



THE LONDON

STEAM-SHIP OWNERS'
MUTUAL INSURANCE ASSOCIATION LIMITED

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CLASS 8, THE FREIGHT, DEMURRAGE AND DEFENCE CLASS

NOTICE IS HEREBY GIVEN that a SEPARATE MEETING of the MEMBERS OF CLASS 8, THE FREIGHT, DEMURRAGE AND DEFENCE CLASS, of the Association will be held at THE NEW YORK PALACE HOTEL, 455 MADISON AVENUE, NEW YORK, NY 10022, UNITED STATES OF AMERICA at 12:20 hours on WEDNESDAY, 14th OCTOBER 2009, or as soon thereafter as the meeting of Class 5 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 2010.

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

RULE I INTRODUCTORY

1.1 In these Rules, unless the context requires otherwise:

~~“Additional Call” means an additional call levied pursuant to Rule 31.4;~~

~~“Advance Call” means an advance call levied pursuant to Rule 31.2;~~

“Annual Call” means an annual call levied pursuant to Rule 31.2;

“the Articles” means the Articles of Association of the Association in force from time to time;

“the Association” means The London Steam-Ship Owners’ Mutual Insurance Association Limited, a company limited by guarantee registered in England under number 10341;

“Assured” means a person whose application for insurance within this Class of any interest in a Ship has been accepted by the Association and includes, for the avoidance of doubt, a Co-assured and Other Assured;

“Call” means a call levied pursuant to these Rules;

“Certificate of Entry” means a certificate issued by the Association pursuant to Rule 6;

“Class” means a class of the Association and “this Class” means Class 8, the Freight, Demurrage and Defence Class of the Association;

“Co-assureds” means Assureds whose application for insurance of their respective interests in the same Ship has been accepted by the Association pursuant to Rule 22.1 and “Co-assured” shall be construed accordingly;

“Committee” means the committee for the time being of the Association;

~~“Deferred Call” means a deferred call levied pursuant to Rule 31.3;~~

“Electronic Communication” has the meaning given in the Electronic Communications Act 2000;

“Endorsement Slip” means an endorsement slip issued by the Association pursuant to Rule 6.2;

~~“Estimated Total Cost” has the meaning given in Rule 31.4;~~

“LSSO (Bermuda)” has the meaning given in Rule 5.1;

“Managers” means the managers from time to time of the Association;

“Member” means an Assured who is a member of the Association in accordance with the Companies Act 1985 and the Articles;

“Memorandum” means the Memorandum of Association of the Association in force from time to time;

“Other Assured” means a person to whom the benefit of an Assured’s insurance is agreed to be extended by the Association pursuant to Rule 22.3;

“Policy Year” has the meaning given in Rule 2.2;

“Release Call” means a release call charged pursuant to Rule 35.1;

“Rules” means the rules of this Class in force from time to time and “Rule” shall be construed accordingly; and

“Ship” means any ship, boat, hovercraft or other description of vessel or structure (including any ship, boat, hovercraft or other vessel or structure under construction) used or intended to be used for any purpose whatsoever in navigation or otherwise on, under, over or in water or any part thereof or any proportion of the tonnage thereof or any share therein.

“Supplementary Call” means a supplementary call levied pursuant to Rule 31.3;

In addition, in these Rules:

words importing the singular number only shall include the plural number and vice versa;

words importing the masculine gender only shall include the feminine gender;

words importing persons shall include individuals, corporations, partnerships and firms (whether or not having a separate legal personality); and

the headings in these Rules are for convenience only and shall not affect their interpretation.

RULE 6 CERTIFICATES OF ENTRY AND ENDORSEMENT SLIPS

6.1 After accepting an application for insurance the Association shall issue a Certificate of Entry of the Ship concerned setting out:

6.1.1 the date of commencement of risk;

6.1.2 the **Annual Advance** Call Rate, or such other basis of contribution as may be applicable;

6.1.3 the gross tonnage, or where not determined gross registered tonnage, of the entered Ship and, if less, the tonnage entered in accordance with Rule 7.1;

6.1.4 the names of all Assureds and their respective interests in the entered Ship;

6.1.5 any special terms of entry, including any special deductibles.

6.2 If at any time it is mutually agreed to vary the terms of any insurance the Association shall at its option issue an Endorsement Slip detailing such variation and the date from which the same is to be effective.

6.3 Fresh Certificates of Entry shall be issued setting out the terms effective from noon GMT each successive 20th February for all Ships whose entries are then continuing.

RULE 31 ANNUAL ADVANCE, DEFERRED AND SUPPLEMENTARY ADDITIONAL CALLS

31.1 The Assureds who have entered Ships for insurance in the Association in respect of any Policy Year (not being a year closed in accordance with Rule 33) shall (unless such entry is for a fixed premium or as may be otherwise specifically agreed) provide in accordance with the provisions of Rules 31 and 32 by way of **Annual Advance**, ~~Deferred~~ and **Supplementary Additional** Calls, all funds which in the sole discretion of the Committee are required to meet:

31.1.1 the claims, expenses and outgoings (whether incurred, accrued or anticipated) of the insurance business of the Association in respect of such Policy Year including, without prejudice to the generality of the foregoing, such excess (if any) of the claims and other outgoings in respect of any category of such business over the Calls payable to the Association in respect thereof as the Committee may charge in whole or in part to such Policy Year, and any proportion of any claims, expenses or outgoings of any insurer other than the Association which has fallen or which may be thought likely to fall upon the Association by virtue of any reinsurance or pooling agreement concluded between the Association and such other insurer;

31.1.2 such of the general expenses of the Association as the Committee may from time to time charge against the insurance business of the Association in respect of such Policy Year;

- 31.1.3 such transfers to the reserves or other accounts of the Association (as referred to in Rule 37) and for subsequent application for the purposes of such reserves or other accounts or otherwise as the Committee may determine;
- 31.1.4 any deficiency (but also taking account of any surplus) which has occurred or may be thought likely to occur in any closed Policy Years;
- 31.1.5 any sums which the Association may by any governmental or other similar legislation or regulation be required to set aside in order to establish and/or maintain an adequate solvency margin, guarantee fund and/or other fund or capital requirement in respect of any Policy Year.
- 31.2 Towards such funds for each Policy Year Assureds shall pay an **Annual Advance** Call, at the rate assessed in respect of each Assured by the Managers and shown in each Ship's Certificate of Entry for that Policy Year on the entered tonnage or on each Ship therein stated and pro rata for Ships entered for less than the whole Policy Year.
- 31.3 ~~Further towards such funds, if determined as aforesaid by the Committee to be required in accordance with Rule 31.1 for any Policy Year, the Committee may direct that a Deferred Call(s) shall be paid, the amounts of which shall be stated as a uniform percentage of the Advance Call payable by Assureds for that Policy Year.~~
- 31.4 Further towards such funds, if determined as aforesaid by the Committee to be required in accordance with Rule 31.1 for any Policy Year, the Committee may direct that ~~an~~ a **Supplementary Additional** Call(s) shall be paid, the amount(s) of which shall be stated as a uniform percentage of the **Annual Estimated Total Cost** (the ~~Advance Call plus the Deferred Call(s)~~) payable by each Assured for ~~that~~ the Policy Year.

RULE 32 GENERAL INCREASE OR REDUCTION IN CALLS

- 32.1 The Committee may determine a general increase or reduction in **annual advance** call rates ~~or Estimated Total Cost~~ for the immediately following Policy Year which shall be notified to Assureds not later than the previous 31st December so as to apply with effect from the start of the immediately following Policy Year to all Ships whose entries are then continuing on the basis of which **Annual Advance** Calls shall be assessed in respect of each Assured by the Managers and shown in each Ship's Certificates of Entry for that Policy Year.

RULE 33 CLOSING OF POLICY YEARS

- 33.1 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 **Supplementary Deferred and/or Additional** Calls, after which no further **Supplementary Deferred and/or Additional** Calls shall be levied in respect thereof.
- 33.2 The Committee may declare any Policy Year closed for **Supplementary Deferred and/or Additional** Calls notwithstanding that it is known or anticipated that there are in existence or may in the future arise legal costs, charges or disbursements recoverable in respect of such Policy Year which have not yet accrued or the validity, extent or amount of which have yet to be established.
- 33.3 If upon the closing of any Policy Year it shall appear to the Committee that the whole of the 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, expenses and outgoings arising in respect of that Policy Year (as referred to in Rule 31), 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:
 - 33.3.1 by transferring the excess or any part thereof to the reserves of the Association in accordance with Rule 37;
 - 33.3.2 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;
 - 33.3.3 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 **Annual Call 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 28 or Rule 29 or whose liability for Calls in respect of such Policy Year has been assessed under the provisions of Rule 35.

- 33.4** If upon the closing of any Policy Year it shall appear to the Committee that the claims, expenses and outgoings arising in respect of that Policy Year (as referred to in Rule 31) exceed or are likely to exceed the totality of the 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:
- 33.4.1** by transferring funds from the reserves or other accounts of the Association;
 - 33.4.2** by transferring funds standing to the credit of any different closed Policy Year;
 - 33.4.3** by levying ~~an~~ **a Supplementary Additional** Call(s) in respect of any open Policy Year with the intention (as permitted by Rule 31) of applying a part thereof to meet any such deficiency.
- 33.5** 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 for all purposes be treated as though they constituted a single closed Policy Year.

RULE 34 PAYMENT OF CALLS

- 34.1** Save as provided below in this Rule 34.1, 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 the 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.
- 34.2** 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.
- 34.3** 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.
- 34.4** The amount or amounts specified in Rule 34.3 as being payable by an Assured or former Assured shall for all purposes (including the purposes of Rule 29) 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 34.3 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 42.
- 34.5** 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 35) as from the due date of payment or such later date as the Committee may in its sole discretion consider fit.
- 34.6** If any ~~Annual Advance, Deferred and/or~~ **Supplementary 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 Rules 31 and 32, as the case may be, or reserves may be applied in accordance with Rules 33 and 37.
- 34.7** 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.

RULE 35 RELEASE CALLS

- 35.1** Subject to the provisions of this Rule 35, upon or at any time after the termination of entry of any Ship for any reason, a Release Call may be charged by the Association in lieu of any **Supplementary** ~~Deferred and/or Additional~~ Call for open Policy Years during which such Ship shall have been entered.
- 35.2** The amount of any Release Call which shall be so charged for any open Policy Year shall be such percentage of the **Annual Advance** Call as the Committee ~~in its sole discretion~~ shall from time to time determine.
- 35.3** Once paid, a Release Call shall not in any circumstances be returnable, notwithstanding any subsequent reduction in the amounts chargeable for the Policy Years concerned; nor shall the Assured have any right to share in any return of surplus for any such Policy Year in respect of a Ship for which any Release Call has been paid or is payable, but payment of a Release Call shall discharge an Assured from any future liability for any **Supplementary** ~~Deferred and/or Additional~~ Call in lieu of which such Release Call has been charged.
- 35.4** At any time after the termination of entry of any Ship, at the request in writing of any Assured who would otherwise be liable to pay any **Supplementary** ~~Deferred and/or Additional~~ Call in respect thereof, the Association may (but shall not be required to) assess and give notice to the Assured of the amount chargeable in accordance with Rule 35.2 by way of Release Call in respect of that Ship for all open Policy Years or such of them as may be specified in the request. If the Assured does not accept the amount so charge-able by way of Release Call within 30 days of the Association's notice, liability to pay any **Supplementary** ~~Deferred and/or Additional~~ Call (whether levied before, on or after the date of the Association's notice) will continue subject to the right of the Assured to make a further request which shall operate afresh as described above and to the right of the Association to impose a Release Call in accordance with Rule 35.5. If the Assured accepts the amount so chargeable by way of Release Call, debit notes will be issued and shall be due and payable by the Assured immediately.
- 35.5** Whether or not any request shall have been made in accordance with Rule 35.4, and notwithstanding the acceptance or otherwise by the Assured pursuant to that Rule, upon or at any time after the termination of entry of any Ship, a Release Call in respect of any **Supplementary** ~~Deferred and/or Additional~~ Call in the relevant amounts chargeable in accordance with Rule 35.2 for all open Policy Years during which such Ship shall have been entered may be imposed by the Association upon any Assured who would otherwise be liable to pay any such Call. Debit notes for such Release Calls may be rendered without previous notice and shall be due and payable immediately.
- 35.5.1** PROVIDED that such debit notes (and the imposition of Release Calls thereby effected) shall be cancelled if the Association shall have received a bank guarantee which will pay on the written demand of the Association any future **Supplementary** ~~Deferred and/or Additional~~ Call in respect of the Ship concerned, for which the Assured shall remain liable in full. Such bank guarantee shall be:
- 35.5.1.1** enforceable in London;
- 35.5.1.2** acceptable to the Association; and
- 35.5.1.3** for an amount equal to the debited Release Call(s).
- 35.6** If, while a Release Call which has become due and payable is unpaid (and if payment of future **Supplementary** ~~Deferred and/or Additional~~ Calls is not guaranteed in accordance with Rule 35.5.1), the Committee determines in accordance with Rule 35.2 that a Release Call for any relevant Policy Year shall be charged at a higher percentage of the **Annual Advance** Call or (as the case may be) a higher amount per gross ton, or where not determined gross registered ton, than the percentage or amount that was applicable at the time when the Release Call was notified pursuant to Rule 35.4 or imposed pursuant to Rule 35.5 (as the case may be), the Association may apply the increase to the outstanding Release Call and render a debit note for the appropriate additional higher amount, which shall be due and payable immediately, but the proviso in Rule 35.5.1 shall apply mutatis mutandis to any debit note issued pursuant to this Rule.
- 35.7** The Association may, at any time while a Release Call which has become due and payable is unpaid (and if payment of any future **Supplementary** ~~Deferred and/or Additional~~ Call is not guaranteed in accordance with Rule 35.5.1), cancel the Release Call by notice in writing to the Assured, whereupon the Assured shall be liable to pay all **Supplementary** ~~Deferred and/or Additional~~ Calls in respect of which the Release Call had been charged, whether levied before, on or after the date of cancellation.

RULE 37 RESERVES

- 37.1** The Committee may in its sole discretion establish, maintain and apply such reserve funds or accounts, including without limitation a Calls Equalisation Account, for any or all of the following contingencies or purposes:
- 37.1.1** to stabilise the level of ~~Supplementary Deferred and/or Additional~~ **Supplementary** Calls from one Policy Year to another;
 - 37.1.2** to eliminate the need to levy ~~Supplementary Deferred and/or Additional~~ **Supplementary** Calls in respect of any Policy Year, whether past, present or future, or to reduce the need for or level of any such Calls;
 - 37.1.3** to eliminate or reduce any deficiency which may have occurred or is considered likely to occur in respect of any closed Policy Year;
 - 37.1.4** to protect the Association against any actual or prospective losses on foreign exchange transactions or on realised or unrealised investments; or
 - 37.1.5** such other contingency or purpose beneficial to the Association as the Committee may in its sole discretion determine.
- 37.2** The Committee may in its sole discretion apply the whole or any part of any reserve fund or account for any of the contingencies or purposes set out in Rule 37.1 above and in respect of any Policy Year irrespective of the purpose or purposes for which that reserve fund or account was established and irrespective of the Policy Year or Years from which the funds or account originated, provided that such application shall be considered by the Committee to be beneficial to the Association. The Committee may also in its sole discretion transfer sums from one reserve to another within the same Class, but shall not be entitled to use any reserve fund or account established from Calls or funds of one Class for the benefit of any other Class, nor to transfer such reserve fund or account between different Classes.
- 37.3** Reserve funds or accounts may be raised by the Committee resolving that there shall be transferred to and applied for the purposes of any such reserve funds or accounts a specified amount or proportion of:
- 37.3.1** any ~~Annual Advance, Deferred or Supplementary Additional~~ **Annual Advance** Calls, upon the rate of such Calls being decided; or
 - 37.3.2** any funds standing to the credit of a Policy Year upon such Policy Year being closed.

[Explanation: The Committee decided at its meeting in April 2009 that, subject to the approval of the Members of this Class, the calling structure in respect of Class 8 should be changed with effect from the 2010 policy year. It is proposed that the 'Advance Call' and the 'Deferred Call' will be dispensed with and that the budgeted call for the policy year will be known as the 'Annual Call'. The above proposed Rule changes will give effect to such change in calling structure. The proposed change to Rule 35.2 will enable the Committee to delegate its power to decide the amount of any Release Call to, inter alia, the Finance & Audit Committee pursuant to Rule 1.10.]

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

1 October 2009