



THE STEAMSHIP MUTUAL
UNDERWRITING ASSOCIATION LIMITED

MANAGERS: STEAMSHIP INSURANCE MANAGEMENT SERVICES LIMITED
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REGISTERED NO: 3855693 ENGLAND

To the Members

January 2005

Dear Sirs,

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the above-named Association will be held at the Registered office of the Company, Aquatical House, 39 Bell lane, London E1 7LU at 15:00 hours on Monday, 14th February 2005, to consider and if thought fit to pass the following resolution as a SPECIAL RESOLUTION:-

RESOLUTION

CLASS 1

THAT with effect from Noon G.M.T. on 20th February 2005, the amendments to the Rules of Class 1 (Protection and Indemnity) of the Association, annexed hereto, be adopted.

The changes are explained in the attached commentary. Amendments to the Rules have been introduced to reflect international developments, such as STOPIA and the ISPS code, as well as changes required to bring the Rules into conformity with the Pooling Agreement. Other drafting changes clarify the purpose and intent of the existing Rules.

By Order of the Board

R.A. Lakeman
Secretary

17th January 2005

**AMENDMENTS FOR 2005/2006 TO THE RULES OF CLASS 1 PROTECTION
AND INDEMNITY OF THE STEAMSHIP MUTUAL UNDERWRITING
ASSOCIATION LIMITED**

Explanatory notes in *italics* have been provided for the proposed changes where necessary and consequential re-numbering and cross-referencing will also be required. In the table below, the proposed new wording is shown in **bold** in the right hand column and wording in the existing rule to be deleted is shown as [.....] in the left hand column.

	Existing Rule	Proposed Amendment
	Rule 20 Nuclear Risks	
20 Nuclear Risk	The Club shall not insure any Member to any extent whatsoever against any loss, damage, liability or expense directly or indirectly caused by, contributed to, or arising from:	
i	ionising radiation from, or the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear fuel or any nuclear waste or the combustion of nuclear fuel;	
ii	ionising radiation from, or the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof;	
iii	any <u>[weapon of war]</u> employing atomic or nuclear fission and/or fusion and/or other like reaction or radioactive force or matter.	any weapon or device employing atomic or nuclear fission and/or fusion and/or other like reaction or radioactive force or matter. <i>(This wording is intended to ensure that the exclusion applies even if the "weapon" is not a conventional "weapon of war" and where an unconventional means of delivery is employed. It should thus cover suitcase or truck bombs which use nuclear material).</i>
	<i>provided always that:</i>	
	this Rule does not exclude liabilities, costs and expenses arising out of the carriage of "excepted matter" (as defined in the Nuclear Installations Act 1965 of the United Kingdom or any regulations made thereunder) being carried as cargo on an entered vessel.	
	Note: <i>The Nuclear Installations Regulations reflect the provisions of the OECD Paris Convention on Carriage of Nuclear Material. "Excepted matter" is nuclear matter consisting only of one or more of the following:</i>	
	a <i>isotopes prepared for use for industrial, commercial, agricultural, medical or scientific purposes;</i>	
	b <i>natural uranium;</i>	
	c <i>depleted uranium;</i>	
	d <i>small quantities of nuclear matter as prescribed.</i>	

	Existing Rule	Proposed Amendment
	Rule 21 War Risks	
21 War Risks		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:	
	i 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;	
	ii capture, seizure, arrest, restraint or detention (barratry or piracy excepted) and the consequences thereof or any attempt thereat;	
	iii 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: a The transport of any such weapons whether on board the entered ship or not, or b 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. <u>[provided that:</u> <u>The Directors may resolve that special cover be provided to the Members against any or all of the risks set out in Rule 25, notwithstanding that those liabilities, costs or expenses would otherwise be excluded by this Rule 21 and that such special cover should be limited to such sum or sums and subject to such terms and conditions as the Directors may from time to time determine.</u> <u>] delete</u> In the event of any dispute as to whether or not any act constitutes an act of terrorism, the decision of the Directors shall be final.	
		Provided always that:-
		(i) the exclusion of cover in Rule 21 shall not apply to liabilities, costs and expenses of an Owner insofar only as they are discharged by the Club on behalf of the Owner pursuant to a

		<p>demand made under</p> <p>(a) a guarantee or other undertaking given by the Club to the Federal Maritime Commission under Section 2 of US Public Law 89-777; or</p> <p>(b) a certificate issued by the Club in compliance with Article VII of the International Conventions on Civil Liability for Oil Pollution Damage 1969 and 1992 or any amendments thereof; or</p> <p>(c) an undertaking given by the Club to the International Oil Compensation Fund 1992 in connection with the Small Tanker Oil Pollution Indemnification Agreement;</p> <p>to the extent that such liabilities, costs and expenses are not recovered by the Owner under any other policy of insurance or any extension to the cover provided by the Club and</p> <p>(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 any payment by the Club thereunder 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 Club, be deemed to be by way of loan and that there shall be assigned to the Club all the rights of the Owner under any other insurance and against any third party.</p>
		<p><i>(Amendment to reflect availability of cover in specified circumstances for liabilities arising under CLC certificates, FMC and STOPIA guarantees. To simplify the layout of the Rule, the proviso in relation to special cover has been removed and substituted with the opening words of the proposed amendment. This wording also reflects that the availability of cover is in practice agreed by the Managers).</i></p>

	Existing Rule	Proposed Amendment
	Rule 25 i Liability to Persons iii Categories of Persons d Third Parties	
Third Parties d	Third parties within the categories set out below.	
Covered risks:	The following risks as set out in Rule 25 ii 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	
	Any person (i) In respect of liability resulting from negligent navigation or management of the entered ship or other negligent act or omission on board or in relation to an entered ship <u>[provided that in respect of liability to persons on board any other ship resulting from collision with the entered ship, the entered ship is entered for collision liabilities as set out in Rule 25 v.]</u>	<i>(Proviso deleted because this risk may not be covered under a full collision placement under the hull policy.)</i>
	Any person (ii) In respect of liabilities arising in relation to any act, neglect or default in the handling of the cargo of an entered ship or in consequence of the negligence of persons employed solely for that purpose, from the time of receipt for shipment on quay or wharf until final delivery ex quay or wharf at the port of discharge.	

	Existing Rule	Proposed Amendment
	Rule 25 v Collision	
Rule 25v Collision		
b (iii)		
	<p>Note: When considering the proper value for which an entered ship should be insured or deemed to be insured for the purposes of Rule 25 v the Member must satisfy the Managers that the hull and machinery and/or excess liability policies of the Member concerned have been subject to periodic review as market conditions may require, so that the total amount of liability coverage contained in these policies is maintained at a figure which is as near as possible to the free uncommitted market value of the ship at the time of the incident giving rise to the claim.</p> <p>Members should consult with their brokers and/or ship valuers in order to assess, in the light of the above, the amount for which insurances should be effected to cover collision and general average or salvage liabilities. Provided that the necessary insurances are effected, on the basis of the advice received, the Managers will give favourable consideration to a claim under these Rules consequent upon assessment of the value of the ship by a Court or Tribunal at an amount in excess of the insurances so effected.</p>	<p><i>Addition of</i> 'at the time of the incident giving rise to the claim.' <i>(The Note to the Collision Rule has been amended to ensure a consistent assessment of 'proper value' as per the Note to Rule 25 xv - Ship's Proportion of General Average.)</i></p>

	Existing Rule	Proposed Amendment
	Rule 25 vi Pollution	
Pollution vi	Liabilities, losses, damages, costs and expenses caused by or consequent on the escape or discharge or threatened escape or discharge of oil or any other substance from the entered ship as follows:-	
Actual escape a of pollutants	Liability for loss, damage or contamination.	
Clean up costs b	Costs of any measures reasonably taken for the purpose of avoiding, minimising or cleaning up any pollution, any imminent danger of pollution, or any resulting loss, damage or contamination, together with any liability for any loss of or damage to property caused by any measures so taken.	
Prevention costs c	Costs of any measures reasonably taken to prevent an imminent danger of discharge or escape from the entered ship of oil or any other substance which may cause pollution.	
Costs pursuant d to Government Directions	Liabilities, costs or expenses following a casualty to the entered ship incurred as a result of compliance with the order or direction of any government or authority (other than in respect of repair or salvage or any permanent structural alteration to an entered ship) for the purpose of avoiding or minimising pollution or the imminent danger of pollution	
	<i>provided always that</i>	
	(i) such liabilities, costs or expenses are not recoverable under the Hull Policies of the entered ship and	
	(ii) there shall be no recovery under this Rule in respect of liabilities that would be recoverable under such Hull Policies but for the conduct of the Member.	
Voluntary agreements e	Liabilities, costs or expenses for which a Member may be liable or otherwise incur as a party to any agreement relating to oil pollution previously approved by the Managers on such terms as they may require.	
Salvors' Expenses f	Liability for special compensation and any increment awarded thereon payable to salvors and incurred by a Member under the terms of the Special Compensation P&I Club (SCOPIC) Clause or under the provisions of Article 14 of the International Convention on Salvage 1989 or assumed under the terms of a standard form of salvage contract approved by the Managers.	
	<i>provided always that:-</i>	
	(i) Unless otherwise agreed by the Managers in writing prior to the event giving rise to a claim, or unless the Directors shall in their discretion	

	otherwise determine, there shall be no recovery under paragraphs a - f of this Rule 25 vi in respect of liabilities, costs and expenses which would have been recoverable by the Member in general average if the relevant charterparty or other contract of carriage had incorporated the unamended York Antwerp Rules 1994.	
	(ii) Unless the Directors shall in their absolute discretion otherwise determine, there shall be no cover under this or any other Rule in respect of any liability for loss, damage, costs and expenses arising as a consequence of the disposal, discharge or existence of any hazardous waste or other material at any dump, storage or disposal facility.	
		<p>(iii) A Member insured in respect of a vessel which is a “relevant ship” as defined in the Small Tanker Owners Pollution Indemnification Agreement (STOPIA) shall, unless the Managers otherwise agree in writing, be a party to STOPIA for the period of entry of the vessel in the Club.</p> <p>Unless the Managers have agreed in writing or unless the Directors otherwise determine, there shall be no cover under this Rule 25 vi in respect of such a vessel so long as the Member is not a party to STOPIA.</p> <p><i>(The definition of “relevant ship” will include those vessels to which, by virtue of their smaller tonnage and their trading patterns, the STOPIA Agreement will relate).</i></p>
	<p>Note: See Rule 18ii under which, inter alia, the extent of the Club’s liability for claims involving oil pollution is determined by the Directors.</p> <p>The limit with effect from 20th February 2004 is US\$ 1,000,000,000 each vessel any one accident or occurrence.</p>	<p>The limit with effect from 20th February 2005 is US\$ 1,000,000,000 each vessel any one accident or occurrence</p>

	Existing Rule	Proposed Amendment
Rule 25 viii	Damage to vessels without Collision	
Damage to Vessels without collision	Liability for loss of, or damage to, or interference with rights in relation to any other ship or property therein occasioned otherwise than by collision with the entered ship.	
a	Without prejudice to any other provision, exclusion, limitation or condition set out in these Rules, cover under this Rule 25 viii is subject to the following provisions:	
	(i) In respect of pollution, Rule 18 ii and the note thereto; and	
	(ii) Paragraph h (i) of Rule 25 v .	
	(iii) There shall be no recovery in respect of any liabilities relating to cargo or other property carried on the entered ship unless the Member is insured by the Club under Rule 25xiii , and cover in respect of any such liabilities shall be subject to the terms of that Rule and to the applicable terms of entry.	Addition of 'or other property carried on the entered ship.' <i>(This makes it clear that the requirement for cargo cover relates to cargo or property on board the entered ship not on board any other ship.)</i>
b	If a claim arises under this Rule 25 viii upon loss of or damage to any other ship belonging to a Member, in respect of whose entered ship the claim arose, the Member shall be entitled to recover from the Club and the Club shall have the same rights as if the ship lost or damaged had belonged to a third party, but to the extent only that such claim is not recoverable under any other insurance upon such ship, and provided that there shall be no recovery under this Rule in respect of any such claim which is not recoverable under any other insurance only by virtue of the existence of the cover provided by the Club.	

	Existing Rule	Proposed amendment
	Rule 25 ix Towage	
		<i>In order to bring the Towage Rule directly into conformity with the Pooling Agreement and to clarify the contractual basis upon which cover is available, it is proposed to replace the existing Rule in its entirety.</i>
Towage ix	Liability of a Member, other than for the cost of the contracted services, under the terms of a contract for towage of an entered ship:	
a	(i) Entered into during the ordinary course of trading for the purpose of entry, leaving or manoeuvring within a port;	
	(ii) Entered into during the ordinary course of trading, when the entered ship is habitually towed from place to place and has been declared as such to the Managers, to the extent only that such liability is not recoverable under the Hull Policies of the entered ship other than by reason of the conduct of the Member;	
	(iii) (If the terms of that contract, not being a contract falling within (i) or (ii) above, have been approved in writing by the Managers on such terms as they may require;	
b	Liability of the Member under the terms of a contract for towage by the entered ship:	
	(i) If the terms of that contract have been approved in writing by the Managers on such terms as they may require; or	
	(ii) If the Directors shall in their discretion decide that, having regard to the circumstances of the towage, the particular claim falls within the scope of Club cover.	
c	Liability of a Member otherwise than under the terms of a contract for towage,	
	(i) Arising out of the towage or attempted towage by an entered ship for the purposes of saving or attempting to save life or property at sea; or	
	(ii) Arising out of the towage or attempted towage by an entered ship employed under a contract with a party other than the owner of the tow, provided that the terms of that contract have been approved in writing by the Managers on such terms as they may require.	
d	There shall be no recovery in respect of liabilities, costs and expenses arising out of towage otherwise than in accordance with this Rule 25 ix and cover hereunder is in any event limited to the liabilities set out under Rules 25 i- xxi (excluding this Rule 25 ix) to the extent that such Rules are applicable to the Member's entry in the Club.	
e	Without prejudice to any other provision, exclusion, limitation or condition set out in these Rules, cover under this Rule 25 ix is subject to the following provisions:	
	(i) in respect of pollution Rule 18 ii and the note thereto; and	

	(ii) paragraph h (i) of Rule 25 v	
	<p>Note: The Managers will ordinarily only approve towage contracts in terms not less favourable than:</p> <p>a) United Kingdom, Netherlands and Scandinavian standard towage conditions.</p> <p>b) Towcon and Towhire</p> <p>c) The Lloyds standard form of salvage agreement (1980, 1990, 1995 or 2000, whether or not incorporating SCOPIC) – no-cure no pay</p> <p>or that contain a term that the parties to the towage contract, and any parties on whose behalf they contract, shall be responsible for any loss or damage to their own ship, cargo or property and for loss of life or personal injury thereon, without recourse against the other and will indemnify the other against any such liability (a "knock for knock" Clause).</p>	

Proposed text for revised Towage Rule:

Rule 25 ix Towage

a Liabilities of a Member, other than for the cost of any contracted services, arising from and/or in respect of the towage of an entered ship
Provided that there shall be no recovery in respect of liabilities, costs and expenses incurred under or pursuant to the terms of a contract for towage of an entered ship, unless that contract:

- (i) Is entered into during the ordinary course of trading for the purpose of entering, leaving or manoeuvring within a port;
- (ii) Is entered into during the ordinary course of trading, when the entered ship is habitually towed from place to place and has been declared as such to the Managers, to the extent only that such liability is not recoverable under the Hull Policies of the entered ship other than by reason of the conduct of the Member;
- (iii) Is on Lloyd's Open Form of Salvage Agreement (1980,1990,1995 or 2000, whether or not incorporating SCOPIC) or any other form of salvage contract approved by the Managers in writing on such terms as they may require;
- (iv) Incorporates a term to the effect that each of the Owner of the entered Ship and the owner of the towing vessel shall be responsible for any loss or damage to his own vessel, and for loss of life or personal injury on his own vessel, without any recourse whatsoever against the other.

b Liabilities of a Member arising from and/or in respect of towage by the entered ship,

Provided that in respect of liability for loss of or damage to or wreck removal of a vessel or other floating structure towed by the entered Ship or the cargo or other property on such tow (together with costs and expenses associated therewith), there shall be no recovery under this Rule save insofar as:

- (i) the towage or attempt thereat is made for the purpose of saving or attempting to save life or property at sea, or
- (ii) the entered ship is towing under a contract approved in writing by the Managers on such terms as they may require; or
- (iii) If the entered Ship is working under a time charter and there is no contract between the Member and the owner of the tow, the Managers have approved in writing the terms of that time charter.

c There shall be no recovery in respect of liabilities, costs and expenses arising out of towage otherwise than in accordance with this Rule 25ix and cover hereunder is in any event limited to the liabilities set out under Rules 25 i –xxi (excluding this Rule 25 ix) to the extent that such Rules are applicable to the Member's entry in the Club.

d Without prejudice to any other provision, exclusion, limitation or condition set out in these Rules, cover under this Rule 25 ix is subject to the following provisions:

- (i) in respect of pollution Rule 18 ii and the note thereto; and
- (ii) paragraph h (i) of Rule 25 v.

Note:

The Managers will ordinarily only approve contracts for towage by an entered Ship pursuant to paragraph b (ii) above of this Rule 25 ix in terms not less favourable to the towing vessel than:

a) United Kingdom, Netherlands and Scandinavian standard towage conditions.

b) Towcon and Towhire

c) The Lloyds standard form of salvage agreement (1980, 1990, 1995 or 2000, whether or not incorporating SCOPIC) – no-cure no pay

or that contain a term that the parties to the towage contract, and any parties on whose behalf they contract, shall be responsible for any loss or damage to their own ship, cargo or property and for loss of life or personal injury thereon, without recourse against the other and will indemnify the other against any such liability (a "knock for knock" Clause).

	Existing Rule	Proposed Amendment
Rule 25 xi	Removal of Wreck	
Removal xi a of Wreck	Costs and expenses of or incidental to or liabilities arising out of the actual, or attempted raising, removal, destruction, lighting or marking of:	
	(i) the wreck of an entered ship, including any part thereof; or,	
	(ii) cargo, equipment or other property carried on the entered ship, to the extent that the Member is unable to recover those costs from the owner of such property or from any other party;	
	<i>Provided always that:</i>	
	(a) Such raising, removal, destruction, lighting or marking is compulsory by law, or the costs thereof are legally recoverable from the Member; and	
	(b) <u>The entered ship became a wreck as a result of a casualty or event</u> during the period of the ship's entry in which event the Member shall continue to be covered by the Club in respect of liabilities <u>arising under paragraph a of this Rule 25 xi</u> notwithstanding the provisions of Rule 36 v.	<p>The casualty or event giving rise to a claim under paragraph a of this Rule 25 xi occurred during the period of the ship's entry in the Club, and in the case of actual, constructive or compromised total loss of the entered ship the Member shall continue to be covered by the Club in respect of such liabilities notwithstanding the provisions of Rule 36 v.</p> <p><i>(Amendment required to make clear that the event giving rise to the liability must occur during the period of entry, but such event need not necessarily be the wreck of the entered ship, e.g. in the case of equipment lost from the entered ship whose recovery is compulsory by law.)</i></p>
b	Liabilities arising out of the presence or involuntary shifting of, or obstruction caused by, the wreck of an entered ship, including any part thereof or cargo, equipment or other property carried thereon.	
	<i>Provided always that</i>	
	in respect of paragraph b of this Rule 25 xi :	
	(i) The event causing the loss or wreck of the entered ship has occurred during the period of entry of that ship in the Club and liability is attributable to such event;	
	(ii) Unless the Directors in their absolute discretion otherwise determine, there shall be no recovery in respect of:	
	(a) Liabilities resulting from the failure of the Member to take such measures as are reasonable to raise, remove, destroy, light or mark the wreck; and	

	(b) Any liabilities incurred more than two years after the entered ship became a wreck.	
c	To the extent of the Member's interest therein, the value of:	
	(i) The wreck itself and all stores and materials saved shall be deducted from any reimbursement made by the Club under this Rule 25 xi ; and/or	
	(ii) All cargo saved, shall be deducted from any reimbursement made by the Club under Rule 25 xiii .	
	Provided that if any such proceeds are realised by the Member after reimbursement by the Club and without deduction in accordance with paragraphs (i) and (ii) above, the Member shall pay any such proceeds to the Club up to the amount of any prior reimbursement.	
d	Unless the Managers otherwise agree in writing, there shall be no recovery under this Rule 25 xi or any other Rule in respect of any liability, costs or expenses incurred by the Member after the transfer of its interest in the cargo or wreck, otherwise than by abandonment, prior to the actual or attempted raising, removal, destruction, lighting or marking of the wreck or prior to incurring any other liabilities covered by this Rule 25 xi ;	
e	There shall be no recovery under this Rule xi in respect of any liabilities arising under the terms of any contract or undertaking, unless approved in writing by the Managers on such terms as they may require.	
f	Without prejudice to any other provision, exclusion, limitation or condition set out in these Rules, cover under this Rule 25 xi is subject to the following provisions:	
	(i) In respect of pollution, Rule 18 ii and the note thereto; and	
	(ii) Paragraph h (i) of Rule 25 v .	

	Existing Rule	Proposed Amendment
	Rule 25 xiii Cargo Liabilities	
Cargo Liabilities xiii	Liabilities and costs insofar as they relate to cargo or other property intended to be or being or having been carried in an entered ship as follows:	
Loss, shortage, a damage and other responsibility	Liability for loss, shortage, damage or other responsibility arising out of any breach by the Member, or by any person for whose acts, neglect or default he may be legally liable, of his obligation as carrier by sea properly to load, handle, stow, carry, keep, care for, discharge or deliver the cargo or property or out of unseaworthiness or unfitness of the entered ship.	
Handling of b damaged cargo	The extra costs (over and above those required by and/or incurred in the performance of his obligations under the contract of carriage) incurred by the Member in restowing, discharging or disposing of damaged cargo, provided that the Member has no recourse to recover such costs from any other party.	
Failure of cargo c interests to collect cargo	The extra costs and liabilities incurred by the Member arising directly out of the failure by cargo interests to collect or remove cargo from the port or place of discharge or delivery provided that:	
	(i) The Member is legally liable for such costs or has incurred them under the direction or with the approval of the Managers; and	
	(ii) The Member has no recourse to recover such costs from any other party; and	
	(iii) The Member shall only be entitled to recover such extra costs if and to the extent that they exceed the proceeds of the sale of the cargo.	
		; and
		(iv) In any event there shall be no recovery in respect of (a) storage charges for the first 30 days following discharge and (b) any costs and liabilities (including storage charges), under paragraph c of this Rule 25 xiii, which have been incurred prior to notification of the failure to collect or remove cargo being received by the Managers. <i>(This amendment is consistent with the principle that in general there should be no</i>

		<i>cover for liabilities incurred prior to notice to the Club. The 30 days applicable to storage charges is intended to reflect the fact that storage costs may be routinely incurred for a few weeks after discharge and can be regarded as a normal operational expense.)</i>
Through d Transport	<p>Liability for loss and shortage of, damage to or other responsibility in respect of cargo or other property for which the Member may be liable under a through or transshipment bill of lading or other form of contract of carriage providing for carriage partly to be performed by an entered ship, provided <u>[always]</u> that :</p> <p>(i) the terms of any such contract of carriage have been approved in writing by the Managers on such terms as they may require;</p>	<p>(ii) where part of the carriage is performed by the Member in his capacity as an Owner (as defined in Rule 2) of a ship which he has not entered in the Club, such carriage shall for all purposes under this Rule be deemed to have been performed by a third party.</p> <p><i>(This amendment caters for and allows rights of recourse when part of the carriage is performed on vessels which have not been entered by the Member.)</i></p>
	<p><i>Provided always that:-</i></p> <p>in relation to paragraphs a – d of this Rule 25 xiii</p>	

	Existing Rule	Proposed Amendment
Rule 26	Classification and Condition Surveys	
Classification i	The Member shall ensure that from the time when a ship is entered in the Club and throughout the period of the ship's entry that:	
a	The ship is and remains classed with a Classification Society approved by the Managers in respect of the entered ship;	
b	Any incident or condition in respect of which that Classification Society might make recommendations as to repairs or other action to be taken is promptly reported to that Classification Society;	
c	All rules, recommendations and requirements of the Classification Society relating to the entered ship are complied with within the time or times specified by the Society;	
d	If requested by the Managers, any overdue recommendations or conditions are immediately notified to them, together with any extensions granted by the Classification Society and certified by the Society;	
	The Managers are authorised to inspect any documents and obtain any information relating to the maintenance of Class of the entered ship in the possession of any Classification Society with which the ship is or has at any time been classed and such Classification Society or Societies are where necessary authorised to disclose and make available such documents and information to the Managers upon request by them and for whatsoever purpose the Managers may consider necessary;	
	If at any time after acceptance for entry or during the period of entry, the Classification Society with which the ship is classed is proposed to be changed, the Managers are to be given not less than 14 days notice in advance, and in any event as much notice in advance as is possible of the proposed change of Classification Society, stating the identity of the Classification Society to which the ship is to be transferred, and all outstanding recommendations of the ship's existing Classification Society;	
g	It and the ship shall comply with all statutory requirements of the state of the ship's flag relating to the construction, adaptation, condition, fitment, equipment, manning security and safety management of the entered ship;	<i>addition of 'security' (Availability of Club cover is conditional upon compliance with the provisions of the ISPS Code, now that it is in force.)</i>
h	It shall at all times maintain the validity of such statutory certificates as are issued by or on behalf of the state of the ship's flag in relation to such requirements and in relation to the International Safety Management (ISM) Code and the International Ship and Port Facility Security (ISPS) Code.	<i>(see above)</i>

	i	Where an entered ship has been laid up for a period exceeding 6 months irrespective of whether any part of that period precedes the ship's entry and/or whether the Member has sought lying-up returns pursuant to Rule 33 the Member shall give notice of the recommissioning of the ship not less than 14 days prior to the date when the ship sails from the place of lay up.	
Condition Surveys	ii a	The Managers may require a Member to submit an entered ship for survey at any time by a surveyor or other person nominated by the Managers, within such period as may be specified by them. The Member shall make the ship available within the time specified at a port or place accessible to any such person, giving not less than 7 days prior notice of the ship's estimated arrival, and afford such facilities as may be required, including but not limited to, provision of all information and documentation requested. Unless otherwise agreed in writing by the Managers, the costs and expenses of any such surveys shall be <u>[reimbursed to the Club]</u> as and when incurred.	the costs and expenses of any such surveys shall be paid by the Member as and when incurred. <i>(Provision for Member to pay costs in first instance.)</i>
	b	Any recommendations as to repair or otherwise made by a surveyor or other person appointed under the provisions of this rule must be carried out forthwith, or within such time as may be specified by the Managers and the Managers shall be notified immediately on completion of such works as are required to fulfil any such recommendations;	
	c	The Managers may require the Member to provide such evidence of compliance with such recommendations as they deem fit and/or require the ship to be made available for re-survey within such period as may be specified by them. Where re-survey is required Rule 26ii(a) shall apply to that survey and Rule 26ii(b) and (c) to any recommendations made thereon;	
	d	The Managers may at any time and in their absolute discretion:	
	(i)	Appoint representatives to visit the offices of the entity or entities having operational control of the ship and/or attend on board within the time specified by the Managers to audit the Member's management systems, including interviewing all relevant personnel and reviewing all relevant documentation. The Member shall ensure full co-operation with such representatives, making all requested personnel, information and documentation available, and, unless otherwise agreed in writing by the Managers, shall pay for the reasonable costs of such audit; and	<i>Addition of</i> "and unless otherwise agreed in writing by the Managers shall pay for the reasonable costs of such audit" <i>(Members to be responsible for reasonable audit costs).</i>
	(ii)	Make recommendations as to the remedying of any deficiencies identified which must be carried out forthwith, or within such time as may be specified by the	

	Managers.	
e	The Managers must be notified immediately on completion of the implementation of such recommendations and provided with such evidence as they deem fit as to the remedying of such deficiencies and shall have the right to carry out re-audits to verify the same.	
iii	In the event of any non-compliance with any of the provisions of Rules 26i or 26ii above, the Managers shall be empowered in their absolute discretion to:	
a	Terminate the entry of the ship and/or any other ships entered by the same Member from a time and date specified by a notice in writing to the Member;	
b	Determine that there shall be no right to recover from the Club in respect of any liability, cost or expense during a period commencing from the time and date at which the ship ceased to comply or such other date as is specified in writing until the Managers are satisfied that compliance has been achieved;	
c	Exclude cover for claims arising out of or contributed to by such non-compliance;	
d	Reduce any recovery from the Club to the extent that a claim has been contributed to by such non-compliance;	
e	Vary the terms and conditions of entry, including premium rating	
	Provided that the Directors shall have power in their absolute discretion to admit in whole or in part a claim, which may be excluded under a , b , c and d above. The exercise of their discretion by the Directors shall be final and conclusive for all purposes.	
	Nothing in this rule, or any action taken by the Club hereunder shall relieve the Member of its obligations with regard to the classification of the ship and/or the statutory requirements applicable to that ship or the Member howsoever arising or to the maintenance and/or condition of the ship generally.	

	Existing Rule	Proposed Amendment
Rule 31	Handling of Claims	
31 Handling of i claims	Unless the Managers shall otherwise agree in writing:	
a	The Club shall have the right but not the obligation, to investigate and/or handle on behalf of the Member any claim or other matter which has resulted or may result in loss, damage, expense or liability in respect of which a Member is insured under these Rules and to appoint any person on behalf of the Member for this purpose.	
b	Where the Member proposes to instruct lawyers and/or other professionals on its behalf in respect of any such claim or other matter, the Managers are to be given prior notice of such proposed instructions and requested to approve the proposed appointment. In the event of such approval not being given, the Managers shall be entitled to require the Member to instruct on the Member's behalf other lawyers or professionals of the Club's choosing.	
ii	Although instructed on behalf of the Member, it is hereby agreed that the terms of the retainer of the lawyers or other professionals will require the persons so instructed to report to the Club, to provide documents and information, and any other services forming the subject matter of that retainer as if instructed by the Club directly.	
iii	Any advice or recommendation given by any person instructed on the Member's behalf shall not bind the Club or affect its rights.	
iv	The Managers may at any time in their absolute discretion and without giving reasons direct the Member to terminate the retainer of any lawyer or other professional instructed by it in which event the Managers will have the same rights under this rule as if no such retainer had been entered into.	
v	In the event of a claim or other matter in respect of which the Member is or might be entitled to protection or indemnity by the Club, the Member shall be under a continuing obligation to keep the Managers promptly informed of all matters arising that are or may be relevant to that claim or matter and to co-operate fully in handling the claim or matter. Without prejudice to the generality of the foregoing, the Member shall disclose to the Club as soon as reasonably practicable any documents, reports or information in its or its agents' possession, control or knowledge which are	

	or may be relevant to the claim or other matter and permit inspection, copying or photocopying of the same. Where such documents or information are in the possession or control of the Member's agents, including but not limited to lawyers instructed on the Member's behalf, the Member hereby agrees to authorise the said agents to disclose such documents or information to the Club on its request.	
vi	The Member will take all reasonable and proper steps for the collection, preservation and production of evidence relevant to such claim or other matter and will use its best endeavours to make witnesses within its control or power available for interview, deposition and/or giving evidence as required.	
vii	The Member shall comply with the obligations set out above within any time specified in any direction given by the Club and, on request, produce evidence of such compliance.	
viii		<p>A Member shall comply with any direction given by the Club in connection with the handling or settlement of any claim or potential claim or in connection with any casualty or any other event or matter liable to give rise to a claim upon the Club.</p> <p><i>(This wording, which appeared in Rule 28 iii of the 2002/3 Rules, was omitted in error in the redraft of the claims handling rule).</i></p>
ix	Compliance with the provisions of this Rule shall be a condition precedent to a Member's right of recovery from the Club, provided that the Directors shall have power in their absolute discretion to admit in whole or in part a claim, notwithstanding a breach of such condition. The exercise of their discretion by the Directors shall be final and conclusive for all purposes.	

	Existing Rule	Proposed Amendment
	Rule 37 Non Payment of Premium	
37 Non-payment of premium	If a Member fails to pay when due and demanded by the Managers any amounts due from him to the Club, the Managers shall be entitled in the exercise of their absolute discretion:	
	i by notice in writing, to terminate the entry with the Club of any or all ships entered by or on behalf of such Member in respect of any policy year to which the Member's default relates with effect from the beginning of that policy year. In such circumstances the Club shall:	
	a return to the Member any premium paid for that policy year, after deduction of any sums already paid by the Club and of any sums for which the Club is or thereafter may become liable in respect of the said ships for that year (including but not limited to any claim, reimbursement, reinsurance cost, or fee);	
	<i>provided always that:</i>	
	if the total amount of the sums already paid and/or which may become payable by the Club exceeds any premium paid for that policy year, the Member shall be and remain liable for the difference.	
	b not be liable for claims in relation to the said ships arising by virtue of events occurring in any policy year to which the termination of entry relates.	
	ii by notice in writing, to terminate the entry with the Club of any or all ships entered by or on behalf of the Member in respect of the policy year to which the Member's default relates, with effect from the date given in such notice which shall be in the Managers' absolute discretion. In such circumstances, the Club shall:	
	a be entitled, in respect of any or all ships entered at any time during the policy year in respect of which entry has been terminated under this Rule to that proportion of all Premiums and calls as the actual period of entry in respect of any such ships bears to the policy year;	
	b not be liable in respect of claims in relation to the said ships arising by virtue of any event during the Policy Year to which the Member's default relates occurring after the date of termination.	
	<i>provided always that in relation to this Rule 37:</i>	
	If a Member fails to pay when due and demanded by the Managers any amounts due from him to the Club in respect of more than one ship entered in the Club, the Managers shall be entitled, in their absolute discretion, to exercise any of the options set out in this rule 37 in respect of any such ship, and shall not be bound to exercise their discretion in the same manner in respect of each ship. Further, and without prejudice to its rights under this	

	<p>rule, the Club shall have a contractual lien <u>over each ship owned by the Member, whether entered in the Club or not</u>, for outstanding premiums and any other sums whatsoever due to the Club in respect of that ship or any other ship entered by the same Member. That lien shall be without prejudice and in addition to any other rights of the Club, howsoever arising, including any maritime lien or right in rem available by statute or other law of any jurisdiction. The Club shall be entitled to enforce its contractual lien hereunder in any jurisdiction in accordance with the local law of such jurisdiction. Such lien shall continue in force notwithstanding that the entry of the ship has terminated until all sums due to the Club have been paid.</p>	<p>over each ship owned by the Member and/or in the same and/or associated ownership, management or control, whether entered in the Club or not,</p> <p><i>(This wording clarifies that the Club has a contractual lien on all ships owned or controlled by the Member in respect of outstanding sums due to the Club.)</i></p>

	Existing Rule	Proposed Amendment
	Rule 43 Provision of Bail	
43	i	
Provision of bail	The Club is under no obligation to provide bail or other security on behalf of any Member. When the Club does provide bail or other security the Managers may at the time when security is provided or at any time subsequently until the security is returned for cancellation:-	
	a	
	Require the Member forthwith to provide alternative security in substitution for that provided by the Club, if acceptable to the claimant, or place a cash deposit with the Club equivalent to the amount of the Club's exposure under its security;	
	Withhold all or any payments due from the Club to the Member up to the amount of the Club's exposure as a security deposit until its liability under its security has been determined.	
	ii	
	The provision of bail or other security is at the absolute discretion of the Managers and the Club shall not be liable for any delay or detention to a ship to which such security relates and any other ship owned by the Member or any other assets, or for any other losses whatsoever and howsoever arising, resulting from non-provision or delay in providing bail or other security;	
	iii	
	Where bail or other security is provided on behalf of the Member, the Managers shall be entitled to impose such terms on its provision as they in their absolute discretion see fit and the Member agrees that the Club shall have a contractual lien <u>[over the ship to which such security relates]</u> for an amount equivalent to the Club's exposure under the said bail or other security which the Club shall be entitled to enforce at any time in the Managers' absolute discretion;	over each ship owned by the Member and/or in the same and/or associated ownership, management or control, whether entered in the Club or not, <i>(This wording confers on the Club a contractual lien on all ships owned or controlled by the Member in respect of the Club's exposure under any security provided by the Club on behalf of the Member.)</i>
	iv	
	The provision of bail or other security by the Club does not constitute any admission of liability by the Club for any claim in respect of which the bail or security is given. Insofar as the Club makes payment under or pursuant to its security and the amount of that payment or any part thereof would not have been payable by the Club but for its provision of such security, the Member shall to that extent forthwith indemnify the Club, and pay any costs incurred through or in connection with the provision of such security.	

FORM OF PROXY

I appoint Herbert Menno Juniel or, failing him, Michael Leonidas Valmas as my proxy to vote for me on my behalf at the Extraordinary General Meeting of The Steamship Mutual Underwriting Association Limited to be held at Aquatical House, 39 Bell Lane, London E1 7LU, United Kingdom, at 15.00 hours on Monday, 14th February 2005 and at any adjournment thereof.

Signed

Name (please print)

Company Name

Address
