargo, the Assured shall pay, on or before the date stipulated in the debit note issued by the Managers, a surcharge as specified therein.

It is a condition precedent to cover in respect of liabilities, costs and expenses in respect of an escape or discharge or threatened escape or discharge of oil arising out of an incident or occurrence to which OPA 90 is applicable that the Assured has timeously and accurately complied with the above conditions concerning declarations.

- ~~9.15.1.6~~ An Assured insured in respect of a Ship which is a 'Relevant Ship' as defined in the Small Tanker Oil Pollution Indemnification Agreement (STOPIA) shall, by virtue of entry with and through the agency of the Association, and unless the Association otherwise agrees in writing, become a party to STOPIA for the period of entry of that Ship in the Association. In the event that an Assured exercises his rights under STOPIA to withdraw from that agreement, and unless the Managers have agreed in writing, or unless the Committee in its sole discretion otherwise determines, there shall be no cover under Rule 9.15 in respect of such Ship so long as that Assured is not a party to STOPIA.
- 9.15.1.76 An Assured insured in respect of a Ship which is a 'Relevant Ship' as defined in the Small Tanker Oil Pollution Indemnification Agreement 2006 (STOPIA 2006) shall, by virtue of entry with and through the agency of the Association, and unless the Association otherwise agrees in writing, become a party to STOPIA 2006 for the period of entry of that Ship in the Association. In the event that an Assured exercises his rights under STOPIA 2006 to withdraw from that agreement, and unless the Managers have agreed in writing, or unless the Committee in its sole discretion otherwise determines, there shall be no cover under Rule 9.15 in respect of such Ship so long as that Assured is not a party to STOPIA 2006.
- 9.15.1.87 An Assured insured in respect of a Ship which is a 'Relevant Ship' as defined in the Tanker Oil Pollution Indemnification Agreement (TOPIA) shall, by virtue of entry with and through the agency of the Association, and unless the Association otherwise agrees in writing, become a party to TOPIA for the period of entry of that Ship in the Association. In the event that an Assured exercises his rights under TOPIA to withdraw from that agreement, and unless the Managers have agreed in writing, or unless the Committee in its sole discretion otherwise determines, there shall be no cover under Rule 9.15 in respect of such Ship so long as that Assured is not a party to TOPIA.

[Explanation: The proposed change reflects the termination of STOPIA with effect from the expiry of the three month notice of termination given to the IOPC Fund, and the coming into force of STOPIA 2006, on 20 February 2006.]

9.18 Wreck Removal

- 9.18.1 Costs and expenses reasonably incurred by the Assured in the raising, removal, destruction, lighting or marking of the wreck of an entered Ship or any cargo, equipment or other property which is or was carried on board an entered Ship **where such is a hazard or obstruction to navigation or** to the extent that such measures are compulsory by law, or if (with the approval of the Association in writing) the Assured has declined to take such measures, his liability to any other person for such costs and expenses.
- 9.18.2 Liability for costs and expenses as in Rule 9.18.1 under the terms of use of port facilities, but only to the extent that such terms shall have previously been approved by the Association in writing, for which the Association may require a further Call or premium.
- 9.18.3 Liability resulting from any raising, removal or destruction of the wreck undertaken by the Assured as specified in Rule 9.18.1.
- 9.18.4 Liability resulting from the presence of the wreck, but if measures as specified in Rule 9.18.1 have not been undertaken by the Assured, only to the extent that such inaction has had the approval of the Association in writing,
- 9.18.5 PROVIDED that:
- 9.18.5.1 subject to the next following provision, all cover under Rule 9.18 shall cease 3 years after termination of the Ship's entry save in respect of costs and expenses incurred prior to that time or claims which are already by then the subject of formally instituted proceedings against the Assured and of which the Assured shall have promptly notified the Association in writing;
- 9.18.5.2 cover may be continued beyond the cesser of the immediately preceding provision but only if requested by the Assured within the 3 years period referred to therein and agreed by the Association in writing, for which the Association may require a further Call or premium;

- 9.18.5.3** from any claim under Rule 9.18.1 - 9.18.3 there shall be deducted the value of the wreck and its equipment including all bunkers, stores and materials saved and if the Association shall have reimbursed, advanced or incurred a liability to any other party whatsoever for the costs and expenses of raising and removal of the wreck and/or its equipment including bunkers, stores and materials, then the Association shall be entitled to reimbursement by the Assured of the value of the wreck and its equipment, including all bunkers, stores and materials saved;
- 9.18.5.4** there shall be no recovery under Rule 9.18 if the Assured, without the consent of the Association in writing, shall have transferred his interest in the wreck prior to the raising, removal, destruction, lighting or marking of the wreck or prior to the incident giving rise to liability; tendering of notice of abandonment to hull underwriters shall not require the Association's consent but prompt advice whether or not the same has been accepted must nonetheless be given by the Assured to the Association.

[Explanation: The proposed change will reflect the recent agreement reached within the International Group concerning the appropriate scope of poolable cover for wreck removal.]

RULE 15 LIABILITY EXCLUDED FOR WAR RISKS

- 15.1** Unless the Association shall have previously agreed or arranged cover in writing on special terms (which may include the requirement of a further Call or premium) and subject to the provisions of Rule 15.2, there shall be no recovery in respect of any liabilities, costs or expenses (whether or not a contributory cause of the same being incurred was any neglect on the part of the Assured or the Assured's servants or agents) when the loss or damage, injury, illness or death or other accident in respect of which such liability arises or costs or expenses are incurred, shall have been caused by:
- 15.1.1** war, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power, or any act of terrorism,
- 15.1.1.1** PROVIDED that in the event of any dispute as to whether or not any act constitutes an act of terrorism the decision of the Committee shall be final;
- 15.1.2** capture, seizure, arrest, restraint or detention (barratry and piracy excepted), and the consequences thereof or any attempt thereat;
- 15.1.3** mines, torpedoes, bombs, rockets, shells, explosives or other similar weapons of war, PROVIDED that the exclusion in Rule 15.1.3 shall not apply to:
- 15.1.3.1** liabilities, costs or expenses which arise solely by reason of the transport of any such weapons whether on board the entered Ship or not;
- 15.1.3.2** the use of any such weapons, either as a result of government order or with the agreement of the Association in writing, where the reason for such use is the avoidance or mitigation of liabilities, costs or expenses which would otherwise be recoverable under Rule 9.
- 15.2** PROVIDED ALWAYS that:
- 15.2.1** the exclusions in Rule 15.1 shall not apply to liabilities, costs and expenses of an Assured insofar only as they are discharged by the Association on behalf of the Assured pursuant to a demand made under:
- 15.2.1.1** a guarantee or other undertaking given by the Association to the Federal Maritime Commission under Section 2 of US Public Law 89-777; or
- 15.2.1.2** a certificate issued by the Association in compliance with Article VII of the International Conventions on Civil Liability for Oil Pollution Damage 1969 and 1992 or any amendments thereof;
- 15.2.1.3** the undertaking contained within the Memorandum of Understanding between the International Group of P&I Clubs and the 1992 International Oil Pollution Compensation Fund with respect to the ~~Small Tanker Oil Pollution Indemnification Agreement (STOPIA) and/or the Small Tanker Oil Pollution Indemnification Agreement 2006 (STOPIA 2006)~~ to the extent that such liabilities, costs and expenses are not recovered by the Assured under any other policy of insurance or any extension to the cover, provided by the Association; and
- 15.2.2** where any such guarantee, undertaking or certificate is provided by the Association on behalf of the Assured as guarantor or otherwise, the Assured agrees that any payment

by the Association thereunder in discharge of the said liabilities, costs and expenses shall, to the extent of any amount recovered under any other policy of insurance or extension to the cover, provided by the Association, be by way of loan and that there shall be assigned to the Association all the rights of the Assured under any other insurance and against any third party.

- 15.3** The Association may provide special cover to the Assureds against any or all of the risks set out in Rule 9 notwithstanding that those liabilities, costs or expenses would otherwise be excluded by this Rule 15, subject to such limits and to such terms and conditions as the Association may from time to time determine.

[Explanation: The proposed change reflects the termination of STOPIA with effect from the expiry of the three month notice of termination given to the IOPC Fund, and the coming into force of STOPIA 2006, on 20 February 2006.]

RULE 21 POWERS OF THE ASSOCIATION RELATING TO THE HANDLING AND SETTLEMENT OF CLAIMS

21.1 The Association shall at all times have the right to:

21.1.1 appoint and employ on an Assured's behalf lawyers, surveyors or other persons to co-operate with the Assured in investigating or dealing with (including ~~taking~~ commencing or defending legal or other proceedings) any matter which may result in liability, costs or expenses for which the Assured is or may be insured by the Association;—, **or in respect of which the Association has provided security;**

21.1.2 direct the conduct of any claim or legal or other proceedings against an Assured relating to any potential liability for which an Assured is or may be insured by the Association in whole or in part, **or in respect of which the Association has provided security,** including direction that such claim or proceedings should be settled, compromised, or otherwise disposed of in such manner and upon such terms as the Association may require.

21.2 If an Assured fails to co-operate or to comply with any requirement or direction as aforesaid, the Committee may in its sole discretion reject or reduce any recovery to which such failure may appear to the Committee to be relevant.

[Explanation: The proposed change strengthens the Association's powers over the handling and settlement of claims, to include matters in respect of which it has provided security on behalf of an Assured.]

RULE 34 CLOSING OF POLICY YEARS

34.1 With effect from such date as the Committee shall in its sole discretion determine after the end of each Policy Year, but no sooner than 36 months from its commencement, the Committee shall declare the same closed for Deferred and/or Additional Calls, after which no further Deferred and/or Additional Calls shall be levied in respect thereof.

34.2 The Committee may declare any Policy Year closed for Deferred and/or Additional Calls notwithstanding that it is known or anticipated that there are in existence or may in the future arise liabilities, costs or expenses recoverable in respect of such Policy Year (apart from Overspill Claims) which have not yet accrued or the validity, extent or amount of which have yet to be established.

34.3 If upon the closing of any Policy Year it shall appear to the Committee that the whole of the Calls (other than Overspill Calls) and other receipts in respect of such Policy Year (and of all transfers from reserves and provisions made for the credit of or in respect of that Policy Year), is unlikely to be required to meet the claims (other than Overspill Claims), expenses and outgoings arising in respect of that Policy Year (as referred to in Rule 32), then the Committee may decide to dispose of any excess which in their opinion is not so required in one or any of the following ways:

34.3.1 by transferring the excess or any part thereof to the reserves of the Association in accordance with Rules 33.8 or 38;

34.3.2 by applying the excess or any part thereof to meet any deficiency which has occurred or may be thought likely to occur in any closed Policy Year or Years;

34.3.3 by returning the excess or any part thereof to those Assureds entered in respect of such Policy Year (**unless such entry is for a fixed premium**) in proportion to the

Estimated Total Cost payable by Assureds in respect of such Policy Year (after taking into account any returns or rebates applicable thereto under their terms of entry or under any other provision of these Rules) save that no return shall be made to any Assured whose entry ceased in the course of such Policy Year by reason of Rule 29 or Rule 30 or whose liability for Calls in respect of such Policy Year has been assessed under the provisions of Rule 36.

- 34.4** If upon the closing of any Policy Year it shall appear to the Committee that the claims (other than Overspill Claims), expenses and outgoings arising in respect of that Policy Year (as referred to in Rule 32) exceed or are likely to exceed the totality of the Calls (other than Overspill Calls) and other receipts in respect of such Policy Year (and of all transfers from reserves and provisions made for the credit of or in respect of such Policy Year), then the Committee may decide to provide for such deficiency in any one or more of the following ways:
- 34.4.1** by transferring funds from the reserves or other accounts of the Association;
 - 34.4.2** by transferring funds standing to the credit of any different closed Policy Year;
 - 34.4.3** by levying Additional Call(s) in respect of any open Policy Year with the intention (as permitted by Rule 32) of applying a part thereof to meet any such deficiency.
- 34.5** At any time after any Policy Year shall have been closed the Committee may resolve to amalgamate the accounts of two or more closed Policy Years and to pool the amounts standing to the credit of the same. If the Committee shall so resolve then the two or more closed Policy Years concerned shall be treated as though they constituted a single closed Policy Year, provided that no such amalgamation shall apply for the purposes of Overspill Claims, Overspill Calls or Overspill Reserves.

[Explanation: The proposed change clarifies that the provisions permitting the return of any excess upon the closing of a Policy Year do not apply in respect of fixed premium entries.]

RULE 35 PAYMENT OF CALLS

- 35.1** Save as provided below in this Rule 35.1, Calls shall be payable in such instalments and on such dates as the Committee shall specify, and without set-off of any amount due or alleged to be due by the Association to any Assured on any ground or of any kind whatsoever including set-off which might otherwise have arisen by reason of the bankruptcy or winding up of an Assured (whether or not any set-off has been allowed by the Association at any time in the past) except to the extent that in requiring payment of the subject amount the Association itself shall have already allowed a set-off or credit in favour of the Assured. Upon the termination of an Assured's contract of insurance all Calls (including all instalments thereof falling due for payment after the time of such termination) in respect of such contract and remaining unpaid at the time of such termination shall become immediately due and payable notwithstanding that the due date for payment in respect of any such Calls (including any instalment thereof) falls after the time of such termination.
- 35.2** The Association may decline a request by any Assured or former Assured to pay all or any part of any Call(s) payable by him in a currency other than U.S. Dollars.
- 35.3** A copy of the resolution of the Committee authorising any Call(s) certified by the Managers to be a true copy and a certificate signed by the Managers with the amount due by an Assured in respect of such Call(s) shall be sufficient evidence of the Call(s) and the amount due by that Assured in respect thereof.
- 35.4** The amount or amounts specified in Rule 35.3 as being payable by an Assured or former Assured shall for all purposes (including the purposes of Rule 30) be and be deemed to be properly due as a debt from the Assured or former Assured concerned to the Association at the time or times so specified and he shall have no right to question an assessment made pursuant to Rule 35.3 save that after payment thereof in full to the Association, he shall be entitled to claim repayment thereof in whole or in part by referring such matter to arbitration in accordance with Rule 43.
- 35.5** Without prejudice to any other provisions contained in these Rules the Committee may in its sole discretion at any and all times determine the rate of interest which shall be payable to the Association on any Call(s) or other amounts due to the Association (including amounts due under Rule 36) as from the due date of payment or such later date as the Committee may in its sole discretion consider fit.

35.6 If any Advance, Deferred and/or Additional Call(s) or payment due from an Assured or former Assured to the Association is not paid and if the Association decides that payment cannot be obtained, the sums required to make good any resulting shortfall or deficiency in the funds of the Association shall be deemed to be expenses of the Association for which, as the Committee may in its sole discretion determine, Call(s) may be levied in accordance with Rule 32 or, as the case may be, reserves may be applied in accordance with Rules 34 and 38.

35.7 An Assured shall pay on demand to the Association the amount of any premium tax or other excise tax for which the Association determines it or the Assured has or may become liable and shall indemnify and hold harmless the Association in respect of any loss, damage, liability, cost or expense which the Association may incur in respect of such premium tax or other excise tax.

[Explanation: The proposed change is to enable the Association to collect from an Assured insurance premium tax for which the Association may be or become liable to the relevant tax authority, in default of payment by the Assured.]

By Order of the Committee,
A. BILBROUGH & CO. LTD.
(Managers)

18 December 2006