



January 2016

To the Members

Dear Sirs,

Notice is hereby given that a General Meeting of the Members of the Association will be held at Aquatical House, 39 Bell Lane, London, E1 7LU, on, 16 February 2016 at 10.30 hours for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

THAT with effect from Noon G.M.T. on 20th February, 2016 the amendments to the Rules of Class 1 (Protection and Indemnity) and Freight Demurrage and Defence (Class 2) of the Association annexed hereto and marked 'A' for identification be adopted.

EXPLANATION REGARDING RESOLUTION

Rules

The attached table incorporates proposed changes to the Rules of the Protection and Indemnity Class (Class 1) and Freight Demurrage and Defence (Class 2) for the forthcoming year. Explanatory notes in italics have been provided in the table, but in summary, the proposed changes are as follows:

Class 1 Rules Changes

Rule 2 Definitions – Consortium

Inclusion of definitions relating to consortium liabilities.

Rule 2 Definitions – Convention Limit

An amendment to reflect the provision at Paragraph 14.2 of the Pooling Agreement which provides that for the purpose of calculation of contributions towards Overspill Claims the liability of the Club

L.270

STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority
(Registered in England and Wales – Registration number 105461. PRA and FCA registration number 202548)

MANAGERS: STEAMSHIP P&I MANAGEMENT LLP

SPIM is an appointed representative of Steamship Insurance Management Services Limited which is authorised and regulated by the Financial Conduct Authority
(Registered in England and Wales – Registration Number OC376859. FCA registration number 597046)
AQUATICAL HOUSE 39 BELL LANE LONDON E1 7LU
Tel: +44 20 7247 5490 Website: www.steamshipmutual.com

is to be determined by reference to the aggregate of the limits of liability of all shipowners entered with the Club assessed in accordance with the 1976 Limitation Convention.

Rules 6 Entry, 7 Certificate of Entry, and 48 Dispute Resolution, Adjudication

The UK Insurance Act 2015 will enter into force on 12 August 2016 during the 2016/17 Policy Year. The Act, which will apply to contracts of insurance entered into after that date, and to variations made after that date to pre-existing contracts of insurance, introduces new provisions into English law in three broad areas: disclosure obligations, warranties and the treatment of fraudulent claims. With two important exceptions, the Act allows insurers of non-consumer insurance contracts, which would include P&I Clubs, to contract out of the provisions of the Act. In accordance with a common position adopted by all Clubs in the International Group, it is proposed that the Rules of the Club be amended to contract out of certain provisions of the Act. The amendments to Rules 6, 7 and 48 would operate to adopt the disclosure regime in the Act which are considered to provide clarity while contracting out of, inter alia, the default remedies provisions.

Rule 17 Recovery

An amendment to address the Club's entitlement to be repaid a reimbursement made to a Member or payment made directly by the Club to a third party (and interest to the extent recoverable), in respect of a liability for which the member is subsequently exonerated.

Certain deletions to reflect the consolidation of sanctions provisions currently set out in Rules 17 and 35 into a separate rule.

Rule 18 General Exceptions and Limitations – Charterers Entry Limit

An amendment to incorporate the limit of US\$350 million applicable to a Charterers entry pursuant to Category 2 of Appendix 1 and to Owner-related charterers entries pursuant to Category 4 (D) of Appendix 1 of the Pooling Agreement.

Rule 18 General Exceptions and Limitations - Consortium Liabilities

An amendment to incorporate the scope of cover for consortium liabilities as provided for in Paragraph 3.8 and Appendix XII of the Pooling Agreement. In all cases, cover would only be available where it is specifically extended in writing by the Managers and subject to payment of additional premium as may be required.

Rule 19 Hull Risks and Specialist Operations – Drilling Operations

An amendment to bring the Rule in line with the definition of "Ship" in Rule 2, and of "Eligible Vessel" in Appendix II of the Pooling Agreement, which preclude entry of ships constructed or adapted to carry out drilling operations for oil or gas production, notwithstanding the activities for which they are utilised.

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Rule 21 War and Bio-Chem Risks Extensions

An amendment to include within the Rules the terms of the extensions of cover for War and Bio-Chem risks which have hitherto been incorporated into a Member's cover by means of certificate of entry clauses:

War Risks – providing, where agreed, cover up to US\$500,000,000 in the aggregate per occurrence, excess of either (i) the proper value of the entered ship (deemed not to exceed US\$100,000,000, or (ii) the amount recoverable in respect of the claim under any other policy of insurance;

Bio-Chem Risks – providing, where agreed, cover up to US\$30 million.

Rule 25 Covered Risks – Cargo Liabilities - Discretionary Claims – Approved Electronic Trading Systems

An amendment to reflect changes made to the current Pooling Agreement clarifying the treatment of claims in connection with approved electronic bills of lading, in respect of which the exclusion for claims arising from mis-delivery of cargo applies in the same way as with a paper bill of lading under Paragraph 14 of Appendix V.

Rule 25 Covered Risks – Cargo Liabilities – Livestock Exclusion

An amendment to incorporate an express exclusion in respect of cargo liabilities arising from the carriage of live animals.

Rule 35 Cessation of Membership

Amendments to reflect the consolidation of sanctions provisions previously set out in Rules 17 and 35 into a separate rule.

Rule 47 Sanctions

Amendments to consolidate into a separate stand-alone rule the sanctions provisions previously set out in Rules 17 and 35, which are also to be appropriately amended.

Rule 48 Dispute Resolution, Adjudication

An amendment to clarify the applicable provision within Rule 48 by which arbitration may be commenced by the Managers on behalf of the Club, notwithstanding the provision by which disputes between the Club and a member are referred to adjudication by the Directors.

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Class 2 Rules Changes

Rule 8 – Treatment of Policy Deductibles

An amendment to clarify that the policy limit is calculated from the ground up, inclusive of any applicable deductible. The equivalent provision in the Class 1 Rules (Rule 25 xxii) was similarly amended with effect from 20 February 2013.

Rule 14 - Insurance Premium Tax

An amendment to incorporate Rule 49 of the Class 1 Rules so as to provide that where Insurance Premium Tax is payable on FDD insurance premiums the Member is obliged to reimburse or indemnify the Club in respect thereof.

By Order of the Board

S. A. Ward
Secretary

29 January 2016

N.B. A Member who is entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend, speak and vote in his or her place. The instrument appointing a proxy may be in the form enclosed and must be deposited with the Secretary at Aquatical House, 39 Bell Lane, London E1 7LU, United Kingdom, not less than 48 hours before the time specified for the holding of the Meeting.

Yours faithfully,

**STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED**

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FORM OF PROXY

Before completing this form, please read the explanatory notes below

The undersigned, a Member of **STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED** (the "Company") hereby appoints Herbert Menno Juniel* or Stephen Arthur Ward* or(please insert name) (*delete as appropriate) or failing him/her the Chairman of the meeting as my proxy to attend, speak and vote for me on my behalf at a General Meeting of Steamship Mutual Underwriting Association Limited to be held at Aquatical House, 39 Bell Lane, London, E1 7LU, at 10.30 hours on 16 February 2016 and at any adjournment thereof.

Signed
Date
Name (please print)
Company Name
Address
.....

Notes to the proxy form

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You may appoint a proxy using the procedures set out in these notes.
2. To appoint a proxy using this form, the form must be: (i) completed and signed; (ii) sent or delivered to the Registered Office of the Company at Aquatical House, 39 Bell Lane, London E1 7LU, United Kingdom; and (iii) received by the Company no later than 48 hours before the commencement of the meeting.
3. As an alternative to completing a hard-copy proxy form, you can appoint a proxy electronically by sending it by e-mail to kathleen.kelly@sims.com. For an electronic proxy appointment to be valid, your appointment must be received by the Company no later than 48 hours before the commencement of the meeting.
4. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
5. A proxy does not need to be a member of the Company but must attend the meeting to represent you.
6. You may direct your proxy how to vote on the resolutions proposed. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
7. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
8. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

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A

AMENDMENTS FOR 2016/17 TO THE RULES OF CLASS 1 PROTECTION AND INDEMNITY OF STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

In the table below, the proposed new wording is shown in **bold** and underlined and wording to be deleted is shown as [~~xxx~~]. Explanatory notes in italics have been provided for the proposed changes.

2	Definitions	
	<p><u>“Consortium Agreement” – an agreement or arrangement, which shall have been approved in writing by the Club, for the reciprocal exchange or sharing of cargo space on the Entered Ship and Consortium Ships.</u></p> <p><u>“Consortium Claim” - such liabilities, costs and expenses which are covered pursuant to the terms and conditions of the Rules of the Club and the relevant Certificate of Entry arising out of the carriage of cargo in whole or in part on a Consortium Ship operating under a Consortium Agreement, pursuant to which the Entered Ship is also employed.</u></p> <p><u>“Consortium Ship” - a vessel, feeder vessel or space thereon, not being the Entered Vessel, employed to carry cargo under a Consortium Agreement.</u></p>	<i>Amendments in tandem with those under Rule 18 (see below) to incorporate cover for consortium liabilities as provided for in Clause 3.8 and Appendix XII of the Pooling Agreement.</i>
	<p>“Convention Limit” - in respect of a ship, the limit of liability of the owner of that ship for claims (other than claims for loss of life or personal injury) at the Overspill Claim Date, calculated in accordance with Article 6 paragraph 1(b) of the International Convention on Limitation of Liability for Maritime Claims 1976 (the “Convention”) and converted from Special Drawing Rights into United States Dollars at the rate of exchange conclusively certified by the Club as being the rate prevailing on the Overspill Claim Date, provided that,</p> <p>(a) where a ship is entered for a proportion (the “relevant proportion”) of its tonnage only, the Convention Limit shall be the relevant proportion of the limit of liability calculated and converted as aforesaid, and</p> <p>(b) each ship shall be deemed to be a seagoing ship to which the Convention applies, notwithstanding any provision in the Convention to the contrary;</p>	<i>An amendment to reflect the provision at Paragraph 14.2 of the Pooling Agreement which provides that for the purpose of calculation of contributions towards Overspill Claims the liability of the Club is to be determined by reference to the aggregate of the limits of liability of all shipowners entered with the Club assessed in accordance with the 1976 Limitation Convention.</i>
6	Entry	
i	An Owner who wishes to enter any Ship for insurance in the Club shall apply for such entry in such form and in such manner as the Managers may from time to time require.	
ii	An Owner who so applies for insurance or negotiates any changes to or renewal thereof warrants that he has provided all material particulars and information and that all such particulars and information are true and complete and will remain throughout the period of insurance. The particulars and information so provided shall, if the entry of the ship for insurance is accepted, form the basis of the contract of insurance between the Member and the Club. shall make to the Club a fair presentation of the risk in	<i>Amendments to provide for the Insurance Act 2015 which will enter into force in the UK in August 2016 during the 2016/17 Policy Year. The Act introduces new provisions into English law in three broad areas: disclosure obligations, warranties and</i>

	<u>compliance with Part 2 of the English Insurance Act, 2015 including disclosure:</u>	<i>the treatment of fraudulent claims. In accordance with a common position adopted by all Clubs in the International Group, certain provisions of the Act will be contracted out of. The amendments to Rules 6, 7 and 48 would operate to adopt the disclosure regime in the Act which are considered to provide clarity while contracting out of, inter alia, the default remedies provisions.</i>
a	<u>of every material circumstance which the Owner knows or ought to know; or</u>	
b	<u>providing sufficient information to place the Club on notice of the need to make further enquiry for the purposes of revealing those circumstances; and</u>	
c	<u>in which every material representation as to a matter of fact is substantially correct, and every representation as to a matter of expectation or belief is made in good faith;</u>	
	<u>save that Section 8 of the Act shall have no application and Rule 6 v b shall apply irrespective of whether any breach of the duty of fair presentation is innocent, deliberate or reckless.</u>	
iii	Before any application for entry is accepted, the Managers shall agree in writing the terms and conditions that are to apply to the entry, including those concerning premiums, date of commencement and scope of cover and the other terms and conditions on which the ship is to be accepted.	
iv	The provisions of this Rule apply throughout the period of entry of the Ship in the Club and the Member shall immediately disclose to the Club any material change in any material particulars and information or any material alteration in the risk relating to such entry.	
v a	If the Managers determine that the nature of the risk has materially changed since the ship was entered; or	
v b	If the Member fails to comply with the obligations under sub-paragraphs ii or iv of this Rule,	<i>To provide for the rights set out in Rule 6 v b to be available in the event of non-compliance by a member with the disclosure obligations in Rule 6 ii as amended.</i>
	the Managers shall be entitled, without prejudice to any other right or remedy of the Club, in their absolute discretion by notice in writing to:	
	(i) terminate the entry of such ship or Member from the commencement of the Policy Year or such later date as they may decide, or	
	(ii) amend or vary the terms of such entry as they think fit.	
vi	...	
vii	...	
viii	...	
7	Certificate of Entry	

i	...	
a	...	
b	...	
c	...	
ii	...	
iii	...	
iv	<u>To the extent that these Rules and any Certificate of Entry or other policy document issued hereunder are subject to the English Insurance Act, 2015, from its entry into force, the following Sections of the Act shall be excluded and have no application save to the extent provided in the case of Section 13A with the effects as set out in sub-paragraphs a-e below:</u>	<i>Amendments to set out the provisions of the Insurance Act that are being contracted out of. The Act requires that the Insurer must take sufficient steps to draw to the attention of the Insured the provisions of the Act which are being contracted out of, and the effect. Similar provisions are to be included in Certificates of Entry.</i>
	Excluded Provisions - Effect	
a	<u>Section 10 - All warranties must be strictly complied with and in the event of breach, the Club's liability is discharged from the date of such breach irrespective of whether it is subsequently remedied.</u>	
b	<u>Section 11 - The Club shall be entitled to exercise any rights provided in these Rules arising in consequence of the Member's non-compliance with the applicable terms of entry and the Rules tending to reduce the risk of loss of a particular kind, or at a particular location or time. The Club shall be so entitled notwithstanding that such non-compliance could not have increased the risk for the loss which actually occurred in the circumstances in which it occurred.</u>	
c	<u>Section 13 - In the event that a fraudulent claim is made by any party insured hereunder the Club shall be entitled to terminate the policy in respect of all parties insured pursuant to that entry or any of them as the Managers so decide in their absolute discretion.</u>	
d	<u>Section 13A - No claim shall be brought against the Club for breach of the implied term that the Club will pay to the Member any sums due in respect of a claim within a reasonable time save where or to the extent that any breach is deliberate or reckless.</u>	
e	<u>Section 14</u>	
	<u>The contract evidenced by these Rules and the Certificate of Entry requires the Member and the Club to observe the duty of utmost good faith and non-observance by one party shall entitle the other to avoid the policy.</u>	
17	Recovery	
	If any Member shall become liable in damages or otherwise or shall incur any liabilities, costs or expenses as hereinafter set out in Rules 25 and 28 , in respect of a ship which was entered in the Club at the time of the casualty or event giving rise to such liabilities, costs or expenses, such Member shall be entitled to recover, out of the funds of the Club, the amount of such liabilities, costs or expenses to the extent and upon the terms, conditions and exceptions provided by these Rules and by the Certificate of Entry;	

	<i>Provided always that:</i>	
i	Unless the Directors otherwise determine, it shall be a condition precedent of a Member's right to recover from the funds of the Club in respect of any liabilities, costs or expenses that he shall first have paid the same out of funds belonging to him absolutely and unconditionally and not by way of loan or otherwise;	
ii	The Member shall have no right to recovery from the Club in respect of any liabilities, costs or expenses where the Directors determine that the reimbursement or any payment in respect thereof exposes the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any State or International Organisation; unless the express terms of such sanction, prohibition or adverse action permit payment of any sums due from the Club to the Member into a blocked account, in which event payment by the Club into that account shall discharge the Club from all liability to the Member howsoever arising in respect of the claim to which such payment relates.	<i>Deletions to reflect the consolidation of sanctions provisions currently set out in Rules 17 and 35 into a separate rule (see new Rule 47 below).</i>
iii	
iv	...	
v	...	
vi	In no case whatsoever shall interest be paid on sums due from the Club. <u>Where a recovery is paid to a Member and/or paid directly to a third party, in respect of a liability in respect of which the Member is subsequently exonerated whether on appeal or otherwise, or where payment is made by the Club pursuant to any bail, guarantee, certificate or security whatsoever provided by the Club and the Member recovers such payment, the Member shall forthwith reimburse the Club in respect of:</u>	<i>Amendments to address the Club's entitlement to be repaid a reimbursement to a Member, or payment made directly by the Club to a third party, (and interest to the extent recoverable), in respect of a liability for which the member is subsequently exonerated.</i>
a	<u>The amount that the Club originally paid;</u>	
b	<u>Interest on the amount of that payment from the date of remittance to the date that the repayment is received by the Club, but only to the extent that such interest is recoverable by the Member from the party to which liability was originally incurred.</u>	
vii	<u>In no case whatsoever shall interest be paid on sums due from the Club.</u>	
18	General Exceptions and Limitations	
i	If a ship is entered in the Club for the account of a time charterer, the liability of the Club shall be limited to such amount as would apply if he were the registered owner of the ship and entitled to limit liability, or to such other amount as may be stated in the Certificate of Entry. <u>When a ship is entered in the Club:</u>	
a	<u>For the account of a Charterer (other than a demise or bareboat Charterer); or</u>	
b	<u>By an Owner or Joint Member or Co-Assured in respect of that Owner's entry in its capacity of Charterer of that ship, or in respect of any part of its cargo carrying capacity;</u>	<i>An amendment to state within the Rules the limit applicable to a Charterers entry as per Category 2 of Appendix 1 and Owner-related charterers entry as per Category 4 (D) of</i>

		<i>Appendix 1 of the Pooling Agreement.</i>
	<u>the liability of the Club shall be limited in respect of any one incident or occurrence in aggregate to the lesser of:</u>	
	<u>(i) US\$350 million; or</u> <u>(ii) such amount as would apply if the Member were the Registered Owner of the ship and entitled to limit liability; or</u> <u>(iii) the amount stated in the Certificate of Entry.</u>	
18	General Exceptions and Limitations	
<u>v</u>	<u>Consortium Claims</u>	<i>Amendments to set out the scope of cover for consortium liabilities as provided for in Clause 3.8 and Appendix XII of the Pooling Agreement. In all cases, cover would only be available where it is specifically extended in writing by the Managers and subject to payment of additional premium as may be required.</i>
<u>a</u>	<u>Where:</u>	
	<u>(i) A Consortium Claim arises out of the carriage of cargo on a Consortium Ship operating under a Consortium Agreement to which the Member and the operator of that ship are parties; and</u> <u>(ii) One or more of the Member's entered ships is employed pursuant to that Consortium Agreement;</u> <u>the following provisions shall apply:</u>	
<u>b</u>	<u>Where a ship is entered under an owned entry and another ship under a chartered entry by a Member both of which are employed pursuant to the Consortium Agreement at the time the event giving rise to the Consortium Claim occurs, the Consortium Claim of the Member shall for the purposes of these Rules be treated as a claim arising in respect of the owned entry of the Member.</u>	
<u>c</u>	<u>Where the Member employs more than one ship pursuant to a Consortium Agreement at the time the event giving rise to a Consortium Claim occurs:</u> <u>(i) where all such ships are entered in the Club, their entry shall be deemed to be an entry of a single ship;</u> <u>(ii) where the entry in respect of one or more of such ships is in another Association which is a party to the Pooling Agreement other than the Club, absent the agreement of the Club and such other Association to the contrary, the Consortium Claim shall be prorated between the Clubs equally; and</u>	
<u>d</u>	<u>The limit of liability for Consortium Claims shall be the lesser of:</u> <u>(i) US\$350 million in aggregate any one occurrence, save that where such Consortium Claims are</u>	

	<p><u>recoverable from the Club and one or more associations being parties to the Pooling Agreement and which exceed that limit then the Club's liability shall be limited to that proportion of US\$350 million as its proportion of the aggregate claims bears to their total; or</u></p> <p><u>(ii) Such amount as may be stated in the Certificate of Entry.</u></p>	
	<p><u>Provided always that</u></p> <p><u>(i) there shall be no recovery in respect of Consortium Claims unless</u></p> <p><u>(a) cover has been specifically extended in writing by the Managers and the Member has paid, or agreed to pay, such additional premium as may be required by the Club, and</u></p> <p><u>(b) the Consortium Agreement has been approved in writing by the Managers.</u></p> <p><u>(ii) Rule 25 xiii d and the provisos thereto shall apply where liabilities, costs and expenses arise under a through or transshipment bill of lading or other form of contract providing for carriage partly to be performed by a Consortium Ship.</u></p>	
19	Hull Risks and Specialist Operations	
	Drilling Operations	
	liabilities, costs or expenses incurred in respect of an entered ship (being a drilling ship or barge or any other ship or barge carrying out drilling exploration, or production operations (including any accommodation unit moored or positioned on site as an integral part of such operations), and arising out of or during drilling or production operations;	<i>An amendment to bring the Rule in line with the definition of "Ship" in Rule 2, and of "Eligible Vessel" in Appendix II of the Pooling Agreement, both of which preclude entry of ships constructed or adapted to carry out drilling operations for oil or gas production.</i>
	The vessel shall be deemed to be carrying out production operations if (inter alia) it is a storage tanker or other vessel engaged in the storage of oil, and either:	
a	the oil is transferred directly from a producing well to the storage vessel; or	
b	the storage vessel has oil and gas separation equipment on board and gas is being separated from oil whilst on board the storage vessel other than by natural venting.	
21	War Risks	
i	<p>Unless otherwise agreed in writing with the Managers on such terms as they may require, there shall be no recovery from the Club in respect of a Member's liabilities, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or on the part of the Member's servants or agents) when the incident in respect of which such liability arises, or such costs or expenses are incurred, was caused by:</p> <p><u>Unless sub-paragraph ii of this Rule applies to the Member's entry, there shall be no recovery from the Club in respect of a Member's liabilities, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or on the part of the Member's servants</u></p>	<p><i>Currently the reinstatement of cover for War Risks and inclusion of Bio-Chem cover is effected by means of clauses which are endorsed onto certificates of entry, which makes certificates lengthy.</i></p> <p><i>The amendments to Rule 21 set out the scope of cover for liabilities in respect of War and Bio-Chem risks, where agreed by the Managers.</i></p> <p><i>This enables certificates to</i></p>

	<u>or agents) when the incident in respect of which such liability arises, or such costs or expenses are incurred, was caused by:</u>	<i>be reduced in length as they will require a short endorsement rather than the entire clauses to be set out.</i>
ia	...	
iib	...	
iiic	...	
(i)	...	
(ii)	...	
	...	
	<i>Provided always that:</i>	
(i)	...	
(ii)	...	
ii	<u>When cover has been specifically extended in writing by the Managers to cover War Risks and/or Bio-Chem Risks in the terms of this Rule 21 ii and the Member has paid, or agreed to pay the additional premium as may be required by the Managers then:</u>	
a	<u>in the case of War Risks the Member shall be covered in respect of such liabilities as would be covered under these Rules but for the exclusion of War Risks in Rule 21 i subject to the terms and conditions of sub-paragraph iii of this Rule 21; and</u>	
b	<u>in the case of Bio-Chem risks subject to the terms and conditions set out in sub-paragraph iv of this Rule 21;</u>	
	<u>and in each case subject to any additional terms and conditions set out in the Certificate of Entry, and claims being recoverable only to the extent provided therein.</u>	
iii	<u>War Risks</u>	
	<u>Cover under Rule 21 ii:</u>	
a	<u>May be cancelled on seven days' notice given either by the Directors, expiring at 24.00 hours GMT on the seventh day, from 24.00 GMT on the day during which notice is given;</u> <u>Subject to the agreement of the Directors, in their absolute discretion, to reinstate cover at any time after the issuance on such revised terms as are agreed with the Member.</u>	
b	<u>Shall terminate automatically on:</u> <u>(i) The outbreak of war, (irrespective of whether declared or not) between any of the following: the United Kingdom, The United States of America, France, The Russian Federation and The People's Republic of China; or</u> <u>(ii) Requisition of the Entered Ship whether for title or for use.</u>	
c	<u>Excludes the following areas:</u> <u>In addition to any areas excluded under the terms of entry, at any time during the currency of this insurance, the Managers may in their absolute discretion exclude any geographical location as defined by them from cover under Rule 21 ii.</u> <u>Where such exclusion is made, the Managers:</u> <u>(i) shall notify the Members having insurance under this</u>	

	<p><u>Rule 21 ii and as from 24.00 hours GMT on the seventh day after such notice is given, excluding the day during which notice is given, there shall be no cover in respect of any claim consequent on events occurring at, or within, the excluded location, unless the Directors in their absolute discretion so determine; and</u></p> <p><u>(ii) may reinstate cover in respect of such excluded area at any time in their absolute discretion.</u></p>	
d	<p><u>Excludes the following risks:</u></p> <p><u>In addition to the exclusions from cover elsewhere under these Rules,</u></p>	
(i)	<p><u>Liabilities, costs and expenses consequent upon:</u></p> <p><u>(a) The outbreak of war (irrespective of whether declared or not) between any of the following: The United Kingdom, The United States of America, France, The Russian Federation, and The People's Republic of China;</u></p> <p><u>(b) Requisition of the Entered Ship whether for title or for use;</u></p>	
(ii)	<p><u>In no case shall this insurance cover loss, damage, liability or expense directly or indirectly caused or contributed to by or arising from:</u></p> <p><u>(a) any chemical, biological, bio-chemical or electro-magnetic weapon;</u></p> <p><u>(b) the use or operation, as a means of inflicting harm, of any computer virus;</u></p> <p><u>(c) Rule 21 iii d (ii) (b) shall not operate to exclude losses (which would otherwise be covered under these Rules) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.</u></p>	
e	<p><u>Shall be limited to the following extent and subject to the following limit of liability:</u></p>	
(i)	<p><u>The Club's liability under Rule 21 ii shall be excess of either:</u></p> <p><u>(a) the "proper value" of the Entered Ship as defined in Rule 25 v b (i) and the Note thereto (which, for the purpose of Rule 21 ii only, shall be deemed not to exceed US\$100 million); or</u></p> <p><u>(b) the amount recoverable in respect of the claim under any other policy of insurance, whether in respect of War Risks or otherwise;</u></p> <p><u>whichever shall be the greater.</u></p>	
	<p><u>Provided always that in relation to this Rule 25 iii e (i)</u></p> <p><u>a. such excess shall not apply where the entry of the ship is solely in the name or on behalf of a Charterer other than a Charterer by Demise or Bareboat Charterer, and</u></p>	

	<u>b. the Directors may authorise the payment, in whole or in part, of any claim which falls within such excess, in their absolute discretion.</u>	
<u>(ii)</u>	<u>The limit of the Club's liability under Rule 21 ii shall be the lesser of such sum as is agreed by the Managers in writing and appears in the Certificate of Entry, or, in the absence of any such amount, US\$500 million in aggregate per occurrence, inclusive of interest and costs. Where a series of events occurs which are temporally and/or geographically proximate, the Directors may in their absolute discretion determine that such events and any liabilities, costs and expenses arising out of them amount to a single occurrence for the purposes of this Rule.</u>	
<u>f</u>	<u>When either a Demise, Time, Voyage, Space or Slot Charterer and/or the Owner of the Entered Ship are separately insured for losses, liabilities, or the costs and expenses incidental thereto covered under this Rule 21 ii and/or the equivalent cover of any other Association which participates in the Pooling Agreement and General Excess Loss Reinsurance Contract, the aggregate recovery in respect of all losses, liabilities, or the costs and expenses incidental thereto covered under such entries shall be limited to the amount set out in the Certificate of Entry in respect of the Owner's entry of the ship, any one incident or occurrence. If such claims exceed this limit, the liability of the Club in respect of each Certificate of Entry shall be limited to such proportion of that limit as the claims recoverable from the Club under that Certificate of Entry bear to the aggregate of all such claims recoverable from the Club and from such other Association(s), if any.</u>	
<u>g</u>	<u>Cover for acts of terrorism as defined in the U.S. Terrorism Risk Insurance Act of 2002 (TRIA) is included hereunder, subject to the conditions set out above, the estimated cost of this element of coverage being US0.0025 cents per entered gross ton.</u>	
<u>h</u>	<u>The Club shall not provide insurance hereunder for any losses, liabilities, costs or expenses if the provision of such insurance would create a liability for the Member under the Tanker Oil Pollution Indemnification Agreement 2006, or any addendum to, or variation or replacement thereof, to contribute to the IOPC Supplementary Fund.</u>	
<u>i</u>	<u>Cover hereunder excludes liabilities, costs and expenses to the extent that the payment of any claim or the provision of any benefit in respect of those liabilities, cost and expense would expose the Club and/or their reinsurers hereunder to any sanction, prohibition or restriction under United Nations Resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.</u>	
<u>iv</u>	<u>Bio-Chem Risks</u>	
<u>a</u>	<u>Where cover under Rule 21 ii has been extended to include Bio-Chem risks, subject to the terms and conditions and exclusions set out herein, such cover shall include the liability of the Member:</u>	

	<u>(i) to pay damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitute expense and shipwreck unemployment indemnity), and</u>	
	<u>(ii) for the legal costs and expenses incurred solely for the purpose of avoiding or minimising any liability or risk insured by the Club (other than under Rule 25 xix);</u>	
	<u>where such liability is not recoverable under either:</u>	
	<u>(a) cover provided by the Club for such liabilities, costs, losses and expenses covered in Rule 21, or</u>	
	<u>(b) any underlying war risk policies covering the same risks;</u>	
	<u>solely by reason of the operation of an exclusion of liabilities, costs, losses and expenses directly or indirectly caused by or contributed to, by, or arising from:</u>	
	<u>(i) any chemical, biological, bio-chemical or electromagnetic weapon</u>	
	<u>(ii) the use or operation, as a means for inflicting harm, of any computer, computer system, computer software program, malicious code, computer virus or process or any other electronic system;</u>	
	<u>Provided always that there shall be no recovery hereunder in respect of liabilities, costs, losses and expenses arising from:</u>	
	<u>(i) explosives or the methods of the detonation or attachment thereof;</u>	
	<u>(ii) the use of the Entered Ship or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon;</u>	
	<u>(iii) the use of any computer, computer system or computer software program or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.</u>	
<u>b</u>	<u>The Directors may in their discretion decide that there shall be no recovery in respect of any liabilities, costs, losses and expenses directly or indirectly caused, or contributed to by, or arising out of any event, accident or occurrence within such ports, places, zones or areas, or during such period as they may specify.</u>	
<u>c</u>	<u>At any time or times before, or at the commencement of, or during the Policy Year, the Club may by notice to the Member change, vary, extend, add to or otherwise alter the ports, places, countries, zones and periods specified in b above from a date and time specified by the Club not being less than 24 hours from midnight on the day such notice is given to the Member.</u>	
<u>d</u>	<u>Cover hereunder may by notice to the Member be cancelled by the Club from a date and time specified by the Club, not being less than 24 hours from midnight on the day such notice of cancellation is given to the Member.</u>	
<u>e</u>	<u>(i) Subject to e (ii) below the limit of liability of the Club under this extension of cover in respect of all claims shall be in the aggregate US\$30 million each ship any one accident or occurrence or series thereof arising from any one event.</u>	
	<u>(ii) In the event that there is more than one entry by any</u>	

	<u>person for Bio-Chem cover as provided herein in respect of the same ship with the Club and/or any other Association which participates in the Pooling Agreement and/or General Excess Loss Reinsurance Contract, the aggregate recovery in respect of all liabilities, costs, losses and expenses arising under such entries shall not exceed the amount stipulated in e (i) above, and the liability of the Club under each such entry shall be limited to such proportion of that amount as the claims arising under that entry bear to the aggregate of all such claims recoverable from the Club and from any such other Association.</u>	
25 ii	Covered Risks	
xiii	Cargo Liabilities	
a	Loss, Shortage, Damage and other Responsibility....	
b	Handling of Damaged or Worthless Cargo....	
c	Failure of Cargo Interests to Collect Cargo....	
d	Through Transport....	
	<i>Provided always that:</i>	
	In relation to paragraphs a–d of this Rule 25 xiii	
(viii)	Discretionary Claims	
	Unless and to the extent that the Directors shall in their absolute discretion otherwise determine (and in any event only if they are satisfied that the Member took such steps as appear to those Directors to be reasonable to avoid the event or circumstances giving rise to such liabilities, costs and expenses), there shall be no recovery from the Club under paragraphs a to d of this Rule 25 xiii in respect of the Member's liabilities, costs or expenses arising out of:	
(a)	the discharge of the cargo or any part thereof at any port or place other than a port or place permitted by the relevant contract of carriage;	
(b)	the delivery of cargo carried on an Entered Ship under a negotiable bill of lading or similar document of title (including an electronic bill of lading) without the production (or the equivalent thereof in the case of an electronic bill of lading) of that bill of lading or document by the person to whom delivery is made, except where cargo has been carried on an Entered Ship:	<i>Amendments to reflect changes made to the current Pooling Agreement clarifying the treatment of claims in connection with approved electronic bills of lading, in respect of which the exclusion for claims arising from mis-delivery of cargo applies in the same way as with a paper bill of lading under Paragraph 14 of Appendix V.</i>
	(i) under the terms of a non-negotiable bill of lading, waybill or other non-negotiable document, and despite having been properly delivered as required by that document, liability nevertheless arises under the terms of a negotiable bill of lading or other similar document of title (issued by or on behalf of a party other than the Member) providing for carriage in part upon the Entered Ship and in part upon another ship or by another mode of transport, or	
	(ii) under the terms of an approved electronic trading system and has been properly delivered to the person so entitled in accordance therewith;	
(c)	the delivery of cargo carried under a non-negotiable bill of lading, waybill or similar document without production of	

	such document by the person to whom delivery is made, where such production is required pursuant to the terms of and/or the law applicable to that document, except where the Member is obliged by law to deliver, or relinquish custody or control of, the cargo, without production of such document;	
(d)	the issue of an ante dated or post-dated bill of lading, waybill or other document containing or evidencing the contract of carriage;	
(e)	the issue of a bill of lading, waybill or other document containing or evidencing the contract of carriage known by the Member or the Master of the entered ship to contain an incorrect description of the cargo or its condition or quantity;	
(f)	the failure to arrive or late arrival of an entered ship at any port of loading, or out of the failure to load or delay in loading any particular cargo or cargoes in an entered ship otherwise than under a bill of lading already issued.	
	
(xiii)	<u>Unless and to the extent otherwise agreed in writing by the Managers, there shall be no recovery from the Club under paragraphs a to d of this Rule 25 xiii in respect of any liabilities, costs and expenses arising out of or incurred in consequence of the intended or actual carriage of live animals.</u>	<i>An amendment to incorporate an express exclusion in respect of cargo liabilities arising from the carriage of live animals.</i>
35	Cessation of Membership	
i	A Member shall cease to be a Member and shall cease to be insured by the Club in respect of any and all ships entered by him upon the happening of any of the following events:	
a	in the case of an individual upon his death;	
b	in the case of a corporation if it be wound up or dissolved;	
c	if it ceases to have any ship entered in the Club;	
d	in the case of an individual if he becomes bankrupt, subject to a receiving order, or makes any arrangement or composition with his creditors generally or by reason of mental disorder becomes incapable of conducting his affairs;	
e	in the case of a corporation if it is placed in receivership or seeks protection from its creditors, reorganisation or rehabilitation pursuant to any applicable laws, or if a creditor takes uncontested possession of any of its assets pursuant to any security interest therein;	
f	where by virtue of any sanction, prohibition or adverse action in any form whatsoever by any State or International Organisation, the Club is prohibited from insuring that Member.	<i>Deletions to reflect consolidation into a separate stand-alone rule the sanctions provisions currently set out in Rules 17 and 35, which are also to be appropriately amended.</i>
	<i>Provided that</i>	
(i)	In respect of d and e above the Managers shall be entitled in their absolute discretion to agree that a Member may be entered upon such terms and conditions as they see fit; and	
(ii)	if any Member ceases to be insured by the Club by operation of this Rule 35 i a to e f in respect of the ships entered by it, the entry and insurance of all other Joint Members entered pursuant to Rule 9 i shall continue	

	notwithstanding, unless the Managers, in their discretion, decide to terminate such entry and insurance on behalf of the other Joint Members, or any of them, either on the date of cessation of entry of the Member to which this Rule 35 i a to e-f applies or such other date which the Managers may in their absolute discretion decide.	
ii	If the insurance of a ship by the Club is prohibited by any State or International Organisation, or if any ship is employed by the Member or permitted to be employed by the Member in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any State or International Organisation, there shall be no insurance by the Club of such ship or in respect of such carriage, trade or voyage from the date when the vessel is or is permitted to be so employed, such prohibition becomes effective or when such insurance or employment becomes sanctionable activity.	
	In the event of any dispute as to such prohibition or as to whether the ship has been so employed, the Managers' decision shall be final.	
iii	Notwithstanding and without prejudice to Rule 35 i f and ii above, the Managers may, on such notice in writing as they may decide, terminate, or determine that there shall be no cover under the entry, or any part of it, or any part of any other cover arrangement of a Member and/or the entry of any vessel where the provision of cover to or in respect of a vessel and/or a Members' continuing entry or cover will expose, or may in the opinion of the Managers expose, the Club or any of its Members to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any State or International Organisation.	
	<i>Provided that</i>	
a (iii)	If the cesser of Membership and of insurance be occasioned by any of the events specified in Rule 35 i subparagraphs a to e-f above, such Member, its estate, legal, personal representatives, trustees in bankruptcy or liquidator as the case may be, shall be and remain liable for contributions in respect of the Policy Year during the currency of which the event occurred, pro rata only to the period beginning with that Policy Year and ending upon the happening of such event; but the Club shall thereupon cease to be liable for any claims under these Rules and in respect of such ship or ships arising by virtue of any incident or occurrence occurring after the happening of any such specified events in sub-paragraphs a to e-f above, or for any claims directly or indirectly arising because of such specified event(s), and nothing done by the Club subsequent to any such specified event shall constitute a waiver of the Club's rights under this subparagraph, unless the Club shall thereafter have expressly, in writing to the Member, accepted liability for such claim.	
b (iv)	nothing in the foregoing proviso a (iii) shall prejudice the Managers' rights, under Rule 37 , to terminate or rescind cover, and to require payment of premium as herein provided.	
c	In relation to Rule 35 ii and iii, when the risk of any such sanction, prohibition or adverse action ceases, insurance by the Club in respect of any and all ship(s) entered by the	

	Member, or in respect of any other cover arrangement of a Member, may in the Managers' discretion be reinstated.	
47	<u>Sanctions</u>	<i>Consolidation of the Sanctions provisions previously included in Rules 17 and 35.</i>
i	<u>Where:</u>	
a	<u>The provision of insurance to a Member or any other entity insured under that Member's entry or of any ship or any voyage or carriage is or becomes prohibited, unlawful or sanctionable; or</u>	
b	<u>The ownership, management, operation, charter and/or employment of a ship may howsoever expose the Member entering such ship and/or the Club and/or any other Member of the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action of whatsoever nature by any state or international organisation;</u>	
	<u>the insurance by the Club of that Member or entity or ship or voyage or carriage shall cease from the date when such insurance or ownership, management, operation, charter and/or employment becomes prohibited, unlawful or sanctionable, or in the opinion of the Managers the aforesaid risk arises.</u>	
	<u>When the risk of any such sanction, prohibition or adverse action ceases, insurance by the Club may be reinstated on such terms and conditions and from such date and time as the Managers determine in their discretion.</u>	
ii	<u>No claims, liabilities, costs or expenses shall be paid or recoverable from the Club where such payment or recovery is prohibited or would constitute a sanctionable activity or in the opinion of the Managers may expose the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action other than, where permitted, payment into a designated account in which event the Club's liability shall be discharged by and to the extent of such payment.</u>	
iii	<u>In the event of cesser of insurance of Member or of a ship pursuant to this Rule provisos (iii) and (iv) to Rule 35 shall apply.</u>	
4847	Dispute Resolution, Adjudication	<i>Re-numbering to allow for the new Sanctions rule at Rule 47.</i>
i		
a	In the event of any difference or dispute whatsoever, between or affecting a Member and the Club and concerning the insurance afforded by the Club under these Rules or any amounts due from the Club to the Member or the Member to the Club, such difference or dispute shall in the first instance be referred to adjudication by the Directors. That adjudication shall be on the basis of documents and written submissions alone and conducted in accordance with such procedures as the Managers decide	

	from time to time in their absolute discretion.	
b	Notwithstanding the terms of this Rule 48 i , where it appears to the Managers that any difference or dispute between or affecting a Member and the Club has arisen, the Managers, on behalf of the Club, shall be entitled to commence either:	
	(i) proceedings before the High Court of Justice in London; or (ii) arbitration in London <u>in accordance with sub-paragraph iii below,</u>	<i>An amendment to clarify the applicable provision by which arbitration may to be commenced.</i>
	in respect of such difference or dispute in accordance with sub-paragraph ii below, without prior adjudication by the Directors.	
ii	If the Member wishes to challenge the decision of the Directors upon adjudication under Rule 48 i a above, then	
a	the difference or dispute shall be referred to arbitration in London, unless the Managers (on behalf of the Club), in their absolute discretion, elect that the difference or dispute shall be determined by the High Court of Justice.	
b	Not later than 90 days after the Managers have advised the Member in writing of the Directors' decision upon adjudication, the Member, in order to challenge that decision, must give written notice to the Managers stating that the Member does not agree with the Directors' decision and requiring the Managers to make their election under Rule 48 ii a . In default of such written notice the Directors' adjudication under Rule 48 i a above shall be final. Within 30 days of receipt of the Member's notice the Managers shall give written notice to the Member stating that the difference or dispute shall be determined either by the High Court of Justice in London or shall proceed by way of London arbitration.	
iii	In the case of arbitration proceedings commenced in accordance with Rule 48 i b (ii) and 48 ii , unless the Managers otherwise agree in writing to the appointment of a sole arbitrator, the arbitration tribunal shall consist of three arbitrators, one to be appointed by each of the parties and the third by the two arbitrators so chosen. The arbitrators shall be Queen's Counsel currently in practice at the Commercial bar in London.	
	Any submission to arbitration and all the proceedings therein shall be subject to the provisions of the English Arbitration Act 1996 and the schedules thereto or any statutory modifications or re-enactment thereof.	
iv	...	
v	...	
vi	...	
vii	...	
viii	These Rules and any contract of insurance between the Club and the Members shall be governed by and construed in accordance with English law. <i>Provided always that:</i> <u>a. The sections of the English Insurance Act, 2015, as set out in Rules 6 ii and 7 iv shall not apply; and</u>	<i>Amendments concerning the exclusions of provisions of the Insurance Act as set out in Rules 6 and 7.</i>
	b. Save as provided in Rules 17 iii and 25 ii c (ii) , no benefit or rights are conferred or intended to be conferred, under or through the operation of the Contract (Rights of	

	Third Parties) Act 1999 or any similar legislation.	
	c. Notwithstanding the above proviso, where any third party is permitted under the laws of any jurisdiction to assert howsoever a claim of whatsoever nature directly against the Club for the purpose of pursuing rights pursuant to the contract of insurance provided by the Club to a Member, then such third party shall be bound by sub-Rules 48 i b, iii, iv, vii and viii of this Rule 48 as if the reference to Member had been to that third party.	
4849	Premium and Other Taxes...	<i>Re-numbering allow for the the new Sanctions rule at Rule 47.</i>

AMENDMENTS FOR 2016/17 TO THE RULES OF CLASS 2 FREIGHT, DEMURRAGE AND DEFENCE OF STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

In the table below, the proposed new wording is shown in **bold** and underlined and wording to be deleted is shown as [~~xxx~~]. Explanatory notes in italics have been provided for the proposed changes.

8		
iii	Unless otherwise agreed by the Managers in writing, any costs and expenses recoverable under this Class 2 shall be limited to the excess of stipulated deductibles, <u>and any policy limits shall apply to the total amount of any claim, inclusive of deductibles.</u>	<i>An amendment to clarify that the policy limit is calculated from the ground up, inclusive of any applicable deductible. The equivalent provision in the Class 1 Rules (Rule 25 xxii) was amended with effect from 20 February 2013.</i>
14	Rules 2, 4, 5, 6, 7, 8, 9, 13, 14, 15, 19, 20, 21, 23, 24, 26, 27, 28, 29, 30, 31, 32, 35, 36, 37, 38, 40, 42, 45, 46, 48 and 479 of the Protection and Indemnity Class in so far as not inconsistent shall be deemed to be incorporated in and form part of these Rules except that any reference in such Rules as incorporated as aforesaid to Protection and Indemnity shall be deemed to be a reference to the cover afforded under the Rules of this Class. Any ship or ships entered in this Class shall be deemed to be fully insured in the Protection and Indemnity Class and the Member shall not be entitled to recover costs and expenses under the Rules of this Class that would have been recoverable under the Rules of the Protection and Indemnity Class had the ship or ships been so insured.	<i>An amendment to incorporate Rule 49 of the Class 1 Rules so as to provide that where Insurance Premium Tax is payable on FDD insurance premiums the Member is obliged to reimburse or indemnify the Club in respect thereof.</i>