

RULES 2007

UK DEFENCE CLUB

THE UNITED KINGDOM FREIGHT DEMURRAGE
AND DEFENCE ASSOCIATION LIMITED



THE RULES OF THE UNITED KINGDOM FREIGHT DEMURRAGE AND DEFENCE ASSOCIATION LIMITED

(Effective on and from 12 noon Greenwich Mean Time on 20th February, 2007)

MANAGERS

Thomas Miller Defence Ltd
International House
26 Creechurch Lane
London EC3A 5BA

Telephone:

+44 7000 333362

Facsimile:

+44 20 7204 2131

Email:

tmdefence@thomasmiller.com

Website:

www.ukdefence.com

These Rules were adopted in accordance with the powers conferred by the Articles of Association of The United Kingdom Freight Demurrage and Defence Association Limited which said Articles provide for the alteration, abrogation or addition to the Rules by Special Resolution of the Association.

The Notes to the Rules are for guidance only and do not form part of the Rules.

Members are also referred to the Circulars for additional guidance. The Circulars can be found on-line at www.ukdefence.com (UKDC Publications) or are available on request from the Managers.

P. J. Vogt (Chairman)

London

E. André

Renens

A. S. Bernard

Monte Carlo

Ms M. Bottiglieri

Torre Del Greco

R. G. Crawford, CBE

London

P. Decavèle

Paris

G. A. Gratsos

Athens

M. Hashim

Bangkok

P. C. Laskaridis

Athens

M. F. Lykiardopulo

London

A. D. Manthos

London

T. J. McClure

Durban

S. Palios

Athens

P. Pappas

Athens

M. G. Pateras

Piraeus

Tan Chin Hee

Singapore

G. Weston

Monte Carlo

G. Woodford

London

rule one
rule two
rule three
rule four
rule five
rule six
rule seven
rule eight
rule nine
rule ten
rule eleven
rule twelve
rule thirteen
rule fourteen
rule fifteen
rule sixteen
rule seventeen
rule eighteen
rule nineteen
rule twenty
rule twenty-one
rule twenty-two
rule twenty-three
rule twenty-four
rule twenty-five
rule twenty-six
rule twenty-seven
rule twenty-eight
rule twenty-nine
rule thirty
rule thirty-one
rule thirty-two
rule thirty-three
rule thirty-four
rule thirty-five
rule thirty-six

Introductory

Cover

Fixed Premium Entry and Special Terms

Warranties, Conditions, Exceptions and Limitations

Owners and Successors Bound by Rules

Applications for Cover

Agreement on Rating

Certificate of Entry and Endorsement

Joint Entries

Reinsurance

Membership

Assignment

Period of Entry

Continuation of Entry

Termination and Notice of Termination

Obligations as to Payment

Assessment of Calls

Funds of the Association

Investment

Contingency Fund and Contingency Call

Payment

Laid-up Returns

Cesser of Cover and Cancellation

Effect of Cesser of Cover and of Cancellation

Bye-Laws

Claims

General Powers of the Directors to Support Owners

Directors' Meetings

Miscellaneous Powers of the Directors

Delegation

Remuneration of the Managers

Forbearance

Notices

Disputes

Governing Law

Definitions

RULE 1 Introductory

- (1) The standard cover afforded by the Association to an Owner who has entered his ship in the Association is set out in Rule 2.
- (2) The cover set out in Rule 2 is always subject to the warranties, conditions, exceptions, limitations and other terms set out in Rule 4 and in the remainder of these Rules.
- (3) The cover set out in Rule 2 may be excluded, limited, modified or otherwise altered by any special terms which have been agreed between an Owner and the Managers under Rule 3(B). Unless otherwise expressly agreed, such special terms shall be subject to the warranties, conditions, exceptions, limitations and other terms set out in Rule 4 and in the remainder of these Rules.
- (4) An Owner is only covered against loss or expense incurred by him which arises:-
 - (i) out of events occurring during the period of entry of a ship in the Association;
PROVIDED that:-
 - (a) as to claims and disputes arising under contract (other than those specified in Rule 1 (4)(i)(b)), in tort or under statute, such claims and disputes will be deemed to have arisen at the date when the cause of action accrued;
 - (b) as to claims and disputes concerning salvage, or in respect of towage services, such claims and disputes will be deemed to have arisen at the date when the relevant services were commenced;
 - (ii) in respect of the Owner's interest in the entered ship; and
 - (iii) in connection with the building, sale, purchase or operation of the ship by or on behalf of the Owner.
- (5) By virtue of Rule 3(A) an Owner may be entered on terms that he is liable to pay a fixed premium to the Association provided that he has entered into an express agreement to this effect with the Managers.

- (6) An Owner who has entered his ship in the Association is bound to pay such Calls or Fixed Premiums, Contingency Calls and other sums as are due to the Association in accordance with these Rules.
- (7) These Rules are in all respects subject to the Memorandum and Articles of the Association.
- (8) The cover provided by the Association as set out in these Rules is solely for the benefit of the Owner and any Joint Owner, other association or insurer, or permitted assignee, to the extent allowed by Rules 9, 10 and 12. It is not intended that rights should be acquired by any party through the operation of the Contracts (Rights of Third Parties) Act 1999 of the United Kingdom or similar legislation.

RULE 2 Cover

- (A) The cover provided by the Association under these Rules applies to claims or disputes or proceedings relating to an entered ship:-
 - (1) Under any charterparty, bill of lading, contract of affreightment or other contract, including but not limited to claims and disputes concerning hire, off-hire, set-off, freight, deadfreight, laytime, demurrage and/or damages for detention, despatch, speed, performance and description of a vessel, port safety and orders to an entered ship;
 - (2) Under any charterparty, bill of lading, contract of affreightment or other contract, the exercise or assertion of any rights arising thereunder or generally including but not limited to the right of withdrawal, exercise of a lien, and claims arising therefrom;
PROVIDED that:-
Claims, disputes or proceedings relating to the existence of any charterparty, bill of lading, contract of affreightment or other contract may be covered by the Association notwithstanding the provisions of Rule 1(4) if the ship in connection with which the claims, disputes or proceedings have arisen has been entered in the Association.
 - (3) In respect of the cancellation of a charterparty or other contract;

- (4) In respect of the loss of, damage to or detention of an entered ship;

PROVIDED that:-

In the case of the detention of an entered ship the Directors may order an Owner to cause the entered ship to remain where she is for the purpose of testing the legality of such detention and if the Owner shall comply with any such order the Owner shall be covered by the Association in respect of any liability incurred to third parties consequent on such compliance and in respect of any actual loss sustained by an Owner during a period of such compliance to the extent that such loss is not otherwise recoverable, but not exceeding such sum as the Directors may in their discretion decide;

- (5) In respect of the supply of fuel, materials or equipment, or other necessities;
- (6) For negligent or improper repair of or alteration to an entered ship;
- (7) In respect of General and/or Particular Average contributions or charges;
- (8) In respect of improper loading, lightering, stowage, trimming or discharge of cargo;
- (9) In respect of and in connection with charges, disbursements, accounts received from agents, stevedores, chandlers, brokers, customs, harbour or other authorities, or others connected with the running, management and operation of an entered ship;
- (10) In respect of amounts due from or to underwriters and any other persons and/or companies conducting the business of marine insurance;
- (11) In respect of salvage or towage services rendered by or to an entered ship;
- (12) By or against passengers intended to be, being or having been carried on an entered ship or their personal representatives or dependents;
- (13) By or against officers, crews, stowaways and other persons on or about an entered ship;

- (14) In connection with the building, purchase or sale of an entered ship;

PROVIDED that:-

Claims arising in connection with the building or purchase of a ship shall fall within the cover provided by the Association only if an entry has been made with effect from the date of the relevant contract or such later date and on such terms as may be agreed by the Managers.

NOTE - Any Member considering selling an entered ship under arrangements which may involve him retaining some interest in the ship (e.g. as mortgagee) should contact the Managers immediately for advice as to the protection of any such interest.

- (15) In connection with the mortgage of an entered ship;

PROVIDED that:-

Claims, disputes or proceedings arising in connection with the mortgage of an entered ship shall only be covered by the Association if in each case the Directors in their discretion so decide.

- (16) In connection with the representation of an Owner at official investigations, inquests, or other enquiries whatsoever in relation to an entered ship;
- (17) By or against the Classification Society of the entered ship;
- (18) By or against revenue, customs or other governmental, municipal or local authority in relation to an entered ship;

PROVIDED that:-

Unless the Directors in their discretion otherwise decide, an Owner shall not be covered in respect of any of the costs, liabilities, losses or expenses incurred in asserting or defending any of the claims or disputes or proceedings referred to in paragraphs (1) to (18) inclusive of this Rule (2)(A) if

- (a) such arise out of or are consequent upon an entered ship carrying contraband, blockade running or being employed in an unlawful trade; or
- (b) the amount in dispute is less than such sums as the Directors may from time to time decide, such decision to be effective at the commencement of the policy year following the date on which the decision is taken.

NOTE - At their meeting on 17th November 1994 the Directors decided that as from 20th February 1995 the sum referred to in part (b) of this proviso should be U.S. \$10,000.

- (B)** Without prejudice to sub-paragraphs (1) to (18) inclusive of Rule 2(A), the cover provided by the Association may apply to such claims or disputes or proceedings other than and/or in addition to those set out in the said foregoing sub-paragraphs of this Rule, as the Directors in their discretion may decide.
- (C)** Without prejudice to Rule 27, an Owner shall be covered by the Association in respect of the following costs, liabilities, losses and expenses:-
- (1) The costs of, or incidental to any proceedings to which an Owner is a party or at which he is represented, in both cases with the support of the Managers or Directors, for the purpose of asserting or defending any of the matters set out in Rules 2(A) and (B), including any such costs which the Owner may become liable to pay to any other party to those proceedings provided such costs have been paid or become due and payable during a period when the Owner has the express, written support of the Association;
 - (2) The costs incurred by an Owner with the approval of the Managers for the purpose of obtaining legal or other advice in connection with any of the matters set out in Rules 2(A) and (B);
 - (3) Such costs, liabilities, losses and expenses as are incurred as a result of compliance with orders of the Directors pursuant to Rule 2(A)(4) or elsewhere in these Rules.

NOTE:- If Members wish to ensure that they are covered for disputes such as non-delivery, late delivery and cancellation of a fixture, they should enter the ship with effect from the date of the relevant contract.

RULE 3 Fixed Premium Entry and Special Terms

- (A)** The Managers have the right to accept an application for the entry of a ship in the Association on the following terms:
- (i) That a fixed premium shall be payable for such entry and that no liability shall arise to pay Calls in respect of such entered ship, and/or
 - (ii) That the Owner shall not (subject to Rule 5) be obliged to become a Member of the Association, and/or
 - (iii) That the Owner shall remain liable to pay a Contingency Call or Calls when levied pursuant to Rule 20.
- An entry under this Rule 3(A) shall be known as a "Fixed Premium Entry".

- (B) Save insofar as is expressly prohibited by these Rules, the Managers may accept an application for the entry of a ship in the Association on special terms which may exclude, limit, modify or otherwise alter the cover set out in Rule 2, and, notwithstanding Rule 1(4), such special terms may include cover against events that may arise otherwise than in respect of the entered ship, or otherwise than in connection with the operation of the entered ship.

RULE 4 Warranties, Conditions, Exceptions and Limitations

(A) Payment first by the Owner

Unless the Directors or the Managers in their discretion otherwise decide, it is a condition precedent of an Owner's right to recover from the funds of the Association any sums in respect of which an Owner is covered that he shall first have discharged or paid the same.

(B) Exclusion of sums insurable under Hull Policies

Unless and to the extent that the Directors in their discretion otherwise decide, or the Managers agree in writing as a term of entry, the Association shall not cover an Owner of an entered ship against any of the costs, liabilities, losses or expenses arising out of risks against which that Owner would have been insured (save to the extent of any franchise or deductible) if at the time of the incident giving rise to the said costs, liabilities, losses or expenses the ship had been fully insured for its proper value under Hull Policies on terms equivalent to those of the Lloyds Marine Policy MAR form 1/1/82 with the current Institute Time Clauses Hulls 1/10/83 attached. For the purposes of these Rules "proper value" shall mean the market value of the ship, without commitment, at the date of the incident referred to above.

PROVIDED that:-

Any franchise or deductible to which any such Hull Policy is subject shall be deemed not to exceed 2 per cent of the insured value in respect of each incident.

(C) Exclusion of War Risks

Unless and to the extent that the Directors in their discretion otherwise decide, the Association shall not cover an Owner of an entered ship against any of the costs, liabilities, losses or expenses arising out of the risks against which that Owner would have been insured if at the time of the incident giving rise to the said costs, liabilities, losses or expenses the ship had been fully insured for its proper value under War Risk Policies on terms equivalent to those of the Institute Time War & Strikes Clauses Hull-Time 1/10/83 and the Institute Protection & Indemnity War & Strikes Clauses Hull-Time 20/7/87. For the purposes of these Rules “proper value” shall mean the market value of the ship, without commitment, at the date of the incident referred to above.

(D) Exclusion of P & I Risks

Unless and to the extent that the Directors in their discretion otherwise decide, the Association shall not cover any Owner to any extent whatsoever against any of the costs, liabilities, losses or expenses arising out of risks against which an Owner would be insured if the entered ship were fully insured against the risks specified in the current Rules of the United Kingdom Mutual Steamship Assurance Association (Bermuda) Limited by an entry in that Association (including not only those costs, liabilities, losses and expenses recoverable only at the discretion of the Directors, but also, in the case of Specialist Operations and Passenger Ships, the Special Cover risks specified in those Rules or such wider cover as agreed by the Owner) or by some equally wide P & I insurance.

(E) Exclusion of certain nuclear risks

The Association shall not cover any Owner against any costs, liabilities, losses, or expenses arising out of or in consequence of the emission of ionising radiation from, or the toxic, explosive or other hazardous properties of, nuclear fuel or radioactive products or waste carried as cargo in an entered ship with the exception of radio isotopes used in or intended to be used for any industrial, commercial, agricultural, medical or scientific purpose and such further exceptions as the Directors may approve.

(F) Double insurance

The Association shall not, unless and to the extent that the Directors in their discretion otherwise decide, be liable for any costs, liabilities, losses and expenses recoverable under any other cover or insurance or which would have been so recoverable,

- (i) apart from any terms in such other cover or insurance excluding or limiting liability on the ground of double insurance; and
- (ii) if the ship had not been entered in the Association with cover against the risks set out in these Rules.

PROVIDED that:-

With the approval of the Directors, an Owner may be covered by special agreement with the Association made either directly with himself or with other insurers upon the terms that certain costs, liabilities, losses and expenses shall be borne by the Association notwithstanding such other cover or insurance.

(G) Set-off

Without prejudice to anything else contained in these Rules the Association shall be entitled to set off any amount due from an Owner to the Association against any amount due to such Owner from the Association.

(H) Obligations with regard to claims

- (i) An Owner must promptly notify the Managers in writing of every casualty, event, dispute or claim which is liable to give rise to a claim upon the Association, and of every casualty, event, dispute or claim which is likely to cause the Owner to incur costs, liabilities, losses and expenses or payment of other sums in respect of which he may be covered by the Association. Such notice shall in no case be given later than three months after the Owner has knowledge that the relevant casualty, event, dispute or claim has arisen.

NOTE - It is stressed to all Members that it is the obligation of the Owner to give proper and timely notification to the Managers of matters covered by these Rules, and not the obligation of any lawyers or other persons representing the Owner.

- (ii) An Owner shall at all times promptly notify the Managers as well as any lawyers and/or other persons appointed to act on his behalf under the Rules, of any information, documents, reports or evidence in his or his agents' custody, possession, power or knowledge concerning any casualty, event, dispute or claim which has led or which may lead to a claim by the Owner upon the Association. An Owner shall further, whenever so requested by the Managers or any lawyers or other persons appointed to act on his behalf, at all times promptly produce all relevant documents in his or his agents' custody, possession or power and allow the Managers, lawyers, or other persons concerned to inspect, copy and photograph the same. An Owner shall further at all times promptly, on request, permit the Managers or any such lawyers or persons to interview any servant, agent or other person who may at any time have been employed by the Owner or whom the Managers or such lawyers or persons may consider likely to have any direct or indirect knowledge of the said casualty, event, dispute or claim.
- (iii) No claim made against an Owner of which notice has been given to the Managers under sub-paragraphs (i) and (ii) of Rule 4(H) shall be settled, nor shall any liability be admitted or costs incurred by or on behalf of any Owner without the prior approval of the Managers.
- (iv) Without prejudice to sub-paragraph (iii) to this Rule 4(H), no Owner shall settle or compromise any claim, dispute, matter or proceedings which may have been taken or defended with the support of the Association without the prior approval of the Managers, or without complying with any requirements of the Managers as regards making provision for any costs or expenses incurred by the Association. In the event of any Owner so settling or compromising without such approval or without complying with any such requirements, the Owner shall become liable to pay to the Association the whole of the costs and expenses incurred by the Association or such proportion of those costs and expenses as the Directors in their discretion shall determine.

- (v) In the event that an Owner commits any breach of his obligations referred to in sub-paragraphs (i) to (iv) of Rule 4(H), or if an Owner shall wilfully or negligently withhold or knowingly conceal any relevant information, document or evidence or shall make any false statement with a view to obtaining the support of the Association in any matter, or if an Owner shall cause or knowingly permit any other person so to act, the Directors may in their discretion reject any claim by the Owner against the Association arising out of the relevant casualty, event, dispute or claim, reduce the sum payable by the Association in respect thereof by such amount as they may determine, or require the Owner to repay to the Association any costs or expenses which the Association may have incurred in connection therewith.

(l) Time Bar

Without prejudice to Rule 4(H)(i), in the event that an Owner fails to submit a claim to the Managers for reimbursement of any costs, liabilities, losses or expenses within one year after discharging or settling the same, the Owner's claim against the Association shall be waived and absolutely barred and the Association shall be under no further liability in respect thereof unless the Directors in their discretion shall otherwise determine.

RULE 5 Owners and Successors Bound by Rules

- (A)** Every entry in the Association shall, save and insofar as it contains any special terms inconsistent herewith, be deemed to incorporate and shall incorporate all the provisions of these Rules.
- (B)** An Owner by whom or on whose behalf an application is made for cover by the Association (whether he is or is to be a Member of the Association or not), and any insurer to be reinsured pursuant to Rule 10, shall be deemed to have agreed not only on his own behalf but also on behalf of his successors and each of them that both he and they will in every respect be subject to and bound by the provisions of these Rules and by any contract made with the Association.

RULE 6 Applications for Cover

- (A) Any applicant Owner who desires to enter a ship in the Association shall make application for such entry in such form as may from time to time be required by the Managers.
- (B) Any particulars or information given by an applicant Owner in any application form in the course of applying for cover or negotiating changes in the terms of cover to the Managers shall, if the entry of the relevant ship be accepted, be deemed to form the basis of the contract between the Owner and the Association, and it shall be a condition precedent of the provision of cover by the Association pursuant to such contract that all such particulars or information were true when given so far as the Owner knew or could with reasonable diligence have ascertained to be true.
- (C) The Managers shall be entitled, in their discretion and without giving any reason, to refuse any application for the entry of a ship in the Association whether or not the applicant Owner of such ship is a Member of the Association or has applied for membership.

RULE 7 Agreement on Rating

Before an application is accepted for the entry of a ship in the Association on terms including the terms (as set out in Rule 1(6)) that the Owner is to pay Calls, Contingency Calls and other sums due to the Association in accordance with these Rules, the applicant Owner and the Managers shall agree the rating of the ship concerned. In deciding upon the rating of any ship the Managers may take into account all matters which they may consider relevant, including the degree of risk estimated to be involved in the proposed cover.

RULE 8 Certificate of Entry and Endorsement

- (A)** After accepting any application for the entry of a ship in the Association the Managers shall issue to the Owner of such ship a Certificate of Entry in such form as may from time to time be prescribed by the Managers. Every such Certificate of Entry shall state:-
- (i) that such Owner has been entered in the Register of Members of the Association as a Member (save where he is already a Member);
 - (ii) any respect in which the terms on which such ship has been entered in the Association differ from the cover set out in these Rules;
 - (iii) the date and time when the entry of such ship in the Association commenced or is to commence;
 - (iv) if such entry has been accepted for a fixed period, the date and time when the entry of such ship in the Association is to cease;
 - (v) the rating agreed under Rule 7 in respect of the entered ship;
 - (vi) in respect of a Fixed Premium Entry, the amount of the premium and the date or dates when it is payable.
- (B)** If at any time or from time to time the Managers and the Owner of any ship entered in the Association shall agree to vary the terms on which the ship is so entered, the Managers shall thereafter issue to the Owner of such ship an Endorsement stating the terms of such variation and the date from which such variation was or is to be effective.
- (C)** Every Certificate of Entry (with any Endorsements thereon) shall be conclusive evidence and binding for all purposes as to:-
- (i) the date and time from which such entry commenced or was to commence;
 - (ii) the terms on which the relevant ship is or was entered in the Association;
 - (iii) the terms of any variation of such entry and the date from which such variation is or was to be effective, including but not limited to variations in the rating;
 - (iv) all relevant details for Fixed Premium Entries, including but not limited to the period for which such premium is payable, the date and time at which the entry is to cease, the amount of the premium and the date or dates when it is to become payable.

- (D) No evidence shall be admissible as to the said terms, variations, premium, date and time other than a Certificate of Entry or Endorsement issued as aforesaid.

PROVIDED that:-

In the event that any Certificate of Entry or any Endorsement shall in the opinion of the Managers contain any error or omission, the Managers may in their discretion issue a new Certificate of Entry or a new Endorsement which shall in like manner be conclusive evidence and binding.

RULE 9 Joint Entries

- (A) Subject to Rules 6, 7 and 8, if a ship shall be entered in the Association in the names of or on behalf of more persons than one (hereinafter referred to as “Joint Owners”) the terms upon which each Joint Owner shall be entitled to recover costs, liabilities, losses and expenses from the Association and upon which the Association shall be entitled to recover from the Joint Owners Calls or other sums due to the Association, shall be such as may be agreed in writing between the Joint Owners and the Managers.
- (B) Unless otherwise agreed all Joint Owners shall be jointly and severally liable to pay all Calls or other sums due to the Association in respect of such entry. The receipt by any one of the Joint Owners of any sums payable by the Association in respect of such entry shall be a sufficient discharge of the Association for the same.
- (C) Without prejudice to any other Rule, the following terms of entry shall apply specifically to Joint Owners:-
- (i) failure by any Joint Owner to disclose material information or documents within his knowledge shall be deemed to have been failure of all the Joint Owners;
 - (ii) conduct of any Joint Owner which would have entitled the Association to decline to indemnify him in respect of any costs, liabilities, losses or expenses shall be deemed the conduct of all the Joint Owners; and

(iii) unless the Managers have otherwise agreed, the contents of any communication from or on behalf of the Association to any Joint Owner shall be deemed to be within the knowledge of all the Joint Owners, and any communication from any Joint Owner to the Association or the Managers shall be deemed to have been made with the full approval and authority of all the Joint Owners.

(D) Costs, liabilities, losses and expenses incurred in connection with claims or disputes or proceedings between Joint Owners shall not be recoverable from the Association.

RULE 10 Reinsurance

(A) The Managers may in their discretion accept an application for the reinsurance of all or any part of the cover provided by the Association under these Rules. If the Managers shall accept an application for reinsurance by the Association, the ship or ships in respect of which the application is made shall be entered in the Association by way of reinsurance and shall for the purposes of these Rules be an entered ship or entered ships. The insurer concerned shall not be or become a Member of the Association but he shall in all other respects have the same rights and be under the same obligations for the purposes of these Rules, and his contract with the Association shall for all purposes take effect as though he were the Owner of such entered ship or ships and in such capacity had entered the ship or ships in the Association.

(B) The Managers may in their discretion reinsure any matter covered by the Association under these Rules (including but not limited to any reinsurance accepted under Rule 10(A)) with such reinsurers and on such terms as the Managers shall consider appropriate.

RULE 11 Membership

- (A) Subject to Rule 11(B), if the Association accepts an application for the entry of a ship in the Association from an Owner who is not already a Member of the Association then such Owner shall, as from the date of the acceptance of such entry, be and become a Member and his name shall be entered in the Register of Members.
- (B) If the Association accepts an application from an Owner for a ship to be entered with the Association as a Fixed Premium Entry, pursuant to Rule 3(A), the Managers may in their discretion decide either that the Owner is or is not to be a Member of the Association and they may accept the application on either basis.
- (C) Any Owner who is or becomes a Member shall from noon GMT on 20 February 1999 also become and remain a Member of UK (IOM) (or its successor or assigns) subject always to the provisions of the Memorandum and Articles of Association and Rules of UK (IOM) (or constitutional documentation of any successor or assign) from time to time in force. Accordingly, in any Policy Year, it is a condition of continuation of Membership of the Association and acceptance of any application for Membership of the Association that the aforesaid terms apply.
- (D) The provisions of Rule 11(C) shall apply if, but only if and for so long as the risks covered by this Association are reinsured with UK (IOM) (or its successor or assigns) by the Association. Such reinsurance shall be deemed to be in place for the purposes of this Rule 11(D) if there is at noon GMT on 20 February 1999, and continues to remain in place, an agreement between the Association and UK (IOM) (or its successor or assigns) for reinsurance of risks.

RULE 12 Assignment

- (A) No right or benefit given by the Association and no interest arising under these Rules or under any contract between the Association and any Owner may be assigned without the written consent of the Managers who shall have the right in their discretion to give or refuse such consent without stating any reason, or to give such consent upon any such terms or conditions as they may think fit. Any purported assignment made without such consent or without there being due compliance with any such terms and conditions as the Managers may impose shall, unless the Managers in their discretion otherwise determine, be void and of no effect.
- (B) Whether or not the Managers shall expressly so stipulate as a condition for giving their consent to any assignment, the Association shall be entitled in settling any claim presented by the assignee to deduct or retain such amount as the Managers may then estimate to be sufficient to discharge any liabilities of the assignor to the Association, whether existing at the time of the assignment or having accrued or being likely to accrue thereafter.

RULE 13 Period of Entry

- (A) Subject to Rule 14, the entry of a ship in the Association otherwise than for a fixed period shall continue until the end of the policy year which is current at the date on which such entry began.
- (B) The entry of a ship in the Association for a fixed period shall cease upon the expiry of such period.

RULE 14 Continuation of Entry

- (A) If at the end of any policy year a ship entered in the Association during the course of that policy year, otherwise than for a fixed period, shall still be so entered, then the entry of such ship in the Association shall continue for the next policy year upon the same terms as those in force for the previous policy year unless:-

- (i) at the request of the Owner of the entered ship other terms shall be agreed; or
- (ii) a notice shall have been given under Rule 15; or
- (iii) the Managers have given a notice not later than noon Greenwich Mean Time on the 20th January in the current policy year that the terms upon which the ship is to be entered by the Association for the next policy year are to be changed.

- (B)** In the event that the Managers shall have given such notice as is referred to under Paragraph (A)(iii) of this Rule 14, the entry for the next policy year shall continue upon such terms as may be agreed between the Owners and the Managers before noon Greenwich Mean Time on the 20th February next following such notice but, if no terms shall by then have been agreed, the entry of the ship in the Association shall thereupon cease.

RULE 15 Termination and Notice of Termination

- (A)** Without prejudice to any other Rule the period of entry of any ship entered in the Association (otherwise than for a fixed period) may be terminated in the following manner:
- (i) the Directors may in their discretion and without giving any reason terminate the entry of any Owner in the Association at any time by the giving of a written notice of termination to such Owner not later than noon Greenwich Mean Time on 20th January in any policy year;
 - (ii) the Managers may at any time, but not later than noon Greenwich Mean Time on 20th February in any policy year, terminate the entry of any Owner in the Association by the giving of a written notice of termination if any amount due from the Owner to the Association remains unpaid;
 - (iii) an Owner in his discretion and without giving any reason may give a written notice of termination to the Association not later than noon Greenwich Mean Time on the 20th January in any policy year.

- (B) If a notice shall have been given pursuant to paragraph (A)(i),(ii) or (iii) of this Rule the period of entry shall terminate at noon Greenwich Mean Time on 20th February next following such notice.
- (C) Save with the agreement of the Managers, a ship may not be withdrawn from the Association nor may any notice of termination be given at any other time.

RULE 16 Obligations as to Payment

- (A) An Owner who has entered a ship in the Association in respect of any policy year shall pay Calls to the Association in accordance with these Rules.
- (B) An Owner who has entered a ship in the Association as a Fixed Premium Entry under Rule 3(A) shall pay the fixed premium or other sums agreed to be due to the Association in respect of the said entry in such instalments and on such dates as the Managers shall specify.
- (C) An Owner who has entered a ship in the Association shall pay a Contingency Call or Calls when levied pursuant to Rule 20.
- (D) An Owner who has entered a ship in the Association shall pay any amounts due by way of remuneration of the Managers in accordance with Rule 31.

PROVIDED that:-

Without prejudice to sub-paragraphs (A)-(D) of this Rule 16, the Directors may in their discretion and at any time require any Owner to guarantee in such form and on such terms as the Directors may require the payment of Calls or Fixed Premium, Contingency Calls or such other sums as are due to the Association under these Rules.

RULE 17 Assessment of Calls

- (A) Without prejudice to Rule 20, the Directors shall decide at such time as they think fit, the sum or sums per entered ship which are to be levied from the Owners whose ships are entered in the Association for the relevant contribution period and which are to be paid by way of Call or Calls in respect of such ship pursuant to Rule 16(A).

In deciding the sum or sums to be so levied the Directors shall take into account the matters referred to in Rule 18.

- (B)** The Call or Calls so fixed by the Directors shall be payable by all Owners whose ships are entered in the Association for the relevant contribution period, notwithstanding that
 - (i) the ship may not have been so entered at the time or times when the Association's liability to pay the claims, general expenses or other outgoings referred to in Rule 18 may have accrued; and
 - (ii) the ship will not be so entered at the time when the Association may incur a liability for, or pay, any claim or claims, general expenses or other outgoings.

- (C)** The sum or sums so fixed for each Call or Calls shall (unless and to the extent that the Directors shall in their discretion determine otherwise in respect of any contribution period) be subject to such discounts or surcharges as may from time to time have been agreed between the Managers and the respective Owners.

RULE 18 Funds of the Association

- (A)** The income of the Association shall derive from:-
 - (i) payment to the Association of Calls, Fixed Premiums and other sums due to the Association in accordance with these Rules; and
 - (ii) returns on investments made pursuant to Rule 19.

- (B)** The funds accruing to the Association under Rule 18(A) shall be used:-
 - (i) to meet claims, general expenses and other outgoings (whether incurred, accrued or anticipated) of the Association, including without prejudice to the generality of the foregoing:-
 - (a) in respect of Fixed Premium Entries any excess of claims, general expenses and other outgoings over the premiums payable to the Association in respect thereof; and
 - (b) any proportion of claims, general expenses or other outgoings of any insurer other than the Association which has fallen or which may be thought

- likely to fall upon the Association by virtue of any reinsurance or other agreement concluded between the Association and such other insurer.
- (ii) for such other purposes as the Directors may from time to time approve.

- (C) The Directors in their discretion shall determine in respect of each contribution period the extent of funds required by the Association in that contribution period to meet the commitments of the Association as set out in Rule 18(B), and in their further discretion may allocate to such funds income accruing to the Association under Rule 18(A) in whatever proportions they deem expedient.

RULE 19 Investment

The funds of the Association may (subject to the direction and general supervision of the Directors) be invested by means of the purchase of such stocks, shares, bonds, debentures or other securities or the purchase of such currencies, commodities, or other real or personal property, or by means of being deposited in such accounts as may be thought fit. The funds of the Association may also be invested by such other method as the Directors may approve.

RULE 20 Contingency Fund and Contingency Call

- (A) The Directors may in their discretion establish and maintain a fund (hereinafter called “the Contingency Fund”) to meet in part or in whole the estimated total outstanding liabilities, contingent, future and anticipated liabilities of the Association, whether the said liabilities had arisen or might arise in respect of the current policy year or contribution period or in respect of any other policy year or contribution period.

NOTE - This Rule is designed to provide the Directors with the power to call in sufficient funds to meet the total exposure of the Association, to the extent not covered by funds in hand, in the event either of the withdrawal of an unusually large number of ships or of the Association ceasing to underwrite. In these limited and unlikely circumstances the Directors are empowered to levy Contingency Calls on Members who were Members during (no more than four) previous years.

(B) The funds required to establish and maintain the Contingency Fund shall be levied by a Contingency Call or Calls (hereinafter called “a Contingency Call”) in the following manner:-

- (i) the Directors shall determine the total amount required to be raised by each such Contingency Call;
- (ii) each Owner whose ship is entered in the Association at any time in the policy year during which the Directors resolve to make a Contingency Call, and each Owner (whether or not any ship is entered by such owner in the Association in the policy year during which the Directors resolve to make a Contingency Call) whose ship has been entered in the Association either in any of the four years preceding the policy year in which the Directors resolve to make a Contingency Call or in any policy year commencing on or after 20th February, 1985 (whichever number of policy years shall be the smaller) shall pay in respect of any and each Contingency Call for each ship entered for each such policy year the amount calculated in accordance with sub-paragraph (iii) of Rule 20(B), notwithstanding that his ship may not have been entered when any of the Association’s outstanding liabilities, contingent, future and anticipated liabilities (in respect of which the Contingency Call was made) arose or may arise;

PROVIDED that:-

By reason of any agreement between the Owner and the Managers which so provides, the Owner shall only be liable to pay a Contingency Call or Calls in respect of such ship for any policy year in the course of which an Owner ceases to be covered by virtue of Rule 23(A), or ceases to be covered in respect of any ship entered by him or on his behalf by virtue of Rule 23(B) or (C), on a pro rata basis, namely such proportion of the Contingency Call or Calls (as calculated in accordance with Rule 20(B)(iii)) in respect of such ship for that policy year as the part of the policy year during which the ship was entered in the Association bears to the whole of such policy year;

- (iii) subject to the rating agreed pursuant to Rule 7, the amount payable by each Owner for each entered ship for each year for each Contingency Call shall be the amount calculated by the Managers by dividing the total sum required for each Contingency Call (as determined by the Directors) by the sum of (a) the total number of ships entered in the Association in the policy year in which the Directors

resolve to make such Contingency Call and (b) the total number of ships entered in the Association either in each of the four years preceding that policy year or in each of the policy years commencing on or after 20th February, 1985 (whichever number of years shall be the smaller).

- (C) Any amount or amounts not paid by any Owner by way of any Contingency Call may in the discretion of the Directors be recovered from the other Owners rateably in proportion to the Contingency Call last due from them.

- (D) In the event that, following a Contingency Call or Calls levied pursuant to paragraphs (A) and (B) of Rule 20, there is, in the opinion of the Directors, a surplus of funds after the total outstanding liabilities, contingent, future and anticipated liabilities of the Association, the subject of the said Call or Calls, have been met, every Owner shall be entitled to have returned to him an amount equivalent to a proportion of the said surplus calculated pro rata to the amount of the Contingency Call last paid by him.

RULE 21 Payment

- (A) Without prejudice to Rules 16(A) and (C) and Rule 20, each Call and each Contingency Call shall be payable in such instalments and on such dates as the Directors may specify.

- (B) As soon as is reasonably practical after the amount of any Call or Contingency Call shall have been fixed the Managers shall notify each Owner concerned:-
 - (i) of any such amount as may be appropriate;
 - (ii) of the date on which the Call or Contingency Call or any instalment thereof is payable;
 - (iii) of the amount payable by such Owner in respect of each ship entered by him, and in accordance with the rating for that ship agreed pursuant to Rule 7;
 - (iv) if such Call or Contingency Call is payable by such Owner in any currency other than sterling, of such fact.

- (C) The Managers may require any Owner to pay all or any part of any Call or Contingency Call payable by him in such currency or currencies as the Managers may specify.
- (D) No claim of any kind whatsoever by an Owner against the Association shall constitute any set-off against Calls, Fixed Premiums, Contingency Calls, or other sums of whatsoever nature due to the Association, nor shall any such claim entitle an Owner to withhold or delay payment to the Association at any time.
- (E) Without prejudice to the rights and remedies of the Association under these Rules, if any Call, Contingency Call or any instalment or part thereof, fixed premium or any other sum of whatsoever nature due from any Owner is not paid by that Owner on or before the date specified for payment thereof, that Owner shall pay interest on the amount not so paid from and including the date so specified down to the date of payment, at such rate as the Directors may from time to time determine, but the Managers may waive payment of such interest in whole or in part.

RULE 22 Laid-up Returns

If an entered ship shall be and remain unemployed in any safe place for a period of thirty or more consecutive days after finally mooring there (such period being computed from the day of arrival to the day of departure, one only being excluded), the Owner shall be allowed a return of all Calls levied pursuant to these Rules at such rate as the Directors may from time to time determine. Such returns shall be calculated on a pro rata basis, namely the proportion of such Calls due in respect of the entered ship for the relevant contribution period which the time during which the ship so remains in any safe place bears to the whole of such contribution period.

PROVIDED that:-

- (i) for the purpose of this Rule a ship shall not be treated as laid-up if she is undergoing repairs or has either crew members (unless and to the extent that they are engaged in her maintenance or security) or cargo on board, unless the Directors shall in their discretion otherwise determine;
- (ii) no return of Calls shall be allowed under this Rule if an Owner shall make any claim in respect of the entered ship in respect of any claims, disputes or proceedings

- arising out of events occurring during the period beginning with the ship's arrival at the safe place and ending upon her final departure from such safe place; and
- (iii) the Directors' decision as to whether any place is a safe place for the purposes of this Rule shall be conclusive and binding upon the Member and the Association;
 - (iv) no claim for laid-up returns relating to any policy year shall be recoverable from the Association unless written notice thereof has been given to the Association within six months of the end of that policy year;
 - (v) no return of fixed premiums shall be payable unless the Directors in their discretion otherwise determine;
 - (vi) no return of a Contingency Call or Calls shall be allowed under this Rule.

RULE 23 Cesser of Cover and Cancellation

- (A) An Owner shall forthwith cease to be covered by the Association in respect of any and all ships entered by him or on his behalf upon the happening of any of the following events:-
 - (i) Where the Owner is an individual,
 - (a) upon his death;
 - (b) if a receiving order is made against him;
 - (c) if he becomes bankrupt;
 - (d) if he makes any composition or arrangement with his creditors generally;
 - (e) if he becomes incapable by reason of mental disorder of managing and administering his property and affairs;
 - (ii) Where the Owner is a corporation,
 - (a) upon the passing of any resolution for its voluntary winding up (other than voluntary winding up for the purposes of company or group reorganisation);
 - (b) upon an order being made for its compulsory winding up;
 - (c) upon its dissolution;
 - (d) upon the appointment of a receiver or manager of all or part of its business or undertaking;
 - (e) upon undisputed possession being taken of all of its entered ships by or on behalf of a secured party;

(f) upon its commencing proceedings under any bankruptcy or insolvency laws to seek protection from its creditors or to reorganise its affairs.

- (B)** Unless otherwise agreed in writing by the Managers, an Owner shall forthwith cease to be covered by the Association in respect of ships entered by him or on his behalf upon the happening of any of the following events in relation to such ship:-
- (i) upon the Owner parting with or assigning his interest in the ship whether by bill of sale or other formal document or agreement or in any other way whatsoever;
 - (ii) upon the managers of the entered ship being changed;
 - (iii) upon the ship ceasing to be or not being classed with a Classification Society approved by the Managers.

PROVIDED that:-

If the Managers agree that the cover of the ship shall continue after the happening of any of the events listed in paragraph (B) of this Rule 23 they may in their discretion impose such terms and conditions as they think fit for the continuation of the cover.

- (C)** Unless otherwise agreed by the Managers, an Owner shall forthwith cease to be covered by the Association in respect of any ship entered by him or on his behalf upon the happening of whichever shall be the earliest of the following events:-
- (i) upon the ship being missing for ten days from the date when she was last heard of;
 - (ii) upon the ship being posted at Lloyd's as missing;
 - (iii) upon the ship becoming an actual total loss;
 - (iv) upon acceptance by hull underwriters (whether of marine or war risks) that the ship is a constructive total loss;
 - (v) upon agreement by hull underwriters (whether of marine or war risks) to pay to the Owner of the ship an unrepaired damage claim which exceeds the market value (without commitment) of the ship immediately prior to the casualty which gave rise to such claim;

- (vi) upon a compromise or settlement with hull underwriters (whether of marine or war risks) on the basis of which the ship is agreed or deemed to be an actual or constructive total loss;
- (vii) upon the taking of a decision by the Managers with the agreement of the Owner that the ship is to be considered an actual or constructive total loss or otherwise may reasonably be considered to be commercially lost.

- (D)** When an Owner has failed to pay, either in whole or in part, any amount due from him to the Association, the Managers may give him notice in writing requiring him to pay such amount by any date specified in such notice, not being less than seven days from the date on which such notice is given. If the Owner fails to make such payment in full on or before the date so specified, his cover with the Association (whether it is current on such date or has ceased by virtue of paragraphs (A), (B) or (C) of this Rule or in accordance with any other provisions of the Rules) in respect of any and all ships referred to in such notice and entered by him or on his behalf shall be cancelled forthwith without further notice or other formality.

PROVIDED that:-

For the purpose of determining whether any (and if so, what) sum is “due” for the purposes of Rule 23(D) (or otherwise under these Rules), and without prejudice to any other Rule, no account shall be taken of any amount due or alleged to be due by the Association to the Owner on any ground whatever, and no set-off of any kind (including set-off which might otherwise have arisen by reason of the bankruptcy or winding-up of the Owner), shall be allowed against such sum (whether or not any set-off against Calls has been allowed at any time in the past), except to the extent (if any) to which any sum demanded by the Managers as due, and required to be paid in a notice served under Rule 23(D), may (in the Managers’ discretion) in itself have already allowed for a set-off or credit in favour of the Owner.

RULE 24 Effect of Cesser of Cover and of Cancellation

- (A)** When an Owner ceases to be covered by virtue of Rule 23(A), or when an Owner ceases to be covered in respect of any ship entered by him or on his behalf by virtue of Rule 23(B) or (C) (all of which times are hereinafter in this Rule 24(A) collectively referred to as the “date of cessation”) and irrespective of whether or not

such cover shall cease at the end of or during the course of any contribution period or any policy year, then

- (i) such Owner and his successors shall be and remain liable to pay in full:-
 - (a) all sums due to the Association pursuant to Rule 16, in respect of the whole of the policy year (whether the ship shall have been entered in the Association for the whole or only part of such policy year) in which the date of cessation occurs.

PROVIDED that:-

By reason of any agreement between an Owner and the Managers which so provides, the Owner shall only be liable to pay Calls or Fixed Premiums in respect of such ship for the policy year in the course of which such cover ceased on a pro rata basis, namely such proportion of the Calls in respect of such ship for the relevant policy year as the part of the policy year during which the ship was entered in the Association bears to the whole of such policy year; and

- (b) any Contingency Calls levied in accordance with Rule 20.
- (ii) the Association shall remain liable in respect of any ship entered by such Owner for all claims of whatsoever kind under these Rules arising by reason of any event which had occurred prior to the date of cessation, but shall be under no liability whatsoever in respect of any event occurring after the date of cessation.
- (iii) whether or not negotiations have taken place with a view to the application of the proviso to Rule 24(A)(i)(a), the Managers may assess, as at the date of cessation, the amount which seems to the Managers in their discretion to represent the likely liability of the Owner or former Owner for further amounts due to the Association but not yet debited at the date of cessation. If the Managers shall exercise their powers under this Rule 24(A)(iii), then:
 - (a) any terms imposed by the Managers or agreed between the Managers and the Owner or former Owner pursuant to the proviso to Rule 24(A)(i)(a) shall be complied with at such time or times as the Managers shall specify, and

(b) the amount of any assessment made under this Rule 24(A)(iii) shall be payable in full by the Owner or former Owner on such date or dates as the Managers shall specify.

(B) When the cover of an Owner is cancelled in accordance with Rule 23(D) (which time is hereinafter in this Rule 24(B) referred to as the “date of cancellation”), then:-

- (i) such Owner and his successors shall be and remain liable to pay in full:
 - (a) all sums due to the Association pursuant to Rule 16, in respect of the whole of the policy year (whether the ship shall have been entered in the Association for the whole or only part of such policy year) in which the date of cancellation occurs;

PROVIDED that:-

The Managers in their discretion may select a date earlier than the date of cancellation and may require the Owner or his successors to pay Calls or Fixed Premiums on a pro rata basis for the period starting with the commencement of the said policy year and ending with the date so selected; and

- (b) any Contingency Calls levied in accordance with Rule 20.
- (ii) the Association shall with effect from the date of cancellation cease to be liable for any claims of whatsoever kind under these Rules in respect of any and all ships in relation to which the cover of the Owner has been cancelled:
 - (a) irrespective of whether such claims have accrued or arisen or may arise by reason of any event which had occurred at any time, including during previous policy years prior to the date of cancellation;
 - (b) irrespective of whether such claims arise by reason of any event occurring on or after the date of cancellation;
 - (c) irrespective of whether the Association may have admitted liability for payment to or appointed lawyers, surveyors or any other persons to deal with such claims;
 - (d) irrespective of whether at the date of or prior to the date of cancellation the Association knew that such claims might or would arise.

- (C) Without prejudice to the generality of Rule 32, no act, omission, course of dealing, forbearance, delay or indulgence of any kind by or on behalf of the Association nor the granting of time, nor the acceptance by the Association (whether express or implied) of liability for, or the recognition of, any claim, and whether occurring before or after any date of cessation or date of cancellation as hereinbefore referred to, shall derogate from the effect of any of Rules 23 and 24, or be treated as any waiver of any of the Association's rights hereunder or generally.
- (D) The Association shall have a lien or other right of action against any ship entered by an Owner in respect of any Call, Contingency Call, fixed premium or any other sum of whatsoever nature due from the Owner and that lien or right of action shall continue notwithstanding that the cover of an Owner or in respect of any ship entered by him has ceased or been terminated in accordance with Rule 15 or cancelled in accordance with Rule 23.

RULE 25 Bye-Laws

- (A) The Directors shall have power from time to time to pass Bye-Laws. Upon the passing of any such Bye-Law it shall be deemed to be incorporated in these Rules so as to take effect as from the beginning of the next following policy year and thereafter every Owner shall conform thereto insofar as the same may apply to the ships entered by him or on his behalf in the Association or to the trades in which they may be engaged. If any Owner shall commit a breach of any Bye-Law, the Directors may reject or reduce any claim made by the Owner upon the Association to the extent to which it would not otherwise have arisen and may further impose such terms as they may think fit as a condition of the continuance of the entry of the Owner's ship or ships in the Association.
- (B) Notice giving particulars of every Bye-Law passed (and the policy year at the beginning of which it takes effect) shall forthwith be sent to every Owner, and a copy thereof shall be included in or with every copy of the Rules issued by the Association after such Bye-Law comes into force.

RULE 26 Claims

- (A) Whenever a request has been made or may be made by an Owner for the support of the Association in any proceedings or for legal or other advice in connection with matters covered by these Rules, the Managers may at any time (whether before or after the Directors may have decided to support the Owner therein) appoint and employ on behalf of an Owner upon such terms as the Managers think fit lawyers or other persons both within and outside the United Kingdom with a view to supplying services to the Owner by investigating, advising upon or otherwise dealing with such matters and/or taking continuing or defending proceedings or acting for or representing the Owner therein; furthermore, the Managers may thereafter at any time discontinue such employment.
- (B) All lawyers, surveyors and other persons appointed by the Managers on behalf of the Owner or appointed by the Owner with the prior consent of the Managers to supply services to the Owner shall be and be deemed to be appointed and employed on the terms that they have been instructed by the Owner at all times (both while so acting and after they have ceased so to act) to give advice and to report to the Association in connection with the matter without prior reference to the Owner and whether appointed by the Managers on behalf of the Owner or by the Owner to produce to the Association without prior reference to the Owner any documents or information in their possession or power relating to such matter, all as if such person had been appointed to act and had at all times been acting on behalf of the Association.

PROVIDED that:-

Where an Owner employs, without the prior approval of the Managers, lawyers or other persons for the purposes of giving advice in connection with matters covered by these Rules, then the costs of such person or persons shall not be recoverable from the Association unless the Directors in their discretion otherwise decide.

- (C) In whatever circumstances and at whatever time the Association decides to support an Owner in any claim, dispute or proceedings to which the Owner is a party or at which he is represented, the Association shall not be liable for and shall in no circumstances pay interest on any loss or expense incurred or paid by the Owner in connection therewith.

RULE 27 General Powers of the Directors to Support Owners

- (A) The Directors shall subject to these Rules be entitled in their discretion to decide that the Association shall support an Owner for the costs, liabilities, losses or expenses referred to in Rule 2(C)(1) or (2) or (3) in connection with any claims or disputes or proceedings referred to in Rule 2(A) or (B) to such stage or to such extent, in such manner and on such terms and conditions as the Directors may think fit.
- (B) Without prejudice to Rule 4(H)(v), the Directors shall be entitled at any time in their discretion to decide that the Association shall discontinue its support or decline to provide further support in connection with any claims or disputes or proceedings notwithstanding any previous decision by the Directors to support the same.
- (C) The Directors shall have power from time to time to authorise the Managers to act on behalf of the Directors without prior reference to the Directors for the purposes of paragraphs (A) and (B) of this Rule.
- (D) If, having regard solely to the costs likely to be incurred in any claims or disputes or proceedings as compared with the amount in dispute, the Directors shall be of the opinion that it is not appropriate for an Owner to be supported by the Association in connection with such claims or disputes or proceedings, then the Directors may in their discretion (in addition to deciding that the Association shall not support the Owner in such claims or disputes or proceedings) pay to the Owner out of the funds of the Association the whole or any part of the claim in respect of which the Owner seeks to be covered by the Association.

- (E) If an Owner shall incur any costs in connection with any claims or disputes or proceedings or incur any liability to pay any costs to any other party to those claims or disputes or proceedings at a time when the Owner is not supported by the Association in respect of such claims or disputes or proceedings or at a time when the Owner has not complied with any terms or conditions imposed by the Managers, or if an Owner shall incur any costs through any neglect or default on his part or that of his servants or agents, then in each case and irrespective of whether any part of those costs relate to a period when the Owner was supported by the Association the Owner shall not be entitled to recover any such costs from the Association and shall be liable to repay to the Association any costs or expenses which the Association may have incurred in connection with such claims or disputes or proceedings.

PROVIDED that:-

The Directors shall have power in their discretion to determine that the Association should pay or reimburse an Owner in whole or in part in respect of any costs for which the Association would not otherwise be liable under this Rule or in respect of the costs of any proceedings to which an Owner has been a party or in which he has been represented without the support of the Directors under Rule 2(C)(1), or in respect of any such costs as are referred to in Rule 2(C)(2) which an Owner may have incurred without the approval of the Managers.

- (F) Where an Owner has become entitled by judgment, award, agreement admission or otherwise to recover from any other party in whole or in part the costs of, or incidental to, any proceedings but the Owner has been unable to recover the full amount of the claim and costs to which he has become entitled, the Owner shall be obliged, if the Directors in their discretion so require, to pay to the Association such proportion of the sum actually recovered by him as the costs would have borne to the claim, if the Owner had recovered his entitlement to both in full.
- (G) The Directors shall, in exercising the powers vested in them under this Rule 27, be the sole arbiters of relevant issues of fact or inferences of fact in respect of any claims or disputes or proceedings in relation to which the Owner seeks to be covered by the Association.

- (H) The Directors may from time to time resolve that in respect of any specified future claims or classes of claim arising in the next policy year for which the support of the Association is sought, they will (if they decide to support an Owner in such claims) only do so upon the terms that the Owner will not be reimbursed by the Association in respect of all or a specified amount or portion of any type or types of the costs referred to in Rule 2(C)(1) or (2).
- (I) If the Directors shall make any such resolution as is referred to in paragraph (H) of this Rule, then as from the beginning of the policy year next following the date of such resolution any decision taken by the Directors to support an Owner in any claims or disputes or proceedings to which the resolution applies shall (save and to the extent that any conditions inconsistent with such resolution are expressly imposed by the Directors in the course of deciding to support the same) be subject to the terms contained in the resolution, whether such terms be expressed in the decision or not.
- (J) Notice giving a summary of every resolution passed by the Directors under this Rule (and the policy year at the beginning of which it takes effect) shall forthwith be sent to every Owner and shall be included in or with every copy of the Rules issued by the Association after such resolution comes into force.
- (K) In exercising the powers vested in them under this Rule 27, the Directors shall be entitled to take into account any matters that may appear to them relevant, including but not limited to:-
- (i) the merits of the claims or disputes or proceedings in relation to which the Owner seeks to be covered by the Association;
 - (ii) the interests of the Membership as a whole in addition to the interests of the individual Owner;
 - (iii) the reasonableness of the Owner's conduct;
 - (iv) the financial consequences of their decision for the Association;
 - (v) the cost-effectiveness of the steps proposed by or on behalf of the Owner.

RULE 28 Directors' Meetings

- (A)** The Directors shall meet as often as they may consider necessary for the purpose of deciding whether to support Owners in respect of any claims or disputes or proceedings and for the purpose of the settlement of claims against the Association. No Director shall act as such in connection with any matter in which he is interested.
- (B)** At meetings convened pursuant to paragraph (A) of this Rule the Directors may consider, as they think necessary, any information, documents or evidence relating to the claims or disputes or proceedings in question together with any advice, reports or opinions received from the persons referred to in Rules 26(A) and (B) and any views expressed by the Managers. The Owner concerned shall have the right to place any relevant evidence or contentions before the Directors but he shall do so by means of written submissions only, to be delivered to the Managers no later than seven days before the date of the relevant meeting.

RULE 29 Miscellaneous Powers of the Directors

- (A)** The Directors may cause the Association to become a member of or affiliated to the Chamber of Shipping of the United Kingdom or any other society or organisation, and for this purpose may authorise the payment by the Association to those bodies of such subscriptions or grants as the Directors may think fit.
- (B)** The Directors may take or promote such steps as they consider expedient for advancing or defending the interests or defining the rights or liabilities of shipowners. For this purpose they may join with other Associations and organisations in fighting test cases on such terms as they may deem desirable.

RULE 30 Delegation

- (A) Whenever any power, duty or discretion is conferred or imposed upon the Managers by virtue of these Rules, such power, duty or discretion may, subject to any terms, conditions or restrictions contained in these Rules, be exercised by any one or more of the Managers or by any authorised employee of the Managers.
- (B) Whenever any power, duty or discretion is stated in these Rules to be vested in the Directors, such power, duty or discretion shall be exercisable only by the Directors unless the same shall have been delegated to any Committee of the Directors or to the Managers in accordance with the provisions as regards delegation contained in the Articles or elsewhere in these Rules, in which event the power, duty or discretion may be exercised by any person to whom the same shall have been so delegated.

RULE 31 Remuneration of the Managers

The Managers shall be remunerated by the Association on such basis and in such amounts as may be approved by the Directors.

RULE 32 Forbearance

No act, omission, course of dealing, forbearance, delay or indulgence by the Association in enforcing any of these Rules or any of the terms or conditions of its contracts with Owners nor any granting of time by the Association shall prejudice or affect the rights and remedies of the Association under these Rules or under such contracts, and no such matter shall be treated as any evidence of waiver of the Association's rights thereunder, nor shall any waiver of a breach of these Rules or contracts by an Owner operate as a waiver of any subsequent breach thereof. The Association shall at all times be entitled to insist on the strict application of these Rules and on the strict enforcement of its contracts with Owners.

RULE 33 Notices

- (A) A notice or other document required under these Rules to be served on the Association may be served by sending it through the post in a prepaid letter or by sending it by any internationally recognised means of communication addressed to the Association at the Association's registered office for the time being.
- (B) A notice or other document required under these Rules to be served on an Owner may be served by sending it through the post in a prepaid letter, or by sending it by any internationally recognised means of communication addressed (if such Owner is or was a Member of the Association) to such Member at his address as appearing in the Register of Members of the Association and (if such Owner is not and was not a Member of the Association) to such Owner at his address which shall have been expressly furnished by him to the Association as the address at which notices from the Association may be served upon him or, if no such address shall have been furnished, at the address which is his last-known address to the knowledge of the Managers. In the case of Joint Owners all such notices or other documents shall be served on the senior of the Joint Owners and such service shall be sufficient on all the Joint Owners, and for this purpose seniority as between Joint Members shall be determined by the order in which the names stand as Joint Members in the Register of Members of the Association.
- (C) Any Member described in the Register of Members of the Association by an address not within the United Kingdom who shall from time to time give to the Association an address within the United Kingdom at which notices or other documents may be served upon him shall be entitled to have notices served upon him at such address which shall be deemed to be his address as appearing in the Register of Members of the Association for the purposes of paragraph (B) of this Rule.
- (D) Any such notice or other document if served by post shall be deemed to have been served on the day following the day on which the letter containing the same was put into the post, and in proving such service it shall be sufficient to prove that the letter

containing the notice or document was properly addressed and put into the post as a prepaid letter. Any such notice or other document if served by other internationally recognised means of communication shall be deemed to have been served on the day on which it was sent, and in proving such service it shall be sufficient to prove that the notice or other document was so sent. The Association's logs and records of any electronic communication sent or received by the Association shall, in the absence of manifest error, be conclusive evidence of such communication and of its despatch or receipt.

- (E) The successors of anyone who is or was at any time an Owner of an entered ship shall be bound by a notice or other document served as aforesaid if sent to the last such address of such Owner notwithstanding that the Association may have notice of the Owner's death, disability, lunacy, bankruptcy or liquidation.

RULE 34 Disputes

- (A) If any difference or dispute shall arise between an Owner and the Association out of or in connection with these Rules or any contract between them or as to the rights or obligations of the Association or the Owner thereunder or in connection therewith, such difference or dispute shall in the first instance be referred to and adjudicated upon by the Directors. At any adjudication the Directors shall be the sole arbiters of relevant issues of fact or inferences of fact in respect of any matters forming part of the reference. Such reference and adjudication shall be by written submissions only.

PROVIDED ALWAYS that:-

Where the Directors have previously considered the facts or matters giving rise to such difference or dispute, whether in the exercise of a discretion conferred on them under any other provision of these Rules, or otherwise, reference to the Directors for the purposes of adjudication in accordance with this paragraph (A) may be waived at the election of the Directors and the Owner concerned shall be entitled to refer the difference or dispute to arbitration in accordance with the provisions of paragraph (B) of this Rule 34.

- (B) If the Owner concerned in such difference or dispute does not accept the decision of the Directors, it shall be referred to the arbitration in London of two Arbitrators (one to be appointed by the Association and the other by such Owner) and an Umpire to be appointed by the Arbitrators, and the submission to arbitration and all the proceedings therein shall be subject to the provisions of the Arbitration Act 1996, and any statutory modification or re-enactment thereof.
- (C) Any arbitrator or umpire appointed hereunder shall be a commercial man or a Queen's Counsel practising primarily in the Commercial Court and in either case shall be conversant with the business of shipping and mutual insurance (P & I and Defence) associations.
- (D) No Owner shall be entitled to maintain any action, suit or other legal proceeding against the Association upon any such difference or dispute:-

 - (i) unless and until the same has been referred to the Directors for adjudication under paragraph (A) of this Rule 34 and the Directors shall have given their decision thereon or the reference to such adjudication shall have been waived in accordance with the proviso to paragraph (A) of this Rule 34, and
 - (ii) if such decision is not accepted by such Owner or if the reference to such adjudication shall have been waived, unless and until such difference or dispute shall have been referred to arbitration as provided in paragraph (B) of this Rule 34 and the Award in such reference shall have been published, and
 - (iii) then only for such sum (if any) as the Award may direct to be paid by the Association, and
 - (iv) the sole obligation of the Association to such Owner under these Rules and any contract between them or otherwise howsoever in respect of any such dispute or difference shall be to pay such sum as may be directed by such an Award.

RULE 35 Governing Law

These Rules and any contract howsoever made between the Association and an Owner shall be deemed to have been concluded in England save where expressly stated otherwise in such contract, and both these Rules and any such contract shall be governed by and construed in accordance with English law.

RULE 36 Definitions

In these Rules the words standing in the first column of the table set out in this Rule shall bear the meanings set opposite to them in the second column, if not inconsistent with the subject or context:-

Words	Meanings
Applicant Owner	In relation to a ship which is desired or intended to be entered in the Association, means Owner, owners in partnership, owners holding separate shares in severalty, part owner, mortgagee, trustee, charterer, operator, manager or builder of such ship or any other person, provided always that they are named in the Certificate of Entry, by whom or on whose behalf an application has been, is being or is to be made for the entry of the same in the Association, whether he be or is to be a Member of the Association or not.
Articles	The Articles of Association for the time being of the Association.
Association	The United Kingdom Freight Demurrage and Defence Association Limited.
Calls	Sums payable to the Association in respect of an entered ship pursuant to Rules 16(A), 17 and 18.
Contingency Calls	Sums payable to the Association pursuant to Rule 20.
Contribution Period	A period of six months commencing at noon Greenwich Mean Time on any 20th February or 20th August in any year.

Cover	Cover in respect of any of the matters described in Rule 2.
Directors	The Board of Directors for the time being of the Association.
Entered Ship	A ship which has been entered in the Association.
Fixed Premium Entry	A ship which has been entered in the Association pursuant to Rule 3(A).
In Writing	Written, printed or lithographed, or visibly expressed in all or any of those or any other modes of representing or reproducing words.
Managers	The Managers for the time being of the Association.
Member	A Member for the time being of the Association.
Member of UK (IOM)	A member (as defined in and subject to the Memorandum and Articles of Association and Rules thereof) of UK (IOM).
Operation	The employment or use of an entered ship, but excluding the provision by or on behalf of the Owner of an entered passenger ship, of hotel, leisure or entertainment related facilities or similar services and any claims, disputes or proceedings whatsoever arising therefrom, unless the Directors in their discretion otherwise decide.
Owner	In relation to an entered ship, means Owner, owners in partnership, owners holding separate shares in severalty, part owner, mortgagee, trustee, charterer, operator, manager or builder of such ship or any other person, provided always that they are named in the Certificate of Entry by whom or on whose behalf an application has been, is being or is to be made for the entry of the same in the Association, whether he be or is to be a Member of the Association or not.
Policy Year	A year from noon Greenwich Mean Time on any 20th February to noon Greenwich Mean Time on the next following 20th February.

Proceedings	Legal or arbitration proceedings.
Rules	The Rules for the time being of the Association.
Ship	Ship, boat, hovercraft, rig or other description of vessel or structure (including any ship, boat, hovercraft, rig or other vessel or structure under construction) used or intended to be used for any purpose whatsoever in navigation or otherwise on, under, over or in water, or any part thereof or any proportion of the tonnage thereof or any share therein.
Successors	In relation to all the persons hereinbefore specified in connection with “Owner” and “Applicant Owner” and in relation to any other person whatsoever by whom or on whose behalf a ship shall have been entered in the Association, shall include their heirs, executors, administrators, personal representatives, assigns (when permitted under these Rules), receiver, curator or person authorised to act on behalf of one who becomes incapable by reason of mental disorder of managing his property or affairs, trustee in bankruptcy, liquidator and other successors whatsoever.
UK (IOM)	The United Kingdom Defence Insurance Association (Isle of Man) Limited, a company incorporated in the Isle of Man with liability limited by guarantee, without a share capital, with which the Association may reinsure risks.

Words importing the singular number only shall include the plural number and vice versa.

Words importing the masculine gender only shall include the feminine gender.

Words importing persons shall include corporations.

The UK Defence Club

c/o Thomas Miller Defence Ltd
International House
26 Creechurch Lane
London EC3A 5BA

Telephone: +44 7000 333362
Fax: +44 207 204 2131
Email: tmdefence@thomasmiller.com
Web: www.ukdefence.com

Greece

Thomas Miller (Hellas) Limited
Telephone: +30 210 429 1200
Fax: +30 210 429 1207/8
Email: hellas1.ukclub@thomasmiller.com

Hong Kong

Thomas Miller (Asia Pacific) Ltd
Telephone: +852 2832 9301
Fax: +852 2574 9954
Email: hongkong.ukclub@thomasmiller.com

Singapore

Thomas Miller (South East Asia) Pte Ltd
Telephone: +65 6323 6577
Fax: +65 6323 6277
Email: seasia.ukclub@thomasmiller.com

New Jersey

Thomas Miller (Americas) Inc
Telephone: +1 201 557 7300
Fax: +1 201 946 0167
Email: newjersey.ukclub@thomasmiller.com