



February 2019

Dear Member,

Confirmation of Passing of Ordinary Resolutions

At the General Meeting of the Members of the Association held at the Registered office of the Company, Aquatical House, 39 Bell Lane, London E1 7LU on Tuesday, 19 February 2019, the Resolutions set out in the Notice of Meeting (Club Circular [L.324](#)) dated January 2019 were duly passed.

The amendments to the Rules of Class 2 (Freight, Demurrage and Defence) of the Association annexed to that Notice of Meeting are adopted from 20 February 2019. An explanatory note of the changes, including a link to the new Rules of Class 2, is annexed hereto, marked "A".

By Order of the Board

Arjun Thawani
Secretary
19 February 2019

Yours faithfully,

STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED

L.325

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
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AMENDMENTS FOR THE 2019/2020 POLICY YEAR TO THE RULES OF CLASS 2 “FREIGHT, DEMURRAGE AND DEFENCE” OF STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

Revised Rules for Class 2 (Freight, Demurrage and Defence) will come into effect on 20 February 2019 for the 2019/2020 policy year. A link to the new Rules can be found here: [Steamship Mutual Rule Book 2019/2020](#). This Circular is not intended to provide a line by line analysis of the contents but a brief overview of key points.

Why have the FD&D Rules been revised?

The Rules have been in their current form for over 25 years subject only to relatively minor updates. During this period FD&D cover has evolved and the new Rules reflect this. In particular, given the discretionary nature of FD&D cover it is felt that it would be appropriate for the Rules to provide greater clarity as to its scope, availability and how it operates. In terms of substance the objective has been to enhance the cover available to Members.

Overview

There continues to be substantial overlap with the P and I Rules, a number of which continue to be incorporated by Rule 24. However, some issues are specific to FD&D cover, examples of which are shipbuilding and sale and purchase disputes. These may arise prior to a vessel's entry or a Member acquiring ownership. Rule 2 vi enables entry notwithstanding to allow cover to be provided by agreement for construction and pre-delivery risks. Whilst cover is provided for construction, modification, refit and repair post entry, members should be aware that if it is proposed to carry out major works to an entered vessel, this is likely to give rise to a material alteration in risk which under the continuing duty of disclosure must be notified to the Managers.

In the case of Charterers' cover where an entry may not in fact occur due to the existence of a charter being in dispute or the vessel not being delivered there is a discretion to provide cover notwithstanding on agreement of appropriate terms.

The structure of the Rules has been simplified to provide clarity as to the scope of cover. The nature of the cover is set out in Rule 6. Rule 7 sets out what costs and expenses are covered. Rule 8 states when claims arise for the purpose of identifying whether they fall within the policy period.

The scope of cover is set out in Rule 9 and the categories of claims etc. covered are expanded, clarified and reorganised. The intention is to match the broadest cover provided by other Group Clubs although in any event there is an omnibus rule enabling cover to be provided in respect of categories not specifically provided for in the Directors' discretion.

In the case of contracts of affreightment, the second para of Rule 9 i should be noted. If disputes are unrelated to a specific vessel, cover is in the Managers' discretion.

Rule 10 lists excluded claims and risks. These fall into three categories, where the exclusion relates to:

- a. The nature of the claim, (i.e. v-xvi);
- b. Its prospects of success, (i.e. i, ii); or
- c. The conduct of the Member, (i.e. iii, iv)

There is no monetary limit below which a claim will not qualify for support. The Club may be able to assist a Member with at least internal assistance in respect of small disputes.

Rule 11 addresses the exercise of the Directors' discretion as to support. It is designed to maximise flexibility in this respect to avoid support having to be on an "all or nothing" basis. Rule 11 iii provides the Directors with the ability to delegate the exercise of their discretion or other powers to the Managers.

The general limit of liability in Rule 13 is US\$10 million in aggregate per single occurrence. There is a lower limit of US\$2 million for shipbuilding and sale and purchase disputes. These limits are at higher end of what is available elsewhere. These general limits are subject to any other limits that may be agreed.

The above is intended to provide a brief overview. If there are any specific issues that Members wish to clarify or discuss, the Managers will be happy to assist.