

**AMENDMENTS WITH EFFECT FROM MIDNIGHT 27TH AUGUST 2010 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.

Rule		Comment
17	Recovery	
	If any Member shall become liable in damages or otherwise or shall incur any liabilities, costs or expenses as hereinafter set out in Rules 25 and 28 , in respect of a ship which was entered in the Club at the time of the casualty or event giving rise to such liabilities, costs or expenses, such Member shall be entitled to recover, out of the funds of the Club, the amount of such liabilities, costs or expenses to the extent and upon the terms, conditions and exceptions provided by these Rules and by the Certificate of Entry;	
	Provided always that:	
i	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;	
ii	The Member shall have no right to recovery from the Club in respect of any liabilities, costs or expenses where the Directors determine that the reimbursement or any payment in respect thereof exposes 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 express terms of such sanction, prohibition or adverse action permit payment of any sums due from the Club to the Member into a blocked account, in which event payment by the Club into that account shall discharge the Club from all liability to the Member howsoever arising in respect of the claim to which such payment relates.	<i>A provision precluding recovery where reimbursement or payment exposes the Club to the risk of sanctions.</i>
iii	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>Renumber remaining provisions</i>
	<i>Provided always that:</i>	
a	The Seaman or dependant has no enforceable right of recovery against any other party and would otherwise be uncompensated;	
b	The amount payable by the Club shall not be subject to set off of any amount due to the Club and, subject to c below, 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;	
c	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 iii (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.	
d	Any payment made by the Club pursuant to this Rule 17 ii 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.	
iv	Any liability costs or expenses (other than those arising in respect of oil pollution) incurred by the Club or by any other party to the Pooling Agreement in respect of an entered ship arising from any one casualty or event, including any claim in respect of liability for the removal or non-removal of any wreck, shall be treated for the purposes of these Rules as if they were one claim;	
v	If less than the full tonnage of a ship is entered in the Club, the Member shall be entitled only to recover such proportion of its claim as the entered tonnage bears to the full tonnage;	
vi	In no case whatsoever shall interest be paid on sums due from the Club.	
24	Imprudent Trading	
i	No claim shall be recoverable from the Club if it arises out of or is consequent upon an entered ship, or a ship in respect of which insurance is provided by the Club;	
a	Carrying contraband, blockade running or being employed in an unlawful trade, or	
b	Being employed by the Member in a carriage, trade or on a voyage which thereby in any way howsoever exposes 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 Directors otherwise determine, or	<i>Employment by the Member of a vessel in a trade which may expose the Club to the risk of sanctions shall constitute imprudent trading and no liabilities consequent upon such trade shall be recoverable from the Club.</i>
c	Performing any voyage or being employed in any trade which in the opinion of the Directors is imprudent, unsafe, unduly hazardous or improper.	
32	Reinsurance	
i	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.	
ii	The Club may continue to be a party to the Pooling Agreement or to any other agreement of a similar nature or purpose.	
iii	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 i or ii of this Rule) with such reinsurers and on such terms as the Managers shall consider appropriate.	
iv	The Club shall in no circumstances have a liability to the Member in respect of that part of any liabilities, costs and expenses which is not recovered by the Club from parties to the Pooling Agreement, and / or under the Group Excess Loss Reinsurance Contract because of a shortfall in recovery from such parties or reinsurers thereunder by reason of a 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.	<i>To guard against the situation where a claim on the Pool or General Excess Loss Contract may effectively be unreinsured, this provision precludes reimbursement of a claim to the extent that there is a shortfall in recovery from another Club which is a party to the Pooling Agreement, or from Excess Loss underwriters, by reason of sanctions</i>
	For the purposes of this Rule 32 iv “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.	
35	Cessation of Membership	
	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:	
i	in the case of an individual upon his death;	
ii	in the case of a corporation if it be wound up or dissolved;	
iii	if it ceases to have any ship entered in the Club;	
iv	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;	
v	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 iv and v 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	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 provision of cover to or in respect of a vessel and /or 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.	<i>The provision of cover may cease where the vessel is or becomes a designated sanctions target.</i>
vii	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.	
	<i>Provided that:</i>	
a	If the cesser of Membership and of insurance be occasioned by any of the events specified in sub-paragraphs i to vii 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 i to vii 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.	
b	nothing in the foregoing proviso a shall prejudice the Managers' rights, under Rule 37 , to terminate or rescind cover, and to require payment of premium as herein provided.	
c	In relation to Rule 35 vi above, the Directors may agree to terminate only that part of the entry, and/or the entry of only those vessels and /or that part of any other cover arrangement which will expose or may in the opinion of the Directors expose, the Club and/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.	<i>These amendments to paragraphs c and d refine the application of the cessation and termination provisions in Rules 35 vi and vii, which currently provide that the Member's entire entry must cease or terminate. The amendment provides for termination of only that part of the entry which may relate to,</i>

		<i>or the termination of the insurance of only those vessels which may be engaged in, any sanctionable activity.</i>
d	In relation to Rule 35 vii above, the Managers may agree that cessation of cover thereunder will apply only to that part of the entry and /or that part of any other cover arrangement related to, and/or to the entry of only those vessels 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.	<i>See above</i>
e	In relation to Rule 35 vii, when the risk of any such sanction, 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.	<i>Re-numbered</i>
45	Amendments to Rules	
i	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.	
ii	Notwithstanding and without prejudice to any other provision of these Rules, including Rule 45 i above, and/or the provisions of the Bye-laws of the Club, these Rules may on such notice as the Directors may in their discretion decide, be amended at any time, (including with effect during the course of a Policy Year) to such extent as the Directors may in their discretion determine is necessary:	<i>A provision permitting further Rule changes within a Policy Year where the Directors decide these are necessary to comply with sanctions regulations as they may be amended from time to time.</i>
a	as a result of the potential or actual implementation of, or change in, any sanction, prohibition, restriction, legislation, regulation or requirement of; and/or	
b	to obtain any licence or approval by,	
	any State, International Organisation or other competent authority.	