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Standard Bulletin

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New P&I and Defence Class Rules

In the July edition of Standard Bulletin, we provided information on the proposed changes to the rules. We have received a number of positive and constructive comments. These have been included in the latest version of the rules which is now on the club's website standard-club.com.

The proposed new rules (in their final form) will be put to members at a Special General Meeting on 10 October, prior to implementation on 20 February 2009. We will be sending out a formal notice of this meeting in the middle of September.

We believe that the new proposed rules are much clearer and more user-friendly than the current ones and will allow members to understand more easily the cover that the club provides and how the club operates. **We encourage all members, if you have not already done so, to review the proposed new rules and let us have any additional comments as soon as possible.**

Below, we give some explanations as to how the rules have been improved and of some specific proposed changes.

1. The structure of the new rules

- The wording has been updated, simplified and reduced. The P&I rules have been reduced from approximately 32,000 words to 18,500, and the Defence rules from 13,500 to 800
- the numbering has been streamlined and simplified
- the text has been laid out more clearly
- the number of headings and sub-headings has been increased
- the order of the P&I rules has been changed, so that the risks covered (rule 3) now appear near the beginning of the rules rather than in the middle
- apart from the scope of cover and the risks covered (rules 2 and 3), the P&I and Defence rules are now the same
- there is no longer the need to repeat identical rules in the P&I and Defence sections of the rule book; rules 4-26 are the same for both classes of business and are only set out once (in the P&I section). The Defence section simply incorporates these rules (where applicable) by reference. The main body of the Defence rules is therefore just the risks covered
- the "notes" to the existing rules have either been incorporated as rules, or deleted
- the overspill sections have been moved together as rules 21 and 22

- the current "A" rules, which provide cover for additional liabilities through transport liabilities other than cargo liability have been moved to the Extensions of Cover section of the rule book

2. Wording improvements

A. Simplification

Much of the current wording is long-winded and the drafting is unnecessarily complicated. The proposed new rules use simpler wording in many places to mean the same thing as the current rules.

B. Duplication

One of the reasons the old rules were so long was that many words and phrases were constantly repeated. For example:

- *set out in the member's certificate of entry*
- *approved by the managers in writing*
- *liabilities, costs and expenses*

(i) We have dealt with the repetition of "certificate of entry" by deleting it each time it appears, and then stating in rule 2.3 that a member's cover is subject to the terms set out in the rules and his certificate of entry.

(ii) We have dealt with the repetition of "in writing" by deleting it each time it appears, and then including a new rule 23.3 which explains that the managers' approval must always be in writing.

(iii) We have dealt with the repetition of "liabilities, costs and expenses" by referring, where applicable, just to "liabilities" and adding a new definition (in rule 26) of liabilities as meaning "liabilities, costs and expenses".

C. Scope of cover (rule 2)

This is now one of the most important rules. In the current rules, the legal basis of liability is dealt with within each of the specific risks covered, which results in a great deal of repetition; in the new rules, it is dealt with only once in rule 2.

Rule 2.1 states: The liabilities in respect of which a member is insured by the club are set out in rule 3 and must have arisen by reason of the member's interest in the ship, out of events occurring during the period of the ship's entry in the club and

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P&I and Defence Class Rules

in connection with the operation of the ship. Where such liabilities would not have arisen but for the terms of any contract or indemnity, the contract or indemnity must either correspond to any specific requirements set out in rule 3, or have been approved by the managers.

Rule 2.1 makes no reference to statutory obligation or negligence as there is no need to do so. It expressly states that club cover responds to liabilities, and that this means those arising at law or in negligence. Club cover can, however, also respond to claims arising in contract and this is the only basis of liability which needs to be specifically mentioned in the rule.

D. Redundant words, phrases and rules

As part of our review we have modernised the wording and made a number of deletions. For example:

- (i) We have deleted references to "specie, bullion, precious or rare metals or stone, plate, or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments" and replaced them with the single word "valuables" which is defined (in new rule 26) as "monies, negotiable securities, gold, silverware, jewellery, ornaments or works of art."
- (ii) Current rule 29 (Club may subscribe to societies) has been deleted.
- (iii) We have deleted references to "curator bonis or other legal curator" which currently appear in rule 31.3.4.

3. Substantive rule changes

While the main exercise has been to simplify and modernise the wording of the current rules, we have also taken the opportunity to propose some specific rule amendments. Although most of these are mere clarifications of the cover, or reflect amendments to the Pooling Agreement, they need to be drawn to your attention:

P&I rules

- rule 1.3:** clarifies the reinsurance position.
- rule 2.2:** clarifies the extent of a charterer's cover.
- rule 3.10.2:** clarifies the circumstances in which a contract for towage by a ship which is not knock-for-knock is acceptable.
- rule 3.11:** exclusion (2): clarifies that the managers are able to agree that a wreck be raised.
- rule 3.13:** exclusion (6): reflects a proposed amendment to the Pooling Agreement for the 2009 Policy Year following the *Rafaela S* case.
- rule 3.13:** exclusion (9): there is still a requirement for a pre-load survey for the carriage of finished steel, but there is no longer a warranty.
- rule 4.2:** brings the double insurance wording into line with that used by other IG clubs.
- rules 4.4/4.6:** reflects a proposed amendment to the Pooling Agreement relating to the entry into force of the Bunkers Convention in November 2008.
- rule 5.6:** clarifies the wording of the exclusion of detention losses.
- rule 5.19:** provides the possibility for the board to allow recovery of liabilities otherwise excluded under rule 5.

rule 6.6(1): clarifies the \$1bn oil pollution limit under an owner's entry.

rule 6.16: sets out how the standard deductibles apply.

rule 6.19: sets out the provisions of the Marine Insurance Act.

rule 9.2: clarifies the arrangements for the provision of security.

rule 11.6: a charterer member warrants that he will declare all ships chartered by him, unless otherwise agreed by the managers; this requirement is currently contained in certificates of entry.

rule 13.18: clarifies the consequences of breaching a warranty.

rule 14.1: clarifies the position of an assignee.

rule 15.4: allows the managers to carry out a review of members' shoreside management operations in addition to surveying ships.

rule 17.2: gives the managers a discretion in respect of actual and constructive total losses.

rule 17.4: relates to demands for payment of sums owing to the club.

rule 17.1: clarifies the cover position on cessation of insurance.

rule 18.7: clarifies the position on supplementary premiums.

rule 23: explains the discretionary nature of the board's and managers' powers.

rule 24.4: allows the managers to use the website to send documents.

rule 25.4: allows certain disputes to be referred to mediation.

rule 26: adds definitions of: Demise or bareboat charterer, Hague/ Hague-Visby Rules, Insured party, Knock-for-knock, Liabilities, Valuables and Wilful misconduct.

Defence rules

rule 2.1: clarifies the discretionary nature of the cover.

rule 3.8: includes cover for sums due from brokers.

rule 3.9: includes cover in relation to pilotage services, and services "to" the ship.

rule 3.14: includes cover for claims relating to modifications to ships.

As well as this major overhaul of the rules, there may, as there often are, be further, market-driven, proposed changes to the rules later in the policy year. We will, of course, send members a further notice in the event that any such changes are proposed.

For clarification of any of the proposed rule changes,
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