



December 2016

**To the Members**

Dear Sirs,

**Maritime Labour Convention – Changes to the Rules of Class 1 of the Association**

As Members will be aware, with effect from 18 January 2017, further provisions of the Maritime Labour Convention 2006 (MLC) will come into effect, requiring ship owners whose vessels are registered in a State where MLC is in force, or which call at a port in a jurisdiction where MLC is in force, to provide certification evidencing financial security for, amongst other things, a minimum of four months unpaid crew wages. The Boards of all Clubs in the International Group have decided that Clubs should provide the necessary certification.

These new MLC financial security requirements come into effect on 18<sup>th</sup> January 2017, during the current policy year. Accordingly, at a meeting of the Directors held at The Fairmont Olympic Hotel, Seattle, USA on 25 October 2016, the Board resolved to amend the Rules of Class 1 (Protection and Indemnity) of the Association to reflect the new requirements.

Amendments to the Rules of Class 1, annexed hereto and explained in the attached commentary, will thus take effect from midnight GMT on 18 January 2017.

Reference is made to Club Circular [L. 286](#), informing Members of the application process for obtaining MLC Certificates in order to comply with the additional financial security requirements.

Yours faithfully,

STEAMSHIP MUTUAL UNDERWRITING  
ASSOCIATION LIMITED

L.288

**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**

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**MARITIME LABOUR CONVENTION 2006**  
**AMENDMENTS TO TAKE EFFECT FROM 00.00 HOURS 18 JANUARY 2017 TO THE RULES OF**  
**CLASS 1 PROTECTION AND INDEMNITY OF STEAMSHIP MUTUAL UNDERWRITING**  
**ASSOCIATION LIMITED**

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

Rule	Text	Comments
21	War and Bio-Chem Risks	
i	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 or agents) when the incident in respect of which such liability arises, or such costs or expenses are incurred, was caused by:	
a	war, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power or any act of terrorism;	
b	capture, seizure, arrest, restraint or detainment (barratry or piracy excepted) and the consequences thereof or any attempt thereat;	
c	mines, torpedoes, bombs, rockets, shells, explosives or other similar weapons of war, save for those liabilities, costs or expenses which arise solely by reason of:	
	(i) the transport of any such weapons whether on board the entered ship or not, or	
	(ii) the use of any such weapons either as a result of Government order or through compliance with a written direction given by the Managers or Directors where the reason for such use was the avoidance or mitigation of liabilities, costs or expenses which would otherwise fall within the cover of the Club.	
	<i>Provided always that:</i>	
(i)	Notwithstanding the exclusions of cover in Rules 20 and 21, the Club shall discharge and pay on behalf of the Owner liabilities, costs and expenses pursuant to a demand made under	
(a)	...	
(b)	...	
(c)	...	
(d)	...	
(e)	...	
<b>(f)</b>	<b><u>a Certificate issued by the Club in respect of liabilities for outstanding wages and repatriation</u></b>	An amendment to reflect the fact that War and Bio-

	<u>expenses in accordance with Regulation 2.5.2, Standard A.2.5.2 and guideline B.2.5 and compensating a seafarer for death or long term disability in accordance with Regulation 4.2., standard A.4.2.1 and guideline B.4.2 of the Maritime Labour Convention 2006, as amended, ("MLC 2006"), or domestic legislation by a state party implementing the MLC 2006, , when cover has not been specifically extended under Rule 21 ii.</u>	Chem risks are ordinarily excluded under Club rules, whereas the Club will be liable for these where it has issued MLC Certificates, subject to the limitations set out in the MLC Extension Clause, which mirror those in Rule 21 iii.
(ii)	Where any such guarantee, undertaking or certificate is provided by the Club on behalf of the Owner as guarantor or otherwise, the Owner agrees that:	
(a)	any payment by the Club under any guarantee, undertaking or certificate referred to in proviso (i) (a), (b), (c), (d), <del>and</del> (e) <b>and (f)</b> above in discharge of the said liabilities, costs and expenses shall, to the extent of any amount recovered under any other policy of insurance or extension to the cover provided by the Association, be by way of loan; and	
(b)	there shall be assigned to the Club, to the extent and on the terms that the Managers determine in their discretion to be practicable, all the rights of the Owner under any such other insurance and against any third party; and	
(c)	unless the Managers shall otherwise determine, the Owner shall indemnify the Club to the extent that any payment under any guarantee, undertaking or certificate referred to in proviso (i) (a), (b), (c), (d), <del>or</del> (e) <b>or (f)</b> above in discharge of the said liabilities, costs and expenses is or would have been recoverable under a standard P&I war risk policy of insurance, had the Owner complied with all the terms and conditions thereof, under which the vessel shall be deemed to be insured without deductible for its full value.	
25		
ii	Liabilities to Persons - Covered Risks	
	Repatriation Expenses	
c	(i) <b>Repatriation expenses</b> in respect of persons on board an entered ship in consequence of a casualty thereto or consequent on illness or injury to such persons; <del>or</del>	
	<del>(ii) if agreed by the Managers, on such terms as to payment of premium or otherwise as they may require, in respect of a Seaman, arising under</del>	The existing MLC provisions in the Rules are deleted, and replace by those set

	Guideline B.2.5 of Regulation 2.5 of the Maritime Labour Convention 2006 or equivalent statutory provisions;	out in new Rule 25 ii j.
	<i>Provided that:</i>	
	<del>(a) notwithstanding the provisions of Rule 17 i, where a Member has failed to discharge a legal liability to pay repatriation expenses payable under any statutory enactment giving effect to the Maritime Labour Convention 2006 or equivalent statutory provisions, the Club shall discharge or pay such claim on the Member's behalf directly to such Seaman or dependant thereof; and</del>	
	<del>(b) where the Club is under no liability to the Member to pay claims, by reason of cesser of membership due to insolvency pursuant to Rule 35 i subparagraphs b, d or e, or the termination of cover pursuant to Rule 37 for non-payment of amounts due to the Club, the Club will nevertheless discharge or pay claims in accordance with this Rule 25 ii c (ii), but to the extent only that such liability has arisen from an event occurring prior to the date of such cesser or prior to notice of such termination, or upon the earlier of either (i) three months from the date of cesser of membership or termination in accordance with such notice, or (ii) the expiry of the Policy Period, and otherwise subject to and in accordance with the Rules and applicable terms of entry; and</del>	
	<del>(c) any payment made by the Club pursuant to this Rule 25 ii c (ii) is made as agent only of the Member and the Member shall be liable to reimburse the Club for the full amount of such payment;</del>	
	<del>(iii) or in any other case where the Managers in their discretion determine that such expenses have been necessarily and reasonably incurred;</del>	
d	Crew Substitutes...	
e	Shipwreck Unemployment Indemnity...	
f	Compensation following a Casualty...	
g	Deviation Expenses...	
h	Loss of Baggage and Effects...	
i	Expenses in respect of Deserters and Stowaways...	
j	<b><u>Maritime Labour Convention liabilities</u></b>	
	<b><u>Where a certificate of financial responsibility has been issued by the Club in respect of:</u></b>	Cover in respect of MLC liabilities is available where the Club has issued an MLC certificate, and subject to the terms of the MLC Extension Clause 2016, the

		text of which will also be set out in the Rule Book as a note to Rule 25 ii j. The issuance of an MLC certificate will be evidenced by a clause endorsed on the relevant certificate of entry.
	<u>(i) Outstanding wages and repatriation expenses in accordance with Regulation 2.5, Standard A.2.5 and Guideline B.2.5; or</u>	
	<u>(ii) Compensating a seafarer for death or long-term disability in accordance with Regulation 4.2, Standard A.4.2 and Guideline B.4.2;</u>	
	<u>of the Marine Maritime Labour Convention 2006, as amended, ("MLC 2006"), or domestic legislation by a State Party implementing MLC 2006;</u>	
	<u>the Member shall be insured against such liabilities to the extent, and subject to the terms of, the MLC Extension Clause 2016.</u>	
j k	Exclusion of Pollution Liabilities...	
iii	Categories of Persons	
	Those persons in the categories <b>a-e</b> below...	
	Crew	
a	Seamen, including any replacement or substitute:	
	Covered Risks – The following risks as set out in Rule <b>25 ii</b> are covered in respect of these persons:	
	a damages or compensation for loss of life or personal injury or illness	
	b medical or funeral expenses	
	c repatriation	
	d crew substitutes	
	e shipwreck unemployment indemnity	
	g deviation expenses	
	h loss of baggage and effects	
	<u>j Maritime Labour Convention liabilities</u>	

## MARITIME LABOUR CONVENTION EXTENSION CLAUSE 2016 – CLASS 1 P&I

1. Subject only to the other provisions of this MLC Extension (“the Extension”), the Association shall discharge and pay on the Member’s behalf under the 2006 Maritime Labour Convention as amended (MLC 2006) or domestic legislation by a State Party implementing MLC 2006:
  - (a) Liabilities in respect of outstanding wages and repatriation of a Seafarer together with costs and expenses incidental thereto in accordance with Regulation 2.5.2, Standard A2.5.2 and Guideline B2.5; and
  - (b) Liabilities in respect of compensating a Seafarer for death or long-term disability in accordance with Regulation 4.2, Standard A4.2.1 and Guideline B4.2.
2. The Member shall reimburse the Association in full:
  - (a) any claim paid under paragraph 1(a) save to the extent that such claim is in respect of liabilities, costs or expenses recoverable under Rule 25 ii (c); and
  - (b) any claim paid under paragraph 1(b) save to the extent that such claim is in respect of liabilities, costs or expenses recoverable under Rule 25 ii (a).
3. There shall be no payment under paragraph 1(a) or paragraph 1(b) if and to the extent that the liability, cost or expense is recoverable under any social security scheme or fund, separate insurance or any other similar arrangement.
4. The Association shall not discharge or pay any liabilities, costs or expenses under paragraph 1(a) or paragraph 1(b), irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or the Member’s servants or agents, where such liabilities, costs or expenses were directly or indirectly caused by or contributed to by or arise from:
  - (a) Any chemical, biological, bio-chemical or electromagnetic weapon

- (b) The use or operation, as a means for inflicting harm, of any computer, computer system, computer software programme, computer virus or process or any other electronic system.

5.

- (a) The Extension may be cancelled in respect of War Risks by the Association on 30 days' notice to the Member (such cancellation becoming effective on the expiry of 30 days from midnight of the day on which notice of cancellation is issued).

- (b) Whether or not such notice of cancellation has been given the Extension hereunder shall terminate automatically in respect of the War Risks:

- (i) Upon the outbreak of war (whether there be a declaration of war or not) between any of the following:

United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China;

- (ii) In respect of any ship, in connection with which cover is granted hereunder, in the event of such ship being requisitioned either for title or use.

- (c) The Extension excludes loss, damage, liability or expense arising from:

- (i) The outbreak of war (whether there be a declaration of war or not) between any of the following: the UK, the USA, France, The Russian Federation, the People's Republic of China;

- (ii) Requisition for title or use.

6. The Extension shall be subject to Rules 47 and 20.

7. Without prejudice to paragraph 5, cover under the Extension shall cease 30 days after notice of termination in accordance with either Regulation 2.5, Standard A2.5.2.11 or Regulation 4.2, Standard A4.2.1.12.

8. Any dispute arising out of or in connection with the Extension shall be resolved in accordance with Rule 48.

9. For the purpose of the Extension:

“Member” means any insured party who is liable for the payment of calls, contributions, premium or other sums due under the terms of entry

“Seafarer” shall have the same meaning as in MLC 2006.

“War Risks” means the risks set out in Rule 21.