



## STEAMSHIP MUTUAL

To the Members

January 2010

Dear Sirs,

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Members of the above-named Company will be held at the Registered office of the Company, Clarendon House, 2 Church Street, Hamilton HM-11, Bermuda at 15:00 hours on Wednesday 17<sup>th</sup> February 2010, to consider and if thought fit to pass the following Resolutions:

### RESOLUTIONS

#### CLASS 1 RULES

The following resolution is proposed:

THAT with effect from Noon G.M.T. on 20th February 2010, the amendments to the Rules of Class 1 (Protection and Indemnity) of the Association, annexed hereto, and as explained in the attached commentary, be adopted.

#### CLASS 2 RULES

The following resolution is proposed:

THAT with effect from Noon G.M.T. on 20th February 2010, the amendments to the Rules of Class 2 (Freight, Demurrage and Defence) of the Association, annexed hereto, and as explained in the attached commentary, be adopted.

#### BYE LAWS

The following resolution is proposed:

THAT a new proviso 3) be added to Bye Law 46 B as follows:

Bye Law 46 B Proviso 3)

3) Notwithstanding the provisions of proviso 1) above, where a Director of the Company holds that office by virtue of the application of the criteria in (A) above and

- (i) the Owner ceases to have any vessels entered in the Company; or
- (ii) the Member ceases to be a Member of the Company

by reason of the application of Rule 35 vi. or vii. of the Club Rules, the Director shall cease to hold office with immediate effect upon the cessation of entry in accordance with Rule 35 vi. or vii.

By Order of the Board of  
The Steamship Mutual Underwriting Association (Bermuda) Limited

S. Davis  
*Secretary*  
29<sup>th</sup> January 2010

**B. 508**

**THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION (BERMUDA) LIMITED**  
Registered Office: Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda  
Authorised and Regulated by the Bermuda Monetary Authority and the United Kingdom Financial Services Authority  
(FSA registration number 202762)

**MANAGERS: STEAMSHIP MUTUAL MANAGEMENT (BERMUDA) LIMITED**  
WASHINGTON MALL 1, PO BOX HM 447, HAMILTON HM BX, BERMUDA  
Tel: (441) 295 4502 Fax: (441) 292 8787 Website: [www.simsl.com](http://www.simsl.com)

**FORM OF PROXY**

The undersigned, a Member of THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION (BERMUDA) LIMITED hereby appoints the Chairman of the Meeting

or Mr. J.M. Macdonald

or Mr. R.A. Jones

or Mrs. P. Heinicke

to be the undersigned's proxy in the order named to vote on behalf of the undersigned in relation to the Agenda and Resolutions set out in the Notice of Meeting dated 29<sup>th</sup> January 2010 at the Special General Meeting of The Steamship Mutual Underwriting Association (Bermuda) Limited to be held at the Registered Office of the Company, Clarendon House, 2 Church Street, Hamilton HM-11, Bermuda, at 15:00 hours on Wednesday, 17<sup>th</sup> February 2010 and at any adjournment thereof.

AS WITNESS the hand of the undersigned this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Member's signature \_\_\_\_\_

Name (please print) \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Signed in the presence of :

\_\_\_\_\_

Witness

Upon completion this proxy form should be returned by post to the Registered Office of the Company at the above stated address or by e-mail to [kathleen.kelly@sims.com](mailto:kathleen.kelly@sims.com).

**AMENDMENTS FOR 2010/11 TO THE RULES OF CLASS 1 PROTECTION  
AND INDEMNITY OF THE STEAMSHIP MUTUAL UNDERWRITING  
ASSOCIATION (BERMUDA) LIMITED**

In the table below, the proposed new wording is shown in **bold** and wording to be deleted is shown as [.....]. Explanatory notes in italics have been provided for the proposed changes.

<b>Rule</b>		<b>Comment</b>
<b>2</b>	<b>Definitions</b>	
<b>Laid Up</b>	<b>means out of service and that the entry of a vessel may qualify for a return of premium in accordance with Rule 33.</b>	<i>New definition introduced for clarity.</i>
<b>Ship</b>	<del>means a ship or boat or any other description of vessel used in navigation or for the carriage or storage of goods or for carriage of passengers, or any part thereof or any proportion of the tonnage or insured value thereof or any share therein, including any ship, boat or vessel under construction;</del> <b>means any ship, boat, hydrofoil, hovercraft or other description of vessel (including a lighter, barge or similar vessel howsoever propelled but excluding a fixed platform or fixed rig) used or intended to be used for any purpose whatsoever in navigation or otherwise on, under, over or in water or any part of such ship, boat, hydrofoil, hovercraft or other description of vessel or any proportion of the tonnage thereof or any share therein, including any ship, boat, hydrofoil, hovercraft or other description of vessel under construction.</b>	<i>An amendment to replace the definition of ship with the wider definition used in the Pooling Agreement in respect of eligible vessels, but to retain the reference to vessels under construction as in the current definition.</i>
<b>17</b>	<b>Recovery</b>	
<b>i</b>	Unless the Directors otherwise determine, it shall be a condition precedent of a Member's right to recover from the funds of the Club in respect of any liabilities, costs or expenses that he shall first have paid the same out of funds belonging to him absolutely and unconditionally and not by way of loan or otherwise;	
<b>ii</b>	Notwithstanding the provisions of Rule 17 i, where a Member has failed to discharge a legal liability to pay damages or compensation for personal injury, illness or death of any Seaman, the Club shall discharge or pay such claim on the Member's behalf directly to such Seaman or dependant thereof.	
	<i>Provided always that:</i>	
<b>a</b>	The Seaman or dependant has no enforceable right of recovery against any other party and would otherwise be uncompensated;	
<b>b</b>	<del>Subject to c below,</del> the amount payable by the Club <b>shall not be subject to set off of any amount due to the Club and, subject to c below,</b> shall under no circumstances exceed the amount which the Member would otherwise have been able to recover from the Club under the Rules and Member's terms of entry;	<i>Amendment to make clear that any right of set-off should not be exercised.</i>
<b>c</b>	Where the Club is under no liability to the Member to pay claims, by reason of the retrospective cancellation of cover pursuant to Rule 37 for non-payment of amounts due to the Club, the Club will nevertheless	

	discharge or pay claims in accordance with sub-paragraph <b>ii</b> (above) of this Rule, to the extent only that such liability has arisen from an event occurring prior to the date when notice of such cancellation has been given, and otherwise subject to and in accordance with the Rules and applicable terms of entry.	
<b>d</b>	Any payment made by the Club pursuant to this Rule <b>17 ii</b> is made as agent only of the Member, and the Member shall be liable to reimburse the Club for the full amount of such payment.	
<b>19</b>	<b>Hull Risks and Specialist Operations</b>	
	Unless the Managers otherwise agree in writing as a term of entry, the Club shall not insure any Member to any extent whatsoever, against the following risks:	
<b>ii</b>	<b>Specialist Operations</b>	
	liabilities, costs or expenses incurred by a Member who contracts to perform specialist operations, including but not limited to dredging, blasting, pile driving, well stimulation, cable or pipe laying, construction, installation [ <del>removal</del> ] or maintenance work, core sampling, depositing of spoil, professional oil spill response or professional oil spill response training and tank cleaning (otherwise than on the entered ship) (but excluding fire-fighting);	<i>Amendment to bring the wording in the Rules into closer alignment with that in the Pooling Agreement.</i>
<b>iii</b>	<b>Drilling Operations</b>	
	liabilities, costs or expenses incurred in respect of an entered ship (being a drilling ship or barge or any other ship or barge carrying out drilling, exploration, [ <del>construction</del> ] or production operations including any accommodation unit moored or positioned on site as an integral part of such operations) and arising out of or during drilling [ <del>for core sampling</del> ] or production operations;	<i>Amendment to bring the wording in the Rules into closer alignment with that in the Pooling Agreement. "Core-sampling" appears as an excluded liability in Specialist Operations at Rule 19 ii.</i>
	The vessel shall be deemed to be carrying out production operations if (inter alia) it is a storage tanker or other vessel engaged in the storage of oil, and either:	
<b>a</b>	the oil is transferred directly from a producing well to the storage vessel; or	
<b>b</b>	the storage vessel has oil and gas separation equipment on board and gas is being separated from oil whilst on board the storage vessel other than by natural venting.	
<b>21</b>	<b>War Risks</b>	
	<i>Provided always that:</i>	
<b>(i)</b>	notwithstanding the exclusion of cover in Rules <b>20</b> and <b>21</b> , the Club shall discharge and pay on behalf of the Owner liabilities, costs and expenses pursuant to a demand made under	
<b>(a)</b>	a guarantee or other undertaking given by the Club to the Federal Maritime Commission under Section 2 of US Public Law 89-777; or	
<b>(b)</b>	a certificate issued by the Club in compliance with Article VII of the	

	International Conventions on Civil Liability for Oil Pollution Damage 1969 and 1992 or any amendments thereof; or	
(c)	an undertaking given by the Club to the International Oil Compensation Fund 1992 in connection with the Small Tanker Oil Pollution Indemnification Agreement, (STOPIA) <b>or, except where such liabilities, costs and expenses arise from or are caused by an act of terrorism, the Tanker Oil Pollution Indemnification Agreement (TOPIA);</b> including any addendum to, or variation or replacement of such Agreements, or	<i>An amendment to bring the Club Rules into line with the Pooling Agreement and to clarify that the availability of any Club cover for certificated liabilities arising from war risks in relation to TOPIA shall not extend to liabilities caused by acts of terrorism.</i>
(d)	a certificate issued by the Club in accordance with Article 7 of the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001;	
(ii)	where any such guarantee, undertaking or certificate is provided by the Club on behalf of the Owner as guarantor or otherwise, the Owner agrees that:	
(a)	any payment by the Club under any guarantee, undertaking or certificate referred to in proviso (i) (a), (b), (c), and (d) above in discharge of the said liabilities, costs and expenses shall, to the extent of any amount recovered under any policy of insurance or extension to the cover provided by the Association, be by way of loan; and	
(b)	there shall be assigned to the Club, to the extent and on the terms that the Managers determine in their discretion to be practicable, all the rights of the Owner under any such other insurance and against any third party; and	
(c)	unless the Managers shall otherwise determine, the Owner shall indemnify the Club to the extent that any payment under any guarantee, undertaking or certificate referred to in <b>proviso (i) (a), (b), (c) or (d) above</b> <del>relates to a nuclear risk pursuant to Rule 20 and/or</del> <b>in discharge of the said liabilities, costs and expenses</b> is or would have been recoverable under a standard P&I war risk policy of <b>insurance</b> , had the Owner complied with <b>all</b> the terms and conditions thereof, under which the vessel shall be deemed to be insured without deductible for its full value.	<i>An amendment to ensure that the Owner's indemnity obligation conforms to the principles agreed by International Group Clubs for cover for certificated liabilities.</i>
<b>24</b>	<b>Imprudent Trading</b>	
<b>ii</b>	<b>Electronic Trading Systems</b>	
<b>a</b>	<del>There shall be no recovery from the Club in respect of any liability, cost or expense whatsoever or howsoever arising, whether directly or indirectly, out of or in consequence of</del>	
(i)	<del>the Member's participation in or use of any system or contractual arrangement the predominant purpose of which is to replace paper-based documentation in shipping and/or international trade with electronic messages, including, without limitation, the Bolero system (and any such system or arrangement being referred to in this Rule as a "paperless system"), or</del>	

(ii)	a document which is created or transmitted under a paperless system which document contains or evidences a contract of carriage, or	
(iii)	the carriage of goods pursuant to such a contract of carriage,	
	save to the extent that the Club in its sole discretion may determine that such liability, cost or expense would have arisen and would have been covered by the Club if the Member had not participated in or used a paperless system and any contract of carriage had been contained in or evidenced by a paper document.	
b	For the purpose of this Rule a “document” shall mean anything in which information of any description is recorded, including, but not limited to, computer or other electronically generated information.	
ii a	<b>There shall be no recovery from the Club in respect of any liabilities, losses, costs and expenses arising from the use of any electronic trading system, other than an electronic trading system approved in writing by the Managers, to the extent that such liabilities, losses, costs and expenses would not (save insofar as the Directors in their absolute discretion otherwise determine) have arisen under a paper trading system.</b>	<i>In recognition of the fact that Club cover should be flexible enough to match the development of electronic trading systems, an amendment to clarify that losses etc. arising under an electronic trading system which has been approved by the Managers of the International Group Clubs are not caught by the paperless trading exclusion.</i>
b	<b>For the purposes of this Rule 24 ii,</b>	
(i)	<b>an electronic trading system is any system which replaces or is intended to replace paper documents used for the sale of goods and/or their carriage by sea or partly by sea and other means of transport and which:</b>	
(a)	<b>Are documents of title, or</b>	
(b)	<b>Entitle the holder to delivery or possession of the goods referred to in such documents, or</b>	
(c)	<b>Evidence a contract of carriage under which the rights and obligations of either of the contracting parties may be transferred to a third party; and</b>	
(ii)	a “document” shall mean anything in which information of any description is recorded, including, but not limited to, computer or other electronically generated information.	
<b>25</b>		
<b>i</b>	<b>Liability to Persons</b>	
<b>ii</b>	<b>Covered risks</b>	
<b>h</b>	<b>Loss of <del>Property</del> <b>Baggage and Effects</b></b>	
	Loss of or damage to baggage, <del>property</del> and effects save for specie, bullion, precious or rare metals or stone, plate or other objects of a rare and precious nature, bank notes or other forms of currency, bonds or other negotiable instruments, whether the value is declared or not, unless in any such case the Managers have been notified prior to any such carriage, and	<i>In line with the rules of most other Clubs, recovery should be limited to loss or damage of baggage and</i>

	any directions made by them complied with, provided that in respect of crew, cover hereunder is limited to their “effects” as defined in Rule 2.	<i>effects of crew and passengers on board.</i>  <i>Consequential changes to all references to “Loss of Property” in Rule 25 iii a,b,c,</i>
<b>iii</b>	<b>Categories of Persons</b>	
	<b>Those persons in the categories a-e below, but always excluding</b>	<i>Cover for liabilities to persons should exclude liabilities in respect of non-marine personnel as per the Pooling Agreement.</i>
<b>(a)</b>	<b>personnel (other than marine crew) on board the entered ship (being an accommodation ship), employed otherwise than by the Member under a contract with a third party which has been approved by the Managers;</b>	
<b>(b)</b>	<b>Hotel and restaurant guests and other visitors and catering crew of the entered ship when the ship is moored (otherwise than on a temporary basis) and is open to the public as a hotel, restaurant, bar or other place of entertainment.</b>	
<b>a</b>	Seamen, including any replacement or substitute, <del>other than:</del>	
<b>(i)</b>	<del>Non marine personnel on board an accommodation ship, employed under a contract with a third party which has not been approved by the Managers;</del>	<i>The exclusion in respect of non-marine personnel set out in the Pooling Agreement has in the existing Rule been applied to liabilities in respect of crew only, when in fact the exclusion should be of general application regarding liabilities to persons.</i>
<b>(ii)</b>	<del>Hotel and restaurant guests and other visitors and catering crew of the ship where the ship is moored (otherwise than on a temporary basis) and is open to the public as a hotel, restaurant, bar or other place of entertainment.</del>	
<b>25</b>		
<b>ix</b>	<b>Towage</b>	
<b>b</b>	Liabilities of a Member arising from and/or in respect of towage by the entered ship,	
	Provided that in respect of liability for loss of or damage to or wreck removal of a vessel or other floating structure towed by the entered Ship or	

	the cargo or other property on such tow (together with costs and expenses associated therewith), there shall be no recovery under this Rule save insofar as:	
<b>(i)</b>	the towage or attempt thereat is made for the purpose of saving or attempting to save life or property at sea, or	
<b>(ii)</b>	the entered ship is towing under a contract approved in writing by the Managers on such terms as they may require; or	
<b>(iii)</b>	If the entered Ship is working under a time charter and there is no contract between the Member and the owner of the tow, the Managers have approved in writing the terms of that time charter.	
<b>c etc.</b>		
<b>Note</b>	<i>Note: The Managers will ordinarily only approve contracts for towage by an entered Ship pursuant to paragraph <b>b (ii)</b> above of this Rule <b>25 ix</b> in terms not less favourable to the towing vessel than:</i>	
<b>a)</b>	<i>United Kingdom, Netherlands and Scandinavian standard towage conditions;</i>	
<b>b)</b>	<i>Towcon and Towhire;</i>	
<b>c)</b>	<i>The Lloyds standard form of salvage agreement (1980, 1990, 1995 or 2000, whether or not incorporating SCOPIC) – no-cure no pay ;</i>	
<b>d)</b>	<i>A contract that contains a term that the parties to the towage contract, and any parties on whose behalf they contract, shall be responsible for any loss or damage to or wreck removal of their own ship, cargo or property and for loss of life or personal injury thereon, without recourse against the other and will indemnify the other against any such liability (a “knock for knock” clause);</i>	<i>An amendment to the Note to the Towage Rule that reflects Pooling Agreement Guidelines for approval of contracts for towage to be performed by the entered vessel.</i>
<b>e)</b>	<i>Other contracts where</i>	<i>ditto</i>
<b>(i)</b>	<i>A term or terms of the contract complying with (d) above is or is likely to be unlawful or unenforceable in whole or in part; and</i>	
<b>(ii)</b>	<i>The contract does not impose on the Member any liability to any person arising out of any act, neglect or default of the owner of the tow or any other person; and</i>	
<b>(iii)</b>	<i>The contract limits the liability of the Member under the contract or otherwise to the maximum extent possible by law.</i>	
	<i>In addition, the Managers recommend in all cases, and particularly when cargo is carried on board the towed vessel, that:</i>	
	<i>1) a Himalaya clause or similar provision should be incorporated in the towage or other contract under which the entered ship is hired to perform towage services, to protect the tug owner’s own employees, servants and subcontractors from being sued in tort by the hirer or charterer of the tug; and</i>	
	<i>2) the towage or other contract under which the entered ship is hired to perform towage services should include a requirement that any other contract entered into by the hirer or charterer of the tug with any third party should contain a Himalaya clause, under which the tug is afforded the same defences as the hirer or charterer.</i>	



<b>26 i</b>	<b>Classification and Condition Surveys</b>	
<b>i</b>	<del>Where an entered ship has been laid up for a period exceeding six months irrespective of whether any part of that period precedes the ship's entry and/or whether the Member has sought lying up returns pursuant to Rule 33 the Member shall give notice of the recommissioning of the ship not less than 14 days prior to the date when the ship sails from the place of lay up.</del>	<i>This provision has been replaced by that set out at Rule 33 proviso (x) below.</i>
<b>32</b>	<b>Reinsurance</b>	
<b>i</b>	The Managers may on behalf of the Club enter into contracts of reinsurance under which the Club agrees to reinsure the risks arising in connection with any one or more ships insured by another insurer or else agrees to reinsure the whole or any part or proportion of the insurance business of any other insurer. The premium payable to the Club and the terms and conditions on which the reinsurance is accepted by the Club shall be such as are agreed between the Managers and such other insurer.	
<b>ii</b>	The Club may continue to be a party to the Pooling Agreement or to any other agreement of a similar nature or purpose.	
<b>iii</b>	The Managers shall have the right in their discretion to effect on behalf of the Club the reinsurance or ceding of any risks insured by the Club (including any risk which may fall on the Club by reason of a reinsurance or the Pooling Agreement referred to in paragraphs <b>i</b> or <b>ii</b> of this Rule) with such reinsurers and on such terms as the Managers shall consider appropriate.	
<b>33</b>	<b>Lay Up</b>	
	<del>If an entered ship shall be without cargo and so remain in any safe port for a period of 30 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 included) the Member shall be allowed a return of Mutual Premium at the following rate:</del>	
<b>i</b>	<del>if the ship so remains with more than one fourth of her normal crew on board at the rate of 50% of the Mutual Premium payable on her contributing tonnage;</del>	
<b>ii</b>	<del>if the ship so remains with less than one fourth of her normal crew at the rate of 90% of the Mutual Premium payable on her contributing tonnage.</del>	
	<i>provided always that:</i>	
<b>a</b>	<del>the Directors shall have sole discretion in deciding whether the port involved (or the position of the ship in that port) is a safe port within the meaning of this Rule;</del>	
<b>b</b>	<del>no claim shall be admitted for lying up returns under this Rule unless the claim is made within twelve months of the end of the policy year concerned;</del>	
<b>c</b>	<del>the percentage of Mutual Premium returnable shall be calculated upon the net Mutual Premium only. For this purpose "net Mutual Premium" means Mutual Premium payable, excluding Overspill Calls, less such allowance for the unrecovered cost of reinsurance as the Managers may from time to time determine.</del>	
<b>i</b>	<b>If an entered ship shall be without cargo and so remain safely laid up for a period of 30 or more consecutive days after finally mooring at her</b>	<i>The Rule has been redrafted to eliminate some of</i>

	<p><b>port or place of lay up (such period being computed from the day of arrival to the day of departure, only one being included) the Member shall be allowed a return of Net Premium as follows:</b></p>	<p><i>the arbitrary elements of the existing Rule, whilst expanding the right to a lay up return. A claim for a return of premium may be made when a ship is safely laid up both in port (as at present) and, under the new rule, where the ship is in another safe place. The new Rule specifies more precisely the circumstances in which a ship may qualify for a lay up return in "cold" and "warm" lay up.</i></p>
<b>a</b>	<p><b>If the ship so remains at any safe port or place, with all her machinery shut down, including the ship's own generators, and with no crew or other persons on board or on duty in the immediate vicinity of the vessel, except for the minimum such persons necessary for the security and safety of the ship at her place of lay up – at such rate of up to 90% of the Net Premium on a pro rata daily basis as the Managers in their discretion may determine;</b></p>	<p><i>In the "cold" lay up situation a ship may qualify for a return of premium of up to 90pct. The defining feature of cold lay up is that the ship's own machinery is shut down.</i></p>
<b>b</b>	<p><b>If the ship so remains at any safe port or place, with her machinery operative, at such rate of up to 50% of the Net Premium on a pro rata daily basis as the Managers in their discretion may determine.</b></p>	<p><i>In the "warm" lay up situation, where a ship remains under her own power, a ship may qualify for a return of premium of up to 50 pct.</i></p>
	<b>Provided always that</b>	
<b>(i)</b>	<p><b>unless otherwise agreed in writing by the Managers, there shall be no entitlement to any return of Net Premium, under this sub-rule i if any works, repairs, refit or maintenance have been or are carried out upon the ship during the period of lay up, other than those required solely for the ship's safety or security at her place of lay up;</b></p>	<p><i>No works may be performed on a ship in cold lay up other than those immediately required for the safety and security of the ship at her place of lay up.</i></p>
<b>(ii)</b>	<p><b>Notwithstanding proviso (i) above, the carrying out of routine maintenance upon the ship during the period of layup shall not preclude the Member from claiming a return of Net Premium under sub-rule i b above.</b></p>	<p><i>Routine maintenance may be performed on a ship in warm lay up.</i></p>
<b>(iii)</b>	<p><b>Where it appears likely that the vessel will be so laid up for a period of 30 or more consecutive days and whether or not an application for laid up returns is made or anticipated to be made in accordance with this Rule:</b></p>	

(a)	<b>the Member must forthwith notify the Managers in writing in a form required by the Managers, specifying amongst other things the location, the mooring and crewing arrangements and anticipated duration of such lay up;</b>	<i>The Member is now required to inform the Managers when vessels are laid up. This will enable the Club to assess its exposure to potential claims for return of premium. The same form will be used for notification and a claim for return of premium and this form will be available from the Club website.</i>
(b)	<b>the Member shall be under a continuing duty to assess the safety of the ship and the port or place of lay up and notify the Managers of any material change of circumstances since the date of the notice referred to at (a) above;</b>	<i>Even though the ship is laid up, the Member will be under a continuing duty to assess the safety of the place of, and the arrangements for, lay up</i>
(c)	<b>the Managers shall have the option but not the obligation to arrange a survey or other investigation to assess the safety of the ship and /or the place of lay up, and the Member shall bear the costs of such survey or investigation unless otherwise agreed by the Managers in writing;</b>	<i>The Managers shall have the right to arrange a survey to assess the safety of the lay up arrangements.</i>
(d)	<b>The Managers shall have sole discretion in deciding whether the port or place involved (or the position of the ship in such place) is safe for the purposes of this Rule;</b>	
(iv)	<b>An application for a laid up return shall be made by the Member in the form required by the Managers;</b>	
(v)	<b>Where notice of lay up is given, whether or not the Member has sought laid up returns, in accordance with this Rule, the Member warrants, and it shall be a condition precedent to a Member's right of recovery from the Club, that it and the ship shall</b>	<i>The Member shall continue to ensure that both it and the ship comply with the Rules when the ship is laid up, including the Classification Rule, as well as with the requirements of all relevant bodies such as port and harbour authorities and insurers.</i>
(a)	<b>continue to comply with the provisions of the Rules and Rule 26 i in particular; and</b>	
(b)	<b>comply with all legal and regulatory requirements imposed by the relevant authorities exercising jurisdiction over the ship in its place of lay up, including but not limited to the relevant port state(s) and</b>	

	<b>harbour authorities, as well as with any conditions imposed by the ship's hull and machinery underwriters, and any requirements of the ship's classification society and flag state;</b>	
(vi)	<b>No laid up returns shall be allowed in respect of charterers' entries, other than entries in respect of bareboat charters;</b>	<i>Charterers' entries (other than bareboat charters) do not qualify for a laid up return.</i>
(vii)	<b>For the purposes of this Rule 33 "Net Premium" means the premium payable, excluding Overspill Calls, less such allowance for the unrecoverable cost of reinsurance, brokerage, administration expenses, and any other amounts as may be due from the Member to the Club in relation to the entry, as the Managers in their discretion may from time to time determine.</b>	<i>A definition of "Net Premium" has been introduced.</i>
(viii)	<b>Unless the Directors shall in their absolute discretion otherwise determine, no claim shall be admitted for laid up returns unless the claim is made within 3 months of the end of either the vessel's lay up or the applicable policy year, whichever shall first occur.</b>	<i>Any claim for a laid up return must be made within 3 months of the end of the period of lay up or the end of the policy year, whichever first occurs.</i>
(ix)	<b>The Managers may, in their discretion, admit in whole or in part, a claim for a laid up return which would otherwise be excluded by the operation of any provision of this Rule 33.</b>	
(x)	<b>Where an entered ship has been laid up for a period of 30 or more consecutive days, regardless whether any part of that period precedes the ship's entry in the Club and whether or not the Member has sought laid up returns in accordance with this Rule, the Member shall give notice to the Managers not less than 14 days prior to the date when the ship sails from the place of lay up, and the Managers shall be entitled to survey any such ship prior thereto or afterwards. Without prejudice to the foregoing, the provisions of Rule 26 shall apply to any ship laid up in accordance with this Rule or otherwise.</b>	<i>The Managers have the right to survey ships coming out of lay up, a right which was previously set out in Rule 26 i (i).</i>
<b>35</b>	<b>Cessation of Membership</b>	
	A Member shall cease to be a Member and shall cease to be insured by the Club in respect of any and all ships entered by him upon the happening of any of the following events:	
<b>i</b>	in the case of an individual upon his death;	
<b>ii</b>	in the case of a corporation if it be wound up or dissolved;	
<b>iii</b>	if it ceases to have any ship entered in the Club;	
<b>iv</b>	in the case of an individual if he becomes bankrupt, subject to a receiving order or makes any arrangement or composition with his creditors generally or by reason of mental disorder becomes incapable of conducting his affairs;	
<b>v</b>	in the case of a corporation if it is placed in receivership or seeks protection from its creditors, reorganisation or rehabilitation pursuant to any applicable laws, or if a creditor takes uncontested possession of any of its assets pursuant to any security interest therein;	
	Save that in respect of <b>iv</b> and <b>v</b> above the Managers shall be entitled in their absolute discretion to agree that a Member may be entered upon such terms and conditions as they see fit.	

vi	<p><b>Notwithstanding and without prejudice to Rule 35 vii below, if the Directors, on such notice in writing as they may decide, terminate the entry of a Member where the Member's continuing entry will expose or may, in the opinion of the Directors, expose the Club or any of its Members 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.</b></p>	<p><i>In the light of existing and prospective legislation in the United States and elsewhere, which might expose the Club to sanctions jeopardising the Club's business as a whole, a provision has been introduced to give the Directors discretion to terminate an entry upon notice to the Member if continued insurance of that Member would expose the Club to the risk of government or international sanctions or other adverse action.</i></p>
vii	<p><b>Notwithstanding and without prejudice to Rule 35 vi above, unless the Directors shall in their discretion otherwise determine, if any ship (whether or not entered in the Club) is employed by the Member in a carriage, trade 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. In the event of any dispute as to whether the ship has been so employed, the Directors' decision shall be final.</b></p>	<p><i>In the light of existing and prospective legislation in the United States and elsewhere, cover shall cease if a Member's trade or employment of a ship exposes the Club to the risk of sanctions.</i></p>
	<p><i>Provided that:</i></p>	
a	<p>If the cesser of Membership and of insurance be occasioned by any of the events specified in sub-paragraphs <b>i to vii</b> above, such Member, its estate, legal, personal representatives, trustees in bankruptcy or liquidator as the case may be, shall be and remain liable for contributions in respect of the Policy Year during the currency of which the event occurred, pro rata only to the period beginning with that Policy Year and ending upon the happening of such event; but the Club shall thereupon cease to be liable for any claims under these Rules and in respect of such ship or ships arising by virtue of any incident or occurrence occurring after the happening of any such specified events in sub-paragraphs <b>i to vii</b> above, or for any claims directly or indirectly arising because of such specified event(s), and nothing done by the Club subsequent to any such specified event shall constitute a waiver of the Club's rights under this sub-paragraph, unless the Club shall thereafter have expressly, in writing to the Member, accepted liability for such claim.</p>	
b	<p>nothing in the foregoing proviso <b>a</b> shall prejudice the Managers' rights, under Rule <b>37</b>, to terminate or rescind cover, and to require payment of premium as herein provided.</p>	
c	<p><b>In relation to Rule 35 vii when the risk of any such sanction,</b></p>	

	<b>prohibition or adverse action ceases, insurance by the Club in respect of any and all ship(s) entered by the Member, may in the Managers' discretion be reinstated.</b>	
<b>40</b>	<b>Deduction, Set Off, Interest and Costs</b>	
<b>vi</b>	<b>Where the Club incurs a direct liability to pay any sums, including interest and legal costs and/or perform any act in its capacity of the Member's insurer under these Rules and/or the Certificate of Entry, and the Managers are of the opinion that such sums and/or the costs of performing such acts are not recoverable from the Club under the Club Rules and/or the Certificate of Entry, then, without prejudice to the Member's and the Club's rights under Rule 47, the Member shall forthwith on demand indemnify and hold harmless the Club in respect of such sums and/or the costs of performing such acts and the Club's legal costs, and the Club shall be entitled to exercise its rights of deduction and set-off under this Rule 40 in respect of such sums and paragraph v of this Rule 40 shall apply in the event of non-payment.</b>	<i>The Club to have an express right of indemnity from the Member where the Club incurs liabilities which would not otherwise be covered.</i>
<b>43</b>	<b>Provision of Bail</b>	
<b>i</b>	The Club is under no obligation to provide bail or other security, <b>including any guarantee, undertaking or certificate evidencing financial or other responsibility</b> , on behalf of any Member. When the Club does provide bail or <b>such</b> other security the Managers may at the time when <b>such bail or other</b> security is provided or at any time subsequently until the security is returned for cancellation:	<i>An amendment to make clear that the terms of Rule 43, governing the provision of bail or security by the Club, apply to anticipatory guarantees issued by the Club on behalf of a Member, including certificates of financial responsibility required by international conventions.</i>
<b>a</b>	require the Member forthwith to provide alternative security in substitution for that provided by the Club, if acceptable to the claimant, or place a cash deposit with the Club or, in the Managers' sole discretion, <b>to</b> provide other counter-security acceptable to the Club,	
<b>b</b>	withhold all or any payments due from the Club to the Member up to the amount of the Club's exposure as a security deposit until its liability under its security has been determined.	
<b>ii</b>	The provision of bail or other security is at the absolute discretion of the Managers and the Club shall not be liable for any delay or detention to a ship to which such security relates and any other ship owned by the Member or any other assets, or for any other losses whatsoever and howsoever arising, resulting from non-provision or delay in providing bail or other security;	
<b>iii</b>	Where bail or other security is provided on behalf of the Member, the Managers shall be entitled to impose such terms on its provision as they in their absolute discretion see fit and the Member agrees that the Club shall have a contractual lien over each ship owned by the Member and/or in the same and/or associated ownership, management or control, whether entered in the Club or not, for an amount equivalent to the Club's exposure under	

	the said bail or other security which the Club shall be entitled to enforce at any time in the Managers' absolute discretion;	
<b>iv</b>	The provision of bail or other security by the Club does not constitute any admission of liability by the Club for any claim in respect of which the bail or security is given. Insofar as the Club makes payment under or pursuant to any bail, guarantee, certificate or security whatsoever provided by the Club, and the amount of that payment or any part thereof would not have been payable by the Club but for its provision of such security, the Member shall to that extent forthwith indemnify the Club, and pay any costs incurred through or in connection with the provision of such security.	

**AMENDMENTS FOR 2010/11 TO THE RULES OF CLASS 2 FREIGHT  
DEMURRAGE AND DEFENCE OF THE STEAMSHIP MUTUAL  
UNDERWRITING ASSOCIATION (BERMUDA) LIMITED**

Rule		Comment
<b>8</b>		
<b>i</b>	<p><b>Subject to sub Rules 8 ii, iii and iv below</b>, the Directors shall have sole and entire discretion as to what cases may be undertaken and what limit upon costs and expenses may be imposed by the Club in any particular case or cases and as to the initiation and conduct of all proceedings, legal or otherwise, which may be undertaken by the Club at its cost and expense and <b>may at any time limit the amount of costs and expenses which may be reimbursed or otherwise paid by the Club and</b> may give such directions <b>at any time, and notwithstanding that any financial limit referred to in sub rule 8 ii has not been reached</b>, as to compromise, continuation or discontinuation, costs and expenses as in their absolute discretion they may deem desirable. If the Member declines to act in accordance with such directions he shall then take upon himself the entire risk and expense of all future proceedings without any claim whatsoever for reimbursement out of the funds of the Club.</p>	<p><i>An amendment to make clear that the availability of class 2 cover is always subject to the exercise of discretion and that accordingly defence support may be withdrawn before any maximum financial limit on cover set out in the Rules or certificate of entry has been reached.</i></p>
<b>ii</b>	<p><b>The liability of the Club to reimburse or indemnify the Member for costs and expenses covered under this Class 2 shall be limited to such amount as appears in the Certificate of Entry or as may otherwise be agreed by the Managers in writing, but in the absence of any such amount or agreement, and in any case, shall not exceed US\$ 10 million overall, in respect of all costs and expenses arising out of any one claim or series of claims. The Managers may in their absolute discretion determine whether legal and other costs and expenses for the purposes of this Rule and limit have arisen out of one claim or series of claims, irrespective of whether one or several ships is/are involved.</b></p>	<p><i>A maximum aggregate limit of cover of US\$ 10 million has been introduced for liabilities arising, or deemed to arise, out of any one act or occurrence.</i></p>
<b>iii</b>	<p><b>Unless otherwise agreed by the Managers in writing, any costs and expenses recoverable under this Class 2 shall be limited to the excess of stipulated deductibles.</b></p>	
<b>iv</b>	<p><b>In no circumstances shall the Club be liable for costs awarded in circumstances where the Member has failed to follow the directions of the Club, or when arising directly or indirectly as a result of failure to comply with or breach of any of the Rules of this Class 2 or the Rules of Class 1 Protection and Indemnity as incorporated in this Class 2 by Rule 14 below.</b></p>	<p><i>This provision speaks for itself and ensures, for example, that the Club shall not be liable for costs awarded against a member on an indemnity basis as a result of a Member pursuing an unmeritorious application contrary to the directions of the Club.</i></p>
	<p><i>Note: the Club will not normally undertake cases which concern a substantial body of shipowners rather than an individual Member unless all or the majority are entered in this Class; nor cases which should properly be the subject of</i></p>	<p><i>The reference to a lower limit of US\$ 120 is no longer considered appropriate, given the</i></p>



	<p><i>diplomatic action or action by national or international bodies; nor disputes in connection with Liner Conferences; <del>nor cases where less than US\$120 is involved</del>; but it may do so if the Directors in their sole discretion decide that such cases should be taken up and the Club may subscribe to such national and international bodies.</i></p>	<p><i>discretionary nature of FDD cover in any event.</i></p>
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