

CIRCULAR

SETTING THE STANDARD FOR SERVICE AND SECURITY

TO ALL OWNERS AND MEMBERS

12 October 2010

Dear Sirs

AMENDMENTS TO THE ARTICLES AND RULES OF THE ASSOCIATION

The amendments to the articles set out in our circular dated 13 September 2010 were approved at the meeting of owners and members held on 8 October 2010.

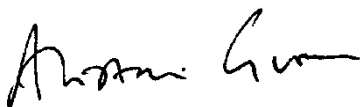
The board has also approved a number of proposed amendments to the general rules of the P&I and Defence Classes and to the Standard Offshore rules.

You will find in the appendices to this circular a summary of those amendments together with extracts from the revised rules.

Any comments on the proposed amendments should be sent to us as soon as possible, but in any event no later than 1 December 2010.

The rule amendments will be placed before owners and members for adoption at a special general meeting of the association to be held in Paris, France on Tuesday 25 January 2011. If approved, the amendments will take effect from noon GMT on 20 February 2011.

Yours faithfully



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APPENDIX A

P&I CLASS RULES AMENDMENTS TO THE RULES

1. **Directors' power to amend rules to comply with legislation (Extract 1)**

This amendment moves the board's ability to amend the rules at any time to comply with any changes in legislation or regulations from the rules themselves to the clubs' Articles.

2. **Scope of cover (Extract 2)**

This amendment clarifies that the requirement for managers' approval of contracts and indemnities applies to both owners' and charterers' entries.

3. **Value declared on bill of lading (Extract 3)**

This amendment reflects a change to the Pooling Agreement and clarifies that the exclusion to cargo cover for ad valorem bills of lading applies to the extent that defences or limitations are lost to the extent such values exceed \$2,500 per piece.

4. **Unlawful and hazardous trades (Extract 4)**

This amendment clarifies that the exclusion applies to claims arising from an unlawful carriage, trade, voyage or operation.

5. **Sanctions (Extract 5)**

This amendment clarifies that following sanctionable conduct by the member then the member will not be entitled to recover from the club any liabilities which are not recovered by the club either under the Pooling Agreement or under any reinsurance.

6. **Immediate termination (Extract 6)**

These amendments clarify that material information includes any change in a ship's operating area or operation generally.

7. **Charterer named as joint entrant or co-assured (Extract 7)**

This amendment clarifies that a member cannot warrant as to the extent of cover.

8. **Cessation of insurance (Extract 8)**

This amendment corrects a typographical error.

9. **Effect of cessation of insurance (Extract 9)**

This amendment corrects a typographical error.

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Extract 1 Directors' power to amend rules to comply with legislation

Rule 1.7 – Delete Rule and insert as a new Article.

Extract 2 Scope of cover

Rule 2.1 – Delete the last sentence and insert new Rule 2.3 as follows:

“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.”

Rules 2.3 and 2.4 – Renumber as Rules 2.4 and 2.5 respectively.

Extract 3 Value declared on bill of lading

Rule 3.13, Exclusion (13) – Replace the existing wording with:

“goods carried under a document containing or evidencing the contract of carriage where the value per unit, piece or package has been stated to be in excess of US\$2,500, or the equivalent in any other currency, which may deprive the member of the right to rely on defences or rights of limitation which would otherwise have been available to him, to the extent that such liabilities exceed that sum.”

Extract 4 Unlawful and hazardous trades

Rule 4.8 – Replace the existing wording with:

“No claim is recoverable if it arises out of or is consequent upon the ship blockade running or being employed in an unlawful carriage, trade, voyage or operation, or if the board determines that the carriage, trade, voyage or operation was imprudent, unsafe, unduly hazardous or improper.”

Extract 5 Sanctions

Rule 6.22 – Replace the existing wording with:

“The member shall in no circumstances be entitled to recover from the club that part of any liabilities, costs and expenses which is not recovered by the club from parties to the Pooling Agreement and/or under any reinsurance(s) because of a shortfall in recovery from the parties or reinsurers thereunder by reason of any sanction, prohibition or adverse action against them by a state or international organisation or the risk thereof if payment were to be made by such parties or reinsurers. For the purposes of this rule 6.22 “shortfall” includes any failure or delay in recovery by the club by reason of the parties or reinsurers making payment into a designated account in compliance with the requirements of any state or international organisation.”



Extract 6 Immediate termination

Rule 11.2 – Replace the existing wording of the first sentence with:

“The member is obliged to disclose any change in any material information relating to an entry including, but not limited to, change of: management, flag, classification society, nationality of crew, trading or operating area or nature of trade or operation.”

Extract 7 Charterer named as joint entrant or co-assured

Rule 13.13 – Amend the Rule to read as follows:

- a.** *Unless otherwise agreed by the managers, where a charterer is named as a joint entrant or co-assured, all insured parties, including such charterer, warrant that the charterer is either:*
- (1) an affiliated or associated charterer; or*
 - (2) has contracted with the member or a joint entrant for the provision of services to or by the unit and that contract has been approved by the managers*
- b.** *Any charterer named as a co-assured in accordance with rule 13.13 a(2) above is only covered for liabilities which are to be borne by the member or other joint entrant under the terms of the relevant contract and would, if borne by the member or that joint entrant, be recoverable by either from the club.”*

Extract 8 Cessation of insurance

Rule 17.2 (4) – Insert “; or” at the end of the sub paragraph

Extract 9 Effect of cessation of insurance

Rule 17.6 – Replace the existing reference to “rule 16.5” with “rule 16.4”.



APPENDIX B

DEFENCE CLASS RULES AMENDMENTS TO THE RULES

1. Exclusion of claim in respect of loss of or damage to the ship (Extract 1)

This amendment confirms that Defence cover only responds in respect of the member's hull deductible and now includes a deeming provision where that deductible does not reach \$100,000.

2. Exclusion to contracts for building, modification, purchase or sale of the ship (Extract 2)

This amendment clarifies that cover does not respond to claims pre-dating delivery both in respect of contracts for building or modification and contracts for the purchase of the ship.

Extract 1 Exclusion of fees in respect of loss of or damage to the ship

Rule 3.5 – Replace the existing exclusion to Rules 3.4 and 3.5 with:

“The club will only cover a member for costs in relation to a claim within any franchise or deductible under a hull policy if and to the extent that such franchise or deductible does not or is deemed not to exceed US\$100,000 in respect of each incident.”

Extract 2. Exclusion to contracts for building, modification, purchase or sale of the ship

Rule 3.14 – Replace the existing exclusion (1) to Rule 3.14 with:

“Exclusions to rule 3.14

(1) there is no cover for claims arising out of a contract for the building or modification of the ship or in respect of a contract for the purchase of the ship, for claims arising before delivery of the ship to the member, unless the entry is made effective from the date of the relevant contract, or on such terms as the managers may agree;”



APPENDIX C

STANDARD OFFSHORE RULES AMENDMENTS TO THE RULES

1. **Directors' power to amend rules to comply with legislation (Extract 1)**

This amendment moves the board's ability to amend the rules at any time to comply with any changes in legislation or regulations from the rules themselves to the clubs' Articles.

2. **Scope of cover (Extract 2)**

This amendment clarifies that the board will have discretion to determine whether claims arise from one or more events.

3. **Pollution fines and pollution from wreck of unit (Extract 3)**

This addition imposes a two year time limit, unless the board decides otherwise, in respect of liabilities and fines in respect of pollution emanating from the wreck of the unit. This amendment makes such liabilities subject to the two year time limit applicable to other wreck liabilities.

4. **Pollution from subsea systems (Extract 4)**

This amendment clarifies that the exclusion in respect of pollution from subsea or subsurface systems does not apply to those systems which are part of the unit as defined.

5. **Blow-out and control of well (Extract 5)**

These changes confirm the exclusion of liabilities following a blow-out.

6. **Wreck removal of drill string (Extract 6)**

This amendment clarifies the extent of wreck removal cover in respect of a drill string.

7. **Member to indemnify club for payments under CLC or Bunkers Convention which are outside club cover (Extract 7)**

These amendments clarify that the club's agreement to make certain payments under CLC or Bunkers Convention certificates is conditional on the member's agreement to indemnify the club to the extent that any such payments are not covered by the club.

8. **Unlawful and hazardous trades (Extract 8)**

This amendment clarifies that the exclusion applies to claims arising from an unlawful carriage, trade, voyage or operation.

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9. Specialist operations, underwater vehicles and divers (Extract 9)

This amendment corrects a typographical error.

10. Downhole equipment (Extract 10)

This amendment clarifies the definition of downhole equipment.

11. Sanctions (Extract 11)

This amendment clarifies that following sanctionable conduct by the member then the member will not be entitled to recover from the club any liabilities which are not recovered by the club under any reinsurance.

12. Immediate termination (Extract 12)

These amendments reflect the terminology used in the offshore industry.

13. Charterer named as joint entrant or co-assured (Extract 13)

This amendment clarifies that a member cannot warrant as to the extent of cover.

14. Premium (Extract 14)

This amendment corrects a typographical error.

15. Definition of unit (Extract 15)

These amendments clarify the definition of the unit for the purpose of club cover.

16. Definition of wellhead (Extract 16)

This amendment clarifies the definition of wellhead.

17. Definition of well control equipment (Extract 17)

This amendment clarifies the definition of well control equipment.

Extract 1 Directors' power to amend rules to comply with legislation

Rule 1.7 – Delete Rule and insert as a new Article.

Extract 2 Scope of cover

Rule 2.1 – Add the following to the end of the Rule:

“The board may determine whether claims shall be deemed to have arisen out of one or more events and when such events shall be deemed to have occurred.”



Extract 3 Pollution fines and pollution from wreck of unit

Rule 3.6 – Add the following exclusion to Rules 3.6.4 and 3.6.5:

“Exclusion to rules 3.6.4 and 3.6.5

Unless the board otherwise determines, there shall be no recovery in respect of any liability incurred more than two years after the unit became a wreck.”

Extract 4 Pollution from subsea systems

Rule 3.6 – Amend the exclusions to 3.6 to read as follows:

“Exclusions to rule 3.6

There shall be no recovery in respect of:

(2) *liabilities including fines and any consequential losses arising therefrom which arise out of:*

- a** *pollution from the hole or well or subsea or subsurface operation in respect of which the unit is employed or utilised other than pollution from the unit and measures taken to avert or minimise such liabilities;*
- b** *subsea or subsurface or underground pollution other than pollution from the unit;*
- c** *the discharge or escape of any substance from any riser, flowline, umbilical, floating hose, buoyancy float or tank or mooring system connected to the unit or out of measures to avert or minimise such liabilities unless such riser, flowline, umbilical, floating hose, buoyancy float or tank or mooring system is part of the unit as defined”*

Extract 5 Blow-out and control of well

Rule 3.6 – Delete exclusion (2) d.

Rule 5.11 – Change heading to read “Blow-out and control of well”, delete paragraph (3) and replace with:

“blow-out, cratering, or any other uncontrolled flow, discharge or escape of oil, gas or any other substance from holes, wells or reservoirs including any flow, discharge or escape thereof from the unit.”



Extract 6 Wreck removal of drill string

Rule 3.8.3 – Amend the Rule to read as follows:

“Liabilities for or incidental to the raising, removal, destruction, lighting or marking of the drill string, blowout preventer, blowout preventer stack, diverter or marine riser or any part thereof owned or leased by the member which has been lost or deposited on the seabed as a result of a casualty and which is not in or connected to any hole or well.

Exclusion to rule 3.8.3

There shall be no recovery in respect of loss of or damage to any property belonging to or the legal responsibility of any person employing the unit pursuant to any contract and any other party having an owning interest in the concession, prospect or field in respect of which the unit is employed or utilised where the liability arises in connection with a hole or well or subsea or subsurface operation in respect of which the unit is employed or utilised.”

Extract 7 Member to indemnify club for payments under CLC or Bunkers Convention which are outside club cover

Rule 4.4 – Replace the first sentence of this Rule as follows:

“Notwithstanding the exclusions in rule 4.3, 4.7 and 4.8, the club will discharge on behalf of the member liabilities arising under a demand made pursuant to the issue by the club on behalf of the member of:”

Rules 4.6 and 4.7 – Delete these Rules and replace them with new Rules 4.5 and 4.6:

“4.5 The member shall indemnify the club to the extent that any payment under any such guarantee, undertaking or certificate is not recoverable from the club for any reason whatsoever.

4.6 The member agrees that any payment by the club under any such guarantee, undertaking or certificate shall, to the extent of any amount recovered under any policy of insurance or additional cover provided by the club, be by way of loan and there shall be assigned to the club to the extent and on the terms the managers determine to be practicable, all the rights of the member under any other insurance and against any third party.”

Rule 4.5 – Renumber as Rule 4.7.



Extract 8 Unlawful and hazardous trades

Rule 4.9 – Replace the existing wording with:

“No claim is recoverable if it arises out of or is consequent upon the unit blockade running or being employed in an unlawful carriage, trade, voyage or operation, or if the board determines that the carriage, trade, voyage or operation was imprudent, unsafe, unduly hazardous or improper.”

Extract 9 Specialist operations, underwater vehicles and divers

Rule 5.9 4 (a) – Replace the “and” at the end of the sub paragraph with “or”.

Extract 10 Downhole property

Rule 5.12 – Replace the existing wording with:

“Any liabilities or losses in respect of loss of or damage to or recovery or replacement of any drill string, casing, tubing, cementing or well intervention or other downhole equipment, whether or not in the sea, which is in or connected to any hole or well in respect of which the unit is employed or utilised or which is owned by the member, and the consequences thereof.”

Extract 11 Sanctions

Rule 6.16 – Replace the existing wording with:

“The member shall in no circumstances be entitled to recover from the club that part of any liabilities, costs and expenses which is not recovered by the club under any reinsurance(s) because of a shortfall in recovery from reinsurers thereunder by reason of any sanction, prohibition or adverse action against them by a state or international organisation or the risk thereof if payment were to be made by such reinsurers. For the purposes of this rule 6.16 “shortfall” includes any failure or delay in recovery by the club by reason of the reinsurers making payment into a designated account in compliance with the requirements of any state or international organisation.”

Extract 12 Immediate termination

Rule 11.2 – Replace the existing wording of the first sentence with:

“The member is obliged to disclose any change in any material information relating to an entry including, but not limited to, change of:

management, flag, classification society, nationality of crew, trading or operating area or nature of trade or operation.”



Rule 17.2 (4) – Insert “; or” at the end of the sub paragraph

Rule 17.2 (5) – Replace the existing wording with:

“the unit is employed by the member in a carriage, trade or operation or on a voyage which will thereby in any way howsoever expose the club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation, unless the managers shall otherwise determine.”

Extract 13 Charterer named as joint entrant or co-assured

Rule 13.13 – Amend the Rule to read as follows:

a. *Unless otherwise agreed by the managers, where a charterer is named as a joint entrant or co-assured, all insured parties, including such charterer, warrant that the charterer is either:*

- (1) an affiliated or associated charterer; or*
- (2) has contracted with the member or a joint entrant for the provision of services to or by the unit and that contract has been approved by the managers*

b. *Any charterer named as a co-assured in accordance with rule 13.13 a (2) above is only covered for liabilities which are to be borne by the member or other joint entrant under the terms of the relevant contract and would, if borne by the member or that joint entrant, be recoverable by either from the club.”*

Extract 14 Premium

Rule 18.2 – Replace the word “if” with “unless” so that the Rule reads as follows:

“Where, for any reason, a return of premium is due, then unless a member notifies and submits his claim for reimbursement in writing within three months, no allowance or return shall be made unless the managers otherwise determine.”

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Extract 15 Definition of unit

Rule 23 – Amend the definition of “unit” to read as follows:

*“**The unit:** a mobile offshore production or drilling unit which has been entered in the club for insurance, including the risers, flowlines and umbilicals (provided such risers, flowlines and umbilicals are not separated from the unit by any wellhead or well control equipment), floating hoses, buoyancy floats or tanks and mooring systems, or any other description of unit noted in the certificate of entry, but always excluding any wellhead, well control equipment, downhole equipment, or any part thereof whether or not on board or connected to the unit and any property below the drill floor or rotary table. For the purpose of club cover a drilling unit shall end immediately below the drill floor or rotary table, and any other unit shall end at the unit side of the point of connection with the wellhead or the well control equipment closest to the unit.”*

Extract 16 Definition of wellhead

Rule 23 – Replace the definition of wellhead with the following:

“any wellhead, Christmas Tree, template, flowbase, manifold, or any other wellhead structure, wherever situated.”

Extract 17 Definition of well control equipment

Rule 23 – Replace the definition of well control equipment with the following:

“any blowout preventer, blowout preventer stack, diverter, control device, subsurface isolation valve or any other equipment used for control of well, wherever situated.”