

Norwegian Marine Insurance Plan 1996, version 2002 1

# **Norwegian Marine Insurance Plan**

**of 1996, Version 2002**

## **Preface**

### **Norwegian Marine Insurance Plan of 1996, Version 2002**

As from 1 November 2001, the copyright of the Norwegian Marine Insurance Plan (NMIP) was transferred by Det Norske Veritas to the Central Union of Marine Underwriters Norway (CEFOR). This marks an important change in a tradition dating back 130 years. Det Norske Veritas has been responsible for preparing and publishing the marine insurance plans since the very first plan saw the light of day in 1871 up until the current Plan of 1996. It is natural, therefore, that the Norwegian marine insurance community express its warm gratitude to Det Norske Veritas for the pivotal role that it has played in the course of these many years. Moreover, Det Norske Veritas will continue to be responsible for publishing the Internet editions of the Plan.

This preface covers the work on the 1996 Plan, Version 2002. As regards Version 1997 and Version 1999 of the 1996 Plan, please refer to the prefaces of the Version 1999 edition.

During the preparation of the 1996 Plan, Version 2002, the Standing Revision Committee has comprised the following persons:

Hans Jacob Bull, Professor, LL.D., Chairman

Trine-Lise Wilhelmsen, Professor LL.D., Secretary

#### **The Central Union of Marine Underwriters Norway**

Haakon Stang Lund, legal counsel

Einar Kvammen, Claims Director

Sveinung Måkestad, Adjusting Manager

#### **Coastal Marine Clubs' Mutual Company**

Palmer Sjøholm, Managing Director

#### **Norwegian Shipowners' Association**

Skule Adolfsen, Vice President, Insurance/Claims

Karoline Bøhler, legal counsel

## **Norwegian Average Adjusters**

Bjørn Slaatten, Average Adjuster

Mr. Stang Lund and Mr. Kvammen originally represented the Mutual Marine Insurers Committee. Since the merger with and reorganization of CEFOR in 2001, both of them have represented the latter.

The Revision Committee has adopted the following amendments for incorporation into the Norwegian Marine Insurance Plan, Version 2002:

- (1) Addition of the words "acts of terrorism" in § 2-9, in order to make it clear that such acts are to be regarded as war perils.
- (2) Deletion of § 3-24A, which concerned the "millennium" problem and was added in Version 1999. It is now considered to have no practical significance.
- (3) Amendment of § 7-2, in order to underscore that special rules apply for the rights of the mortgagee in relation to amendments to and cancellation of war insurance, cf. § 15-8.
- (4) Amendment of the Appendix to § 3-15, subparagraph 1, in which the trading limits for European-Arctic waters (no. 1.1) and the southern hemisphere (no. 2) are specified.
- (5) Amendment of § 12-5 (a) regarding agreement as to cover of crew's wages and maintenance, etc. during the period of time it takes to repair the ship.
- (6) Amendment of § 12-6, thereby reverting to the rule in the 1964 Plan regarding the insurer's liability for deferred repairs.
- (7) Amendment of § 15-8, subparagraph 1, second and third sentences, whereby the mortgagee, in relation to the war risk insurer, has the same protection against cancellation as the person effecting the insurance, but must be notified separately by the insurer of the cancellation.

Furthermore, as of 1 January 2001, a number of amendments were adopted in Chapter 17. These have been applied in 2001 in the form of Special Rules for Fishing Vessels and Smaller Freighters, etc., and have now been incorporated into the ordinary Plan, Version 2002:

- (1) In § 17-2 "Renewal of the insurance", a number of new rules have been introduced as regards the procedures to be followed in connection with renewal of the insurance on new conditions and with cancellation of the insurance.

- (2) In § 17-3 "Trading limits", the trading area has been extended eastwards and westwards. The provision has also been reworded and supplemented by an appendix with maps which further defines the trading area.
- (3) In § 17-22 "Extraordinary handling costs", the cover has been expanded to include costs in connection with the removal and destruction of damaged catches.
- (4) In § 17-23 "Excluded perils", letter (d), the cover has been expanded by eliminating the time-limit.
- (5) In § 17-31 "Excluded perils", the description of the range of perils has been amended from a positive specification of the perils covered with related exceptions to cover of all perils unless they are explicitly excepted.
- (6) § 17-43 "Liability for social benefits for the crew" now comprises a new letter (c) regarding cover of costs of the crew's travel home, including maintenance, in the event of the illness or death of a close relative.

Furthermore, sections 6 and 7 on P & I insurance have been amalgamated.

These amendments will enter into force as of 1 January 2002. However, the amendments to Chapter 17 have already come into force on 1 January 2001. In Version 2002, the amendments to the text of the Plan and Commentary are marked in bold type. In the Internet version, they are also marked in a different colour. However, the amendments to Chapter 17 have not been marked in Version 2002, because they have already been in use since the 2001 renewals.

Version 2002 will be printed by the Faculty of Law's printing plant, while the Internet version will remain the responsibility of Det Norske Veritas under the address:

English version: <http://exchange.dnv.com/NMIP/>

Norwegian version: <http://exchange.dnv.com/NMIP-NO/>

A new, unabridged version of the Plan and Commentary will be published on the Internet every year, with all amendments specially marked in colour.

Oslo, December 2001

Hans Jacob Bull, Chairman

Trine-Lise Wilhelmsen, Secretary

## Part one

### Rules common to all types of insurance

#### Chapter 1.

#### Introductory provisions

##### § 1-1. Definitions

For the purposes of this Plan

- (a) the insurer (*assurandøren*): means the party who under the terms of the contract has undertaken to grant insurance,
- (b) the person effecting the insurance (*forsikringstageren*): means the party who has concluded the insurance contract with the insurer,
- (c) the assured (*sikrede*): means the party who is entitled under the insurance contract to compensation or the sum insured. In liability insurance the assured is the party whose liability for damages is covered,
- (d) loss (*tap*): means financial loss of any kind, including total loss, damage, loss of earnings, costs and liability,
- (e) particular loss (*partikulært tap*), particular damage (*partikulær skade*) etc.: means loss, damage etc., which is not recoverable in general average.

##### § 1-2. Policy

1. When the contract is concluded, the person effecting the insurance may require that a policy be issued. The policy shall confirm that an agreement has been entered into and shall refer to the conditions. If the insurer wishes to invoke conditions which are not written in the policy or incorporated in it by reference, he has the burden of proving that the person

effecting the insurance was aware of the relevant condition and that it was part of the contract.

2. The person effecting the insurance must raise any objections to the content of the policy without undue delay. If he fails to do so, the policy shall be considered approved.

**§ 1-3. Contracts entered into through a broker**

1. If the person effecting the insurance instructs a broker to take out an insurance, the broker shall send him a draft insurance contract for his approval.
2. The approved draft shall be submitted to the insurer who shall, in the event of agreement, issue a written confirmation to the broker to the effect that the insurance contract has been concluded on the basis of the provisions contained in the draft.
3. The broker shall thereafter issue an identical confirmation to the person effecting the insurance. If the person effecting the insurance has objections to the content of the insurance confirmation, he must raise these with the broker without undue delay. If he fails to do so, the insurance confirmation shall be considered approved.
4. If the person effecting the insurance requires that a policy be issued in accordance with § 1-2 above, the broker shall assist in the issuing of such a policy. If the broker issues a policy on behalf of the insurer, the policy shall explicitly state that it has been issued by the broker on the authority of the insurer. The broker does not have the right to act on behalf of the insurer without written authority.

**§ 1-4. Reference to Norwegian jurisdiction and choice of law**

1. If an insurance contract based on this Plan is concluded with a Norwegian leading insurer, it is agreed that:
  - (a) legal proceedings concerning any matter, dispute or disagreement of any kind, which may arise during or in

connection with or which in any way concern the insurance contract, may only be instituted in Norway before Norwegian courts and on the basis of Norwegian law, and Norwegian law shall apply exclusively,

- (b) the insurer(s) may not be sued before any other courts,
- (c) the insurer(s) may only be sued in the venue where the leading insurer's head office is located.

2. The provision in subparagraph 1 may not be varied without the written consent of the insurer(s).
3. If an insurance contract has been concluded on the basis of this Plan with a foreign leading insurer, it is agreed that Norwegian law shall apply, and that the co-insurers may be sued in the venue of the leading underwriter.

**§ 1-5. Insurance period**

1. Unless otherwise agreed, the insurer's liability attaches when the person effecting the insurance or the insurer has approved the conditions stipulated by the other party.
2. If the insurer's liability under the agreement attaches on a particular day without any indication of time, liability commences at 0000 hours. If an insurance remains in effect until a certain day without the time being indicated, liability ceases at 2400 hours. The time shall be based on UTC.
3. The insurance terminates on expiry of the agreed insurance period, unless the parties agree to renew it. In the event of renewal, the conditions then agreed shall apply. § 1-2 above shall apply correspondingly.

## Chapter 2.

### General rules relating to the scope of the insurance

#### Section 1. Insurable interest and insurable value

##### § 2-1. Insurance unrelated to any interest

A contract concerning insurance which does not relate to any interest is void.

##### § 2-2. Insurable value

The insurable value is the full value of the interest at the inception of the insurance.

##### § 2-3. Assessed insurable value

1. If the insurable value has by agreement between the parties been fixed at a certain amount - assessed insurable value (*takst*) - the insurer may demand to have it set aside only if the person effecting the insurance has given misleading information about characteristics of the subject-matter insured that are relevant for the valuation.
2. If, due to market fluctuations, the value of the interest insured has changed significantly after the insurance was entered into, both parties may require that the assessed insurable value be changed by giving fourteen days' notice.
3. If the parties disagree as to whether the conditions for changing the assessed insurable value according to subparagraph 2 are fulfilled, the question shall be submitted for final decision to a Norwegian Adjuster to be chosen by the assured.

##### § 2-4. Under-insurance

If the sum insured is lower than the insurable value, the insurer shall only compensate a portion of the loss corresponding to

the proportion that the sum insured bears to the insurable value. If a valuation has been set aside in accordance with § 2-3 above, it shall nevertheless be regarded as the insurable value when the rule in this paragraph is applied.

**§ 2-5. Over-insurance**

1. If the sum insured exceeds the insurable value, the insurer shall only compensate the loss up to the insurable value.
2. If the interest is over-insured with fraudulent intent, the contract is not binding on the insurer.

**§ 2-6. Liability of the insurer when the interest is also insured with another insurer**

1. If the interest is insured against the same perils with two or more insurers, each of them is liable to the assured in accordance with their respective contracts until the assured has received the full compensation to which he is entitled.
2. If one of the insurers has disclaimed liability where the interest is also insured with another insurer, he shall only be liable to the extent that the assured has not obtained cover with other insurers.
3. If all of the insurers have disclaimed liability where the interest is also insured with another insurer, the rules contained in subparagraph 1 shall apply.

**§ 2-7. Recourse between the insurers where the interest is insured with two or more insurers**

1. If the interest is insured against the same perils with two or more insurers, the total amount of compensation shall, in the recourse settlement, be apportioned on the basis of the amounts for which each insurer was liable.
2. If all of the insurers have disclaimed liability where the interest is also insured with another insurer and the assured has

received settlement under the rules contained in § 2-6, subparagraph 3, the rule concerning recourse in subparagraph 1 shall apply correspondingly.

3. If the assured is entitled to recover costs incurred to prevent or minimise loss from an insurer, that insurer shall, to the extent of his liability, bear the full amount of such costs in the recourse settlement. This applies even if all the insurers have disclaimed liability where the interest is also insured with another insurer.

## **Section 2. Perils insured against, causation and loss**

### **§ 2-8. Perils covered by an insurance against marine perils**

An insurance against marine perils covers all perils to which the interest may be exposed, with the exception of:

- (a) the perils covered by an insurance against war perils in accordance with § 2-9,
- (b) intervention by a State power. A State power is understood to mean individuals or organisations exercising public or supranational authority. Measures taken by a State power for the purpose of averting or limiting damage shall not be regarded as an intervention, provided that the risk of such damage is caused by a peril covered by the insurance against marine perils,
- (c) insolvency,
- (d) release of nuclear energy.

### **§ 2-9. Perils covered by an insurance against war perils**

1. An insurance against war perils covers:
  - (a) war or war-like conditions, or the use of arms or other implements of war in the course of military exercises in peacetime or in guarding against infringements of neutrality,

- (b) capture at sea, condemnation in prize, confiscation and other similar interventions by a foreign State power. Foreign State power is understood to mean any State power other than the State power in the ship's State of registration or in the State where the major ownership interests are located, as well as organisations and individuals who unlawfully purport to exercise public or supranational authority. Requisition for ownership or use by a State power shall not be regarded as an intervention,
- (c) riots, strikes, lockouts, sabotage, **acts of terrorism** and the like,
- (d) piracy and mutiny,
- (e) measures taken by a State power to avert or limit damage, provided that the risk of such damage is caused by a peril referred to in letters (a) - (d).

2. The insurance does not cover:

- (a) insolvency,
- (b) release of nuclear energy.

3. If the ship is insured with the Norwegian Shipowners' Mutual War Risks Insurance Association, an insurance against war perils also covers:

- (a) requisition for ownership or use by a foreign State power,
- (b) losses which are a direct and immediate consequence of an explosion caused by the use of nuclear arms for war purposes, provided that the ship has not proceeded beyond the ordinary trading limit, cf. § 3-15, subparagraph 1. Damage caused by radiation or radioactive fall-out is nevertheless not covered.

**§ 2-10. Perils insured against when no agreement has been made as to what perils are covered by the insurance**

Unless otherwise agreed, the insurance covers only marine perils.

**§ 2-11. Causation. Incidence of loss**

1. The insurer is liable for loss incurred when the interest insured is struck by an insured peril during the insurance period.
2. A defect or damage which is unknown at the inception or on expiry of an insurance, and which later results in a casualty or an extension of the damage to other parts, shall be deemed to be a marine peril which strikes the ship at the time the casualty or damage to other parts occurs, or at such earlier time as the defect or the first damage became known.

**§ 2-12. Main rule relating to the burden of proof**

1. The assured has the burden of proving that he has suffered a loss of the kind covered by the insurance and of proving the extent of the loss.
2. The insurer has the burden of proving that the loss has been caused by a peril that is not covered by the insurance, unless other provisions of the Plan provide to the contrary.
3. The assured has the burden of proving that the loss has not been caused by the release of nuclear energy, cf. § 2-8 (d) and § 2-9, subparagraph 2 (b).

**§ 2-13. Combination of perils**

1. If the loss has been caused by a combination of different perils, and one or more of these perils are not covered by the insurance, the loss shall be apportioned over the individual perils according to the influence each of them must be assumed to have had on the occurrence and extent of the loss, and the

insurer shall only be liable for that part of the loss which is attributable to the perils covered by the insurance.

2. If the release of nuclear energy, cf. § 2-8 (d) and § 2-9, subparagraph 2 (b) has contributed to the loss, the entire loss shall be attributed to that peril.

**§ 2-14. Combination of marine and war perils**

If the loss is caused by a combination of marine perils, cf. § 2-8, and war perils, cf. § 2-9, the whole loss shall be deemed to have been caused by the class of perils which was the dominant cause. If neither of the perils are considered dominant, both shall be deemed to have had equal influence on the occurrence and extent of the loss.

**§ 2-15. Losses deemed to be caused entirely by war perils**

War perils shall always be deemed to be the dominant cause of:

- (a) loss arising when the ship is damaged through the use of arms or other implements of war for war purposes, or in the course of military manoeuvres in peacetime or in guarding against infringements of neutrality,
- (b) loss attributable to the ship, in consequence of war or war-like conditions, having a foreign crew placed on board which, wholly or partly, deprives the master of free command of the ship,
- (c) loss of or damage to a life-boat caused by it having been swung out due to war perils, and damage to the ship caused by such a boat.

**§ 2-16. Loss attributable either to marine or war perils**

If it is evident that a loss is caused either by marine perils, cf. § 2-8, or by war perils, cf. § 2-9, without it being possible to identify one or the other class as the more probable cause, the

rule contained in § 2-14, second sentence, shall apply correspondingly.

## **Chapter 3.**

### **Duties of the person effecting the insurance and of the assured**

#### **Section 1. Duty of disclosure of the person effecting the insurance**

##### **§ 3-1. Scope of the duty of disclosure**

1. The person effecting the insurance shall, before the contract is concluded, make full and correct disclosure of all circumstances that are material to the insurer when deciding whether and on what conditions he is prepared to accept the insurance.
2. If the person effecting the insurance subsequently becomes aware that he has given incorrect or incomplete information regarding the risk, he shall without undue delay notify the insurer.

##### **§ 3-2. Fraud**

1. If the person effecting the insurance has fraudulently failed to fulfil his duty of disclosure, the contract is not binding on the insurer.
2. The insurer may also cancel other insurance contracts he has with the person effecting the insurance by giving fourteen days' notice.

##### **§ 3-3. Other breaches of the duty of disclosure**

1. If the person effecting the insurance has, at the time the contract is concluded, in any other way been in breach of the duty of disclosure, and it must be assumed that the insurer would not have accepted the insurance if the person effecting the

insurance had made such disclosure as it was his duty to make, the contract is not binding on the insurer.

2. If it must be assumed that the insurer would have accepted the insurance, but on other conditions, he shall only be liable to the extent that it is proved that the loss is not attributable to such circumstances as the person effecting the insurance should have disclosed. Liability is limited in the same manner if the person effecting the insurance has been in breach of the duty of disclosure after the contract was concluded, unless it is proved that the loss occurred before the person effecting the insurance was able to correct the information supplied by him.
3. In the cases referred to in subparagraph 2, the insurer may cancel the insurance by giving fourteen days' notice.

**§ 3-4. Innocent breach of the duty of disclosure**

If the person effecting the insurance has given incorrect or incomplete information without any blame attaching to him, the insurer is liable as if correct information had been given, but he may cancel the insurance by giving fourteen days' notice.

**§ 3-5. Cases where the insurer may not invoke breach of the duty of disclosure**

The insurer may not plead that incorrect or incomplete information has been given if, at the time when the information should have been given, he knew or ought to have known of the matter. Nor may he invoke § 3-3 and § 3-4 if the circumstances about which incorrect or incomplete information was given have ceased to be material to him.

**§ 3-6. Duty of the insurer to give notice**

If the insurer becomes aware of the fact that incorrect or incomplete information has been given he shall, without undue delay and in writing, notify the person effecting the insurance of the extent to which he intends to invoke § 3-2, § 3-3 and § 3-4.

If he fails to do so, he forfeits his right to invoke those provisions.

**§ 3-7. Right of the insurer to obtain particulars from the ship's classification society, etc.**

1. The person effecting the insurance shall, at the insurer's request, provide him with all available particulars from the classification society concerning the condition of the ship before and during the insurance period.
2. If the person effecting the insurance is in breach of his duty under subparagraph 1, the insurer may cancel the insurance by giving fourteen days' notice, however, the cancellation shall take effect no earlier than arrival of the ship at the nearest safe port, in accordance with the insurer's instructions.
3. The insurer is authorised to obtain information referred to in subparagraph 1 directly from the classification society and from the relevant authorities in the country where the ship is registered or has been through port-State control. The person effecting the insurance shall be notified no later than the time when the insurer seeks to obtain such information.

**Section 2. Alteration of the risk**

**§ 3-8. Alteration of the risk**

1. An alteration of the risk occurs when there is a change in the circumstances which, according to the contract, are to form the basis of the insurance, and which alter the risk contrary to the implied conditions of the contract.
2. A change of the manager of the ship or the company which is responsible for the technical/maritime operation of the ship shall be deemed to be an alteration of the risk as defined by subparagraph 1.

**§ 3-9. Alteration of the risk caused or agreed to by the assured**

1. If, after the conclusion of the contract, the assured has intentionally caused or agreed to an alteration of the risk, the insurer is free from liability, provided that he would not have accepted the insurance if, at the time the contract was concluded, he had known that the alteration would take place.
2. If it must be assumed that the insurer would have accepted the insurance, but on other conditions, he is only liable to the extent that the loss is proved not to be attributable to the alteration of the risk.

**§ 3-10. Right of the insurer to cancel the insurance**

If an alteration of the risk occurs, the insurer may cancel the insurance by giving fourteen days' notice.

**§ 3-11. Duty of the assured to give notice**

If the assured becomes aware that an alteration of the risk will take place or has taken place, he shall, without undue delay, notify the insurer. If the assured, without justifiable reason, fails to do so, the rule in § 3-9 shall apply, even if the alteration was not caused by him or took place without his consent, and the insurer may cancel the insurance by giving fourteen days' notice.

**§ 3-12. Cases where the insurer may not invoke alteration of the risk**

1. The insurer may not invoke § 3-9 and § 3-10 after the alteration of the risk has ceased to be material to him.
2. The same shall apply if the risk is altered by measures taken for the purpose of saving human life, or by the insured ship salvaging or attempting to salvage ships or goods during the voyage.

**§ 3-13. Duty of the insurer to give notice**

If the insurer becomes aware that an alteration of the risk has taken place, he shall, without undue delay and in writing, notify the assured of the extent to which he intends to invoke § 3-9 and § 3-10. If he fails to do so, he forfeits his right to invoke those provisions.

**§ 3-14. Loss of class or change of classification society**

1. When the insurance commences the ship shall be classed with a classification society approved by the insurer.
2. The insurance terminates in the event of loss of class or change of classification society, unless the insurer explicitly consents to a continuation of the insurance contract. If the ship is under way when the class is lost or changed, the insurance cover shall nevertheless continue until the ship arrives at the nearest safe port in accordance with the insurer's instructions.
3. Loss of class occurs where the assured, or someone on his behalf, requests that the class be cancelled, or where the class is suspended or withdrawn for reasons other than a casualty.

**§ 3-15. Trading limits**

1. The ordinary trading area under the insurance comprises all waters, subject to the limitations laid down in the Appendix to the Plan as regards conditional and excluded areas. The person effecting the insurance shall notify the insurer before the ship proceeds beyond the ordinary trading limit.
2. The ship may sail in the conditional trading areas, subject to an additional premium and to any other conditions that might be stipulated by the insurer. If damage occurs while the ship is in a conditional area with the consent of the assured and without notice having been given, the claim shall be settled subject to a deduction of one fourth, maximum USD 150,000. The provision in § 12-19 shall apply correspondingly.

3. If the ship proceeds into an excluded trading area, the insurance ceases to be in effect, unless the insurer has given permission in advance, or the infringement was not the result of an intentional act by the master of the ship. If the ship, prior to expiry of the insurance period, leaves the excluded area, the insurance shall again come into effect. The provision in § 3-12, subparagraph 2, shall apply correspondingly.

**§ 3-16. Illegal activities**

1. The insurer is not liable for loss which results from the ship being used for illegal purposes, unless the assured neither knew nor ought to have known of the facts at such a time that it would have been possible for him to intervene.
2. If the assured fails to intervene without undue delay after becoming aware of the facts, the insurer may cancel the insurance by giving fourteen days' notice.
3. The insurance terminates if the ship, with the consent of the assured, is used primarily for the furtherance of illegal purposes.

**§ 3-17. Suspension of the insurance in the event of requisition**

1. If the ship is requisitioned by a State power, the insurance against marine perils as well as war perils is suspended. If the requisition ceases before expiry of the insurance period, the insurance comes into force again. If the ship proves to be in substantially worse condition than it was prior to the requisition, the insurer may cancel the insurance by giving fourteen days' notice, to take effect at the earliest on arrival of the ship at the nearest safe port in accordance with the insurer's instructions.
2. If the ship is insured with The Norwegian Shipowners' Mutual War Risks Insurance Association, the insurance against war perils shall nevertheless not be suspended in the event of a requisition by a State power. The insurance against war perils

shall in that case also cover the perils which, under § 2-8, are covered by an insurance against marine perils.

**§ 3-18. Notification of requisition**

1. If the assured is informed that the ship has been or will be requisitioned, or that it has been or will be returned after the requisition, he shall notify the insurer without undue delay.
2. The insurer may demand that the assured have the ship surveyed in a dock for his own account immediately after the ship is returned. The insurer shall be notified well in advance of the survey.
3. If the assured has been negligent in fulfilling his duties according to subparagraph 1 or 2, he has the burden of proving that any loss is not attributable to casualties or other similar circumstances occurring whilst the ship was requisitioned.

**§ 3-19. Suspension of insurance while the ship is temporarily seized**

1. If the ship is temporarily seized by a State power without § 3-17 becoming applicable, the insurance against marine perils is suspended. In that event the insurance against war perils shall also cover marine perils as defined in § 2-8.
2. § 3-18 shall apply correspondingly.

**§ 3-20. Removal of ship to repair yard**

1. If there is reason to believe that the removal of a damaged ship to a repair yard will result in an increase of the risk, the assured shall notify the insurer of the removal in advance.
2. If the removal will result in a substantial increase of the risk, the insurer may, before the removal commences, notify the assured that he objects to the removal. If such notice has been given, or if the assured has neglected to notify the insurer in accordance with subparagraph 1, the insurer will not be liable

for any loss that occurs during or as a consequence of the removal.

**§ 3-21. Change of ownership**

The insurance terminates if the ownership of the ship changes by sale or in any other manner.

**Section 3. Seaworthiness. Safety regulations**

**§ 3-22. Unseaworthiness**

1. The insurer is not liable for loss that is a consequence of the ship not being in a seaworthy condition, provided that the assured knew or ought to have known of the ship's defects at such a time that it would have been possible for him to intervene. However, this rule shall not apply if the assured is the master of the ship or a member of his crew and the fault that he has committed related to nautical matters.
2. The insurer has the burden of proving that the ship is not in seaworthy condition, unless the ship springs a leak whilst afloat. The assured has the burden of proving that he neither knew nor ought to have known of the defects, and that there is no causal connection between the unseaworthiness and the casualty.

**§ 3-23. Right of the insurer to demand a survey of the ship**

1. The insurer has the right at any time during the insurance period to verify that the ship is in seaworthy condition. If necessary for the purpose of such verification, he may demand a complete or partial discharge of the cargo.
2. If the assured refuses to let the insurer undertake the necessary investigation, the insurer shall subsequently only be liable to the extent that the assured proves that the loss is not attributable to defects in the ship which the investigation would have revealed.

3. If the investigation is not occasioned by a casualty or similar circumstances covered by the insurance, the insurer shall indemnify the assured for his costs as well as for the loss he suffers as a result of the investigation, unless the ship proves to be unseaworthy.

**§ 3-24. Safety regulations**

1. A safety regulation is a rule concerning measures for the prevention of loss issued by public authorities, stipulated in the insurance contract, prescribed by the insurer pursuant to the insurance contract, or issued by the classification society.
2. Periodic surveys required by public authorities or the classification society constitute a safety regulation under subparagraph 1. Such surveys shall be carried out before expiry of the prescribed time-limit.

**§ 3-25. Infringement of safety regulations**

1. If a safety regulation has been infringed, the insurer shall only be liable to the extent that it is proved that the loss is not a consequence of the infringement, or that the assured was not responsible for the infringement. The insurer may not invoke this rule where the assured is the master of the ship or a member of the crew and the infringement is committed in connection with his service as a seaman.
2. If the infringement relates to a special safety regulation laid down in the insurance contract, negligence by anyone whose duty it is on behalf of the assured to comply with the regulation or to ensure that it is complied with shall be deemed equivalent to negligence by the assured himself. The same applies if periodical surveys are not carried out as required by § 3-24, subparagraph 2.

**§ 3-26.           Ships laid up**

For ships which are to be laid up, a lay-up plan shall be drawn up which shall be submitted to the insurer for his approval. If this has not been done, or the lay-up plan has not been followed while the ship is laid up, § 3-25, subparagraph 1, shall apply correspondingly.

**§ 3-27.           Right of the insurer to cancel the insurance**

The insurer may cancel the insurance by giving fourteen days' notice, however, such notice shall take effect at the earliest on arrival of the ship at the nearest safe port, in accordance with the insurer's instructions, if:

- (a) the ship, by reason of defects, unsuitable construction or similar circumstances, cannot be considered seaworthy,
- (b) the ship has become unseaworthy due to a casualty or other similar circumstances, and the assured fails to have this rectified without undue delay,
- (c) a safety regulation of material significance has been infringed, intentionally or through gross negligence, by the assured or by someone whose duty it is on his behalf to comply with the regulation or ensure that it is complied with.

**§ 3-28.           Terms of contract**

The insurer may require that certain terms shall be included in contracts concerning the operation of the insured ship, or that certain terms of contract shall not be included in such contracts. The requirement may be made in respect of contracts in general or in respect of contracts for a specific port or trade.

#### **Section 4. Measures to avert or minimise loss, etc.**

##### **§ 3-29. Duty of the assured to notify the insurer of a casualty**

1. If a casualty threatens to occur or has occurred, the assured shall, without undue delay, notify the insurer and keep him informed about further developments.
2. The assured and the master are required to notify the insurer of maritime inquiries and surveys which are to be held in connection with the casualty.

##### **§ 3-30. Duty of the assured to avert and minimise loss**

If a casualty threatens to occur or has occurred, the assured shall do what may reasonably be expected of him in order to avert or minimise the loss. If possible, he shall consult the insurer before taking any action.

##### **§ 3-31. Consequences of the assured neglecting his duties**

1. If the assured, intentionally or through gross negligence, fails to fulfil his duties under § 3-29 or § 3-30, the insurer shall not be liable for a greater loss than that for which he would have been liable if the duty had been fulfilled.
2. The same applies if the master neglects his duties under § 3-29.

#### **Section 5. Casualties caused intentionally or negligently by the assured**

##### **§ 3-32. Intent**

If the assured has intentionally brought about the casualty, he has no claim against the insurer.

##### **§ 3-33. Gross negligence**

If the assured has brought about the casualty through gross negligence, any liability of the insurer shall be determined based on the degree of fault and circumstances generally.

**§ 3-34. Right of the insurer to cancel the insurance**

1. If the assured has intentionally brought about or tried to bring about a casualty, the insurer may cancel the insurance without notice. If the assured has caused a casualty through gross negligence, the insurer may cancel the insurance by giving fourteen days' notice.
2. If the assured has intentionally brought about the casualty, the insurer may cancel other insurances with the assured by giving fourteen days' notice.

**§ 3-35. Circumstances precluding the application of §§ 3-32 to 3-34**

The rules contained in §§ 3-32 to 3-34 shall not apply:

- (a) if the assured on account of a mental disorder or other abnormal state of mind - self-induced intoxication excepted - was unable to judge his own actions,
- (b) if the assured has caused the casualty under circumstances referred to in § 3-12, subparagraph 2, provided that his actions under the prevailing circumstances must be considered expedient and justifiable.

**Section 6. Identification**

**§ 3-36. Identification of the assured with his servants**

1. The insurer may not invoke against the assured faults or negligence committed by the ship's master or crew in connection with their service as seamen.
2. The insurer may invoke against the assured faults and negligence committed by any organisation or individual to whom the assured has delegated authority concerning functions of material significance for the insurance, provided that the fault or negligence occurs in connection with the performance of those functions.

**§ 3-37. Identification of two or more assureds with each other and of the assured with a co-owner**

The insurer may not invoke against the assured faults or negligence committed by another assured or a co-owner of the insured ship, or anyone with whom they may be identified under § 3-36, subparagraph 2, unless the relevant assured or co-owner has overall decision-making authority for the operation of the ship.

**§ 3-38. Identification of the assured with the person effecting the insurance**

The insurer may invoke against the assured faults or negligence committed by the person effecting the insurance.

## **Chapter 4.**

### **Liability of the insurer**

**Section 1. General rules relating to the liability of the insurer**

**§ 4-1. Total loss**

In the event of a total loss, the assured may claim payment of the sum insured, however, not in excess of the insurable value.

**§ 4-2. General financial loss and loss resulting from delay**

Unless otherwise provided in this Plan or specially agreed, the insurer is not liable for general financial loss, or for loss of time, loss due to unfavourable trade conditions, loss of markets and similar losses resulting from delays.

**§ 4-3. Costs of providing security, etc.**

If the assured, as a result of a casualty, has had to raise funds or provide security, he may claim a refund from the insurer for

reasonable expenses so incurred. However, this shall not apply if the assured has, without good reason, failed to exercise his right to demand a payment on account from the insurer under § 5-7.

**§ 4-4. Costs of litigation**

If a claim is made against the assured in respect of liability covered by the insurance, or if the assured makes a claim against a third party for damages in connection with a loss covered by the insurance, the insurer shall be liable for the costs incurred, provided that the steps taken are approved by the insurer or must be considered justifiable.

**§ 4-5. Costs in connection with settlement of claims**

1. If the insurer is liable for the loss, he shall also pay the necessary costs of establishing the loss and calculating the compensation.
2. If the assured has reasonable grounds for employing his own surveyor, the insurer is liable for necessary expenses in this connection.

**§ 4-6. Costs in connection with measures relating to several interests**

If costs mentioned in §§ 4-3 to 4-5 have been incurred in connection with measures relating to several interests, the insurer is only liable for that proportion of the costs which may reasonably be attributed to the interest insured.

**Section 2. Costs of measures to avert or minimise the loss, including salvage and general average**

**§ 4-7. Compensation of the costs of measures to avert or minimise loss**

If a casualty threatens to occur or has occurred, the insurer is liable in accordance with the rules in § 4-8 to § 4-12 for the costs of measures taken on account of a peril insured against, insofar

as the measures were of an extraordinary nature and must be regarded as reasonable.

**§ 4-8. General average**

1. The insurer is liable for any general average contribution apportioned on the interest insured. He is also liable for general average contributions apportioned on freight or charterparty hire, provided that the assured is also the owner of this interest. The contribution is recoverable in accordance with a general average adjustment, duly drawn up according to applicable rules of law or such terms of contract as must be considered customary in the trade in question. The contribution is recoverable in accordance with the adjustment, even if the contributory value exceeds the insurable value of the interest.
2. If the assured, as a result of a breach of the contract of affreightment, is precluded from claiming contributions from the other participants in the general average, the insurer shall cover the amount which, according to the rules of general average, falls on the interest insured.
3. If the assured chooses not to claim contributions from the other interests in the general average, the insurer is, at the assured's option, liable either:
  - (a) for any loss, damage, liability or costs which would have been recoverable in the general average up to the amount stipulated in the policy,or,
  - (b) for the ship's general average contributions.

The adjustment shall be based on the York-Antwerp Rules 1994, however, § 4-11, subparagraph 2, second sentence, shall apply correspondingly.

**§ 4-9. General average apportionment where the interests belong to the same person**

If ship, freight and cargo belong to the same person, but the conditions for a general average apportionment are otherwise met, the insurer is liable as if the contributing interests had belonged to different persons.

**§ 4-10. Damage to and loss of the object insured**

If the object insured has been damaged or lost as a result of a general average act, the damage or loss is recoverable in accordance with the rules relating to particular average, provided that this results in a more favourable outcome for the assured.

**§ 4-11. Assumed general average**

1. The insurer is liable for loss incurred for the purpose of saving a ship in ballast or completing a voyage in ballast, provided that he would have been liable for the ship's proportion of such costs in accordance with a general average adjustment under the York-Antwerp Rules.

§ 4-10 shall apply correspondingly.

2. However, crew's wages and maintenance in accordance with Rule XI (b) of the York-Antwerp Rules are not recoverable for the time spent on permanent repairs. Commission costs, etc. and interest are recoverable under § 4-3 and § 5-4.

**§ 4-12. Costs of particular measures taken to avert or minimise loss**

1. If measures to avert or minimise loss under § 4-7 have been taken without the rules in §§ 4-8 to 4-11 being applicable, the insurer is liable for loss of or damage to the assured's property, and for liability and costs incurred by the assured. Loss referred to in § 4-2 is nevertheless not recoverable under this provision.

2. If loss, damage, liability or costs referred to in the preceding paragraph are caused by measures taken for the benefit of

several interests, the insurer is only liable for such proportion of the loss as may reasonably be attributed to the interest insured.

### **Section 3. Liability of the assured to third parties**

#### **§ 4-13. Main rule**

The insurer is not liable for the assured's liability to third parties, unless otherwise provided in this Plan or specially agreed.

#### **§ 4-14. Cross liabilities**

If the assured has incurred liability, and he is entitled to make a claim against the injured party for a loss which he himself has suffered on the same occasion, the settlement of the claim between the assured and the insurer shall be based on the calculated gross liabilities before any set-off is effected. This applies even if one or both of the liabilities are limited in the settlement between the assured and the injured party. If the limitation is applied to the balance between the liabilities of the assured and the injured party, the largest calculated gross liability shall be reduced by the same amount by which the balance has been reduced.

#### **§ 4-15. Unusual or prohibited terms of contract**

The insurer is in no case liable for liability incurred because the assured or someone on his behalf:

- (a) has entered into a contract that results in stricter liability than that which follows from the ordinary rules of maritime law, unless such terms must be considered customary in the trade concerned,
- (b) has used or failed to use terms of contract which the insurer in accordance with § 3-28 has prohibited or prescribed.

**§ 4-16. Objects belonging to the assured**

The insurer is liable for loss sustained by the assured when an object belonging to the assured is damaged or lost under such circumstances that the assured himself would have become liable for the loss if the object had belonged to a third party and the insurer would have had to indemnify the assured for such liability. This does not, however, apply to loss of or damage to the insured ship, its supplies and equipment.

**§ 4-17. Determination of the liability of the assured**

1. If the insurer is liable for the assured's liability to third parties, an injured third party does not have any direct claim against the insurer.
2. The insurer is liable for the assured's liability if it has been established by:
  - (a) a final judgment or order by a Norwegian or foreign court,
  - (b) an arbitration award, if an agreement for a decision by arbitration had been entered into before the dispute arose or was entered into later with the insurer's consent,
  - (c) an amicable settlement approved by the insurer.
3. If the assured has in other cases accepted or settled a claim, the insurer shall only be liable if the assured proves that the claim was justified and the amount of any settlement was reasonable.

**Section 4. The sum insured as the limit of the liability of the insurer**

**§ 4-18. Main rule**

1. The insurer is liable up to the sum insured for loss caused by any one casualty. The insurer is also liable up to an equivalent amount for the costs of measures taken to avert or minimise loss arising in connection with the casualty. If the costs of such measures exceed that amount, the hull insurer is also liable to

the extent that the sum insured has not been exhausted by compensation paid for loss of or damage to the ship.

2. The insurer has a separate liability in accordance with the rules contained in § 13-3 and § 14-1 for liability to third parties which is a result of collision or striking.

**§ 4-19. Liability in excess of the sum insured**

Even if the sum insured is exceeded, the insurer is liable for:

- (a) loss as mentioned in § 4-3 to § 4-5, and § 5-21, first sentence,
- (b) interest on the compensation.

**§ 4-20. Limit of liability where loss is caused by a combination of perils**

If the insurer, in accordance with § 2-13, § 2-14 or § 2-16, becomes liable for part of the damage, his liability is limited to a corresponding proportion of the amounts mentioned in § 4-18 and § 4-19.

**§ 4-21. Right of the insurer to avoid further liability by payment of the sum insured**

1. When a casualty has occurred, the insurer may avoid further liability by informing the assured that he will pay the sum insured.
2. Loss referred to in § 4-3 to § 4-5, § 4-7 to § 4-12 and § 5-21, first sentence, is recoverable in excess of the sum insured according to the rules contained in § 4-18 and § 4-19, provided that it is attributable to measures implemented before the assured was notified of the insurer's decision.
3. In such case the insurer has no right to the object insured under § 5-19.

## **Chapter 5.**

### **Settlement of claims**

#### **Section 1. Claims adjustment, interest, payments on account, etc.**

##### **§ 5-1. Duty of the assured to provide particulars and documents**

1. The assured shall provide the insurer with such information and documents as are available to him and are required by the insurer for the purpose of settling the claim.
2. If the assured, intentionally or through gross negligence, fails to fulfill his duties according to subparagraph 1, the insurer is only liable to the extent he would have been liable if the assured had fulfilled his duty.
3. If the assured has acted fraudulently, the insurer is free from liability. The insurer may also cancel any insurance contract he has with the assured by giving fourteen days' notice. Notice of cancellation must be given without undue delay after the insurer has become aware of the fraudulent act.

##### **§ 5-2. Claims adjustment**

The insurer shall issue the claims adjustment as promptly as possible. He may give responsibility for drafting the adjustment to an average adjuster.

##### **§ 5-3. Rates of exchange**

1. If the assured has made disbursements in another currency than that of the sum insured, conversion shall be based on the rate of exchange on the date of disbursement. If disbursements become payable at a certain time and the assured without due reason fails to pay them when due, he may not claim compensation at a higher rate of exchange than the rate effective on the due date. If the assured has, in consultation

with the insurer, purchased foreign currency in advance, the rate of exchange on the date of such purchase shall be applied.

2. If the insurer is liable for costs that have not been paid when the settlement of the claim takes place, conversion shall be based on the rate of exchange on the date that the claims statement is issued.
3. If the sum insured is in a foreign currency, conversion to the policy currency in Norwegian Kroner or other currency stipulated in the insurance conditions shall be based on the banks' latest official sales rate before the insurance takes effect.

**§ 5-4. Interest on the compensation**

1. The assured may claim interest as from one month after the date on which notice of the casualty was sent to the insurer. If the insurer has to refund the assured's disbursements, interest accrues from the date of the disbursement. If the insurer is to indemnify the assured for loss of time, interest does not accrue until one month after expiry of the period for which the insurer is liable.
2. If the assured fails to provide information and documents as mentioned in § 5-1, and the settlement as a result thereof is delayed, he may not claim interest for the resulting loss of time. The same applies if the assured unjustifiably rejects full or part settlement.
3. The rate of interest is six month NIBOR + 2% for insurance contracts in which the sum insured is stated in Norwegian Kroner, and otherwise six month LIBOR + 2%. Interest is determined as at January 1 of the year the insurance contract comes into effect at the average rate for the last two months of the preceding year.
4. After the due date, cf. § 5-6, interest on overdue payments accrues according to the rules contained in the Act relating to Interest on Overdue Payments of 17 December 1976, section 3,

paragraph 1, if the interest on overdue payments is higher than the interest determined according to the rules above.

**§ 5-5. Disputes concerning the adjustment of the claim**

1. If the assured does not accept the insurer's adjustment, the assured as well as the insurer may demand that the adjustment be submitted to a Norwegian average adjuster for his opinion before the settlement is brought before the court. The average adjuster shall be chosen by the assured.
2. The costs of submitting the case to an average adjuster shall be borne by the insurer, unless the assured's demand to have the insurer's adjustment reversed is clearly unfounded.
3. The rules in subparagraphs 1 and 2 shall apply correspondingly when the insurer has rejected the assured's claim for compensation.

**§ 5-6. Due date**

Compensation is payable six weeks after the date when the adjustment is or should have been issued.

**§ 5-7. Duty of the insurer to make a payment on account**

1. If the assured, before the adjustment can be issued, proves that he has incurred, or will in the near future incur, major expenses or losses which are covered by the insurance, he is entitled to an appropriate payment on account. If the payment on account concerns expenses which the assured has not yet paid, the insurer has the right to pay the amount directly to the third party concerned.
2. The rules contained in the preceding paragraph do not apply if the insurer has reasonable doubts as regards his liability. A payment on account by the insurer in no way prejudices the question of his liability to the assured.

3. The insurer may claim interest at the same rate as under § 5-4, subparagraph 3. If he makes a payment on account in respect of an amount allowed in general average, he may claim interest at the rate adopted in the general average adjustment. In loss-of-hire insurance, the insurer may demand interest on advance payments from one month after expiry of the period for which he is liable.

**§ 5-8. Payment on account when there is a dispute as to which insurer is liable for the loss**

If one or more insurers are involved in a dispute as to which of them is liable for the loss, each of them shall, on demand, make a proportionate payment on account in respect of the claim. This duty is conditional upon none of the insurers having raised other objections to the claim. If their contingent liability for the loss differs, the payment on account shall be based upon the lowest liability.

**Section 2. Liability of the assured to third parties**

**§ 5-9. Duties of the assured when a claim for damages covered by the insurance is brought against him**

1. If a claim for damages, in respect of which liability is covered by the insurance, is brought against the assured, he shall notify the insurer forthwith. He shall safeguard the insurer's interests in the best manner possible, and, if necessary, avail himself of expert technical and legal assistance. The insurer is entitled to immediate access to all documents and other evidence.
2. If the assured, intentionally or through gross negligence, fails to fulfill his duties under the preceding subparagraph, the insurer shall only cover such losses as would have fallen on him if these duties had been fulfilled.

**§ 5-10. Right of the insurer to take over the handling of the claim**

The insurer may, subject to the consent of the assured, take over the handling of a claim brought against the assured and, if appropriate, institute legal proceedings in this respect in the name of the assured. This does not constitute an acknowledgement by the insurer of any obligation to cover any liability that might be imposed upon the assured.

**§ 5-11. Decisions concerning legal proceedings or appeals**

1. If there is disagreement between the insurer and the assured concerning the institution of legal proceedings or the lodging of appeals, the matter shall be finally decided by an umpire appointed jointly by the Norwegian average adjusters.
2. The umpire shall choose the solution which, in his discretion, is likely to result in the smallest overall loss for the assured and his insurers. The umpire shall not take into account any advantage that the assured or an insurer may retain or obtain by the assured accepting, or attempting to have awarded against him, a higher degree of blame in a collision case.
3. If the assured does not comply with the umpire's decision, the insurer whose standpoint has been upheld by the umpire shall in no case have to cover any liability beyond what he had agreed to accept when the dispute was submitted to the umpire. If the assured institutes legal proceedings or appeals against a judgment contrary to the umpire's decision, and if the proceedings or the appeal result in the insurer's liability being less than what he had agreed to accept, the insurer shall, within the limit of what has been saved, pay his proportionate share of the litigation costs.

**§ 5-12. Provision of security**

1. The insurer has no obligation to provide security for the assured's liability to third parties.

2. The provision of such security by the insurer in no way affects the question of his liability to the assured.
3. If the insurer has provided security for a liability which is proved not to concern him, the assured shall refund him his expenses in connection with the provision of such security.

### **Section 3. Claims by the assured for damages against third parties**

#### **§ 5-13. Right of subrogation of the insurer to claims by the assured for damages against third parties**

1. If the assured has a claim against a third party for compensation of a loss, the insurer is, upon payment of compensation to the assured for the loss, subrogated to the rights of the assured against the third party concerned. The rule in § 4-14 shall apply correspondingly.
2. If the insurer is only partly liable for the loss, the claim for damages shall be divided proportionately between the insurer and the assured. The same applies if compensation for the full loss would be a higher amount if paid by a third party than by the insurer, but the third party is only liable for part of the loss, or the entire amount of loss is not recoverable.
3. If the insurer's claim produces a higher net amount than he has paid to the assured with the addition of interest, the excess amount shall accrue to the assured.

#### **§ 5-14. Waiver of claim for damages**

The insurer's liability shall be reduced by an amount equal to that which he is prevented from collecting because the assured has waived his right to claim damages from a third party, unless the waiver may be considered customary in the trade in question, or was given in accordance with directions issued by the insurer on the basis of § 3-28.

**§ 5-15. Duty of the assured to assist the insurer with information and documents**

1. The assured shall, when requested, provide the insurer with any information and documents available to him which are of relevance for the pursuit of the insurer's claim.
2. The insurer also has the right to familiarise himself with all documents and other evidence before he takes over the claim.

**§ 5-16. Duty of the assured to maintain and safeguard the claim**

1. The assured shall take the necessary steps to maintain and secure the claim until the insurer is able to protect his own interests. If necessary, the assured shall avail himself of expert technical and legal assistance.
2. If the assured, intentionally or through gross negligence, fails to fulfill his duties under to the preceding subparagraph, he is liable for the loss incurred by the insurer due to such failure.

**§ 5-17. Decisions concerning legal proceedings or appeals**

If there is a disagreement between the insurer and the assured concerning the institution of legal proceedings or the lodging of appeals concerning claims for damages against third parties, § 5-11 shall apply correspondingly.

**§ 5-18. Salvage award which entails compensation for loss covered by the insurer**

1. If the assured has sustained a loss in connection with a salvage operation and receives a salvage award or a proportion of such an award, he shall, out of the amount thus received, reimburse the insurer the amount that the latter has paid as compensation for the loss.
2. §§ 5-13 to 5-17 shall apply correspondingly.

#### **Section 4. Right of the insurer to the object insured upon payment of a claim**

##### **§ 5-19. Right of the insurer to take over the object insured**

1. Upon payment of compensation for damage or total loss, the insurer is subrogated to the assured's rights in the object insured or such parts of the object insured as he has indemnified, unless he, no later than the time of payment, waives this right. § 2-4 shall apply correspondingly.
2. In the event of a total loss, the assured shall furnish the insurer with title to the object insured and hand over all documents that are material to him as owner. Costs incurred in this connection shall be borne by the insurer.
3. In the event of damage, § 5-13, subparagraph 2, first sentence, shall apply correspondingly

##### **§ 5-20. Charges on the object insured**

1. If the insurer, after having taken over all or part of the object insured pursuant to § 5-19, becomes liable for the costs of its removal, the assured shall reimburse him the costs which exceed the value of what is removed.
2. If there is a charge on the object insured in respect of liability not covered by the insurance, the assured shall indemnify the insurer to the extent thereof.
3. If the assured, for the purpose of limiting his liability to third parties, has to abandon the ship, this may be done irrespective of the insurer's rights under § 5-19.

##### **§ 5-21. Preservation of the object insured**

The insurer is liable for costs of necessary measures to preserve the object insured incurred after a casualty that entitles the assured to compensation for total loss. The assured shall also implement such measures after the object insured has been

taken over by the insurer, if the latter is unable to protect his own interest in that object.

**§ 5-22. Right of subrogation of the insurer in respect of damage to the object insured**

The insurer is subrogated to the assured's claim against third parties who are liable to pay compensation for damage to the object insured that has been covered by the insurer. However, this does not apply to claims under insurance contracts.

**Section 5. Limitation, etc.**

**§ 5-23. Time-limit for notification of a casualty**

1. The assured loses his right to claim compensation if notice of the casualty is not given to the insurer within six months of the assured, the master or the chief engineer of the ship becoming aware of it.
2. In any event the assured loses his right to claim compensation other than for hull damage below the light waterline if notice of the casualty is not given to the insurer within 24 months of the date of the casualty.
3. The Limitations Act of 18 May 1979 no. 18, section 10, letters 2 and 3, shall apply correspondingly.

**§ 5-24. Limitation**

1. The assured's claim for compensation becomes time-barred after three years. The limitation period commences at the end of the calendar year during which the assured acquired the necessary knowledge of the facts on which the claim is based. The claim becomes time-barred in any event at the latest ten years after the end of the calendar year during which the casualty took place.

2. Under a liability insurance, the insurer's liability nevertheless does not become time-barred before the time when the claim against the assured becomes time-barred.
3. In all other respects the rules contained in the Limitations Act of 18 May 1979 no. 18 shall apply. The limitation period stipulated in the first sub-paragraph, third sentence, may not be extended under section 10 of the said Act.

## **Chapter 6.**

### **Premium**

#### **§ 6-1. Payment of premium**

1. The person effecting the insurance is liable to pay the premium. Unless otherwise agreed, the premium falls due on demand.
2. If the premium is not paid when due, interest on overdue payments accrues pursuant to the rules contained in the Act Relating to Interest on Overdue Payments of 17 December 1976, section 3, first paragraph.

#### **§ 6-2. Right of the insurer to cancel the insurance in case of non-payment of premium**

1. If a premium is not paid at the proper time, the insurer may cancel the insurance by giving fourteen days' notice.
2. If the premium is paid before expiry of the time-limit, the notice of cancellation no longer applies.

#### **§ 6-3. Premium in the event of total loss**

1. If the insurer pays compensation for total loss, or pays the sum insured pursuant to § 4-21, he is entitled to the entire agreed premium.

2. If the total loss is attributable, wholly or in part, to a peril which is not covered by the insurance, the person effecting the insurance may, for the proportion of the sum insured that is not paid, demand a reduction of premium corresponding to the period of time during which the insurer has not borne the risk.

**§ 6-4. Additional premium when the insurance is extended**

1. In the cases referred to in § 10-10 the insurer may demand an additional premium in proportion to the time by which the insurance has been extended.
2. If, at the expiry of the insurance period, it is uncertain whether a claim for total loss will be brought under § 11-2, subparagraph 2, § 11-7 or § 15-11, and the ship is subsequently salvaged or reported safe, an additional premium may only be demanded from the time the assured, or someone acting on his behalf, gained control of the ship.

**§ 6-5. Reduction of premium**

If the insurance period is shorter than agreed, or the insurance has not been in effect for a period of time, the person effecting the insurance may demand a reduction of premium which corresponds to the reduction of the insurance period.

**§ 6-6. Reduction of premium when the ship is laid up or in similar situations**

1. If the ship, during the insurance period, is lying at one location for an uninterrupted period of at least 30 days, with no cargo on board, the assured may demand negotiations for a reduction of premium (return of premium).
2. The insurer is entitled to full premium during a stay provided that:
  - (a) the ship is insured on terms as referred to in §§ 10-5 to 10-6,

- (b) the insurer subsequently becomes entitled to the entire agreed premium under § 6-3.

**§ 6-7. Claim for a reduction of premium**

A claim for a reduction or return of premium according to the rules contained in this chapter shall be brought within six months of expiry of the insurance year or the insurance period, if this is shorter than one year. If the claim depends on the way in which the ship has been used, the person effecting the insurance must produce particulars of the ship's employment.

## **Chapter 7.**

### **Co-insurance of mortgages**

**§ 7-1. Rights of a mortgagee against the insurer**

1. If the interest covered by the insurance is mortgaged, the insurance also covers the mortgagee's interest, however, the insurer may invoke the rules relating to identification in §§ 3-36 to 3-38.
2. If the insurer has been notified of the mortgage, the rules contained in §§ 7-2 to 7-4 shall apply. The notice takes effect from the time it reaches the insurer.
3. The insurer shall advise the mortgagee that the mortgage has been noted and of the effects that this has for the rights of the mortgagee under the insurance.

**§ 7-2. Amendments and cancellation of the insurance**

If the insurance contract has been amended or cancelled, the rights of the mortgagee shall not be affected unless the insurer has given him specific notice of not less than fourteen days. **However, this shall not apply to war risk insurance, cf. § 15-8, subparagraph 1, second sentence.**

**§ 7-3. Handling of claims, claims adjustments, etc.**

1. Decisions required in respect of casualties, adjustments or claims against third parties may be made without the participation of the mortgagee.
2. The right to compensation for a total loss may not be waived, wholly or in part, to the detriment of the mortgagee.

**§ 7-4. Payment of compensation**

1. In the event of a total loss, the mortgagee's interests take priority.
2. Compensation for loss from a single casualty exceeding 5% of the sum insured shall, in the absence of consent from the mortgagee, only be paid by the insurer upon presentation of a receipted invoice for repairs carried out. If the ship is insured with two or more insurers against the same perils, this restriction applies to the combined payments from the insurers.
3. Compensation under § 12-1, subparagraph 4, and § 12-2, may not be paid without the consent of the mortgagee.
4. Compensation for loss of time may not be paid without the consent of the mortgagee who has a mortgage on the ship's freight income.
5. Liability to a third party which is covered by the insurance may only be settled upon presentation of a receipt from the third party.
6. In the absence of the mortgagee's consent, the insurer may only set off claims which have arisen out of the insurance contract relating to the ship in question and which have fallen due in the course of the last two years prior to the settlement of a claim.

## **Chapter 8.**

### **Co-insurance of third parties**

#### **§ 8-1. Rights of third parties against the insurer**

1. If the insurance is explicitly effected for the benefit of a named third party, the insurance also covers his interests, however, the insurer may invoke the rules relating to identification in §§ 3-36 to 3-38.
2. The rules contained in § 7-3, subparagraph 1, and § 7-4, subparagraph 6, shall apply correspondingly to insurance of a third party's interest.

#### **§ 8-2. Duty of disclosure**

1. The rules contained in chapter 3, section 1, shall apply correspondingly to anyone who has the status of assured under § 8-1, provided that he is aware of the fact that he is named in the policy.
2. The insurer may not invoke a breach of the assured's duty of disclosure under subparagraph 1 above against other assureds, unless the conditions for identification under § 3-36 and § 3-37 are met.

#### **§ 8-3. Amendments and cancellation of the insurance contract**

If the insurance contract has been amended or cancelled, this shall also apply in relation to any co-insured third party.

#### **§ 8-4. Co-insurance of third parties. Extended cover**

If an extended co-insurance of a third party's interest has been explicitly effected, the insurer may not plead that he has no liability in relation to the person effecting the insurance or another co-insured due to any act or omission which is relevant under the rules contained in chapter 3 or § 5-1.

## Chapter 9.

### Relations between the claims leader and co-insurers

#### § 9-1. Definitions

1. "Claims leader" (*hovedassurandør*) means the insurer who, at the time the insurance contract is entered into, is identified as claims leader.
2. "Co-insurers" (*koassurandører*) means other insurers who have accepted a proportion of the insurance of the interest against the same perils and who are directly liable to the assured.

#### § 9-2. The right of the claims leader to act on behalf of co-insurers

1. Unless otherwise agreed, the claims leader is entitled to take the steps referred to in §§ 9-3 to 9-9 with binding effect on the co-insurers. In all such cases he shall, as far as possible, take into consideration the interests of all the insurers. If time permits he should, in cases of importance, consult those co-insurers of whose existence he is aware.
2. Notwithstanding that the claims leader has acted contrary to agreements with the co-insurers, or otherwise disregarded their interests, steps taken by him in matters governed by §§ 9-3 to 9-8 shall be binding on the co-insurers in relation to the assured, unless the assured knew or ought to have known of the facts.

#### § 9-3. Lay-up plan

The claims leader may approve lay-up plans as required by § 3-26.

#### § 9-4. Notification of a casualty

1. Notifications in connection with a casualty may be given to the claims leader.

2. The claims leader, shall as soon as possible, pass on such notifications to the co-insurers concerned.

**§ 9-5. Salvage**

The claims leader may take measures with a view to salvage. He may inform the assured that the salvage operation has been abandoned or that the insurers will limit their liability for the costs in accordance with § 4-21.

**§ 9-6. Removal and repairs**

The claims leader takes decisions pursuant to § 3-20 and §§ 12-10 to 12-13. If the assured has requested a condemnation of the ship, the claims leader will also decide whether the ship shall be moved in accordance with § 11-6.

**§ 9-7. Provision of security**

1. If the claims leader has, on his own and the co-insurers' behalf, provided a guarantee or counterguarantee for the assured's liability arising from collision, striking or salvage, he may claim a commission of 1% of the guarantee amount. If an open guarantee is provided, the commission shall be calculated on the basis of the effective gross liability.
2. If a co-insurer has been notified that the claims leader has provided a guarantee in accordance with the preceding subparagraph, the co-insurer may not pay compensation in connection with the liability directly to the assured.
3. The co-insurer may not set off against the claims leader counterclaims against the assured, unless he has made a special reservation to that effect prior to the provision of security.

**§ 9-8. Disputes with third parties**

If a third party makes a claim against the assured which is covered by the insurance, or if the assured has a claim for damages to which the insurers are subrogated, the claims

leader shall decide questions concerning the commencement of legal proceedings, appeals and amicable settlements.

**§ 9-9. Claims adjustment**

The claims leader shall see to it that a claims adjustment is drawn up. The adjustment is binding on co-insurers, provided that it is in accordance with the insurance conditions.

**§ 9-10. Insolvency of a co-insurer**

If a co-insurer is insolvent, the assured shall cover his proportion of expenses incurred by the claims leader on behalf of the assured. The co-insurer's share of expenses incurred by the claims leader on behalf of all of the insurers shall be borne by the claims leader.

**§ 9-11. Interest on the disbursements of the claims leader**

The claims leader is entitled to charge interest on disbursements he has made on behalf of all of the insurers or the assured. § 5-4 shall apply correspondingly.

## **Part two**

### **Hull insurance**

#### **Chapter 10.**

#### **General rules relating to the scope of the hull insurance**

##### **§ 10-1. Objects insured**

1. The insurance covers:
  - (a) the ship,
  - (b) equipment on board and spare parts for the ship and its equipment, provided that the equipment or spare parts belong to the assured or have been borrowed, hired or purchased with subject to a seller's lien or similar reservation,
  - (c) bunkers and lubrication oil on board.
2. The insurance does not cover:
  - (a) supplies, engine and deck accessories and other articles intended for consumption,
  - (b) boats and equipment used for fishing, whaling, sealing and similar activities,
  - (c) loose objects exclusively intended for securing or protecting the cargo,
  - (d) loose containers intended for the carriage of cargo.

##### **§ 10-2. Objects, etc. temporarily removed from the ship**

1. The insurance also covers objects referred to in § 10-1, subparagraph 1, which are temporarily removed from the ship in connection with the running of the ship or on account of repairs, reconstruction or similar work, provided that the objects are intended to be put back on board before departure.

2. If fixed equipment for fishing vessels is temporarily stored ashore, the insurer is liable for loss resulting from fire and burglary. However, this applies only if the insurer is notified before the ship leaves port as to what equipment has been brought ashore, its value and where it is stored.
3. In the event of a total loss of the ship, cf. chapter 11, deductions shall be made from the total-loss compensation for the value of equipment covered in accordance with subparagraph 2.

**§ 10-3. Loss due to ordinary use**

The insurer is not liable for loss that is a normal consequence of the use of the ship and its equipment.

**§ 10-4. Insurance “on full conditions”**

Unless otherwise agreed, the hull insurer is liable for total loss, damage and collision liability in accordance with chapters 11 to 13.

**§ 10-5. Insurance “against total loss only” (T.L.O.)**

If the insurance is effected “against total loss only”, the insurer is liable for total loss in accordance with the rules in chapter 11.

**§ 10-6. Insurance “against total loss and general average contribution only”**

If the insurance is effected “against total loss and general average contribution only”, the insurer is liable for:

- (a) total loss in accordance with the rules in chapter 11,
- (b) general average contributions and loss arising from assumed general average, cf. § 4-7, § 4-8, § 4-9 and § 4-11.

**§ 10-7. Insurance “against total loss, general average contribution and collision liability only”**

If the insurance is effected “against total loss, general average contribution and collision liability only”, the insurer is liable for :

- (a) total loss in accordance with the rules contained in chapter 11,
- (b) general average contribution and loss arising from assumed general average, cf. § 4-7, § 4-8, § 4-9 and § 4-11,
- (c) liability to third parties in accordance with the rules contained in chapter 13.

**§ 10-8. Insurance “on stranding terms”**

If the insurance is effected "on stranding terms", the insurer is liable for:

- (a) total loss in accordance with the rules contained in chapter 11,
- (b) general average contribution and loss arising from assumed general average, cf. § 4-7, § 4-8, § 4-9 and § 4-11,
- (c) liability to third parties in accordance with the rules contained in chapter 13,
- (d) damage to the ship which is a result of:
  - the ship having run aground under such circumstances that it cannot be refloated without assistance;
  - the ship having capsized in such a manner that the masts are in the water or the bottom up;
  - the ship having collided with another ship or with an iceberg;
  - a fire or an explosion, with the exception of damage caused in the engine room by a fire or explosion originating there.

**§ 10-9. Duration of voyage insurance**

1. A voyage insurance attaches from the moment the ship starts loading cargo or ballast. If the ship is neither to load cargo nor ballast, the insurance attaches from the moment the ship weighs anchor or lets go its moorings in order to sail.
2. The insurance remains in effect until the ship has discharged its cargo or ballast at the appointed destination. If the assured fails to arrange for the discharge to proceed with reasonable speed, the insurance terminates at the time when the discharge operation should have been completed. If the ship is not to discharge either cargo or ballast, the insurance terminates when the ship has dropped anchor or is moored at a customary anchorage or mooring place.
3. If the ship, at the destination, commences loading cargo or ballast for a new voyage before discharging of the old cargo or ballast has been completed, the insurance terminates when the ship commences loading cargo or ballast.
4. If the voyage is abandoned after the insurance has attached, the place where the voyage ends shall be regarded as the destination.

**§ 10-10 Extension of the insurance**

1. If, upon expiry of the insurance period, the ship has sustained damage for which the insurer is liable and which is of such a nature that repairs are necessary to make the ship seaworthy, the insurance is extended until the ship has dropped anchor or has been moored at the first place where permanent repairs can be effected. If repairs are carried out at that place, the insurance is extended until the repairs are completed.
2. If it has been agreed that the new insurance shall attach from the moment the old one should have ceased, the time of attachment of the new insurance shall be adjusted correspondingly. If the ship leaves the port of repairs before the

old insurance should have expired pursuant to § 1-5, liability is transferred to the new insurer at the time of sailing.

**§ 10-11. Liability of the insurer if the ship is salvaged by the assured**

If the ship is salvaged by another ship belonging to the assured, the insurer is liable as if the salvage operation had been carried out by a third party.

**§ 10-12. Reduction of liability in consequence of an interest insurance**

If the assured receives compensation under a hull interest insurance or a freight interest insurance, and the amount paid under the respective insurances exceeds 25% of the assessed value applicable to the hull insurance against the same perils, the hull insurer's liability is reduced correspondingly.

## **Chapter 11.**

### **Total loss**

**§ 11-1. Total loss**

1. The assured may claim compensation for a total loss if the ship is lost without there being any prospect of it being recovered or if the ship is so badly damaged that it cannot be repaired.
2. No deductions shall be made in the claims adjustment for unrepaired damage sustained by the ship in connection with an earlier casualty.

**§ 11-2. Salvage attempts**

1. The insurer is entitled to attempt to salvage the ship at his own expense and risk. The assured shall in that event do his utmost to enable the insurer to carry out the salvage operation.

2. If the salvage operation has not been completed within six months from the date the insurer was notified of the casualty, the assured is entitled to claim compensation for a total loss. If the salvage operation is delayed due to difficult ice conditions, the time-limit shall be extended correspondingly, however, not by more than six months.

**§ 11-3. Condemnation**

1. The assured may claim compensation for a total loss if the conditions for condemnation of the ship are met.
2. The conditions for condemnation are met when casualty damage is so extensive that the cost of repairing the ship will amount to at least 80% of the insurable value, or of the value of the ship after repairs if the latter is higher than the insurable value. If two or more insurances have been effected against the same perils but with different valuations, the highest valuation shall form the basis of the calculation.
3. The value of the ship after repairs shall be determined on the basis of the market value at the time when the assured makes his request for a condemnation.
4. Casualty damage shall be deemed to include only such damage as has been reported to the insurer concerned and surveyed by him in the course of the last three years prior to the casualty that gives rise to the request for condemnation. Costs of repairs are deemed to include all costs of removal and repairs which, at the time when the request for condemnation is submitted, must be anticipated if the ship is to be repaired. However, salvage awards or compensation for depreciation in value under § 12-1, subparagraph 4, shall not be taken into account.

**§ 11-4. Condemnation in the event of a combination of perils**

1. If the casualty which gives rise to the condemnation is also caused by perils not covered by the insurance, the

compensation shall be reduced correspondingly, cf. § 2-13, § 2-14 and § 2-16.

2. If the casualty is caused by such combination of marine and war perils as referred to in § 2-14, second sentence, cf. § 2-16, the decision whether the conditions for a condemnation are met shall be based on the valuation applicable to the insurance against marine perils.

**§ 11-5. Request for condemnation**

1. If the assured wishes the ship to be condemned, he must submit a request to the insurer without undue delay after the ship has been salvaged and he has had an opportunity to survey the damage. This request may be withdrawn as long as it has not been accepted by the insurer.
2. Whether the assured or the insurer salvages or fails to salvage the ship shall not imply an approval or waiver respectively of the right to condemnation.

**§ 11-6. Removal of the ship**

1. If the assured has requested a condemnation of the ship, the insurer may demand its removal to a place where the damage may be properly surveyed. The demand must be made without undue delay after the ship has been salvaged.
2. The insurer shall bear the costs of the removal and liability for any loss arising during or as a consequence of the removal which is not covered by other insurers.

**§ 11-7. Missing or abandoned ship**

1. If the ship is reported missing, the assured may claim for a total loss when three months have elapsed from the date on which the ship was, at the latest, expected to arrive at a port. If the ship is reported missing under circumstances that give reason to assume that it is icebound and will subsequently be located, the time-limit is twelve months.

2. If the ship has been abandoned by the crew at sea without its subsequent fate being known, the assured may claim for a total loss when three months have elapsed from the day when the ship was abandoned. If it was abandoned because it was icebound, the time-limit is twelve months. If the ship was seen after being abandoned, the time-limit runs from the day on which it was last seen.
3. If, before expiry of the time-limit mentioned in subparagraphs 1 and 2, it is clear that the assured will not recover the ship, he may at once claim for a total loss.
4. If the time-limit has expired and the assured has submitted a claim for a total loss, the insurer may not reject the claim because the ship is subsequently recovered.

**§ 11-8. Extension of the insurance when the ship is missing or abandoned**

1. If, upon expiry of the insurance period, a situation exists as referred to in § 11-7, and the ship is subsequently recovered without the assured being entitled to claim for a total loss, the insurance is extended until the ship has dropped anchor or has been moored in the first port. If the ship is damaged, the rules contained in § 10-10 shall thereafter apply.
2. However, the insurance shall under no circumstances be extended beyond two years after the expiry of the insurance period.

**§ 11-9. Liability of the insurer during the period of clarification**

1. If the assured is entitled to claim for a total loss in accordance with § 11-2, subparagraph 2, § 11-3 and § 11-7, an insurer who is not liable for the total loss shall not be liable for new casualties occurring after the casualty that resulted in a total loss.
2. The insurer who is liable for the total loss shall cover the assured's liability for damages in accordance with the rules contained in chapter 13, regardless of whether such liability has

arisen as a result of marine perils or war perils, provided that the liability has arisen subsequent to the casualty that resulted in the total loss, but before the claim was settled and, at the latest, within two years of the expiry of the insurance period.

## **Chapter 12.**

### **Damage**

#### **§ 12-1. Main rule concerning liability of the insurer**

1. If the ship has been damaged without the rules relating to total loss being applicable, the insurer is liable for the costs of repairing the damage in such a manner that the ship is restored to the condition it was in prior to the occurrence of the damage.
2. Liability arises as and when the repair costs are incurred.
3. If the repairs have resulted in special advantages for the assured because the ship is strengthened or the equipment improved, a deduction from the compensation shall be made limited to the additional costs caused by the strengthening or the improvement.
4. If complete repairs of the damage are impossible, but the ship may be made seaworthy and fit for its intended use by less expensive repairs, the insurer is, in addition to the repair costs, liable for the depreciation in value. If complete repairs of the damage will result in unreasonable costs, the insurer may demand that his liability be limited to the costs of the less extensive repairs, plus the depreciation in value.

#### **§ 12-2. Compensation for unrepaired damage**

1. Even if repairs have not been carried out, the assured may claim compensation for the damage when the ownership of the ship passes from the assured by sale, enforced auction, seizure

or requisition which does not give rise to compensation under § 15-11.

2. Compensation is calculated on the basis of the estimated costs of repairs at the time of the change of ownership, but is limited to the reduction in the proceeds of sale attributable to the damage. Unless otherwise proved, the damage in the event of a sale for scrapping is assumed not to have reduced the proceeds, and in other cases to have reduced the proceeds by the estimated costs of repairs.
3. In the event of a transfer of ownership of the ship, the assured may transfer claims for known damage to the new owner.

**§ 12-3. Inadequate maintenance, etc.**

1. The insurer is not liable for costs incurred in renewing or repairing a part or parts of the hull, machinery or equipment which were in a defective condition as a result of wear and tear, corrosion, rot, inadequate maintenance and the like.
2. If frames or similar supporting or strengthening structures are defective due to circumstances referred to in subparagraph 1 and, as a result parts of the outer hull are lost or damaged, the insurer is not liable for the costs of repairing or renewing those parts.

**§ 12-4. Error in design, etc.**

If the damage is a result of error in design or faulty material, the insurer is not liable for the costs of renewing or repairing the part or parts of the hull, machinery or equipment which were not in proper condition, unless the part or parts in question had been approved by the classification society.

**§ 12-5. Losses that are not recoverable**

The insurer is not liable for:

- (a) crew's wages and maintenance and other ordinary expenses connected with the running of the ship during the period of repair, **unless this is specially agreed,**
- (b) expenses of shifting, storing and removal of cargo,
- (c) accommodation of passengers,
- (d) objects which must normally be replaced several times during the expected life of the ship and which are and have been used for mooring, towing and the like, unless the loss is a consequence of the ship having sunk, or is attributable to collision, fire or theft. The same applies to tarpaulins,
- (e) zinc slabs, magnesium slabs and the like fitted for protection against corrosion,
- (f) loss due to lubricating oil, cooling water or feed water becoming contaminated, unless proper measures were taken as soon as possible after the assured, the master or the chief engineer became, or must be deemed to have become, aware of the contamination, and in any event not later than three months after one of them should have become aware of the contamination.

**§ 12-6. *Deferred repairs***

**If the repairs are not carried out within five years after the damage was discovered, the insurer is not liable for any increase in the cost of the work that is incurred later.**

**§ 12-7. Temporary repairs**

1. The insurer is liable for the costs of necessary temporary repairs when permanent repairs cannot be carried out at the place where the ship is at the relevant time.

2. If temporary repairs of the damaged part are carried out in other cases, the insurer is liable for costs up to the amount he saves through the postponement of the permanent repairs, or up to 20% p.a. of the hull valuation for the time the assured saves, if the latter amount is higher.

**§ 12-8. Costs incurred in expediting repairs**

If the assured, in order to limit his loss of time, expedites repairs of the damaged part by extraordinary measures, the insurer's liability for the costs thereby incurred is limited to 20% p.a. of the hull valuation for the time saved by the assured. The time saved for the assured and the liability of the insurer are to be calculated in relation to all repairs that are carried out concurrently.

**§ 12-9. Repairs of a ship that is condemnable**

If a ship is repaired despite the fact that the conditions for condemnation are met, the insurer's liability is limited to the sum insured plus additional costs under § 4-19, if applicable, but with the deduction of the value of the wreck.

**§ 12-10. Survey of damage**

1. Before any damage is repaired, it shall be surveyed by a representative of the assured and a representative of the insurer.
2. The representatives shall submit survey reports, in which they describe the damage and state their opinions as regards the probable cause of each individual item of damage, the time of its occurrence and the costs of repair.
3. If one of the parties so requires, the representatives shall, before the damage is repaired, submit preliminary reports in which they give an approximate estimate of the costs of repairs.
4. If there is disagreement between the two representatives, the parties may appoint an umpire who shall give a reasoned

opinion of the questions submitted to him. If the parties cannot agree on the choice of an umpire, he shall be appointed by a Norwegian average adjuster.

5. Neither the assured nor the insurer may petition for a judicial or other legal valuation of the damage, unless this is required by the laws of the relevant country.
6. If the assured, without compelling reasons, has the ship repaired without any survey being held or without notifying the insurer of such survey, he has, in addition to the burden of proof under § 2-12, the burden of proving that the damage is not attributable to causes not covered by the insurance.

**§ 12-11. Invitations to tender**

1. The insurer may demand that tenders be obtained from the repair yards of his choice. If the assured does not obtain such tenders, the insurer may do so.
2. If the time taken to obtain tenders exceeds ten days as from the date the invitation to submit tenders is sent out, the insurer is liable to compensate the loss of time at the rate of 20% p.a. of the hull valuation during the excess period.

**§ 12-12. Choice of repair yard**

1. The tenders received shall, for the purpose of comparison, be adjusted by the costs of removal being added to the tender amount.
2. The assured decides which yard shall be used, but the insurer's liability for the costs of repairs and the removal is limited to an amount corresponding to the amount that would have been recoverable if the lowest adjusted tender had been accepted, with an addition of 20% p.a. of the hull valuation for the time the assured saves by not choosing that tender.
3. If the assured, because of special circumstances, has justifiable reason to object to the repairs being carried out at one of the

yards that have submitted tenders, he may demand that the tender from that yard be disregarded.

**§ 12-13. Removal of the ship**

1. Subject to the limitation that follows from § 12-12, the insurer is liable for the costs of moving the ship to the repair yard, including wages and maintenance for necessary crew, bunkers and similar direct expenses in connection with the running of the ship during the period of time involved. If the removal results in costs savings for the assured, a corresponding amount shall be deducted.
2. If another insurer has expressly disclaimed liability during the removal in accordance with § 3-20, the insurer who is liable for the damage to the ship shall also be liable for any loss that arises during and in consequence of the removal, and which would otherwise have been recoverable from the other insurer.
3. The insurer may disclaim any liability during the removal in accordance with § 3-20.

**§ 12-14. Apportionment of common expenses**

If expenses have been incurred which are common to repair work for which the insurer is liable and work which is not covered by the insurance, these expenses shall be apportioned on the basis of the cost of each class of work. However, common expenses which depend on the length of the period of repairs shall be apportioned on the basis of the time that the recoverable and the non-recoverable work would have required if the two classes of work had been carried out separately.

**§ 12-15. Ice damage deductions**

Damage due to striking against or contact with ice - excluding collision with icebergs on the open sea - is recoverable subject to a deduction of one fourth.

**§ 12-16. Machinery damage deductions**

1. Damage to machinery and accessories and to pipelines and electrical cables outside the machinery is recoverable subject to deductions as set out in the policy. To this shall be added the deductible referred to in § 12-18, subparagraph 1.
2. However, no machinery damage deduction shall be made if the damage is a consequence of:
  - (a) the ship having been involved in a collision or striking,
  - (b) the engine room having been completely or partly flooded,
  - (c) fire or explosion originating outside the engine room.

**§ 12-17. Compensation without deductions**

Recoverable without deductions in accordance with § 12-15 and § 12-16 are:

- (a) loss recoverable under § 12-1, subparagraph 4, § 12-11, subparagraph 2, and § 12-13,
- (b) unused spare parts that are damaged or lost,
- (c) temporary repairs.

**§ 12-18. Deductible**

1. For any one casualty the amount stated in the policy shall be deducted.
2. Damage caused by heavy weather or navigating in ice which has occurred during the period between departure from one port and arrival at the next one shall be regarded as one casualty.
3. Costs in connection with the claims settlement, cf. § 4-5, and loss through measures to avert or minimise the loss, see §§ 4-7 to 4-12, are recoverable without any deductible.

**§ 12-19. Basis for calculation of deductions according to §§ 12-15 to 12-18 and § 3-15**

1. Deductions under § 3-15, subparagraph 2, § 12-15, § 12-16 and § 12-18 are calculated on the basis of the full amount of compensation according to the Plan and the insurance conditions before deductions under any of these sections are made.
2. Deductions are also made if damage to the ship is recoverable under § 4-7, cf. § 4-12, subparagraph 1.

## **Chapter 13.**

### **Liability of the assured arising from collision or striking**

**§ 13-1. Scope of liability of the insurer**

1. The insurer is liable for liability imposed on the assured for loss which is a result of collision or striking by the ship, its accessories, equipment or cargo, or by a tug used by the ship.
2. However, the insurer is not liable for:
  - (a) liability arising while the ship is engaged in towing, or caused by the towage, unless this takes place in connection with a salvage operation referred to in § 3-12, subparagraph 2,
  - (b) liability for personal injury or loss of life,
  - (c) other loss suffered by passengers or crew on the insured ship,
  - (d) liability for damage to or loss of cargo, other effects on board the insured ship, or equipment which the ship uses,
  - (e) liability to charterers or others who have an interest in the insured ship,

- (f) liability for pollution damage and damage resulting from fire or explosion caused by oil or other liquid or volatile substances, and contamination damage caused by radioactive substances. However, if the insured ship has collided with another ship, liability for such damage to the other ship with equipment and cargo is covered,
- (g) liability for loss caused by cargo or bunkers after grounding or striking against ice,
- (h) liability for loss caused by the ship's use of anchor, mooring and towing gear, loading and discharging pipes, gangways and the like, and liability for damage to or loss of these objects,
- (i) liability for removal of the wreck of the insured ship and for obstructions to traffic created by the insured ship,
- (j) refund of amounts which a third party has paid by way of compensation for loss as mentioned under letters (a) to (i) above.

**§ 13-2.           Limitation of liability based on tonnage or value of more than one ship**

If the assured's liability is limited on the basis of the tonnage or value of more than one ship, and these ships are insured with different insurers, each individual insurer is liable for such proportion of the liability as corresponds to the tonnage or value of the ship in question.

**§ 13-3.           Maximum liability of the insurer in respect of any one casualty**

The insurer is liable up to an amount equivalent to the sum insured in respect of liability for damages arising from any one casualty.

**§ 13-4.            Deductible**

1.            For each casualty the amount stated in the policy shall be deducted.
  
2.            Litigation costs, cf. § 4-4, costs in connection with the claims settlement, cf. § 4-5, and loss caused by measures to avert or minimise the loss, cf. §§ 4-7 to 4-12, are recoverable without any deductible.

## **Part three**

### **Other insurances for ocean-going ships**

#### **Chapter 14.**

##### **Separate insurances against total loss**

**§ 14-1. Insurance against total loss and excess collision liability (hull interest insurance)**

If an insurance has been effected against total loss and excess collision liability (hull interest insurance), the insurer is liable for the amount stated in the policy

- (a) for total loss in accordance with the rules contained in chapter 11, and § 15-10, and
- (b) separately for the assured's liability for collision or striking in accordance with the rules in §§ 13-1 to 13-3, where the hull insurer does not cover the liability because it exceeds a sum insured equivalent to the full valuation in the hull policy.

**§ 14-2. Insurance against loss of long-term freight income (freight interest insurance)**

If an insurance has been effected against loss of long-term freight income (freight interest insurance), the insurer is liable for total loss in accordance with the rules contained in chapter 11 for the amount stated in the policy.

**§ 14-3. Common rules for separate insurances against total loss**

1. The insurer's liability is subject to the condition that the assured claims for a total loss against the hull insurer. If the hull insurer has paid the sum insured in accordance with § 4-21, the assured may claim compensation from the insurer provided that he is prepared to transfer the wreck to the insurer. If both hull

interest insurance and freight interest insurance have been effected, the hull interest insurer has first right to the wreck.

2. The insurer is not liable for any loss incurred by measures to avert or minimise the loss, cf. §§ 4-7 to 4-12.
3. The rules contained in chapters 10 and 11 apply correspondingly.
4. The rules contained in § 1-4, § 9-4, § 9-5, first sentence, § 9-6 and § 9-8, cf. § 9-2, apply correspondingly to the relationship between the insurers for the special insurances against total loss, etc., and the claims leader under the hull insurance.

**§ 14-4. Restrictions on the right to effect separate insurances against total loss**

1. If hull interest insurance has been effected for more than 25% of the assessed insurable value under the hull insurance which covers the same perils, the excess part of the hull interest insurance is void. The same applies to a freight interest insurance.
2. If more than one hull interest insurance or freight interest insurance have been effected, the insurer's liability is reduced proportionately.
3. The rules in subparagraph 1 do not prevent the assured from effecting, in addition to hull interest insurance and freight interest insurance, insurance with an open insurable value against loss of an existing time charterparty or a contract for a series of voyages. If the assured receives compensation under such an insurance, the liability of the freight interest insurer under § 14-2 is reduced correspondingly.

## **Chapter 15.**

### **War risk insurance**

#### **Section 1. General rules relating to the scope of war risk insurance**

##### **§ 15-1. Perils covered**

1. The insurance covers war perils, cf. § 2-9.
2. If the insurance against marine perils has been suspended in accordance with the rules in § 3-19, the insurance also covers marine perils, cf. § 2-8.
3. If the ship is insured with The Norwegian Shipowners' Mutual War Risks Insurance Association, and the insurance against marine perils has been suspended by reason of a requisition by a foreign State power, cf. § 3-17, the insurance also covers marine perils, cf. § 2-8.

##### **§ 15-2. Losses covered**

The insurance covers:

- (a) total loss, cf. chapter 11 and section 4 below,
- (b) damage, cf. chapter 12 and section 5 below,
- (c) collision liability, cf. chapter 13,
- (d) hull interest/freight interest, cf. chapter 14,
- (e) loss of hire, cf. chapter 16 and section 6 below,
- (f) owner's liability (P&I), cf. section 7 below,
- (g) occupational injuries etc., cf. section 8 below.

##### **§ 15-3. Sum insured**

In addition to § 4-18 the following shall apply:

- (a) Shipowner's liability, cf. section 7 below, shall be subject to a separate sum insured. Even if the sum insured is exceeded, the insurer covers liability under § 15-21.
- (b) Hull interest/freight interest, cf. chapter 14, shall be subject to a separate sum insured.
- (c) Loss of hire, cf. chapter 16 and section 6, shall be subject to a separate sum insured.

**§ 15-4. Safety regulations**

1. During the insurance period the insurer may, as a special safety regulation, cf. § 3-24, issue *inter alia* instructions that:
  - (a) the ship shall not embark on a planned voyage or complete a voyage in progress,
  - (b) the ship shall or shall not follow a certain itinerary,
  - (c) the ship shall deviate, be moved from one port to another, or remain in a specific port,
  - (d) the ship shall not carry cargo of a certain nature, or certain passengers,
  - (e) the ship shall or shall not comply with orders issued by a foreign State power,
  - (f) the assured shall without undue delay give information about the ship's position, about voyages which the ship is making or is going to make, about times of departure and arrival, the nature of the cargo, the itinerary, the charter arrangement, etc., and of any changes as regards previously given information about such facts.
2. In the event of an infringement of a stipulated safety regulation, § 3-25, subparagraphs 1 and 2, shall apply correspondingly.

## **Section 2. Termination of the insurance**

### **§ 15-5. War between the major powers**

In the event of war or war-like conditions breaking out between any of the following States:

Great Britain, the United States of America, France, the Russian Federation, the People's Republic of China,

an insurance against war perils shall automatically terminate, unless the ship is insured with The Norwegian Shipowners' Mutual War Risks Insurance Association.

### **§ 15-6. Use of nuclear arms for war purposes**

In the event of any use of nuclear arms for war purposes, the insurance shall automatically terminate. However, if the ship is insured with The Norwegian Shipowners' Mutual War Risks Insurance Association, the insurance shall only terminate if the ship is inside excluded or conditional areas, cf. § 15-9.

### **§ 15-7. Bareboat chartering**

If the ship is bareboat chartered, the insurance shall terminate immediately.

### **§ 15-8. Cancellation**

1. In the event of a change of risk, the person effecting the insurance as well as the insurer is entitled to cancel the insurance by giving seven days' notice. **Cancellation also applies to the rights of the mortgagee, but the insurer shall immediately notify the mortgagee of the cancellation.**
2. If the insurance is cancelled in accordance with subparagraph 1, the insurer shall, before expiry of the time-limit, submit a proposal for new conditions and a new premium.

### **Section 3. Trading limits**

#### **§ 15-9. Excluded and conditional trading areas**

In addition to § 3-15 the following applies:

The insurer may at any time designate new or change existing trading areas. He may in this connection decide that:

- (a) certain areas shall be designated as conditional areas. The ship may still sail in such areas, but subject to an additional premium,
- (b) certain areas shall be designated as excluded areas. Such areas fall outside the trading area of the insurance.

### **Section 4. Total loss**

#### **§ 15-10. Relationship to chapter 11**

The provisions in this section shall apply in addition to the provisions contained in chapter 11.

#### **§ 15-11. Intervention by a foreign State power, piracy**

1. If the assured has been deprived of the ship by an intervention by a foreign State power, for which the insurer is liable under § 2-9, the assured may claim for a total loss if the ship has not been released within twelve months from the day the intervention took place.
2. If the ship has been captured by pirates or taken away from the assured by similar unlawful interventions, for which the insurer is liable under § 2-9, the assured may claim for a total loss if the ship has not been recovered within twelve months from the day the intervention took place.
3. If it has been established before expiry of the time-limits in subparagraphs 1 and 2 that the assured will not recover the ship, he may immediately claim for a total loss.

4. If the assured has brought a claim for a total loss and the time-limits stipulated have expired, it is irrelevant for the assured's claim that the ship is released at a later time.
5. § 11-8 and § 11-9 shall apply correspondingly.

**§ 15-12. Blocking and trapping**

1. If the ship is prevented from leaving a port or a similar limited area, the assured may claim for a total loss, if the relevant obstruction has not been lifted within twelve months after the day it occurred.
2. The provisions in § 15-11, subparagraphs 3, 4 and 5, shall apply correspondingly.

**§ 15-13. Restrictions imposed by the insurer**

If the ship has been deprived of income for more than six months as a result of orders issued by the insurer, cf. § 15-4, the assured may claim for a total loss.

**Section 5. Damage**

**§ 15-14. Relationship to chapter 12**

The provisions in chapter 12 apply, subject to the following exceptions:

- (a) The insurance does not cover costs mentioned in § 12-8 and § 12-11, subparagraph 2. Nor does the insurance cover crew's wages, maintenance and similar expenses in connection with the running of the ship which fall under § 4-11 or § 12-13, subparagraph 1.
- (b) Instead of § 12-12 the following applies:  
The tenders submitted shall, for the sake of comparison, be adjusted by adding the costs of removal to the tender amount. To the adjusted tenders shall be added an

amount equivalent to the product of the daily amount under the loss-of-hire insurance and the total number of days during which the ship would be deprived of income if the repairs are carried out at the repair yard in question. The resulting sum total is referred to as the total cost of repairs.

If, because of special circumstances, the assured has justifiable reason to object to the repairs being carried out at one of the yards that have submitted tenders, he may demand that that yard's tender be disregarded.

The assured decides which yard shall be used, but the insurer's liability is limited to the amounts mentioned in the preceding subparagraphs.

**§ 15-15. Deductible**

If a deductible is stipulated in the policy, cf. § 12-18, the following shall apply:

If the ship has been seized or requisitioned for use by a foreign State power, and is returned without the assured being entitled to claim for a total loss, any loss that has arisen during this intervention shall in its entirety be regarded as caused by one casualty.

**Section 6. Loss of hire**

**§ 15-16. Relationship to chapter 16**

1. The provisions contained in this section shall apply in addition to the provisions in chapter 16.
2. Instead of § 16-1, subparagraph 2 letter b, the following shall apply:  
The insurer is liable for loss due to the ship being wholly or partly deprived of income because it is prevented from leaving a port or a similar limited area.

**§ 15-17. Loss in connection with a call at a visitation port, a temporary stay, etc.**

1. The insurer is also liable for loss of time if the ship is brought to a port by a foreign State power for the purpose of:
  - (a) visitation and search of cargo, etc.
  - (b) capture and temporary detention.
2. If the assured is entitled to compensation for total loss under § 15-11 or § 15-12, he is not entitled to compensation under this section beyond the first month of the loss of time. If compensation has already been paid, it shall be deducted from the total loss compensation.

**§ 15-18. Loss caused by orders issued by the insurer**

1. The insurer is also liable for loss of time resulting from orders issued by the insurer, cf. § 15-4. However, this does not apply to orders given by the insurer in connection with the outbreak of war.
2. If the assured is entitled to compensation for total loss under § 15-3, § 15-17, subparagraph 2, shall apply correspondingly.

**§ 15-19. Choice of repair yard**

§ 16-9 does not apply.

**Section 7. Owner's liability, etc. (P&I)**

**§ 15-20. Scope of cover**

1. The insurer covers liability and expenses which would have been recoverable under the ship's P&I insurance if the event in question had not been caused by a war peril, cf. § 2-9.
2. If no P&I insurance against marine perils has been effected for the ship, the insurer's liability under subparagraph 1 shall be

determined as if the P&I insurance had been effected with Assuranceforeningen Skuld (Gjensidige).

**§ 15-21. Removal of war wrecks**

If the ship is lost in consequence of war perils, the insurer covers the assured's liability for removal of the wreck.

**§ 15-22. Limitations to the cover**

If liability and expenses as referred to in § 15-20 and § 15-21 are covered by another insurance which the assured has effected, the cover under this section is subsidiary in relation to that insurance.

**Section 8. Occupational injury insurance, etc.**

**§ 15-23. Scope of cover**

If, pursuant to law or collective agreements, the assured is required to effect insurance against death and disablement for the ship's crew, the insurer covers the claims of the crew in this connection.

If claims as mentioned in subparagraph 1 are covered by another insurance which the assured has effected, the cover under this provision is subsidiary to the latter insurance.

## **Chapter 16.**

### **Loss of hire insurance**

**§ 16-1 Scope of the insurance**

1. The insurance covers loss due to the vessel being wholly or partially deprived of income as a consequence of damage to the vessel which is recoverable under the terms of the Plan and the ordinary Norwegian hull conditions for ocean-going vessels which were in effect at the inception of this insurance or which

would have been recoverable if no deductible had been agreed, see § 12-18.

2. The insurance also covers loss due to the vessel being wholly or partially deprived of income:
  - (a) because it has stranded,
  - (b) because it is prevented by physical obstructions from leaving a port or other limited area (other than ice).
  - (c) as a consequence of measures taken to salvage or remove damaged cargo.

**§ 16-2. Total and compromised total loss**

The insurer is not liable for loss of time resulting from a casualty which gives the assured the right to compensation for total loss under chapter 11 of the Plan, or which is settled by way of compromise, with the hull insurer paying at least 75% of the assessed hull value without acquiring the right to take over the vessel and without requiring the assured to carry out repairs.

**§ 16-3. Main rule for calculating the liability of the insurer**

1. The insurer's liability shall be calculated on the basis of the time during which the vessel has been deprived of income (the loss of time) and the loss of earning per day (the daily amount). Loss of time arising before any of the events described in § 16-1 shall not be taken into account.

**§ 16-4. Calculation of the loss of time**

1. Loss of time is stipulated in days, hours and minutes. A period of time during which the vessel has only partially been deprived of income shall be converted into a corresponding period of total loss of income.
2. The insurer's liability for loss of time resulting from any one casualty, and for the total loss of time resulting from all

casualties occurring during the insurance period, is limited to the sum insured per day multiplied by the number of days of indemnity per casualty and in all stated in the policy.

**§ 16-5. Daily amount**

1. The assured's loss of earnings per day (the daily amount) shall be the amount of freight per day under the current contract of affreightment less such expenses as the assured saves or ought to have saved due to the vessel being out of regular employment.
2. If the vessel is not employed under a contract of affreightment, the daily amount shall be calculated on the basis of average freight rates for vessels of the type and size concerned during the period the vessel is deprived of income.

**§ 16-6. Assessed daily amount**

If it is stated in the policy that loss of time shall be compensated by a fixed amount per day, this amount shall be regarded as an assessed insurable daily amount unless the circumstances clearly indicate otherwise.

**§ 16-7. Deductible period**

1. Each casualty shall be subject to a deductible period which shall be reckoned from the beginning of the casualty and last until the loss of time calculated in accordance with the rule in §16-4, subparagraph 1, second sentence has reached the number of deductible days stated in the policy. Loss of time in the deductible period is not recoverable.
2. Heavy weather damage sustained during the period of time between the vessel's departure from one port and arrival at the next shall be deemed to be one casualty. Should the insurance attach or expire during this period, the insurer shall cover the same proportion of the total loss of time resulting from all heavy weather damage occurring between the two ports as the

number of heavy weather days during the insurance period bears to the total number of heavy weather days occurring between the two ports.

3. The rules in the second subparagraph shall apply correspondingly to damage sustained as a result of the vessel passing through ice and to damage caused by grounding or contact with the seabed while the vessel is navigating in shallow waters.

**§ 16-8. Survey of damage**

The provisions of §12-10 shall apply correspondingly to this insurance.

**§ 16-9. Choice of repair yard**

1. The insurer may require that tenders be obtained from repair yards of his choice. If the assured does not obtain such tenders the insurer may do so.
2. If, due to special circumstances, the assured has justifiable objections to the use of a particular repair yard, he may require that the tender from that yard be disregarded.
3. The assured decides which yard is to be used, but the liability of the insurer shall be limited to the loss of time under the shortest repair alternative, the costs of which are recoverable in full from the vessel's hull insurer. If the assured chooses this alternative, then the claim is to be settled on the basis of the actual time lost even though this is greater than specified in the tender.

**§ 16-10 Removal to the repair yard, etc.**

1. Time lost during removal to the repair yard shall be attributed to the class of repairs that necessitated the removal. The same applies to time lost after completion of repairs to the extent that such time is covered under §16-13.

2. If removal to the repair yard was necessary for the repair of more than one class of work, then the removal time shall be apportioned in accordance with the time that each class of work would have required if carried out separately. Removal time that falls within the deductible period shall not be apportioned.
3. The rules in subparagraphs 1 and 2 shall also apply to time lost during surveys, while obtaining tenders, tank cleaning, waiting to commence repairs or due to other similar measures which were necessary in order to carry out the repairs.

**§ 16-11 Costs incurred in order to save time**

1. The insurer is liable for extraordinary costs incurred in carrying out temporary repairs and other extraordinary measures taken for the purpose of preventing loss of time covered by the insurance, insofar as such costs are not recoverable from the hull insurer.
2. The insurer is not, however, liable for such costs in excess of the amount he would have had to pay if such measures had not been taken.
3. The assured shall bear a portion of such extraordinary costs to the extent that the measures taken have saved time for his account.

**§ 16-12 Simultaneous repairs**

1. If repairs covered under this insurance are carried out simultaneously with work which is not covered under any loss of hire insurance, but which:
  - (a) is carried out to fulfil classification requirements, whether or not in connection with periodic surveys, and regardless of whether or not the required work is due at the time of the repairs, or

- (b) is necessary for the seaworthiness of the vessel, or for the performance of the vessel's contractual obligations, or is connected with a reconstruction of the vessel, or
- (c) otherwise concerns strengthening, repairs or maintenance of the ship, with the exception of work which would not by itself have necessitated a separate stay at a repair yard,

the insurer shall pay compensation in such cases as mentioned under a) and b) for half of the time common to both classes of work in excess of the deductible period, and in such cases as referred to under c) for half of the time common to both classes of work which exceeds 30 days.

2. If repairs resulting from two casualties both covered under this insurance are carried out simultaneously, the rule in the preceding subparagraph shall apply correspondingly for the time which is within the deductible period of one casualty, but not within the deductible period of the other.
3. If repairs covered under this insurance and work covered under other loss of hire insurance are carried out simultaneously, the insurer shall pay compensation for half of the time common to both classes of work in excess of the deductible period. This also applies where repairs under the other policy are carried out within the deductible period under this policy. Furthermore, if work not covered under any loss of hire insurance, but of such a nature as referred to in subparagraph 1 a)-c), is carried out simultaneously, the insurer shall only pay compensation for one fourth of the common repair time which falls outside the deductible period in the cases referred to in subparagraph 1 a) and b) and which exceeds of 30 days in cases referred to in subparagraph 1c.
4. In the application of the rules set out in subparagraphs 1 - 3, each class of work shall be deemed to have lasted for the number of days the work would have required if the classes of work had been carried out separately, counting from the moment the work started. Unless the circumstances clearly indicate another point in time, all classes of work shall be

deemed to have started on the ship's arrival at the yard. Any delay which might occur due to several classes of work being carried out simultaneously shall be attributed to all classes in proportion to the number of days each class would have required if carried out separately, counting from the time the work started.

**§ 16-13      Loss of time after completion of repairs**

After repairs have been completed, the insurer is only liable for:

- (a) time lost until the vessel can resume the voyage or activity that it was engaged in under the contract of affreightment that was in force at the time of the casualty,
- (b) time lost until liner vessels or other vessels that follow a fixed sailing programme or which operate in a limited geographical area can resume trading,
- (c) time lost in sailing to the first port of loading under a contract of affreightment that was entered into with binding effect, prior to the casualty.

**§ 16-14      Repairs carried out after expiry of the insurance period**

- 1. The insurer is not liable for loss of time resulting from a stay at a repair yard that commences more than two years after expiry of the insurance period.
- 2. Loss of time resulting from a stay at a repair yard which commences after the expiry of the insurance period is recoverable in accordance with the rules in §16-5, notwithstanding that the daily amount is an assessed insurable amount under §16-6, if this results in lower compensation.

**§ 16-15      Liability of the insurer when the vessel is transferred to a new owner**

- 1. When damage is repaired in connection with a transfer of ownership, the insurer is not liable for time that would in any

event have been lost in connection with that transfer. If the transfer of ownership has to be postponed in order to repair damage relevant to this insurance, the insurer is liable for the assured's loss of interest in accordance with the rules in §5-4 even though the vessel would not have earned income for the assured during the postponement.

2. If the vessel is transferred to a new owner with unrepaired damage, the insurer is liable for loss that the assured can prove that he has suffered because the vessel will be out of service while repairs are being carried out by the new owner.
3. The insurer's liability under subparagraphs 1 and 2 shall not exceed the compensation to which the assured would be entitled on the basis of the sum insured per day (the daily amount) and
  - (a) the time by which the transfer was postponed, or
  - (b) the time that it must be estimated that the new owner will take to carry out the repairs,subject to the agreed deductible period. Compensation under §16-13 is not recoverable in these cases.
4. The assured's claim under this insurance may not be transferred to a new owner.

#### **§ 16-16 Other insurances and general average**

The rules as to subrogation in §5-13 of the Plan shall apply correspondingly to:

- (a) the assured's right to claim compensation for loss of time and operating costs under §12-11 or §12-13 of the Plan or equivalent provisions in the vessel's hull insurance, and
- (b) any right the assured might otherwise have to claim compensation for his loss of income from any other insurer or in general average.

## **Part four**

### **Other insurances**

#### **Chapter 17.**

#### **Special rules for fishing vessels and small freighters, etc.**

##### **Section 1. Common provisions**

##### **§ 17-1. Scope of application**

The rules in chapter 17, paragraphs 1-6 shall only apply to the extent that this follows from the policy.

##### **§ 17-2. Renewal of the insurance/Re. § 1-5**

1. Upon expiry of the insurance period, the insurance is automatically renewed for 12 months at the same rate and on the same conditions.
2. If the insurer does not wish to renew the insurance, or if he only wishes to renew it at a different rate or on different conditions, he must notify the person effecting the insurance of this no later than one month prior to expiry of the insurance period.
3. If the person effecting the insurance wishes to cancel the insurance or if he does not wish to accept renewal at a new rate or on new conditions, he must notify the insurer of this no later than 14 days prior to expiry of the insurance period.

##### **§ 17-3. Trading limits *for fishing vessels*/Re. § 3-15**

1. Unless otherwise provided in the policy, insurance of fishing vessels shall be subject to the limitations that follow from the Appendix to the Plan, Part III Trading limits applicable to insurance of fishing vessels pursuant to Chapter 17.

2. If a vessel proceeds beyond the trading limits **pursuant to subparagraph 1**, § 3-15, subparagraph 3, shall apply correspondingly.

**§ 17-4. Classification and ship control/Re. § 3-14**

1. If the vessel at the start of the insurance period is classified with a classification society approved by the insurer, § 3-14 shall apply.
2. Vessels which do not have any class shall at the start of the insurance period have a valid certificate in accordance with the rules of the Norwegian Maritime Directorate. Termination of a valid certificate is considered equivalent to loss of class, cf. § 3-14.

**§ 17-5. Safety regulations/Re. § 3-24 and § 3-25**

The following special safety regulations shall apply, cf. § 3-25, subparagraph 2:

- (a) The vessel shall not force ice.
- (b) If the vessel has a trading certificate, the provisions in the certificate constitute special safety regulations.
- (c) When the vessel is at quay or laid up, the assured shall secure the vessel and equipment and arrange for daily supervision of the vessel and its moorings. Accessories, equipment, catch or cargo shall be locked away, or fixed or bolted to the vessel so that they cannot be removed without the use of tools.

**§ 17-6. Savings to the assured**

If the assured as a result of a casualty or liability covered by the insurance has received additional income, saved expenses or averted liability which he would otherwise have incurred and which would not have been covered by the insurer, the latter

may deduct from the compensation an amount equivalent to the advantage gained.

## **Section 2. Hull insurance - normal cover**

### **§ 17-7. Change of the open or assessed insurable value/Re. § 2-2 and § 2-3**

In addition to § 2-2 and § 2-3 the following shall apply:

The assured shall notify the insurer of any changes in the concession conditions for the vessel or if he accepts an offer for a public destruction subsidy which is lower than the open or assessed insurable value. The insurer may in such cases demand that the open or assessed insurable value be reduced.

### **§ 17-8. Damage to lifeboats, fishing, whaling and sealing tackle and catch/Re. § 4-7 to § 4-12 and § 4-16**

The insurer's liability for costs of measures to avert or minimise loss, cf. § 4-7 to § 4-12, does not cover loss of or damage to the fishing vessel's lifeboats, fishing, whaling and sealing tackle or catch which occurs while these objects are outside the vessel.

### **§ 17-9. Hull and freight-interest insurance/Re. § 10-12**

Instead of § 10-12 the following shall apply:

If the insured receives compensation under an interest insurance, the hull insurer's liability is reduced correspondingly, unless the hull insurer has consented in advance to such insurance being taken out.

### **§ 17-10. Condemnation/Re. § 11-3**

Instead of § 11-3, subparagraph 2, first sentence, the following shall apply:

The conditions for condemnation are met when casualty damage is so extensive that the costs of repairing the vessel will amount to at least 90% of the insurable value or of the value of

the ship after repairs if the latter is higher than the insurable value.

**§ 17-11. Damage to the hull of vessels which are not built of steel/Re. § 12-1**

In the event of damage to the hull of vessels which are not built of steel, the insurer is not liable for:

- (a) distortion of the keel or damage resulting from therefrom. The same applies to a depreciation in value caused by the fact that repairs are not carried out,
- (b) damage resulting from striking against or contact with ice,
- (c) caulking of hull and deck.

**§ 17-12. Damage to machinery, electronic equipment etc.**

The insurer is only liable for damage to:

- (a) machinery with accessories,
- (b) factory machinery used for preparing or processing catch, etc.
- (c) seine winch, line hauler, trawl winch or other hauling device for fishing gear, fish pumps, etc.
- (d) pipelines and electric cables outside the machinery, and
- (e) electronic equipment

if the damage is a result of collision, striking, an earthquake, an explosion outside the machinery or fire, or of the vessel having sunk or capsized. Damage to electronic equipment caused by heavy weather shall, however, be covered if damage to hull or superstructure occurred in the same casualty.

**§ 17-13. Costs incurred in saving time/Re. § 12-7, § 12-8, § 12-11 and § 12-12**

The insurer is not liable for costs incurred in connection with:

- (a) temporary repairs under § 12-7, subparagraph 2, in excess of what he saves by a postponement of the final repairs,
- (b) the fact that the assured pursuant to the rules in § 12-8 expedites repairs by extraordinary measures in order to limit his loss of time,
- (c) repairs and removal in accordance with the rules in § 12-12, subparagraph 2, in excess of the amount that would have been recoverable if the lowest corrected bid had been accepted,

nor for the loss of time under § 12-11, subparagraph 2.

**§ 17-14. Deductions/Re. § 12-15, § 12-16 and § 12-18**

- (a) Ice damage deduction, cf. § 12-15:  
Damage resulting from striking against or contact with ice north of the 75th northern parallel and the waters of Greenland, including the Strait of Denmark, is covered subject to a deduction of 25% for vessels with ice class ICE 1 B or better, and a deduction of 45% for other vessels.
- (b) Electronic equipment damage deduction:  
Damage to electronic equipment is covered subject to the deductions stated in the policy.
- (c) Machinery damage deduction, cf. § 12-16:  
Damage to machinery etc. is covered subject to the deductions stated in the policy.
- (d) Deductible, cf. § 12-18:  
For each individual casualty the amount stated in the policy shall be deducted.

**§ 17-15. Collision liability for fishing vessels/Re. § 13-1**

The insurer covers liability incurred by the assured for loss which the vessel with accessories, equipment and cargo, or tug used by the vessel, has caused to another vessel with fixed accessories in a collision.

In addition to the limitations in § 13-1, subparagraph 2, the following shall apply:

The insurer does not cover any liability that might arise between the participants in the same fishing teams or between pair trawlers.

**§ 17-16. Collision liability for freighters, including well-boats, which carry live fish/Re. § 13-1**

In addition to the limitations in § 13-1, subparagraph 2, the following shall apply:

The insurer does not cover liability under § 13-1 for damage to or loss of fish or structures for keeping live fish, where the loss or damage occurs in connection with the relevant structure calling at a port for loading or discharging.

**Section 3. Hull insurance - extended cover for fishing vessels**

**§ 17-17. The relationship to section 2**

The provisions in this section supplement the provisions in section 2. In the event of damage to machinery, electronic equipment etc., § 17-18 shall nevertheless apply instead of § 17-12.

**§ 17-18. Damage to factory machinery**

The insurer covers damage to factory machinery for the preparation or processing of catch, etc., provided that the damage is a result of the vessel having been subjected to a

collision, striking, an earthquake, an explosion outside the machinery or fire, or of the vessel having sunk or capsized.

**§ 17-19. Costs of removal of the ship/Re. § 12-13**

Costs of removal of the ship in connection with damage to seine winch , line hauler, trawl winch or other hauling device for fishing gear, fish pumps, etc., are not covered if the damage is subject to deduction under § 17-14 (c).

**Section 4. Catch and equipment insurance - normal cover**

**§ 17-20. Objects insured**

The insurance covers:

- (a) catch which is on board the vessel as part of the fishing, whaling or sealing activities of the vessel. If a marketing co-operative has been advised, prior to a casualty, of the arrival of the catch and the catch has been directed to a specific place of discharge, transport surcharge is also covered.
- (b) fishing gear with accessories on board belonging to the assured,
- (c) stores, engine and deck accessories and other articles intended for consumption on board,
- (d) packing material and other equipment for keeping or securing the catch and other equipment in connection with fishing, which are on board, when the objects or equipment are not covered by the ship's hull insurance under § 10-1.

**§ 17-21. Insurable value**

Unless otherwise agreed, the insurable value of the catch is market price at the place of loading at the time of loading, with

the addition of any transport surcharge, as mentioned in § 17-20 (a).

The insurable value of objects mentioned in § 17-20 (b), (c) and (d) represents the replacement cost of the object at the inception of the insurance.

**§ 17-22**      *Extraordinary handling costs*

**The insurer covers extraordinary costs in connection with the discharging, removal and destruction of a damaged catch up to an amount equivalent to the sum insured.**

**§ 17-23.**      **Excluded perils/Re. § 2-8**

In addition to § 2-8 the following shall apply:

The insurer does not cover losses caused by:

- (a) the properties or condition of the catch when taken on board,
- (b) inadequate packaging or preservation of the catch,
- (c) normal shrinkage of the catch,
- (d) excessive temperature of refrigerated or frozen catch, unless the ship's thermo-machinery has been out of service as a result of a casualty.**

**§ 17-24.**      **Deck cargo**

For objects on deck the insurer does not cover losses resulting from:

- (a) precipitation or the vessel shipping water,
- (b) dirt or sparks which do not cause a fire,
- (c) impact caused by shifting,
- (d) the catch being washed overboard,

- (e) leakage from other objects on board.

**§ 17-25. Total loss**

A total loss has occurred if the objects insured:

- (a) have been destroyed,
- (b) have been withheld from the assured without any possibility of his recovering them,
- (c) stated in § 17-20 (b) are so extensively damaged that the loss constitutes 100% of their value,
- (d) stated in § 17-20 (a), (c) and (d) are so extensively damaged that the loss amounts to at least 90% of their value.

In the event of a total loss, the insurer covers the sum insured of the objects in question, however, not in excess of the insurable value. No deduction shall be made from the compensation for any damage occurring during the insurance period, whether or not such damage is covered by the insurance.

**§ 17-26. Damage to or loss of catch**

If a catch, cf. § 17-20 (a), is damaged or lost without the rules in § 17-25 being applicable, the insurer shall cover the percentage of the insurable value which corresponds to the final reduction of the value of the catch (the damage percentage).

**§ 17-27. Damage to other objects**

If objects stated in § 17-20 (b), (c) and (d) have been damaged, the insurer may demand that the damage be repaired subject to his paying the costs of repairs as and when they are incurred. Repairs cannot be demanded if they result in an unreasonable loss or disadvantage for the assured.

If the insurer does not, or cannot, demand that the damage be repaired, or if repairs are not complete, the insurer will cover

the percentage of the insurable value of the objects damaged which is equivalent to the final reduction of their value (the damage percentage).

In the event of damage to or loss of an object which consists of several parts, the insurer will only cover the costs of repairing or replacing the part which is damaged or lost. This shall apply even if it is of vital importance that the object is complete.

**§ 17-28. Survey of damage**

§ 12-10 shall apply correspondingly to insurance in accordance with this section.

**§ 17-29. Deductible**

For each individual casualty the amount stated in the policy shall be deducted.

**Section 5. Supplementary cover for nets and seines in the sea**

**§ 17-30. Objects insured**

The insurance covers drift nets and ring nets with necessary accessories which are in the sea and which belong to the assured. The insurance does not, however, cover sensors, etc.

**§ 17-31. *Excluded perils/Re. § 2-8***

**In addition to § 2-8 the following shall apply:**

**The insurer does not cover loss resulting from:**

- (a) the object insured getting caught on the seabed, unless this is due to an unknown wreck or wreckage,**
- (b) defects in the object insured,**
- (c) the vessel, its accessories or equipment not being in a proper condition due to wear and tear, corrosion, rot, inadequate maintenance or similar causes,**

**(d) the object insured having been in contact with ice, or**

**(e) normal use of the object insured.**

**The assured has the burden of proving that the loss is not attributable to perils as mentioned in letters (a) - (e).**

**§ 17-32. Deductible**

For each individual casualty the amount stated in the policy shall be deducted.

**§ 17-33. Duties of the assured in the event of a casualty/Re. § 3-29**

In addition to § 3-29 the following shall apply:

The assured shall send notification of the casualty to the Norwegian Fisheries Inspectorate stating when and where the loss took place, identifying marks and age as well as other information which may be of significance for the purpose of identifying the lost tackle.

**Section 6. Liability insurance**

**§ 17-34. Perils covered**

1. The insurer covers liability and other losses as set forth in § 17-35 to § 17-45 if such liability or loss has occurred in direct connection with the running of the vessel covered by the insurance. If a vessel is used as a seine vessel, the insurance also covers liability incurred by the other vessels in the same seine team.
2. The insurance covers war perils as well as marine perils, cf. § 2-8 and § 2-9. § 15-5, § 15-6 and § 15-8 apply correspondingly.

**§ 17-35. Liability for personal injury**

1. The insurer covers the assured's liability resulting from personal injury or loss of life, as well as liability for salvage awards for the saving of life. The assured's liability to the crew

or their survivors for wages in the event of a shipwreck, death, illness or injury is nevertheless not covered.

2. The assured's liability for the loss of life or injury to passengers is only covered where this is evident from the policy or from a subsequent written agreement between the insurer and the person effecting the insurance.

**§ 17-36. Liability for property damage**

1. The insurer covers the assured's liability resulting from damage to or loss of objects belonging to a third party.
2. Liability is excluded for the following:
  - (a) costs of repairs of packaging, re-bagging, sorting and similar measures which must be regarded as part of the fulfilment of a transport obligation,
  - (b) damage to or loss of ship's equipment, fishing tackle or other equipment which has been borrowed, leased or bought with a sales lien, or which belongs to the charterer of the vessel,
  - (c) damage to or loss of objects which belong to the crew or other persons accompanying the vessel who have their duties on board.
3. For freighters, including well-boats, the insurer furthermore does not cover the assured's liability for:
  - (a) damage to or loss of cargo due to a leak in a wooden vessel,
  - (b) loss that occurred while the vessel called at a structure for the keeping of live fish,
  - (c) damage to or loss of live fish carried in the vessel.

**§ 17-37. Liability for description**

The insurer covers the assured's liability for inadequate or incorrect description of the goods or other incorrect information in the bill of lading or similar document, unless the assured or the master of the ship knows that the document contains an incorrect description of the cargo, the quantity of the cargo or the condition of the cargo.

**§ 17-38. Liability for the misdelivery of goods**

1. The insurer covers the assured's liability for misdelivery of transported goods to an unauthorised recipient.
2. The insurer does not, however, cover liability, loss and costs resulting from the fact that the goods were handed over to a person who did not present a proper bill of lading, unless the goods were carried by the assured under a non-negotiable document and handed over as stated in the document, and the assured may be held liable under a negotiable document issued by or on behalf of someone other than the assured for the carriage of the goods, partly in the assured's vessel, partly in another vessel.

**§ 17-39. General average contributions**

1. The insurer covers the assured's loss resulting from the assured being unable to recover the cargo's general average contribution as a result of a breach of the contract of affreightment.
2. The insurer also covers the assured's necessary costs in connection with the recovery of the cargo's contribution.

**§ 17-40. Liability for the removal of wrecks**

The insurer covers the assured's liability for the removal of wrecks **provided such removal has been ordered by the authorities.**

**§ 17-40A. Liability for special salvage compensation**

The insurer covers the assured's liability for special compensation to the salvor, where compensation is fixed under section 449 of the Maritime Code of 1994 or is based on some other legislation or contract founded on Article 14 of the International Convention on Salvage of 1989.

**§ 17-41. Stowaways**

The insurer covers the assured's liability and direct expenses resulting from the vessel having stowaways on board, but not costs of maintenance and accommodation which either have been or could have been provided for them on board.

**§ 17-42. Liability for fines etc.**

1. The insurer covers the assured's liability for :
  - (a) immigration and customs fines,
  - (b) fines resulting from the conduct of the crew,
  - (c) expenses in connection with orders for the deportation of the crew, passengers or other persons who accompany the vessel but who are not part of the crew.
2. Even if the assured does not become personally liable, the insurer covers such fines and expenses where it is possible to enforce payment by retention of or levying distraint on the vessel.
3. However, the insurer does not cover the assured's liability for fines resulting from:
  - (a) overloading of the vessel,
  - (b) the vessel carrying more passengers than allowed,
  - (c) illegal fishing,
  - (d) inadequate maintenance of the vessel's lifesaving or navigation equipment,

- (e) absence of prescribed certificates on board the vessel.

**§ 17-43. Liability for social benefits for the crew**

1. The insurer covers the assured's liability under the law or collective wage agreement for :
  - (a) care and maintenance of the crew on shore in the event of illness or injury,
  - (b) costs of the crew's travel home, including maintenance, in the event of illness or injury or following a ship wreck,
  - (c) costs in connection with the funeral and sending home of the cinerary urn and the deceased's personal effects.
  - (d) costs in connection with the crew's travel home, including maintenance, to the home of the person concerned in the event of the illness or death of a close relative.**
2. No deductible shall be calculated, unless otherwise agreed.

**§ 17-44. Travel expenses for replacement crew**

The insurer covers the assured's necessary expenses for the replacement's travels abroad when the master or other officers have died or signed off due to injury or sudden illness. The cover is, however, limited to travel expenses to the first port of call after the death, or the port where the signing off took place, even if the replacement is sent to a port further away.

**§ 17-45. Expenses for disinfection and quarantine**

The insurer covers the assured's necessary expenses in connection with a quarantine order or disinfection of the vessel or crew due to infectious diseases on board. Operating expenses during the stay are not covered.

**§ 17-46.            Limitation due to other insurance, etc.**

1.            The insurer does not cover:
  - (a)    losses which due to their nature are insurable under the rules in part II, part III, or part IV, Chapter 17, sections 1-5.
  - (b)    losses as mentioned in § 13-1, subparagraph 2 (a). Under the insurance of a fishing vessel, the insurer nevertheless covers liability incurred during towage of vessels which belong to the same fishing team and which are not covered under the general hull insurance conditions,
  - (c)    loss as mentioned in § 4-16, provided that it could have been covered by fire insurance, cargo insurance or other general insurance.
  
2.            However, the insurer covers loss as mentioned in § 13-1, to the extent that it exceeds the amount which according to § 13-3 is recoverable under a hull insurance with a sum insured that covers the full value of the vessel. For loss as mentioned in § 4-16 a deduction shall also be made for the amount that could have been covered by an insurance as mentioned in subparagraph 1 (a) and (c).
  
3.            In the event of liability for personal injury and social benefits for the crew, the insurer does not cover:
  - (a)    loss covered through national insurance benefits or benefits from workers' or employment insurance schemes,
  - (b)    loss which due to its nature is covered by mandatory insurance benefits under a collective wage agreement and which is financed by the employer liable to pay compensation,
  - (c)    loss which due to its nature is covered by the Industrial Injuries Insurance Act of 16 June 1989 no. 65.

**§ 17-47. Safety regulations/Re. § 3-24 and § 3-25**

The following special safety regulation shall apply, cf. § 3-25, subparagraph 2:

The assured shall disclaim liability for damage to and loss of cargo and liability to passengers as far as this is allowed under current rules of law.

**§ 17-48. Assured's fault**

1. The insurer does not cover loss which the assured has caused by a grossly negligent act or omission, or which has been caused by his acting on an interpretation of rules of law or contractual terms which he ought to have known was incorrect or knew to be uncertain and where another reasonable course was open to him.
2. The rules in subparagraph 1 shall not apply if the assured is the master of the ship or a member of the crew and his negligence is of a nautical nature.

**§ 17-49. The insurer's rights in the event of liability**

1. If the insurer is willing to settle a matter amicably or to pay the liability amount, he will not be liable for any further expenses in the dispute.
2. The insurer has the right to pay any compensation directly to the injured party.

**§ 17-50. Liability for loss occurring during other transport, etc.**

The insurer does not cover liability to passengers and for cargo which arises:

- (a) during the period prior to loading or after discharging or during transport to and from the ship covered by the insurance when the goods are not in the carrier's custody,

- (b) while the goods are in the custody of a sub-carrier, if it has been explicitly agreed that the sub-carrier in question shall carry out a specific part of the transport,
- (c) during transport of passengers carried out by another carrier, if the latter is named in the contract of affreightment and shall according to that contract carry out the relevant part of the transport, or the passenger, according to the contract, has the right to use, wholly or in part, the other carrier,
- (d) during the period prior to the passenger's embarkation and after disembarkation, with the exception of liability during marine transport between the ship and shore, which is included in the ticket price or is carried out by a means of transport made available by the carrier.

**§ 17-51.           Limitation of liability for fishing vessels**

The insurer does not cover liability between the participants in the same fishing team nor between pair trawlers.

**§ 17-52.           Limitation of the insurer's liability for measures to avert or minimise loss**

In no case does the insurer cover, as a loss incurred in connection with measures to avert or minimise loss according to § 4-12, the following:

- (a) costs of discharging, reloading, restowing, storing, lightering and similar measures resulting from the fact that the vessel was overloaded, too heavily loaded for the voyage or poorly trimmed, or that the cargo was incorrectly or inexpediently stowed,
- (b) costs of measures which were or could have been taken by the vessel's crew or by a proper use of the vessel or its equipment,

- (c) the assured's liability for late or non-performance of a transport obligation or agreement regarding the sale of the vessel,
- (d) costs of restoring the vessel to a seaworthy condition enabling it to receive the cargo.

**§ 17-53. The sum insured as a limit to the insurer's liability**

1. The insurer covers, up to the sum insured, liability arising from a single casualty.
2. § 4-19 shall apply correspondingly.

**§ 17-54. Deductible**

For each individual casualty the amount stated in the policy shall be deducted.

## **Chapter 18.**

### **Insurance of offshore structures**

#### **Section 1 Hull insurance**

##### **§ 18-1. Scope of application and applicable rules**

The rules in chapter 18 shall apply to the extent that this appears from the policy. In that event, also the rules in chapters 10 to 13 shall apply, in so far as they have not been amended in that policy.

##### **§ 18-2. Objects insured/Re. § 10-1**

1. § 10-1 of the Plan shall not apply. The insurance covers:
  - (a) the structure,
  - (b) machinery, equipment and spare parts for objects covered by letters (a) and (b), which:
    - (1) belong to the assured or has been borrowed, leased or purchased with a vendor's lien or similar encumbrance, and
    - (2) are on board, above water, under water or in the drilling hole,
  - c) bunkers and lubricating oil on board.
2. The insurance does not cover:
  - (a) stores, engine and deck accessories and other articles intended for consumption,
  - (b) helicopters,
  - (c) blueprints, plans, specifications, logs, etc.,
  - (d) mini-submarines and remote operated vehicles during operation.

**§ 18-3. Objects temporarily removed from the structure/Re. § 10-2**

§ 10-2 of the Plan does not apply. The insurance covers:

(a) objects mentioned in § 18-2, subparagraph 1 (b), which:

- (1) are on board a vessel, structure or fixed installation, which is moored to or is in the vicinity of the insured structure and has been used in connection with that structure, or
- (2) have been temporarily removed from the structure for repairs, rebuilding, storage, etc.,
- (3) are in storage without being covered by subparagraph (2). The sum insured for such objects constitutes 10% of the sum insured under hull insurance of the structure. § 2-4 does not apply. A separate deductible shall be applied.

(b) The anchor, anchor chain etc. of the structure, which has been put out at the place of operation.

(c) Blow-out preventers that are left on the sea bottom because of:

- (1) a casualty which is covered by the insurance, or
- (2) measures taken to avert such casualty.

**§ 18-4. Perils insured against/Re. § 2-8 and § 2-9**

The insurance does not cover losses resulting from the structure being used for the drilling of a relief well for the purpose of controlling a fire, a blow-out or cratering associated with another structure or fixed installation.

**§ 18-5. Alteration of the risk/Re. § 3-8**

The storage and use of explosives or radioactive material on board the structure in connection with its normal operations shall not be regarded as an alteration of the risk under § 3-8.

**§ 18-6. Safety regulations/Re. § 3-24 and § 3-25**

1.

- (a) The drilling hole/well shall be equipped with blow-out preventers of standard issue, installed and tested in accordance with standard practice.
- (b) For structures that are to be moved a separate removal plan shall be drawn up which shall be submitted to the claims leader for his approval. The removal plan shall be adhered to during the removal.

2. The regulations in letters (a) and (b) are regarded as special safety regulations in relation to § 3-25, subparagraph 2.

**§ 18-7. Measures to avert a blow-out, etc./Re. § 4-7 to § 4-12**

The insurer is not liable for loss caused by measures to avert or minimise blow-outs, cratering or fire in connection with a blow-out.

**§ 18-8. The area of operation/Re. chapter 6**

1. The area of operation for the structure shall appear in the policy.
2. If the structure is to change the area of operation, the insurer shall be notified promptly. Both parties may in that event demand adjustments of the premium. Notice of any increase in premium shall be given to the person effecting the insurance within fourteen days of receipt of the notice.

**§ 18-9. Waiver of subrogation and co-insurance of third parties/Re. § 8-1**

1. The insurer does not have any right of subrogation against the person who has caused damage if he has according to a contract been granted protection from recourse, provided that such contractual regulation is regarded as customary in the activities in which the structure is involved.
2. The insurance is effected for the benefit of anyone who is contractually entitled to be co-insured under the insurance, provided that such contractual regulation is regarded as customary in the activities in which the structure is involved. If the co-assured's claim is covered by another insurance he has effected, cover under this provision is secondary in relation to that insurance.

**§ 18-10. Compensation for unrepaired damage/Re. § 12-2**

1. In addition to § 12-2, the following provisions shall apply:  
Even if the repairs have not been carried out, the assured may demand that the claim be settled on expiry of the insurance period.
2. Compensation is calculated on the basis of an evaluation of repair costs on expiry of the insurance period.

**§ 18-11. Damage to the drill string/Re. § 12-3 to § 12-5**

The insurer is not liable for loss of or damage to the drill string:

- (a) whilst in the subsea bed or in the water, unless the loss or damage is a result of external circumstances, for which the drilling contractor is liable under contractual conditions, which are regarded as customary within the area concerned, or
- (b) when it has been left in the drilling hole/well for purposes other than drilling.

**§ 18-12. Loss/damage/Re. § 12-5**

Notwithstanding the rule in § 12-5 (a) the following shall apply:  
The insurer covers maintenance and wages for crew who are engaged in repairs at sea.

**§ 18-13. Deductible/Re. § 12-18, subparagraph 2**

Instead of § 12-18, subparagraph 2, the following provision shall apply:

Damage caused by heavy weather occurring as a result of the same atmospheric disturbance shall be regarded as one casualty.

**§ 18-14. Collision liability/Re. § 13-1**

The insurer's liability for the assured's collision liability according to § 13-1 does not cover liability for damage to or loss of fixed installations on the Continental Shelf.

**Section 2. Separate insurances against total loss**

**§ 18-15. Applicable rules**

If it has been agreed that the insurance covers separate insurances against total loss, the rules in chapter 14 shall apply. The rules in chapter 18, section 1, shall apply correspondingly.

**Section 3. War risks insurance**

**§ 18-16. Applicable rules**

If it has been agreed that the insurance covers war perils, the rules in chapter 15 shall apply. The rules in chapter 18, section 1, shall apply correspondingly.

## **Chapter 19.**

### **Builders' risks insurance**

#### **Section 1. Common provisions**

**§ 19-1. Perils covered/Re. § 2-8 cf. § 2-10**

The insurance covers marine perils, cf. § 2-8, and strikes and lock-outs.

**§ 19-2. Insurance period/Re. § 1-5**

1. The insurance remains in effect until the takeover date stipulated in the building contract. If takeover is later than that date, the insurance will automatically be extended against an additional premium as agreed in the policy until the newbuilding is in actual fact taken over by the buyer.
2. If the newbuilding is not taken over by the buyer, the insurance is automatically extended against an additional premium as agreed in the policy until the newbuilding is in actual fact taken over by another buyer.
3. Extension of the insurance according to subparagraphs 1 and 2 does not apply beyond 9 months from the takeover date stipulated in the building contract.

**§ 19-3. Co-insurance/Re. § 8-1**

1. Unless otherwise agreed, the buyer is co-insured under § 8-1. However, this does not apply to the expense and liability cover according to sections 3 and 4.
2. If liability as mentioned in section 4 is covered by another insurance which the co-insured has taken out, the co-insured's cover under section 4 is subsidiary in relation to that insurance.

**§ 19-4. Transfer of the building contract/Re. § 3-21**

If the building contract is transferred to a new shipyard, the insurance terminates as from the date of the transfer.

**§ 19-5. Place of insurance**

The insurance is in effect:

- (a) while in the builder's yard or other premises in the port where the builder's yard is situated and whilst in transit between these areas,
- (b) during trial runs within the area allowed by the newbuilding's provisional certificates.

If specifically agreed, the insurance also covers manufacture or transport outside the yard areas in the building port, insofar as this is set out in the policy.

**§ 19-6. Removal plan/Re. § 3-24 and § 3-25**

If it has been agreed that the insurance shall also be in effect outside the yard areas in the building port, cf. § 19-5, subparagraph 2, and the newbuilding is to be removed outside the areas stipulated in § 19-5, subparagraph 1 (a), a separate removal plan shall be drawn up. The removal plan shall be submitted to the insurer for approval. If this is not done, or if the removal plan has not been adhered to during the removal, § 3-25, subparagraph 1, shall apply correspondingly.

**§ 19-7. The sum insured as the limit of the liability of the insurer/Re. § 4-18 and § 4-19**

In addition to the sum insured as mentioned in § 4-18, subparagraph 1, the insurer is separately liable up to an amount corresponding to the sum insured for damage, expenses and liability under section 3 and section 4 caused by any one casualty.

**§ 19-8. Deductible**

For any one casualty the deductible stated in the policy shall apply. If the same casualty entitles the assured to compensation according to sections 2, 3 and/or 4, only one deductible shall apply.

Total loss, cf. § 19-10 and § 19-11, costs in connection with the settlement of claims, cf. § 4-5, and loss in connection with measures to avert or minimize a loss, cf. § 4-7 to § 4-12, are recoverable without deductible.

**Section 2. Loss of or damage to the newbuilding**

**§ 19-9. Objects insured/Re. § 10-1**

1. The insurance covers:
  - (a) the newbuilding,
  - (b) components, equipment and materials manufactured or procured for the newbuilding. Components, equipment and materials supplied by the buyer are, however, only covered if this is set out in the policy, or transpires from conditions in general,
  - (c) the yard's costs in connection with drawings and other planning of the newbuilding, and
  - (d) bunkers and lubricating oil on board.
2. § 10-1, subparagraph 2, shall apply correspondingly.

**§ 19-10. Insurable value**

1. The insurable value when the newbuilding is ready for delivery constitutes:
  - (a) the original contractual building price plus later agreed deductions,
  - (b) later agreed additional amounts mentioned in the policy,

- (c) the value of the buyer's deliveries which are comprised by the insurance, and
- (d) subsidies, contributions, etc., provided that this transpires from the policy or circumstances in general.

2. Before the newbuilding is ready for delivery, the insurable value constitutes the value under subparagraph 1 with deductions for:

- (a) the value of the work not performed,
- (b) the value of components and materials not manufactured or procured, and
- (c) the proportional share of the subsidies which applies to the deductions under letters (a) and (b).

**§ 19-11. Total loss in the event of condemnation.**

The assured may claim compensation for a total loss if the damage to the newbuilding is so extensive that the costs of repairs constitutes more than 100% of the sum insured.

**§ 19-12. Total loss where the yard's obligation to deliver no longer applies.**

1. The assured may claim compensation for a total loss where the yard's obligation to deliver no longer applies as a result of:

- (a) damage to or loss of the newbuilding or parts of it,
- (b) damage to the yard, or
- (c) damage to a subcontractor's yard, provided the work there is covered by the insurance in accordance with § 19-5, subparagraph 2.

**§ 19-13. Compensation in the event of a total loss/Re. § 4-1**

1. In the event of a total loss where the newbuilding is ready for delivery, the insurer covers the sum insured, however, not beyond the insurable value.
2. In the event of a total loss before the newbuilding is ready for delivery, the insurer covers the proportion of the sum insured that is equivalent to the insurable value calculated according to § 19-10, subparagraph 2.

**§ 19-14. Damage/Re. chapter 12**

If the newbuilding or components etc. have been damaged without § 19-7 being applicable, the rules in chapter 12 shall apply, with the exception of § 12-3, § 12-4, § 12-5 (d), (e) and (f), § 12-6 and § 12-15 to § 12-18.

**§ 19-15. Limitation of the insurer's liability/Re. § 12-1**

If the damage is a result of faulty construction, faulty workmanship or faulty material, the insurer is not liable for the costs of renewing or repairing the part or parts of the hull, machinery or equipment which were not in a proper condition.

**§ 19-16. Compensation for unrepaired damage/Re. § 12-2**

1. Even if repairs have not been carried out, both parties may claim compensation for the damage at the expiry of the insurance period, cf. § 19-3.
2. Compensation is calculated on the basis of a discretionary estimate of the costs of repairs on term expiry of the insurance period, but is limited to the price reduction attributable to the damage.

**§ 19-17. Costs incurred in order to save time/Re. § 12-7, § 12-8, § 12-11 and § 12-12**

The insurer is not liable for costs incurred in connection with:

- (a) temporary repairs according to § 12-7, subparagraph 2, beyond the amount he saves through the postponement of the permanent repairs,
- (b) the assured, according to § 12-8, expedites repairs by extraordinary measures in order to limit his loss of time,
- (c) repairs and removal according to § 12-12, subparagraph 2, beyond the amount that would have been recoverable if the lowest adjusted tender had been accepted, or for the loss of time according to § 12-11, subparagraph 2.

### **Section 3. Indemnification of additional costs incurred in an unsuccessful launching and costs of wreck removal**

#### **§ 19-18. Additional costs incurred in unsuccessful launching**

In the event of an unsuccessful launching, the insurer covers the assured's additional costs in carrying out the launching.

#### **§ 19-19. Costs of wreck removal**

The insurer covers the assured's costs of necessary removal of wrecks from places owned by or at the disposal of the yard.

### **Section 4. Liability insurance**

#### **§ 19-20. Scope of the liability insurance.**

1. The insurer covers the assured's liability resulting from personal injury or loss of life, loss of or damage to an object belonging to a third party, and liability for the removal of wrecks imposed by the authorities if the loss arose in direct connection with the performance of the building contract.
2. § 4-16 shall apply similarly after the newbuilding has been launched, provided that the damage to or loss of the object concerned is attributable to collision or striking.

**§ 19-21. Limitations on the liability insurance**

1. The insurer does not cover:
  - (a) liability for personal injury or loss of life of the assured's employees,
  - (b) liability for loss of or damage to objects belonging to the assured's employees,
  - (c) loss which according to its nature is insurable under the rules in chapter 19, sections 1, 2 and 5,
  - (d) loss covered by another liability insurance effected by the assured, and
  - (e) loss which is exclusively based on a contract.
2. In the event of liability for personal injury, the insurer does not cover:
  - (a) loss recoverable through social benefits or benefits from pension schemes in connection with work or profession,
  - (b) loss which according to its nature is covered by insurance benefits required under a collective agreement and which is financed by the liable employer, and
  - (c) loss which is covered according to the Norwegian Occupational Injury Insurance Act of 16 June 1989 no. 65, or corresponding rules in the country where the repair yard is located.

**Section 5. Supplementary covers.**

**§ 19-22. Applicable rules.**

If additional cover has been agreed according to § 19-23, § 19-24 and § 19-25, the rules in chapter 19, sections 1 to 4, shall apply insofar as they have not been departed from in section 5.

**§ 19-23. Insurance of additional costs in connection with rebuilding.**

The insurance covers the difference between compensation paid under the builders' risks insurance, cf. sections 1 and 2, and the costs of rebuilding.

**§ 19-24. Insurance of the yard's liability for the buyer's interest claim for instalments paid.**

The insurance covers the yard's liability for the buyer's interest claim under the building contract in the event that the obligation to deliver ceases to apply due to loss or damage which is recoverable according to § 19-12. Interest is calculated from the time of payment of the individual instalment up to the time of the total loss.

**§ 19-25. Insurance of the yard's loss of interest and daily penalties in the event of late delivery.**

1. The insurance covers the yard's loss of interest and daily penalties resulting from late delivery due to damage which is recoverable under the builders' risks insurance, cf. sections 1 and 2.
2. For each individual casualty a deductible period shall be determined which is calculated from the start of the casualty and lasts until the delay resulting from the casualty has reached the deductible period stated in the policy. Loss of interest and daily penalties during the deductible period are not recoverable.
3. The insurer's liability resulting from any one casualty is limited to the sum insured per day multiplied by the number of compensation days per casualty stated in the policy.
4. If the assured and the buyer agree to postpone the takeover date due to circumstances which do not provide any basis for compensation under this supplementary cover, the insurance is automatically extended against a supplementary premium as agreed in the policy until the newbuilding is in actual fact taken

over by the buyer. § 19-4, subparagraph 3, shall apply correspondingly.

5. If a late delivery is caused by a combination of several different perils and one or more of these perils are not covered by the insurance, the insurer shall cover a proportional share of the loss of interest and the daily penalties. The calculation shall be based on the delay which each of the perils would have entailed in excess of the deductible period if they had occurred separately.

## **Section 6. Supplementary cover for war risks**

### **§ 19-26. Perils insured.**

The insurance covers war perils, cf. § 2-9, with the exception of strikes and lock-outs.

### **§ 19-27. Insurance period**

1. The insurer's liability attaches when the newbuilding has been launched.
2. However, for machinery, components and materials liability does not attach until they have been placed on board the launched newbuilding.

### **§ 19-28. Other applicable provisions**

1. The rules in chapter 19, sections 1 to 3, shall apply correspondingly to this insurance.
2. The insurance is also subject to § 15-5, § 15-6 and § 15-8.

## **Appendix to § 3-15 and § 17-3 of the Plan - Trading Limits**

### **I. Excluded trading areas, cf. § 3-15, subparagraph 3 (Map No. 1)**

#### **1. The northern hemisphere**

##### **1.1 European-Arctic waters**

The waters north of the 72nd parallel, the area extending 100 nautical miles from the baseline of East Greenland and the area extending 50 nautical miles from the baseline of Jan Mayen. However, the limitation does not apply to voyages made directly to Longyearbyen and Sveagruven on Svalbard when the ship passes the 72nd parallel no earlier than 15 May, and departs from these places no later than 31 October. Ships making such voyages shall pass no closer than 20 nautical miles and no further than 100 nautical miles west of Bjørnøya.

##### **1.2 Euro-Asian Arctic waters**

The waters north of the Euro-Asian continent east of 35 degrees east longitude.

##### **1.3 East-Asian waters and the Bering Sea**

East-Asian waters north of the 46th parallel to 170 degrees east longitude and the Bering Sea, including voyages to the Aleutian Islands.

However, the limitations do not apply to ships passing through these waters on voyages between places within the ordinary trading areas. In respect of the Bering Sea, the limitations do not apply to passages through Unimak Pass and west of Buldir Island, provided that the ship is equipped with up-to-date navigation equipment for these waters.

**1.4 North and North-eastern American waters and the waters off West Greenland**

The waters north of the 60th parallel and waters which can only be reached by crossing this line. The St. Lawrence Seaway and the North American Great Lakes during the periods of time when the authorities do not allow sailing in the canals.

**2. The southern hemisphere**

**The waters south of the 50th parallel and the areas extending to 50 nautical miles from the baselines of Kerguelen, Crozet Islands and Prince Edward Islands. However, the limitation does not apply to voyages to Patagonia, Chile and the Falkland Islands, nor to passages through the waters south of the 50th parallel on voyages between places north of this latitude. Such voyages shall not be made more than 50 nautical miles south of the baselines of Chile, Patagonia and the Falkland Islands.**

**II. Conditional trading areas, cf. § 3-15, subparagraph 2**

**1. The Baltic Sea (Map No. 2)**

- a) The Gulf of Bothnia north of the line Umeå - Vasa during the period 15 December - 15 April.
- b) The Gulf of Finland east of 25 degrees 45 minutes east longitude during the period 8 January - 15 April.
- c) The waters east of the line Dagerort - Lyserort during the period 1 January - 31 March.

**2. Labrador (Map No. 3)**

The waters from Cape St. Charles to the 60th parallel, all year.

**3. Gulf of St. Lawrence and St. Lawrence River (Map No. 3)**

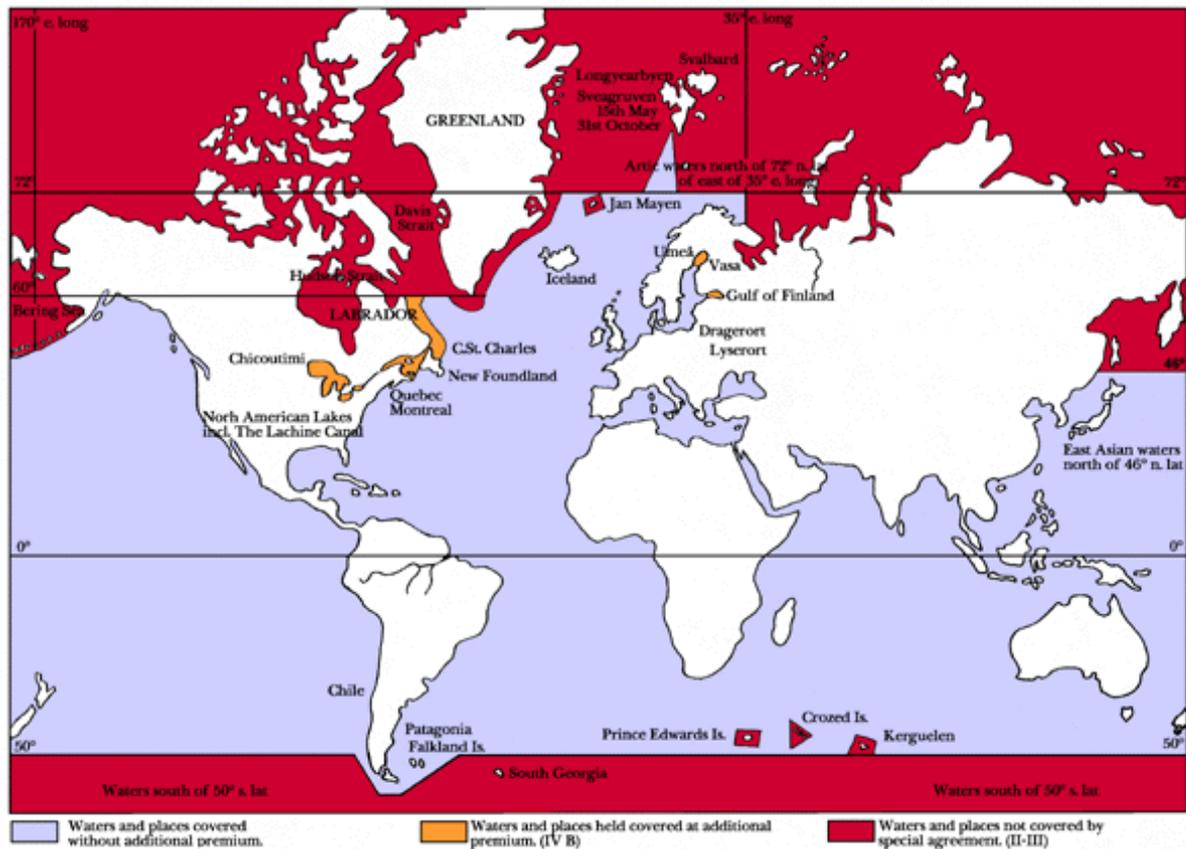
- a) The waters within lines drawn between Port Mulgrave - Port Hastings (Strait of Canso), Cape North - Cape Ray (Cabot Strait), Cape Bauld - Cape St. Charles (Strait of Belle Isle) and Baie Comeau - Matane (St. Lawrence River) during the period 21 December - 4 April.
- b) The waters from the line Baie Comeau - Matane up to and including the port of Montreal during the period 6 December - 15 January.  
16 January - 15 March.  
16 March - 4 April.

**4. St. Lawrence Seaway and the North American Great Lakes (Map No. 3)**

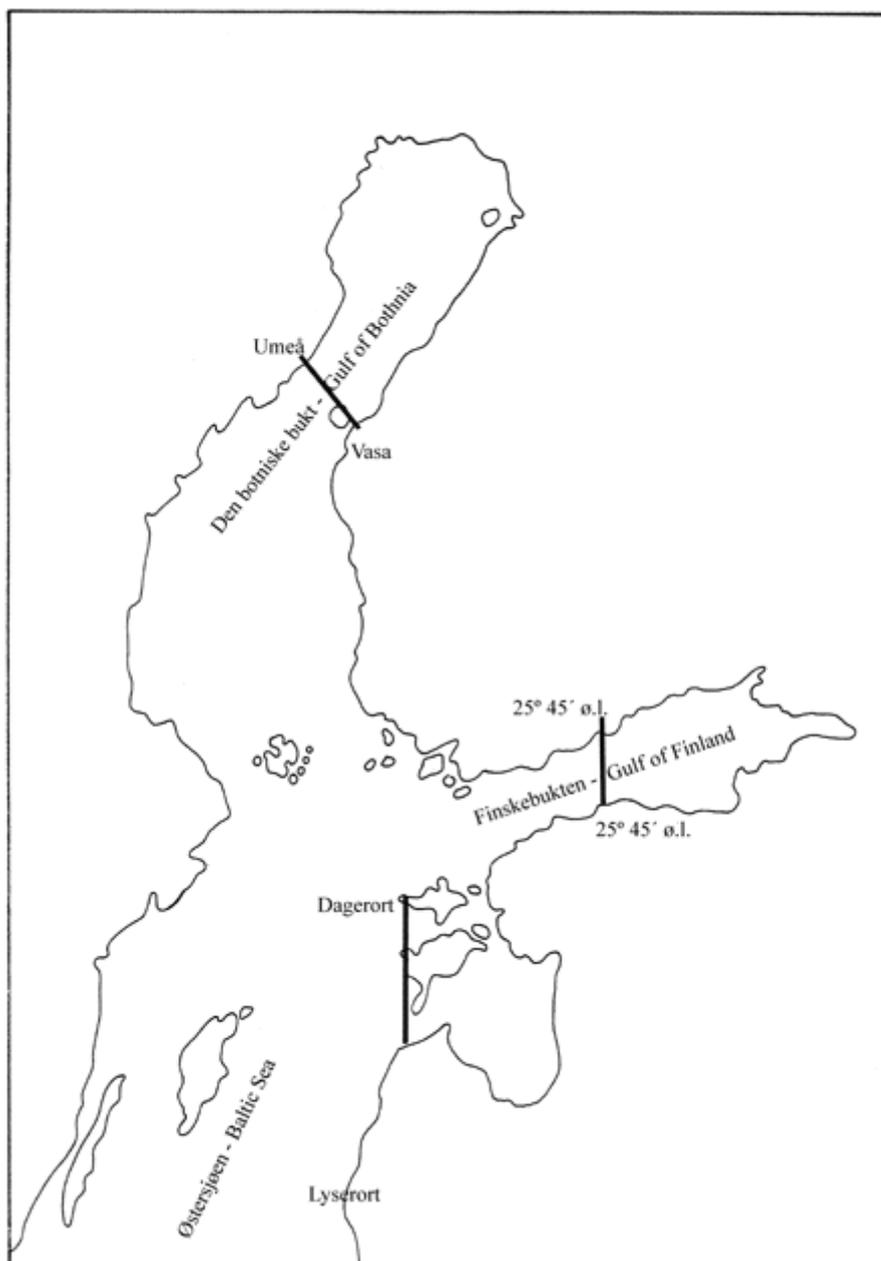
The area above Montreal from the opening of the canals until 30 November.

The area of Montreal and below after 30 November.

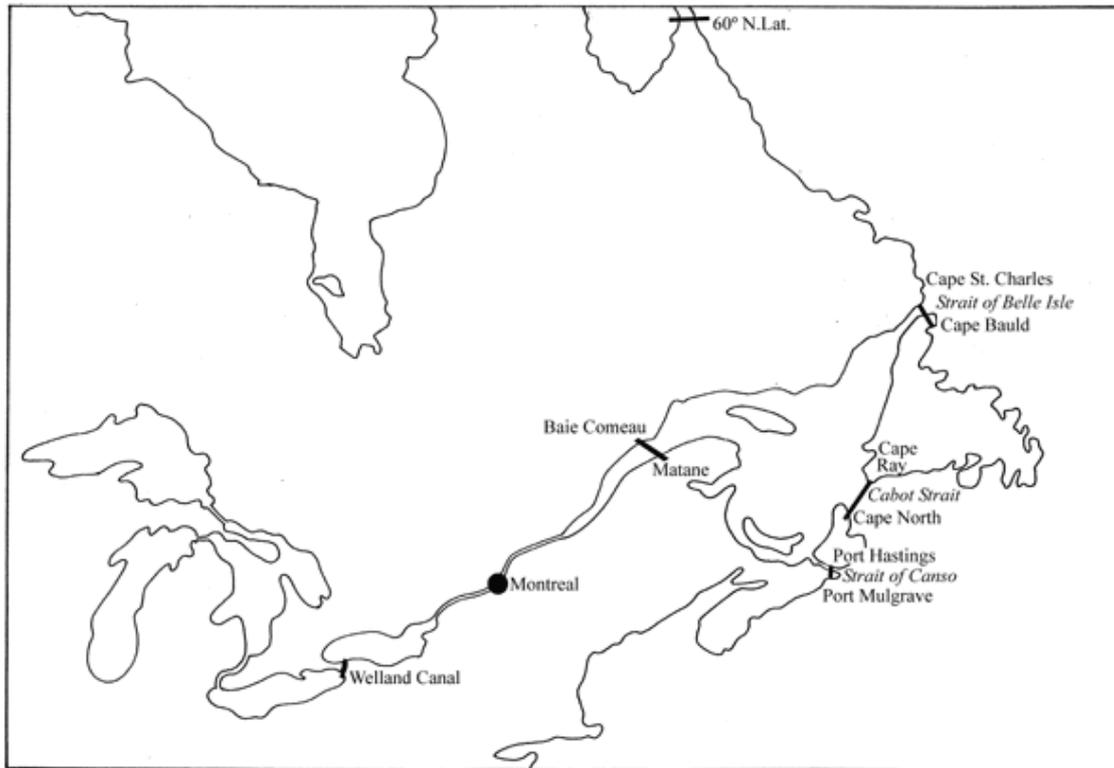
**Map No. 1**



Map No. 2



### Map No.3



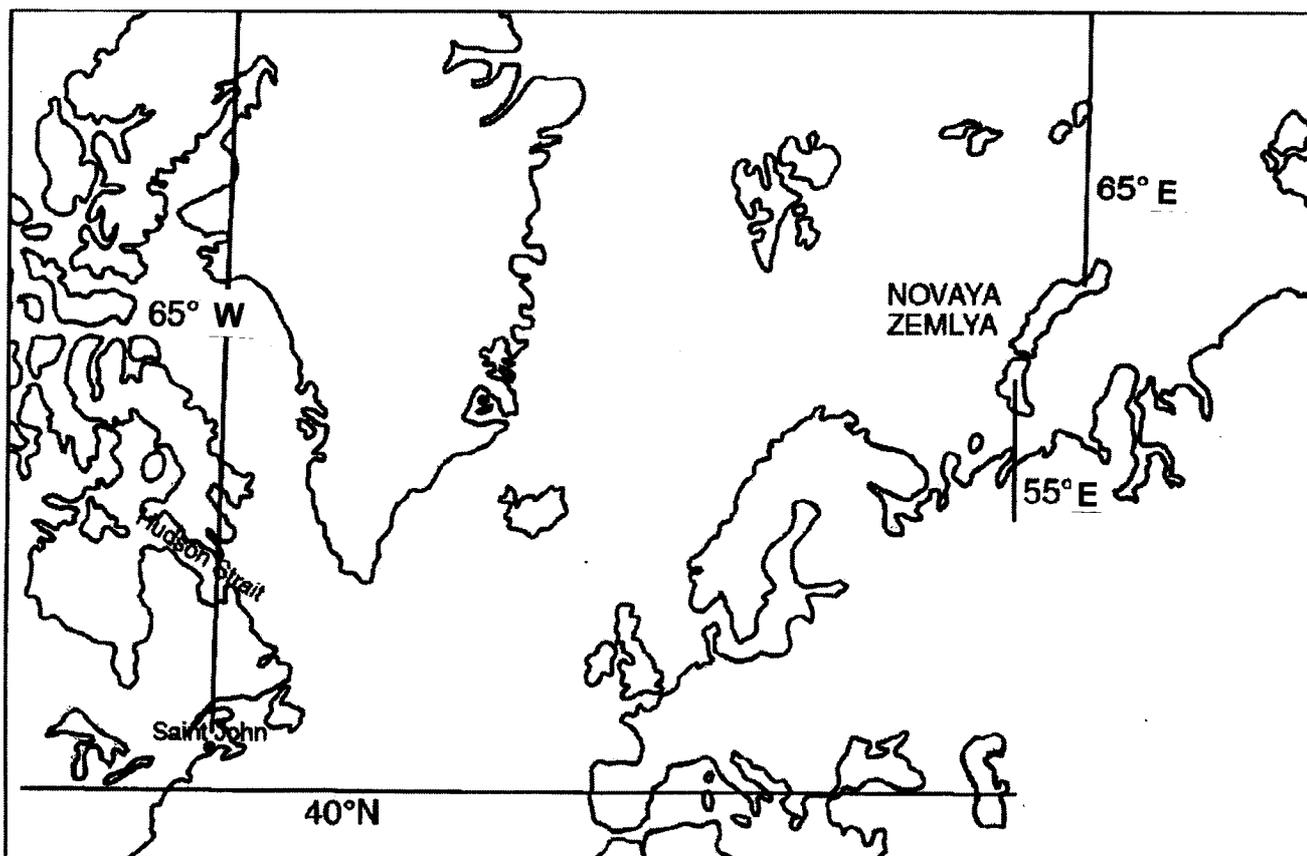
**III. *Excluded trading areas applicable to the insurance of fishing vessels pursuant to Chapter 17, cf. § 17-3 (Maps No. 4, 5 and 6)***

**Waters south of the 40th northern parallel.**

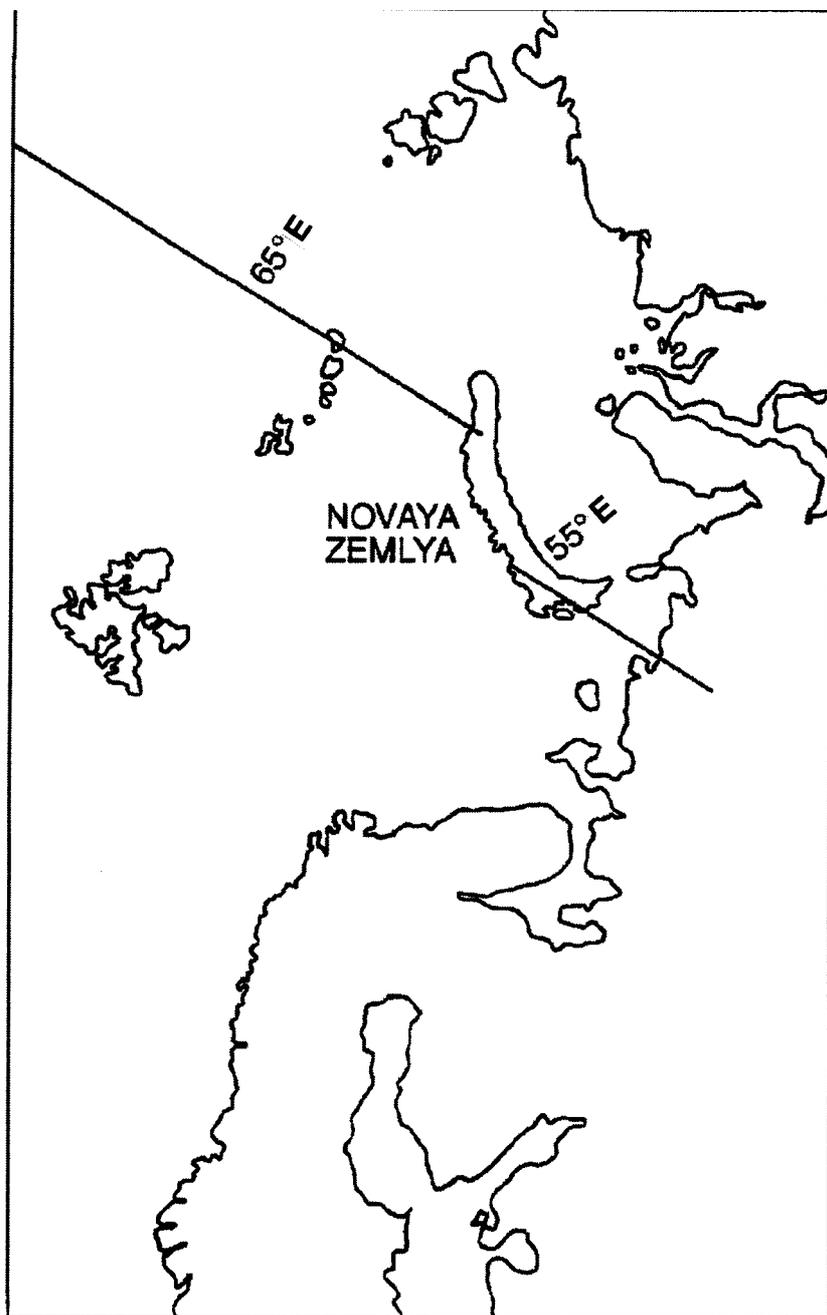
**Waters east of 55 degrees east longitude south of Novaya Zemlya and 65 degrees east longitude north of Novaya Zemlya.**

**Waters west of 65 degrees west longitude north of Saint John and 75 degrees west longitude south of Saint John.**

**Waters with open/scattered drift ice concentration (4/10-6/10) or higher as shown on current ice charts issued by DNMI**



§ 17-3 Trading Limits for Fishing Vessels - Eastern Limit - Map No. 5



§ 17-3 Trading Limits for Fishing Vessels - Western Limit - Map No. 6

