



## The London P&I Club

All correspondence should be addressed to the Managers

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14 January 2015

### TO ALL CLASS 5 AND 8 MEMBERS

Dear Sirs

#### PROPOSED RULE CHANGES

Please find attached copies of Notices of forthcoming meetings of the Class 5 and 8 Members of the Association, to be held at the registered office of the Association, 50 Lemn Street, London E1 8HQ, on Wednesday, 28<sup>th</sup> January 2015, for the purpose of amending the Rules of the classes.

It will be noted that the proposed changes for each class are split into two separate resolutions:-

**Resolution One** includes the Rule changes necessary to give effect to a proposed reorganisation of the Association, in order to maintain the optimal corporate structure from a regulatory and tax perspective and in preparation for the implementation of the Solvency II Directive. The effect of these Rule changes and to the Rules and constitutional documents of the Association's parallel mutual, the London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Ltd, will be to change the status of the Bermuda parallel to become a subsidiary of the Association, with effect from the start of the 2015/16 Policy Year.

Further details of this proposed change in structure are given in a short "Frequently Asked Questions" document also attached to this circular.

**Resolution Two** includes other more routine Rule changes, each explained in the relevant Notices, which are again proposed to take effect from the start of the 2015/16 Policy Year.

Copies of all the above documents are also available on the Association's website: [www.londonpandi.com](http://www.londonpandi.com).

Yours faithfully  
A BILBROUGH & CO LTD  
(MANAGERS)

5:506

8:103





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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 London Steam-Ship Owners' Mutual Insurance Association Ltd ("the Association") will be held at the REGISTERED OFFICE of the Association, 50 LEMAN STREET, LONDON, E1 8HQ at 12 noon on WEDNESDAY, 28th JANUARY 2015, 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 RESOLUTIONS amending the Rules of the Class, together with such further amendments, if any, as may be proposed at the meeting, will be considered, and if thought fit, passed as ORDINARY RESOLUTIONS of the Class to take effect from noon G.M.T. on the 20th day of February 2015.

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

### RESOLUTION ONE

THAT, conditional on:

- (i) Resolution One being proposed at the meeting of the members of Class 8 (The Freight, Demurrage and Defence) of the Association to be held on Wednesday 28<sup>th</sup> January 2015 (or any adjournment thereof) amending the Class 8 (The Freight, Demurrage and Defence) Rules being approved; and
- (ii) the resolutions being proposed at the Special General Meeting of The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited ("**LSSO (Bermuda)**") to be held on or around 12 February 2015 (or any adjournment thereof) being approved; and
- (iii) the resolutions being proposed at the meeting of the members of Reinsurance Class I of LSSO (Bermuda) to be held on or around 12 February 2015 (or any adjournment thereof) being approved; and
- (iv) the resolutions being proposed at the meeting of the members of Reinsurance Class II of LSSO (Bermuda) to be held on or around 12 February 2015 (or any adjournment thereof) being approved,

the following amendments to the Class 5 (The Protecting and Indemnity) Rules be and hereby are approved to take effect from 12 noon GMT on 20 February 2015:



## RULE 1 INTRODUCTORY

1.1 In these Rules, unless the context requires otherwise:

...

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

***[Explanation: the proposed amendment reflects the reorganisation of the Association in order to maintain the optimal corporate structure from a regulatory and tax perspective and in preparation for the implementation of the Solvency II directive.]***

## RULE 5 APPLICATION FOR INSURANCE AND CONDITIONS

- ~~5.1 It is a condition of entry of a Ship for insurance in this Class that the person making application, or on whose behalf such application is made, for such entry and who in accordance with Rule 1.6 becomes or continues as a Member as a result of such entry shall agree to become and shall become a member (or, if already a member, shall continue as such) of The London Steam Ship Owners' Mutual Insurance Association (Bermuda) Limited (herein referred to as “LSSO (Bermuda)”, a company incorporated in Bermuda without share capital with which the Association reinsures risks of this Class) PROVIDED that (i) no person shall by virtue of being an Other Assured be entitled to be a member of LSSO (Bermuda); (ii) in the event that an application has been accepted by the Association in relation to persons who are Co-assureds in respect of a Ship, no more than one Co-assured in respect of such entry shall be entitled to be a member of LSSO (Bermuda) and the Association shall have the right to designate one Co-assured in respect of an entry as a member of LSSO (Bermuda); and (iii) no person shall by virtue of being an Assured with a Fixed Premium Entry be entitled to be a member of LSSO (Bermuda) in respect of such Fixed Premium Entry.~~
- ~~5.2 An application for entry or renewal of entry of a Ship in this Class by or on behalf of any person who in accordance with Rule 1.6 becomes or continues as a Member as a result of such entry shall incorporate or be deemed to incorporate and be treated as comprising an application to become or continue as a member of LSSO (Bermuda) on the terms of and subject to the Bermuda Companies Act 1981 (as amended), Incorporating Act (as amended) and Bye-laws of LSSO (Bermuda), and subject to the Rules of Reinsurance Class I of LSSO (Bermuda), being the Rules applicable to members of LSSO (Bermuda) who have entries in this Class of the Association which are reinsured by the Association with LSSO (Bermuda).~~
- ~~5.3 A person by whom or on whose behalf an application has been made and accepted by the Association for insurance in this Class and who in accordance with Rule 1.6 becomes or continues as a Member as a result of such entry shall be deemed to have agreed to become a member of LSSO (Bermuda) and to be bound by the terms of the said Incorporating Act, Bye-laws and Rules of Reinsurance Class I of LSSO (Bermuda) and the Managers shall be empowered to sign on behalf of such person any documents required to be signed by such person in order to become or continue as a member of LSSO (Bermuda).~~
- ~~5.4 As a term of entry of any Ship for insurance in this Class each Assured shall be bound by and comply with the terms of the Incorporating Act and Bye-laws of LSSO (Bermuda) and the Rules of Reinsurance Class I of LSSO (Bermuda).~~
- ~~5.5 The condition stated in Rule 5.1 and the provisions stated in Rules 5.2, 5.3 and 5.4 shall apply for each Policy Year if, but only if, risks of this Class shall be reinsured by LSSO (Bermuda) for the Association for that Policy Year or any part thereof. For this purpose it shall be assumed that any agreement between the Association and LSSO (Bermuda) for reinsurance of risks of this Class by LSSO (Bermuda), which is current when an application for insurance or renewal of insurance in this Class is received by the Association, will remain in force notwithstanding that such agreement may be capable of being terminated at or before the commencement of the next Policy Year provided that~~

~~this assumption shall not be made if at such time it shall have been agreed that such reinsurance will terminate at or prior to the commencement of the next Policy Year.~~

- 5.65.1** Any application for insurance shall be on such form and in such medium as may from time to time be prescribed by the Association and the applicant shall at the time of the application and at all times thereafter provide all material particulars and information and any further particulars and information requested by the Association. The Association shall be entitled to receive and process applications for insurance which are submitted by Electronic Means or by any other means agreed by the Association.
- 5.75.2** If the application is accepted by the Association, all particulars and information given by the applicant shall form the basis of the contract of insurance and it shall be a condition precedent to any right of recovery in respect thereof that the same were all true and, save to the extent otherwise notified in writing to the Association, continued to be true, throughout the period of insurance, in each case so far as the applicant knew or could with reasonable diligence have ascertained. Without prejudice to the generality of the foregoing, it shall further be a condition precedent to any right of recovery in respect of any such contract of insurance that an Assured shall provide details of any change to any particulars and information previously furnished to the Association.
- 5.85.3** The Association shall in its sole discretion be entitled to refuse any application for insurance without stating reasons, whether or not the applicant is already an Assured.
- 5.95.4** The Association may accept separate applications for insurance in respect of different interests in the same Ship without any obligation to disclose any one to any other.
- 5.105.5** Notwithstanding and without prejudice to any other provision of these Rules or the Articles relating to the amendment of these Rules, these Rules may, on such notice as the Committee may in its sole discretion decide, be amended at any time (including with effect from any time during the course of any current or future Policy Year) to such extent as the Committee may in its sole discretion determine is necessary as a result of the implementation of or any change in, or potential or proposed implementation of or any change in, any sanction, prohibition, restriction, legislation, regulation or requirement to obtain any licence, consent, permission or approval, by any government, state, international organisation, regulatory or competent authority, official body or the like.

***[Explanation: the proposed amendments and subsequent re-numbering reflect the reorganisation of the Association in order to maintain the optimal corporate structure from a regulatory and tax perspective and in preparation for the implementation of the Solvency II directive.]***

## **RESOLUTION TWO**

THAT, the following amendments to the Class 5 (The Protecting and Indemnity) Rules be and hereby are approved to take effect from 12 noon GMT on 20 February 2015:

### **RULE 1 INTRODUCTORY**

- 1.1** In these Rules, unless the context requires otherwise:

...

“Charterer” means any Assured who has an interest in a Ship other than as an owner or disponent owner; and, subject to the terms and conditions as agreed by the Managers in writing and as provided for in the Certificate of Entry, may include inter alia an Assured engaged in time charters, voyage charters, space charters, slot charters, slot swaps, slot contracts, freight forwarding contracts, contracts of affreightment, shipping and/or trading and/or receiving cargo, and pool operations. For the purposes of Rule 10, the term ‘entered ship’ shall be deemed to mean any Ship on which cargo has been, is, or is yet to be carried.

***[Explanation: the proposed amendment provides a definition of “Charterer”.]***

“Ship” means any ship, boat, **hydrofoil**, hovercraft or other description of vessel or structure (including **a lighter, barge or similar** ~~any ship, boat, hovercraft or other vessel or structure under construction~~) **howsoever propelled, but excluding (a) a unit or vessel constructed or adapted for the purpose of carrying out drilling operations in connection with oil and gas exploration or production and (b) a fixed platform or fixed rig**), 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; and

***[Explanation: the proposed amendment achieves consistency with the definition of Eligible Vessels within the Pooling Agreement.]***

1.4.1 In the case of additional risks that may be covered by the Association **and, in the case of Assureds with a Fixed Premium Entry, the risks set out in Rule 9**, the Association may reinsure in whole or in part such risks ....

***[Explanation: the proposed amendment reflects the reinsurance arrangements for the P&I component of the Association’s fixed premium cover for Charterers.]***

## **RULE 9 RISKS COVERED**

### **9.19 Cargo:**

...

**9.19.1.4** liability for loss, shortage, damage or other responsibility in respect of any contract of through carriage of cargo partly to be performed by the entered Ship and including transit by land, water or air to or from the entered Ship and intermediate storage necessary to perform such contract, but only to the extent that the terms of such contract shall have ~~previously~~ been approved by the Association in writing, for which the Association may require an increased Call;

***[Explanation: the proposed amendment is to achieve consistency with the Pooling Agreement.]***

## **RULE 10 SPECIAL COVER FOR CHARTERERS**

**10.1** ~~A Ship may be entered in the Association by or on behalf of a time, voyage, space or slot charterer, and~~ **An Assured may be insured by the Association as a Charterer against the following risks**, on such terms and conditions as may be agreed by the Managers in writing ~~insured against the following risks:~~

**10.1.1** the liability of the Charterer, together with costs and expenses incidental thereto, for risks set out in Rule 9;

**10.1.2** the liability of the Charterer to contribute to general average, salvage or other charges in respect of the Charterer’s interest in hire, freight, bunkers or other property on board the entered Ship other than cargo and containers;

**10.1.3** where the cargo on board the entered Ship is the property of the Charterer, the liability of the Charterer as the owner thereof in respect of the risks set out in ~~Rules 9-15 and 9-23-1.4;~~

**10.1.4** Notwithstanding the provisions of Rules 12 and 13:

**10.1.4.1** the liability of the charterer to the owner or disponent owner, together with costs and expenses incidental thereto, for loss of or physical damage to the entered Ship;

**10.1.4.2** the liability of the Charterer to the owner or disponent owner, together with costs and expenses incidental thereto, for loss of use, hire or demurrage arising from loss of or physical damage to the entered Ship as provided in Rule 10.1.4.1;

**10.1.4.3** the liability of the Charterer, together with costs and expenses incidental thereto, as would be covered under Rule 9 and this Rule 10, but for the exclusion of war risks as set out in Rule 15;

**10.1.4.4** loss of or damage to bunkers of the Charterer on board the entered Ship;

**10.1.5** such other additional risks as the Managers may agree.

***[Explanation: the proposed amendments reflect the breadth of the cover provided by the Association.]***

## **RULE 11      LIMITATIONS ON COVER**

...

**11.5** Unless otherwise provided for in the Certificate of Entry, Recovery by

**11.5.1** an Assured, whose interest in an entered Ship is that of a Charterer other than a Charterer Co-assured with an Assured who is the registered owner or demise charterer of the Ship, and any Co-assured(s) of such Charterer shall be limited for all liabilities in the aggregate to a maximum of US\$350,000,000 (U.S. Dollars Three Hundred and Fifty Million),

***[Explanation: the proposed amendment reflects the Association's practice such that the limit of cover for a Charterer assured with a fixed premium entry will be as set out in the Certificate of Entry.]***

**11.6.1** Save as provided in Rule 11.6.2 and subject thereto, **unless otherwise provided for in the Certificate of Entry**, recovery by any Assured in respect of liabilities, costs and expenses arising out of carriage of cargo on a consortium ship (being a ship other than an entered Ship employed under a consortium agreement between the operator of that ship and the Assured for reciprocal sharing of cargo space on an entered Ship and the consortium ship and which agreement has been notified to and approved by the Association in writing), provided always that an entered Ship is employed pursuant to the consortium agreement at the time the event giving rise thereto occurs, and provided further that any liabilities, costs and expenses arising out of carriage of cargo on a consortium ship shall be deemed to have arisen in connection with the operation of an entered Ship employed pursuant to the said consortium agreement, shall be limited in respect of all entered Ships of the Assured employed under that said consortium agreement in the aggregate to a maximum of US\$350,000,000 (US Dollars Three Hundred and Fifty Million).

***[Explanation: the proposed amendment reflects the Association's practice such that the limit of cover for a Charterer assured with a fixed premium entry will be as set out in the Certificate of Entry.]***

## **RULE 24      AFFILIATES AND ASSOCIATES**

**24.1** Should a claim in respect whereof an Assured is insured by the Association be made or enforced through a person or company (other than a Co-assured or Other Assured in relation to that Assured) affiliated or associated with such Assured, the Association may if so requested by the Assured indemnify such person or company against any loss which as a consequence thereof such person or company shall have incurred in that capacity provided always that nothing herein contained shall be construed as extending any amount which would not have been recoverable from the Association by the Assured had such claim been made or enforced against him. Once the Association has made such indemnification it shall not be under any further liability and shall not make any further payment to any person or company whatsoever, including the Assured, in respect of that claim.

**24.2** **Conduct of one Assured or Affiliate or Associate hereunder which would entitle the Association to reject or reduce recovery shall be deemed to have been the conduct of all.**

***[Explanation: the proposed amendment is to achieve consistency with the eligibility provisions of the Pooling Agreement.]***

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

13 January 2015

5:506



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### CLASS 8, THE FREIGHT DEMURRAGE AND DEFENCE CLASS

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NOTICE IS HEREBY GIVEN that a SEPARATE MEETING of the MEMBERS OF CLASS 8, THE FREIGHT DEMURRAGE AND DEFENCE CLASS, of The London Steam-Ship Owners' Mutual Insurance Association Ltd ("the Association") will be held at the REGISTERED OFFICE of the Association, 50 LEMAN STREET, LONDON, E1 8HQ at 12:20 p.m. on WEDNESDAY, 28<sup>th</sup> JANUARY 2015, 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 RESOLUTIONS amending the Rules of the Class, together with such further amendments, if any, as may be proposed at the meeting, will be considered, and if thought fit, passed as ORDINARY RESOLUTIONS of the Class to take effect from noon G.M.T. on the 20th day of February 2015.

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

#### RESOLUTION ONE

THAT, conditional on:

- (i) Resolution One being proposed at the meeting of the members of Class 5 (The Protecting and Indemnity) of the Association to be held on Wednesday 28<sup>th</sup> January 2015 (or any adjournment thereof) amending the Class 5 (The Protecting and Indemnity) Rules being approved; and
- (ii) the resolutions being proposed at the Special General Meeting of The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited ("**LSSO (Bermuda)**") to be held on or around 12 February 2015 (or any adjournment thereof) being approved; and
- (iii) the resolutions being proposed at the meeting of the members of Reinsurance Class I of LSSO (Bermuda) to be held on or around 12 February 2015 (or any adjournment thereof) being approved; and
- (iv) the resolutions being proposed at the meeting of the members of Reinsurance Class II of LSSO (Bermuda) to be held on or around 12 February 2015 (or any adjournment thereof) being approved,



the following amendments to the Class 8 (The Freight, Demurrage and Defence) Rules be and hereby are approved to take effect from 12 noon GMT on 20 February 2015:

## **RULE 1 INTRODUCTORY**

1.1 In these Rules, unless the context requires otherwise:

...

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

*[Explanation: the proposed amendment reflects the reorganisation of the Association in order to maintain the optimal corporate structure from a regulatory and tax perspective and in preparation for the implementation of the Solvency II directive.]*

## **RULE 5 APPLICATION FOR INSURANCE AND CONDITIONS**

- ~~5.1~~ It is a condition of entry of a Ship for insurance in this Class that the person making application, or on whose behalf such application is made, for such entry and who in accordance with Rule 1.6 becomes or continues as a Member as a result of such entry shall agree to become and shall become a member (or, if already a member, shall continue as such) of The London Steam Ship Owners' Mutual Insurance Association (Bermuda) Limited (herein referred to as “LSSO (Bermuda)”, a company incorporated in Bermuda without share capital with which the Association reinsures risks of this Class) PROVIDED that (i) no person shall by virtue of being an Other Assured be entitled to be a member of LSSO (Bermuda); (ii) in the event that an application has been accepted by the Association in relation to persons who are Co-assureds in respect of a Ship, no more than one Co-assured in respect of such entry shall be entitled to be a member of LSSO (Bermuda) and the Association shall have the right to designate one Co-assured in respect of an entry as a member of LSSO (Bermuda); and (iii) no person shall by virtue of being an Assured with a Fixed Premium Entry be entitled to be a member of LSSO (Bermuda) in respect of such Fixed Premium Entry.
- ~~5.2~~ An application for entry or renewal of entry of a Ship in this Class by or on behalf of any person who in accordance with Rule 1.6 becomes or continues as a Member as a result of such entry shall incorporate or be deemed to incorporate and be treated as comprising an application to become or continue as a member of LSSO (Bermuda) on the terms of and subject to the Bermuda Companies Act 1981 (as amended), Incorporating Act (as amended) and Bye-laws of LSSO (Bermuda), and subject to the Rules of Reinsurance Class II of LSSO (Bermuda), being the Rules applicable to members of LSSO (Bermuda) who have entries in this Class of the Association which are reinsured by the Association with LSSO (Bermuda).
- ~~5.3~~ A person by whom or on whose behalf an application has been made and accepted by the Association for insurance in this Class and who in accordance with Rule 1.6 becomes or continues as a Member as a result of such entry shall be deemed to have agreed to become a member of LSSO (Bermuda) and to be bound by the terms of the said Incorporating Act, Bye-laws and Rules of Reinsurance Class II of LSSO (Bermuda) and the Managers shall be empowered to sign on behalf of such person any documents required to be signed by such person in order to become or continue as a member of LSSO (Bermuda).
- ~~5.4~~ As a term of entry of any Ship for insurance in this Class each Assured shall be bound by and comply with the terms of the Incorporating Act and Bye-laws of LSSO (Bermuda) and the Rules of Reinsurance Class II of LSSO (Bermuda).
- ~~5.5~~ The condition stated in Rule 5.1 and the provisions stated in Rules 5.2, 5.3 and 5.4 shall apply for each Policy Year if, but only if, risks of this Class shall be reinsured by LSSO (Bermuda) for the Association for that Policy Year or any part thereof. For this purpose it shall be assumed that any agreement between the Association and LSSO (Bermuda) for reinsurance of risks of this Class by LSSO (Bermuda), which is current when an application for insurance or renewal of insurance in this Class is received by



~~the Association, will remain in force notwithstanding that such agreement may be capable of being terminated at or before the commencement of the next Policy Year provided that this assumption shall not be made if at such time it shall have been agreed that such reinsurance will terminate at or prior to the commencement of the next Policy Year.~~

- 5.65.1** Any application for insurance shall be on such form and in such medium as may from time to time be prescribed by the Association and the applicant shall at the time of the application and at all times thereafter provide all material particulars and information and any further particulars and information requested by the Association. The Association shall be entitled to receive and process applications for insurance which are submitted by Electronic Means or by any other means agreed by the Association.
- 5.75.2** If the application is accepted by the Association, all particulars and information given by the applicant shall form the basis of the contract of insurance and it shall be a condition precedent to any right of recovery in respect thereof that the same were all true and, save to the extent otherwise notified in writing to the Association, continued to be true, throughout the period of insurance, in each case so far as the applicant knew or could with reasonable diligence have ascertained. Without prejudice to the generality of the foregoing, it shall further be a condition precedent to any right of recovery in respect of any such contract of insurance that an Assured shall provide details of any change to any particulars and information previously furnished to the Association.
- 5.85.3** The Association shall in its sole discretion be entitled to refuse any application for insurance without stating reasons, whether or not the applicant is already an Assured.
- 5.95.4** The Association may accept separate applications for insurance in respect of different interests in the same Ship without any obligation to disclose any one to any other.
- 5.105.5** Notwithstanding and without prejudice to any other provision of these Rules or the Articles relating to the amendment of these Rules, these Rules may, on such notice as the Committee may in its sole discretion decide, be amended at any time (including with effect from any time during the course of any current or future Policy Year) to such extent as the Committee may in its sole discretion determine is necessary as a result of the implementation of or any change in, or potential or proposed implementation of or any change in, any sanction, prohibition, restriction, legislation, regulation or requirement to obtain any licence, consent, permission or approval, by any government, state, international organisation, regulatory or competent authority, official body or the like.

***[Explanation: the proposed amendments and subsequent re-numbering reflect the reorganisation of the Association in order to maintain the optimal corporate structure from a regulatory and tax perspective and in preparation for the implementation of the Solvency II directive.]***

## **RESOLUTION TWO**

THAT, the following amendments to the Class 8 (The Freight, Demurrage and Defence) Rules be and hereby are approved to take effect from 12 noon GMT on 20 February 2015:

### **RULE 1 INTRODUCTORY**

- 1.1** In these Rules, unless the context requires otherwise:

...

**“Charterer” means any Assured who has an interest in a Ship other than as an owner or disponent owner; and, subject to the terms and conditions as agreed by the Managers in writing and as provided for in the Certificate of Entry, may include inter alia an Assured engaged in time charters, voyage charters, space charters, slot charters, slot swaps, slot contracts, freight forwarding contracts, contracts of affreightment, shipping and/or trading and/or receiving cargo, and**

pool operations. For the purposes of Rule 9, the term 'entered ship' shall be deemed to mean any Ship on which cargo has been, is, or is yet to be carried.

*[Explanation: the proposed amendment provides a definition of "Charterer" .]*

"Ship" means any ship, boat, **hydrofoil**, hovercraft or other description of vessel or structure (including **a lighter, barge or similar** ~~any ship, boat, hovercraft or other vessel or structure under construction~~) **howsoever propelled, but excluding (a) a unit or vessel constructed or adapted for the purpose of carrying out drilling operations in connection with oil and gas exploration or production and (b) a fixed platform or fixed rig**), 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; and

*[Explanation: the proposed amendment aligns the definition of "ship" with that contained in the P&I Rules.]*

## **RULE 9 RISKS COVERED**

- 9.1** Subject to any special terms which may be agreed in writing and to the provisions of Rules 22 and 23, an Assured is insured in respect of each Ship entered by him in this Class for legal costs, charges or disbursements incurred in relation to the claims or matters set out in Rules 9.2.1 - 9.2.16, PROVIDED that such legal costs, charges or disbursements arise:
- 9.1.1** in respect of the Assured's interest in such Ship; and
- 9.1.2** in connection with the **building, purchase, sale, ownership, management, chartering or operation** of such Ship by or on behalf of the Assured; and

*[Explanation: the proposed amendment clarifies the range of activities in respect of which cover is provided by the Class.]*

## **RULE 10 LIMITATIONS ON COVER**

- 10.4** The Association shall not be responsible for damages resulting from the arrest of any vessel, nor for the exercise of a lien on cargo, **nor for any other security measure taken** although such vessel may have been arrested, or such lien may have been exercised, **or such other security measure taken** upon the advice of the Association, its correspondents, lawyers or lawyers acting for the Assured.

*[Explanation: the proposed amendment is to clarify that the principle expressed by the Rule applies to damages resulting from any security measures.]*

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

13 January 2015

## **THE PROPOSED RESTRUCTURING OF THE LONDON P&I CLUB (THE “CLUB”)**

### **Frequently Asked Questions**

**1. How is the Club proposed to be restructured?**

The Club is currently structured as a parallel mutual whereby mutual members of The London Steam-Ship Owners’ Mutual Insurance Association Ltd (the “**London Club**”) are also members of The London Steam-Ship Owners’ Mutual Insurance Association (Bermuda) Limited (the “**Bermuda Club**”). Currently, when a shipowner becomes a member of the London Club, it automatically also becomes a member of the Bermuda Club (which reinsures the liabilities of the London Club).

Under the proposed restructuring, the shipowner’s direct interest in the Bermuda Club will cease; and the London Club will become the sole member of the Bermuda Club. However, shipowners will continue to be members of the London Club. They will therefore retain their interest in the Bermuda Club via their membership of the London Club as the Bermuda Club will be a wholly-owned subsidiary of the London Club. There will be no change in the ultimate beneficial ownership of the Bermuda Club.

**2. Why is the restructuring being proposed?**

The restructuring is being proposed in order to maintain the optimal corporate structure from a regulatory and tax perspective and in preparation for the implementation of the Solvency II directive, which is currently anticipated to take effect on 1 January 2016.

**3. How will the proposed restructuring be accomplished?**

The restructuring will take effect through proposed changes to the Class 5 and 8 Rules of the London Club and to the Bye Laws and Rules of the Bermuda Club, the former being included in the notices of Class meetings attached to these FAQs. The proposed changes to the Bermuda Bye Laws and Rules will follow under separate cover.

Members are entitled to attend the Class and General meetings either in person or by proxy and to vote on the proposed changes.

**4. When is the proposed restructuring due to take effect?**

If the proposed changes to the Rules and the Bye Laws are approved at the Class and General meetings referred to above, the restructuring will take effect at noon GMT on 20 February 2015.

**5. What is the impact on my membership of and cover from the London Club?**

There will be no impact on your membership and cover. At the time of the 20 February 2015 renewal, you will continue to be insured by, and be a member of, the London Club. The London Club’s reinsurance arrangements with the Bermuda Club will also continue unchanged.

**THE PROPOSED RESTRUCTURING OF THE LONDON P&I CLUB (THE “CLUB”)**

**(Continued)**

**6. Are there any tax implications arising from the proposed restructuring?**

There should be no impact as members will continue to be the ultimate owners of both the London and the Bermuda Clubs. The London Club has consulted UK tax lawyers on this matter and the advice received (from a UK tax perspective) was that members of the Bermuda Club do not receive any actual or deemed consideration for tax purposes in return for their membership interests in the Bermuda Club so there should be no tax charge. Tax clearance has also been obtained from the UK tax authority, which has confirmed its agreement with this analysis.

In addition to the UK, the view of tax counsel in China, Germany, Greece, Hong Kong, Malaysia, Monaco, Singapore and the USA is that, as in the UK, the proposed restructuring should not give rise to any tax charge, and it is difficult to see how any aspect of the proposed restructuring would feature in members' tax returns in any event.

Please note that the above tax advice did not take into account individual members' specific circumstances, however, and members who are in any doubt about their tax position should seek their own advice.

**7. What action will I need to take in the event the proposed restructuring proceeds?**

You will not need to do anything. If the proposed restructuring proceeds, the changes in membership of the Bermuda Club will take effect at noon GMT on 20 February 2015.

Please contact Anthony Jones (tel: +44 (0)20 7772 8131) at A. Bilbrough & Co Ltd, 50 Leaman Street, London E1 8HQ, or by email to Anthony.Jones@londonpandi.com if you have any further questions arising in connection with the proposed restructuring.

These FAQs may be updated from time-to-time.

January 2015