



JANUARY 06, 2014

CIRCULAR NO. 01/14

TO MEMBERS OF THE ASSOCIATION

Dear Member:

CHANGES TO THE RULES OF THE ASSOCIATION FOR THE 2014 POLICY YEAR

Please note that your Board of Directors has approved the following changes to the Club's Rules to take effect from February 20, 2014.

They derive from a continuing review of the language of the existing Rules and a desire to maintain good housekeeping in the interests of the clarity and efficacy of the terms on which Members are insured by the Club. They also reflect changes to the wording of the International Group of P&I Clubs' Pooling Agreement for the forthcoming year, as specified where relevant below.

The changes are set out in the order in which current Rules appear in the Rule Book.

Class I – Protection and Indemnity Insurance

Interpretation (Rule 1, Section 2)

The International Group has agreed to an amendment to the definition of "eligible vessels" under Clause 1.1(t) as set out in Appendix II to the Pooling Agreement for 2014.

In order to reflect this change, the relevant part of Class I, Rule 1, Section 2 will be amended to read as follows, the additional wording being underlined:

Vessel ***Any ship, boat, hydrofoil, hovercraft or other description of vessel (including a lighter, barge or similar vessel howsoever propelled but excluding (a) a unit or vessel constructed or adapted for the purpose of carrying out drilling operations in connection with oil or gas exploration or production and (b) a fixed platform or fixed rig) used or intended to be used for any purpose whatsoever in navigation or otherwise on, under, over, or in water or any part of such ship, boat, hydrofoil, hovercraft or other description of vessel or any proportion of the tonnage thereof or any share therein.***

General Insurance Provisions (Class I, Rule 1, Section 4)

An addition to wording of Section 4.17 will be incorporated as follows, the purpose being to make promptness of notice subject to the Managers' discretion in the same way as other Member obligations set out in the sub-section. The additional wording is underlined:

Members' Obligations in Regard to Claims

17 Any happening, occurrence, event or matter (including, but not limited to, any legal or arbitration proceedings commenced against the Member) which may be liable to cause the

Member to incur loss, damage, liabilities, costs or expenses for which he may be insured by the Association shall be notified promptly to the Managers by the Member on it being known by him. In so far as there may be any difference of opinion between the Member and the Managers as to whether any happening, occurrence, event or matter is or was such as might be liable to cause the Member to incur loss, damage, liabilities, costs or expenses, or as to whether the Member knew or ought to have known of such happening, occurrence, event, or matter as aforesaid, or as to whether such happening, occurrence, event or matter was notified promptly to the Managers by the Member, the determination of the Managers shall be final. A Member shall take and continue to take all such steps as may be reasonable for the purpose of averting or minimizing any expense or liability in respect whereof he may be insured by the Association.

In addition, in order fully to take account of the provisions of Maritime Labor Convention (MLC) 2006, the following amendments to Section 4.29 will also take effect, as underlined below:

Other Provisions in Regard to Claims

29 Notwithstanding the provisions of Rule 1.4.28 above and of the first (introductory, unnumbered) paragraph of Rule 2 below, where a Member shall have failed to discharge a legal liability to pay damages or compensation for personal injury, illness, death or repatriation of a seaman, the Association shall discharge or pay such claim on the Member's behalf directly to such seaman or to the legal dependant thereof.

PROVIDED ALWAYS that

- a The seaman or dependant has no enforceable right of recovery against any other party and would otherwise be uncompensated; and**
- b Subject to (c) below, the amount payable by the Association shall under no circumstances exceed the amount which the Member would have been able to recover from the Association under the Rules and the Member's terms of insurance with the Association; and**
- c Where the Association is under no liability to the Member in respect of such claim by reason of termination of cover under the terms of Class I, Rule 5.1.2.b for non-payment of amounts due to the Association, or by reason of cesser of cover under the terms of Class 1, Rule 5. 1.3, the Association will nevertheless discharge or pay that claim to the extent only that it solely arises from a happening, occurrence, event or matter occurring prior to the date of such termination or cesser of cover, except as to repatriation of seamen, only, the claim solely arises from a happening, occurrence, event or matter occurring within the earlier of three months after**
 - the date of such cesser or termination, or**
 - the expiry of the insurance hereunder or any disposal by the Member of his interest in the insured vessel in whole or in part; and**
- d This Rule shall apply only to claims by or regarding a seaman employed on an entered vessel and to the personal injury, illness, death or repatriation of such seaman solely**

arising from a happening, occurrence, event or matter occurring at or after noon GMT, February 20, 2014; and

- e The Association's agreement to discharge or pay Members' liabilities regarding repatriation of seamen is applicable only to such liabilities in states which implement or otherwise give effect to guideline B2.5 of Regulation 2.5 of the 2006 Maritime Labor Convention (MLC 2006); and*
- f Any payment by the Association to a seaman or dependant shall be as agent of the Member and the Member shall be liable to and agrees to reimburse the Association for the full amount of such payment.*

Risks and Losses Excluded (Rule 3)

Additional wording will be added to the provisions of Class I, Rule 3, Section 2.15 – Salvage by an Insured Vessel – as follows, in order more fully to align this sub-section with the language contained in the Pooling Agreement. The additional wording is underlined:

- 15 Liabilities, costs and expenses arising out of salvage operations, including, for the purpose of this Sub-Section 15, wreck removal, conducted by an insured vessel or provided by the Member, other than*
 - a liabilities, costs and expenses arising out of salvage operations, including, for the purpose of this Sub-Section 15, wreck removal, conducted by an insured vessel for the purpose of saving or attempting to save life at sea; and*
 - b liabilities, costs and expenses incurred by the Member (being a professional salvor) which are covered by a special agreement between the Member and the Association.*

The current language of Class I, Rule 3, Section 2.19 in regard to paperless trading will also be amended, as follows, more accurately to reflect the wording of the Pooling Agreement:

- 19 Any liabilities, costs or expenses whatsoever and howsoever arising from the use of any electronic trading system, other than an approved electronic trading system, to the extent that such liabilities, costs or expenses would not (except insofar as the Managers may in their sole discretion otherwise determine) have arisen under a paper trading system.*

For the purposes of this Sub-Section 19,

- a An electronic trading system is any system which replaces or is intended to replace paper documents used for the sale of goods and/or their carriage by sea or partly by sea and other means of transport and which:*
 - i are documents of title, or*
 - ii entitle the holder to delivery or possession of goods referred to in such documents, or*
 - iii evidence a contract of carriage under which the rights and obligations of either of the contracting parties may be transferred to a third party.*



b a “document” shall mean anything in which information of any description is recorded including, but not limited to, computer or other electronically generated information.

Class II: Freight, Demurrage and Defense Insurance

The amendments set out above will also be formally incorporated into, and form an integral part of, the Rules of Class II to the extent that they are consistent with the subject and context of the said Rules of Class II.

Class III: Insurance For Charterers’ Risks

The amendments set out above will also be formally incorporated into, and form an integral part of, the Rules of Class III to the extent that they are consistent with the subject and context of the said Rules of Class III.

It is hoped that the foregoing changes are clear, but if any Member requires any further explanation or comment, the Managers will be happy to respond.

Yours faithfully,


Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB