



STEAMSHIP MUTUAL

To the Members

January 2006

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 09:00 hours on Tuesday, 14th February 2006, to consider and if thought fit to pass the following Resolution:

RESOLUTION

CLASS 1

THAT with effect from Noon G.M.T. on 20th February 2006, 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.

By Order of the Board

J.M. Macdonald
Secretary

31st January 2006

B.438

FORM OF PROXY

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

or _____

or _____

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 31st January 2006 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 12:00 hours on Tuesday, 14th February 2006 and at any adjournment thereof.

AS WITNESS the hand of the undersigned this _____ day of _____ 2006.

Member's signature _____

Name (please print) _____

Company _____

Address _____

Signed in the presence of :

Witness

AMENDMENTS FOR 2006/7 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.

8	Members	
vi	Membership shall not be transferable or transmissible	<i>The words “or transmissible” have been added to bring the Rules into line with Bye-law 3(6) of the Club Bye-laws and to exclude the possibility of a transfer of membership by inheritance.</i>
20	Nuclear Risks	
	<p><u>[The Club shall not insure any Member to any extent whatsoever against any loss, damage, liability or expense directly or indirectly caused by, contributed to, or arising from:]</u></p> <p>There shall be no recovery from the Club in respect of a Member’s liabilities, costs or expenses (irrespective of whether a contributory cause of the same being incurred was any neglect on the part of the Member or on the part of the Member’s servants or agents) when the loss or damage, injury, illness, or death or other accident in respect of which such liability arises or cost or expense is incurred, was directly or indirectly caused by or arises from:</p>	<i>The adoption in this Rule of the new wording shown in bold and the deletions of text have now been approved by the International Group in order to bring the Pooling Agreement and Rules of the Group Clubs into strict conformity with the most recent nuclear risks exclusion wording in the market (CL 370) which could in future apply to the Club’s reinsurance protection.</i>
i	<p>Ionising radiations from, <u>[or the radioactive, toxic, explosive or other hazardous or contaminating properties of]</u> or contamination by radioactivity from, any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel;</p>	
ii	<u>[ionising radiation from, or]</u> The radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof;	

iii	any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.	
iv	The radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter.	
	<i>provided always that:</i> this Rule does not exclude liabilities, costs and expenses arising out of the carriage of “excepted matter” (as defined in the Nuclear Installations Act 1965 of the United Kingdom or any regulations made thereunder) being carried as cargo on an entered vessel.	
25 ii	Liability to Persons – covered risks	
c	Repatriation	
	Repatriation expenses in respect of persons on board an entered ship in consequence of a casualty thereto or consequent on illness or injury to such persons, or in any other case where the Managers in their discretion determine that such expenses have been necessarily and reasonably incurred.	<i>The additional wording shown in bold clarifies that cover for repatriation expenses is available in the first instance in cases of illness or injury to persons on board an entered ship. The proposed amendment also expands the scope of the Rule, in line with existing provisions in the Rules of other Group Clubs, to permit the recovery of repatriation expenses in other circumstances, for example when a close relative of a crew member dies or becomes ill. Recovery of such expenses is subject to the Managers’ discretion and approval.</i>
25 vi	Pollution	
	<p><i>Work on continued revision of the 1992 Civil Liability and Fund Conventions has been halted, principally as a result of proposals to extend STOPIA (Small Tanker Oil Pollution Indemnification Agreement) and to introduce a new agreement, TOPIA (Tanker Oil Pollution Indemnification Agreement), which will provide additional voluntary compensation in respect of oil spills from tankers. The full details of these agreements, which are still in the course of finalisation, will be explained in a separate Circular to Members. However the proposed Rules changes will ensure that all relevant tankers entered in the Club will participate in STOPIA (as it may be varied, amended or restated in 2006) and TOPIA.</i></p> <p><i>The effect of the proposals, once agreed, will be (i) to extend STOPIA, which currently applies in the 2003 Supplementary Fund States, to all 1992 Fund States and to rename it STOPIA 2006 and (ii) to provide for automatic participation in TOPIA for all CLC tankers so that liabilities incurred under TOPIA may be covered under this same Pollution Rule</i></p> <p><i>STOPIA 2006 provides for a voluntary increase in the limit of liability for CLC tankers up to 29,548 tons from SDR 4.5 million to SDR 20 million. TOPIA provides for a voluntary sharing of 50% of the amount of any claims falling on the Supplementary Fund for all CLC tankers regardless of size. The two schemes are intended to have the effect, over time, of</i></p>	

	<i>ensuring that the total cost of oil pollution claims falling within the 1992 Civil Liability Convention, the 1992 Fund Convention and the 2003 Supplementary Fund Protocol are shared equally between shipowners and oil receivers who contribute to the 1992 Fund. In addition the two schemes also contain provisions allowing for their revision at specified intervals to ensure compensation continues to be shared equally overall.</i>	
25 vi	<i>Provided always that:</i>	
(iii)	<p>A Member insured in respect of a ship which is a “relevant ship” as defined in the Small Tanker Oil Pollution Indemnification Agreement, including any addendum to, or variation or replacement of such agreement (STOPIA) shall, unless the Managers otherwise agree in writing, be a party to STOPIA for the period of entry of the ship in the Club.</p> <p>Unless the Managers have agreed in writing or unless the Directors in their discretion otherwise determine, there shall be no cover under this Rule 25 vi in respect of such a ship so long as the Member is not a party to STOPIA.</p>	<p><i>This amendment clarifies that assumption of liabilities under STOPIA, as same may be varied or amended, fall within the scope of Club cover.</i></p> <p><i>Other minor textual changes have been made to harmonise with the language used elsewhere in the existing Rules.</i></p>
(iv)	A Member insured in respect of a ship which is eligible for entry in the Tanker Oil Pollution Indemnification Agreement (TOPIA) shall, unless the Managers otherwise agree in writing, be a party to TOPIA for the period of entry of that ship in the Club. Unless the Managers have agreed in writing or unless the Directors in their discretion otherwise determine, there shall be no cover under this Rule 25 vi in respect of such a ship so long as the Member is not a party to TOPIA.	<i>A new provision to the effect that assumption of liabilities under TOPIA will fall within the scope of Club cover.</i>
21	War Risks	
iii b	<i>Provided always that:</i>	
(i) (C)	An undertaking given by the Club to the International Oil Compensation Fund 1992 in connection with the Small Tanker Oil Pollution Indemnification Agreement, including any addendum to, or variation or replacement of such agreement (STOPIA)	<i>This amendment updates the existing Rule to provide for the amended version of STOPIA.</i>
31	Handling of Claims	
i	Unless the Managers shall otherwise agree in writing:	
a	The Club shall have the right but not the obligation, to investigate and/or handle on behalf of the Member any claim or other matter which has	

	resulted or may result in loss, damage, expense or liability in respect of which a Member is, or may be , insured under these Rules and/or in respect of which security has been provided by the Club on its behalf and to appoint any person on behalf of the Member for this purpose.	<i>The additional wording has been introduced to permit the Club to investigate and handle claims where security has been provided by the Club but the claim is subsequently discovered to be uncovered.</i>
45	Amendments to Rules	
	The Rules of this Class may be altered or added to either by Ordinary Resolution passed at a separate meeting of the Members of this Class or by an Ordinary Resolution passed at a general meeting of the Club provided in each case that no such alterations shall be effective unless and until the same shall be sanctioned by the Directors.	<i>Amendment required to bring the Rules into conformity with Bye-law 9 of the Club Bye-laws.</i>
47	Dispute Resolution, Adjudication	
i	In the event of any difference or dispute whatsoever, between or affecting a Member and the Club and concerning the insurance afforded by the Club under these rules or any amounts due from the Club to the Member or the Member to the Club, such difference or dispute shall in the first instance be referred to adjudication by the Directors. That adjudication shall be on the basis of documents and written submissions alone and conducted in accordance with such procedures as the Managers decide from time to time in their absolute discretion. Notwithstanding the terms of this Rule 47 i , the Managers shall be entitled to refer any difference or dispute to arbitration in accordance with subparagraph ii below without prior adjudication by the Directors.	<i>The Board have already agreed that the Managers should be able to lay down procedures to be observed for the submission of claims to the Board for consideration and accordingly it is proposed to insert the following wording: “and conducted in accordance with such procedures as the Managers decide from time to time in their absolute discretion.”</i>
ii	If the Member does not accept the decision of the Directors, or if the Managers, in their absolute discretion, so decide, the difference or dispute shall be referred to the arbitration of three arbitrators, one to be appointed by each of the parties and the third by the two arbitrators so chosen, in London. The submission to arbitration and all the	

	proceedings therein shall be subject to the provisions of the English Arbitration Act, 1996 and the schedules thereto or any statutory modifications or reenactment thereof.	
iii	<p>No Member shall be entitled to maintain any action, suit or other legal proceedings against the Club upon any such difference or dispute unless and until:</p> <p><u>[the same has been submitted to the Directors and they shall have given their decision thereon, or shall have made default for three months in so doing;</u></p> <p><u>and, if such decision be not accepted by the Member or such default be made, unless and until the difference or dispute shall have been referred to arbitration in the manner provided in this Rule, and the Award shall have been published; and then only for such sum as the Award may direct to be paid by the Club.</u></p> <p><u>And the sole obligation of the Club to the Member under these Rules or otherwise howsoever in respect of any disputed claim made by the Member shall be to pay such sum as may be directed by such an Award.]</u></p>	<p><i>It is proposed to delete the existing text shown underlined and substitute the following text shown in bold:</i></p> <p>a) the same has been adjudicated by the Directors or, having been put before them for special consideration at a meeting of the Board, a period of six months has elapsed from that date without publication of their adjudication; and</p> <p>b) if such decision is not accepted by the Member or such period has elapsed, unless and until the difference or dispute shall have been referred to arbitration in the manner provided in this Rule, and the award shall have been published and then only to enforce the terms of that Award.</p> <p>And the sole obligation of the Club to the Member under these Rules or otherwise howsoever in respect of any disputed claim made by the Member shall be to honour the terms of such an award.</p> <p><i>Bearing in mind that Board meetings are held every three months, this amendment is aimed at allowing sufficient time for the Board to adjudicate prior to a dispute being referred to arbitration. If the directors have failed to publish their decision in adjudication a referral to arbitration may now take place after six months. The current period is three months. The amendment to the last sentence recognises that an arbitration award may be in the form of a declaration rather than a quantified sum.</i></p>
iv	In the adjudication of each difference or dispute the Directors shall have the power but not a duty to request further information or documents from the Member which request shall be complied with not later than two months from the date of receipt of that request by the Member. Where such a	<i>A new provision aimed at clarifying the rights of Directors in the conduct of the adjudication process. In particular, a Member may not refer the dispute to arbitration, or commence any other legal proceeding in respect thereof, where he has failed to comply with a request for information or documents from the Directors and the adjudication process is thus</i>

	request is made, the period in Rule 47 iii a shall run from the expiry of the Member's period for compliance.	<i>incomplete.</i> <i>Sub-paragraphs v-vii below have been renumbered.</i>
v	In any event no request for adjudication by the Member shall be made to the Directors in respect of any difference or dispute between, or matter affecting, the Member and the Club more than two years from the date when that dispute, difference or matter arose unless, prior to the expiry of this limitation period, the Managers have agreed in writing to extend the same.	
vi	Nothing in this Rule 47 including paragraph i , or in any other Rule or otherwise shall preclude the Club from taking any legal action of whatsoever nature in any jurisdiction at its absolute discretion in order to pursue or enforce any of its rights whatsoever and howsoever arising including but not limited to: -	
a	Recovering sums it considers to be due from the Member to the Club;	
b	Obtaining security for such sums; and/or	
c	Enforcement of its rights of lien whether arising by law or under these rules.	
vii	These rules and any contract of insurance between the Club and the Member shall be governed by and construed in accordance with English law. <i>Provided always that:</i> No benefit or rights are conferred or intended to be conferred, under or through the operation of the Contract (Rights of Third Parties) Act 1999 or any similar legislation.	