



CIRCULAR

SETTING THE STANDARD FOR SERVICE AND SECURITY

TO ALL MEMBERS

28 November 2011

Dear Sirs

AMENDMENTS TO THE BYE-LAWS AND RULES OF THE ASSOCIATION

The amendments to the bye-laws referred to in our circular dated 30 September 2011 were approved at the meeting of members held on 4 November 2011.

The board has also approved a number of proposed amendments to the 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 15 December 2011.

The rule amendments will be placed before members for adoption at a special general meeting to be held in Geneva, Switzerland, on 24 January 2012. If approved, the amendments will take effect from noon GMT on 20 February 2012.

Yours faithfully

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APPENDIX A
P&I CLASS RULES
AMENDMENTS TO THE RULES

1. Approval of contracts

This amendment clarifies that the requirement for the approval of contracts also includes Heavycon contracts.

Rule 2.3 – Replace the existing wording with:

“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 rule 5, or have been approved by the managers.”

2. Wreck removal of property on board

This amendment clarifies that wreck removal cover includes cargo and any other property on board.

Rule 3.11.2 – Replace the first sentence with the following:

“Liabilities resulting from the actual or attempted raising, removal or destruction of the wreck of the ship, cargo or any other property on board.”

Rule 3.11.3 – Replace the rule with the following:

“Liabilities resulting from the presence or involuntary shifting of the wreck of the ship, cargo or any other property on board caused by the casualty or event which led to the loss of the ship, cargo or any other property on board. Unless the board otherwise determines, a member is not entitled to be reimbursed by the club in respect of any liability incurred more than two years after the ship, cargo or any other property on board became a wreck.”

Rule 3.11.4 and Exclusions to rule 3.11– replace all references to “cargo” with “cargo or any other property”.

3. Deck cargo

This amendment confirms that the carriage of deck cargo on terms which are subject to the Hague or Hague-Visby Rules is covered.

Rule 3.13 – replace Exclusion (10) with the following:

“(10) loss of, damage to or responsibility in respect of cargo carried on deck unless it is carried under a contract of carriage which permits it to be carried on deck and the contract states that it is being so carried and either it exonerates the member from all liability in respect of such cargo or it applies the Hague or Hague-Visby Rules to such cargo, or it is customary to carry such cargo on deck, or such carriage has been approved by the managers”.

4. Loss of hire

This amendment clarifies the type of consequential losses in relation to the member’s own ship which are excluded.



Rule 5.4 – Replace the rule with the following:

“Loss of freight, hire, time, market, production, profit or any other direct or indirect losses whatsoever or any proportion thereof in relation to the ship, unless such loss, with the agreement of the managers, forms part of a claim for liabilities in respect of cargo.”

5. Accommodation ship

These amendments ensure consistent use of language.

Rule 5.12.1 – Replace reference to “*accommodation unit*” with “*accommodation ship*”.

Rule 5.15 – Replace reference to “*accommodation vessel*” with “*accommodation ship*”.

6. Sanctions

This amendment deletes language which is not needed as it falls within a defined term under the rules.

Rule 6.22 – Delete the following from the rule:

“costs and expenses”.

7. Evidence

These amendments clarify members’ obligations in relation to the provision of evidence and the consequences of failing to comply.

Rule 7.9 – Replace the existing wording with:

“A member must not withhold or conceal any evidence which it is or may be relevant to disclose, or make any false statement. If such evidence is withheld or concealed or false statement is made any liabilities already incurred or reimbursed by the club must be repaid by the member.”

8. Powers of the managers relating to the handling of claims

This amendment clarifies that the club may appoint a lawyer or expert on behalf of the member but subject to the application of the relevant deductible.

Rule 8.4 – Amend the rule to read as follows:

“The managers may at any time appoint, on behalf of a member at the expense of the club subject to any applicable deductible, experts or lawyers to deal with any matter which may result in liabilities in respect of which the member may be covered under the rules.”

9. Entry

This amendment clarifies the consequences of a member’s failure to disclose any change in any material information.

Rule 11.2 – Insert heading of “*Immediate termination*” and replace the last sentence with the following:

“Upon such disclosure, or failure to disclose, the managers may amend the member’s premium rating or terms of entry, or terminate the entry in respect of such ship.”



10.

Classification

This amendment clarifies the requirement for classification of the ship with a class society approved by the managers or, if agreed by the managers, the ship must remain fully approved by the government authority responsible for ship certification for the trade in question.

Rule 15.1 – Replace the existing wording with:

“Unless otherwise agreed by the managers, the following are conditions of the insurance of every ship:

(1) the ship must be and remain fully classed with a classification society approved by the managers, or, provided agreed by the managers, remain fully approved by the government authority responsible for ship certification for the trade in question (hereafter ‘society/authority’).

(2) any matter in respect of which the society/authority might make recommendations about action to be taken must be promptly reported to the society/authority.

(3) the member must comply with all the rules, recommendations and requirements of the society/authority within the time or times specified by that society/authority.

(4) the managers may inspect any document, and/or obtain any information relating to the maintenance of the ship's class or approval, in the possession of any society/authority with which the ship is or at any time has been classed or approved, and the member authorises such society/authority to disclose such documents and/or information to the managers for whatever purposes they may consider necessary.

(5) the member must comply with all statutory requirements of the ship's flag state relating to the construction, adaptation, condition, fitment, equipment, manning and operation of the ship and must at all times maintain the validity of such statutory certificates as are required or issued by or on behalf of the ship's flag state, including those in respect of the ISM and ISPS codes.”

Rule 11.2 – Amend the first sentence of the rule to read as follows:

“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, government authority responsible for ship certification for the trade in question, nationality of crew, trading or operating area or nature of trade or operation.”



APPENDIX B

DEFENCE CLASS RULES AMENDMENTS TO THE RULES

1. **Scope of cover**

This addition clarifies that cover responds to a member's liabilities in the capacity in which he is entered in the club.

Rule 2.6 – Insert new rule as follows:

“A member is not insured for any liabilities incurred by him in a capacity other than that in which he has entered into the contract of insurance with the club.”

2. **Covered risks**

This amendment widens cover by removing any need for a temporal connection with the ship in relation to claims by or against any person.

Rule 3.10 – Delete the following from the rule:

“on or about the ship”.

3. **Risks covered by insurances**

This amendment clarifies the rule in line with the reorganisation of the club's business.

Rule 4.2.1 – Replace the existing wording with:

“The club will not cover a member in respect of any of the costs for which he would be covered, or could be covered in the event of the exercise of the board's discretion, if the ship were:

- (1) fully entered in The Standard Steamship Owners' Protection and Indemnity Association (Europe) Ltd or other insurer affording equally wide cover;*
- (2) fully entered in the War Risk Class of The Standard Steamship Owners' Protection and Indemnity Association (Europe) Ltd or other insurer affording equally wide cover.”*



APPENDIX C

STANDARD OFFSHORE RULES AMENDMENTS TO THE RULES

1 Wreck removal

This amendment clarifies that removal of the wreck of the unit would include removal of any property on board or additional drilling equipment as defined.

Rule 3.8 – Replace the rule with the following:

“3.8.1 Liabilities for or incidental to the raising, removal, destruction, lighting or marking of the wreck of the unit or any property on board. The value of the wreck and all property saved must be deducted from any reimbursement and only the balance is recoverable.

3.8.2 Liabilities resulting from the actual or attempted raising, removal or destruction of the wreck of the unit or property on board. Unless the board otherwise determines, a member is not entitled to be reimbursed by the club in respect of any liabilities if:

(1) he has employed independent contractors to perform the relevant operations and has not taken reasonable measures to provide that under the terms of the contract the risk of incurring the relevant liabilities fell upon the contractors; and

(2) those contractors have not taken out such insurance as was reasonable to insure themselves against such risks. No liabilities insured under a contractor’s policy are recoverable from the club.

3.8.3 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 (hereafter ‘additional drilling equipment’).

3.8.4 Liabilities resulting from the presence or involuntary shifting of the wreck of the unit or property on board caused by the casualty or event which led to the loss of the unit.

Exclusions to rule 3.8

(1) There shall be no recovery if the member has, without the agreement of the managers, transferred his interest in the wreck other than by abandonment, at any time after the unit became a wreck.

(2) There shall be no recovery unless the raising, removal, destruction, lighting or marking of the wreck of the unit, property on board or additional drilling equipment was compulsory by law or legally recoverable from the member under contract, or was undertaken with the agreement of the managers.

(3) Unless the board otherwise determines, a member is not entitled to reimbursement in respect of any liability unless he took reasonable measures to raise, remove, destroy, light or mark the wreck of the unit, property on board or additional drilling equipment.

(4) There shall be no recovery for any liabilities for or relating to clean-up of debris, tools, machinery or equipment lost or deposited on the seabed during operations, save to the extent recoverable under rules 3.8.1 to 3.8.4 above.

(5) Unless the board otherwise determines, there shall be no recovery in respect of any liability incurred more than two years after the unit, property on board or additional drilling equipment became a wreck.

(6) 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.”



2. **Loss of hire**

This amendment clarifies the type of consequential losses in relation to the member's own unit which are excluded.

Rule 5.4 – Replace the rule with the following:

“Loss of freight, hire, time, market, production, profit or any other direct or indirect losses whatsoever or any proportion thereof in relation to the unit.”

3 **Blow-out and control of well**

This amendment clarifies which liabilities following a blow-out remain covered.

Rule 5.11 – Replace the existing rule with the following:

“Liabilities arising from or relating to:

(1) the control, or regaining of control, of a hole or well;
(2) loss of or damage to or costs of reinstatement of a hole, well or reservoir;
(3) 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, other than:

a) injury, illness or death under rules 3.1 and 3.2

b) collision liabilities under rule 3.4

c) wreck liabilities under rule 3.8

d) pollution liabilities under rule 3.6 arising from the discharge or escape of any oil, gas or other substance contained within the unit immediately prior to the commencement of such blowout, cratering, or uncontrolled flow

e) enquiry expenses under rule 3.10

unless otherwise agreed by the managers

where the incident arises in connection with a hole or well or subsea or subsurface operation in respect of which the unit is employed or utilised.”

4. **Sanctions**

This amendment deletes language which is not needed as it falls within a defined term under the rules.

Rule 6.16 – Delete the following from the rule:

“costs and expenses”.

5. **Evidence**

These amendments clarify members' obligations in relation to the provision of evidence and the consequences of failing to do so.

Rule 7.9 – Replace the existing wording with:

“A member must not withhold or conceal any evidence which it is or may be relevant to disclose, or make any false statement. If such evidence is withheld or concealed or false statement is made any liabilities already incurred or reimbursed by the club must be repaid by the member.”



6. Powers of the managers relating to the handling of claims

This amendment clarifies that the club may appoint a lawyer or expert on behalf of the member but subject to the application of the relevant deductible.

Rule 8.4 – Amend the rule to read as follows:

“The managers may at any time appoint, on behalf of a member at the expense of the club subject to any applicable deductible, experts or lawyers to deal with any matter which may result in liabilities in respect of which the member may be covered under the rules.”

7. Entry

This amendment clarifies the consequences of a member’s failure to disclose any change in any material information.

Rule 11.2 – Replace the last sentence with the following:

“Upon such disclosure, or failure to disclose, the managers may amend the member’s premium rating or terms of entry, or terminate the entry in respect of the unit.”

8. Classification

This amendment clarifies the requirement for classification of the unit with a class society approved by the managers or, if agreed by the managers, the unit must remain fully approved by the government authority responsible for unit certification for the trade in question.

Rule 15.1 – Replace the existing wording with:

“Unless otherwise agreed by the managers, the following are conditions of the insurance of every unit:

(1) the unit must be and remain fully classed with a classification society approved by the managers, or, provided agreed by the managers, remain fully approved by the government authority responsible for unit certification for the trade in question (hereafter ‘society/authority’).

(2) any matter in respect of which the society/authority might make recommendations about action to be taken must be promptly reported to the society/authority.

(3) the member must comply with all the rules, recommendations and requirements of the society/authority within the time or times specified by that society/authority.

(4) the managers may inspect any document, and/or obtain any information relating to the maintenance of the unit’s class or approval, in the possession of any society/authority with which the unit is or at any time has been classed or approved, and the member authorises such society/authority to disclose such documents and/or information to the managers for whatever purposes they may consider necessary.

(5) the member must comply with all statutory requirements of the unit’s flag state and/or any state exercising jurisdiction over the unit relating to the construction, adaptation, condition, fitment, equipment, manning and operation of the unit and must at all times maintain the validity of such statutory certificates as are required or issued by or on behalf of the unit’s flag state and/or any state exercising jurisdiction over the unit, including those in respect of the ISM and ISPS codes.”

Rule 11.2 – Amend the first sentence of the rule to read as follows:

“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, government



authority responsible for unit certification for the trade in question, nationality of crew, trading or operating area or nature of trade or operation.”

9. Definitions

These amendments clarify the definition of ‘group rating agreement’, ‘ship’ and ‘the unit’.

Rule 23

Replace the definition of “*Group rating agreement*” with the following:

“Group rating agreement: any agreement whereby the premium of the unit is assessed by reference to the record of any other units and ships which are or were entered through the group in the club, whether the units and ships are in the same registered or beneficial ownership or not.”

Delete “*or vessel*” from the definition of “*ship*”.

Replace the definition of “*The unit*” with the following:

“The unit:

(1) a mobile offshore production 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 mobile offshore production 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 mobile offshore production unit; or

(2) a mobile offshore drilling unit which has been entered in the club for insurance but always excluding any wellhead, well control equipment, downhole equipment, or any part thereof and any property below the drill floor or rotary table, except that for pollution liabilities under rule 3.6 the definition of a mobile offshore drilling unit is extended to include the drill string and marine riser or any part thereof owned or leased by the member provided that there shall be no recovery for liabilities in respect of:

- a) blowout and control of well excluded under rule 5.11*
- b) discharge or escape of any substance below the unit side of the point of connection with any blowout preventer or blowout preventer stack or other similar equipment.”*