



The Nordic Marine Insurance Plan of 2013

Version 2016

Based on the Norwegian Marine Insurance Plan of 1996, Version 2010

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Preface

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The basis for the Nordic Marine Insurance Plan of 2013 is the Agreement of 3 November 2010 (amended 16 April 2013) between:

The Nordic Association of Marine Insurers (Cefor)

and

the Danish Shipowners' Association,

the Finnish Shipowners' Association,

the Norwegian Shipowners' Association and

the Swedish Shipowners' Association.

The Agreement states that the name of this document shall be “The Nordic Marine Insurance Plan of 2013” with the following subtitle; “based on the Norwegian Marine Insurance Plan of 1996, Version 2010” (hereinafter “the Plan”).

The Agreement established a permanent Standing Revision Committee (SRC) for the purpose of drafting the Plan. The Parties to the Agreement may propose changes to the Plan. If the members agree that changes should be made, the SRC shall draft amendments to the Plan text and Commentary in English.

The following members of the SRC have been working on the 2016 Version of the Plan:

Chair

Trine-Lise Wilhelmsen, Professor, LL.D, Director of Scandinavian Institute of Maritime Law

Hans Jacob Bull, Professor Emeritus, Scandinavian Institute of Maritime Law (January – May 2015)

Secretary

Kaja de Vibe Malling, PhD Research Fellow, Scandinavian Institute of Maritime Law

The Nordic Association of Marine Insurers (Cefor)

Haakon Stang Lund, Legal Counsel, Norwegian Hull Club

Johan Kahlmeter, Head of Claims - Marine, Team Gothenburg, The Swedish Club

Olli Kytö, Director, Alandia Insurance

Sveinung Måkestad, Vice President, Gard

Hanne Rydelsborg, Senior Claims Handler, Codan Marine

Roar Sanden, Lawyer & Director Adjusting, Norwegian Hull Club

Nicolas Wilmot, Special Advisor, Gard (attending deputy)

Jan-Hugo Marthinsen, Vice President, Gard (Chapter 18 amendments)

Nordic Shipowners' Associations

Karoline Bøhler, Attorney-at-Law, Insurance and CSR Manager, Norwegian Shipowners' Association

Bjarte Thorsen, Senior Vice President, Kristian Gerhard Jebsen Skipsrederi

Hogne Nesse, Head of Department, Insurance/Claims, Høegh Autoliners

Örjan Karlsson, Manager Marine Insurance, Stena Rederi

Elsebeth Grosmann-Huang, Senior Executive, Insurance & Claims, J. Lauritzen

Tapani Voionmaa, Executive Vice President, Finnlines

Marthe Romskoug, General Manager, Wilhelmsen Insurance Services (attending deputy)

Frode Berg, Claims Director, Willis (Chapter 18 amendments)

Nordic Average Adjusters

Bjørn Slaatten, Average Adjuster

The SRC decided that amendments to the text of the Plan and the Commentary in relation to the Nordic Marine Insurance Plan of 2013 should be shown in the text and highlighted in the preface.

The SRC has adopted the following amendments for incorporation into the Plan Version 2016:

- (1) The term “policy” is replaced with the term “insurance contract” in the text and the Commentary where the term is referring to the whole insurance contract and not only the individual confirmation. This amendment is made in clauses 4-8, 5-3, 8-2, 12-15, 12-16, 12-18, 13-4, 14-1, 14-2, 15-3, 15-15, 16-4, 16-6, 16-7, 16-12, 17-1, 17-3, 17-15, 17-18, 17-28, 17-31, 17-34, 17-55, 18-1, 18-32, 18-33, 18-38, 18-39, 18-40, 18-46, 18-48, 18-49, 18-54, 19-2, 19-5, 19-8, 19-9, 19-10, 19-25 and 19-26.
- (2) Clause 1-1: The Norwegian translation of the terms “the insurer”, “the person effecting the insurance” and “the assured” in letters (a)-(c) are deleted. Further definitions of the terms “loss” and “particular loss” in letters (d) and (e) are deleted. The new letter (d) defines the “broker” as the entity that is instructed by the person effecting the insurance to act as an intermediary between the person effecting the insurance and the insurer.
- (3) Clause 1-2: Sub-clause 1, first sentence is editorially amended. The word “require” is replaced with “demand”.
- (4) Clause 1-3: Sub-clause 1 is rewritten based on the new definition of “broker” in Cl. 1-1, letter (d). The new sub-clause 1 replaces the former sub-clauses 1 and 2. In sub-clause 2 (former sub-clause 3), first sentence, the word “requires” is replaced with “demands”. New sub-clauses 3 and 4 are added. Sub-clause 3 gives the broker authority to receive premium returns or claims settlements. Sub-clause 4 applies to premium payments. It states that the person effecting the insurance may pay the premium due to the insurer through a broker, but it shall not be deemed paid until received by the insurer.

- (5) Clause 2-2: A new sub-clause 1, second sentence, states that the parties may fix the insurable value at a certain amount by agreement, hereinafter referred to as “agreed insurable value”, cf. Cl. 2-3. Based on this amendment, the term “assessed” is replaced with “agreed” in the text and the Commentary where the term is referring to insurable value. This amendment is made in clauses 2-3, 10-12, 12-7, 12-8, 12-11, 12-12, 14-1, 14-4, 17-8, 18-7, 18-42.

The new sub-clause 2 states that the sum or sums insured in the contract shall be deemed to constitute agreed insurable value(s) unless the circumstances clearly indicate otherwise.

- (6) Clause 2-3: The first part of the first sentence is deleted and editorial amendments are made as a consequence of the amendments in Cl. 2-2.
- (7) Clause 2-17: This new Clause corresponds to the Cefor Sanction Limitation and Exclusion Clause of 2014.
- (8) Clause 3-15: Sub-clause 2, second sentence, now provides that if the insurer should give his consent subject to compliance with other conditions aiming at preventing loss, such conditions shall constitute safety regulations, cf. Cl. 3-22 and Cl. 3-25, sub-clause 1. A new sub-clause 3, third sentence, imposes a further reduction of claims arising out of ice damage where the assured has failed to notify the insurer that the vessel has entered a conditional trading area in accordance with sub-clause 1, second sentence, and the damage is a result of the assured’s failure to exercise due care and diligence. Sub-clause 4 is new and states that the insurance remains in full force and effect if the assured has given notice in accordance with sub-clause 1 but always provided that he complies with the conditions, if any, stipulated by the insurer. In sub-clause 5, first sentence, the word “permission” is replaced with “his consent”.
- (9) Clause 3-22: Sub-clause 3 is amended. The previous rule concerning the effect of ice class is deleted. Further, a new rule imposes a duty of the assured to ensure that the Safety Management System “includes

instructions and procedures for the use and monitoring of lubricating oil, cooling water and boiler feed water.” This rule replaces the previous exclusion in Cl. 12-5 letter (f) for liability for loss due to lubricating oil, cooling water or feed water becoming contaminated.

- (10) Clause 3-25: Sub-clause 2, second sentence, referring to periodic surveys is deleted.
- (11) Clause 5-6: The time limit is amended from six to four weeks.
- (12) Clause 8-1: Former sub-clause 1 is rewritten. The last part of the sub-clause is added and the identification provision previously found in the sub-clause is moved to Cl. 8-3, sub-clause 3. Former sub-clause 2 that contained references to Cl. 7-3, sub-clause 1, and to Cl. 7-4, sub-clause 6, is deleted. The first reference is replaced with the new Cl. 8-5.
- (13) Clause 8-2: Cl. 8-2 is deleted and replaced with a new Clause regarding protection of third parties against subrogation claims from the insurer.
- (14) Clause 8-3: This Clause on application of the rules in Chapter 3 and Cl. 5-1 is new. Sub-clause 1 is identical to the deleted Cl. 8-2, sub-clause 1, whereas the deleted Cl. 8-2, sub-clause 2, is not repeated. Sub-clause 3 corresponds to the identification clause found in Cl. 8-1 in fine in the 2013 Version.
- (15) Clause 8-4: This Clause corresponds to Cl. 8-3 in the 2013 Version. It has not been amended in substance, but the words “any co-insured third party” has been replaced by the words “the co-insured third party”.
- (16) Clause 8-5: This Clause regarding handling of claims, claims adjustment, etc. is new. It corresponds to the provision found in Cl. 8-1, sub-clause 2, of the 2013 Version, which contained a reference to Cl. 7-3, sub-clause 1.

- (17) Clause 8-6: This Clause is new. The provision prescribes that the insurance is subsidiary to another insurance that the co-insured third party has taken out. Consequently, the insurer shall only be liable to the extent that the co-insured third party has not obtained cover under the other insurance, cf. Cl. 2-6, sub-clause 2.
- (18) Clause 8-7: The Clause corresponds to Cl. 8-4 in the 2013 Version. The title of the Clause has been altered to clarify that it applies both to mortgagees and to named third parties, and there are also certain modifications made in the text itself.
- (19) Clause 9-1: The Norwegian translation of the terms “claims leader” and “co-insurers” in sub-clauses 1 and 2 are deleted.
- (20) Clause 10-1: In sub-clause 2, letter (a), the word “supplies” has been replaced by “provisions”. The reason is that the word “supplies” is too wide and may unintentionally expand the scope of the exception from cover under the hull insurance.
- (21) Clause 12-5: Letter (f) is deleted, ref. the amendments in Cl. 3-22.
- (22) Clause 12-14: Second sentence is amended. The words “common expenses which depend on the length of the period of the repairs” is replaced with “dry dock charges and quay rental”.
- (23) Clause 12-15: A new second sentence emphasizing that the ice damage deduction comes in addition to the general deductible under Cl. 12-18, sub-clause 1, is added.
- (24) Clause 15-1: Sub-clause 2 is editorially amended. The word “are” is deleted.
- (25) Clause 15-3: Sub-clause 2, letter (b) is editorially amended. The reference to Cl. 14-1, letter (a) is replaced with letter (b).

- (26) Clause 15-4: Sub-clause 2 is amended. Based on the amendments in Cl. 3-25, the reference to Cl. 3-25, sub-clause 1, is deleted.
- (27) Clause 15-5: The Clause is editorially amended. The word “an” is replaced with “the”.
- (28) Clause 15-7: The Clause is amended by inserting “automatically” instead of “immediately” in order to bring the wording in line with Cl. 15-6.
- (29) Clause 15-8: Sub-clause 1 is amended by adding the words in brackets in the first sentence. The addition is verbatim the same as used in English conditions and clarify when the cancellation takes effect. Sub-clause 2 is rewritten. It now only imposes on the insurer a best endeavour to submit a proposal for continued insurance on new conditions, if relevant, and with a new premium provided that it is practically and commercially possible to continue the war risk insurance.
- (30) Clause 15-22: The Clause is editorially amended by deleting the reference to the deleted Cl. 15-21.
- (31) Clause 16-6: The word “assessed” is replaced with “agreed” corresponding with the amendment to Cl. 2-2 and Cl. 2-3.
- (32) Clause 16-12: Sub-clause 4, first sentence, is editorially amended. A new last sentence is added in order to make it clear that the insurer’s liability in any event is limited to what would be payable in case the category of work for which he is liable had been carried out separately.
- (33) Clause 16-14: The word “assessed” is replaced with “agreed” in sub-clause 2 corresponding with the amendment to Cl. 16-6.
- (34) Clause 17-3: Sub-clause 2 is editorially amended. The reference to Cl. 3-15, sub-clause 3 is replaced with Cl. 3-15, sub-clause 5.

- (35) Clause 17-17: The heading and the Clause is amended to make it applicable for all types of vessels insured under Chapter 17. The amendments are partly editorial. Further, a new sentence defining the term “call” is added.
- (36) Clause 17-35: Sub-clause 2 is amended by adding new letters (d), (e) and (f). These letters are identical to previous sub-clause 3 letters (b), (c) and (a) respectively. Sub-clause 3 has consequently been deleted. The following sentence has been added to new letter (d): “By a call is meant arrival, anchoring, working, discharging, loading and leaving”, cf. the corresponding amendments to Cl. 17-17.
- (37) Clause 17-61: The word “assessed” is replaced with “agreed”. The amendment corresponds to the amendment in Cl. 16-6.
- (38) Clause 18-1: Letter (a), sub-clause 1, stated that the sum or sums insured should be deemed to constitute the assessed insurable value(s) unless circumstances indicated otherwise. This provision is made general and moved to Cl. 2-2, sub-clause 2, and thus deleted in Cl. 18-1 letter (a). As a consequence, the remaining sub-clauses are re-numbered. Letter (b), sub-clause 2, is new. This provision makes it clear that construction risks insurance pursuant to Section 6 also covers strikes and lockouts in the same way as construction risks covered pursuant to Chapter 19, cf. Cl. 19-1. In letter (e) a new number (3) is added to sub-clause 1 that is relevant for construction risks insurance covered pursuant to Section 6. A corresponding amendment is also made to letter (e), sub-clause 2. Further, letter (h), sub-clauses 1 and 2, regarding the area of operation are amended.
- (39) Clauses 18-48 and 18-56: The word “assessed” is replaced with “agreed”. These amendments correspond to the amendment in Cl. 16-6.
- (40) Clause 18-21: Letter (e) is deleted, ref. the amendments in Cl. 3-22 and Cl. 12-5 (f).

- (41) Clause 18-34: Sub-clause 1 is editorially amended. The reference to Cl. 3-15, sub-clause 2 is replaced with Cl. 3-15, sub-clause 3.
- (42) Chapter 18: Section 5 on war risks is expanded by incorporating all clauses from Chapter 15 amended as appropriate to fit war risks insurance for MOUs. A new Section 6 on construction risks is also added.
- (43) Clause 19-2A: A new Clause regarding premium in the event of total loss is added. The Clause corresponds to Cl. 18-83.
- (44) Clause 19-8: This Clause is editorially amended. The words “any one” are replaced with “each”.
- (45) Clause 19-14: The Clause is amended. In order to bring the text in line with the Commentary a new last sentence is added, stating that Cl. 12-3 shall apply to rebuilding/conversion of the subject-matter insured.
- (46) Clause 19-16: The Clause is editorially amended by changing the reference from Cl. 19-3 to Cl. 19-2.
- (47) Clause 19-17: The Clause is editorially amended inserting a new letter (c).
- (48) Clause 19-21: This Clause is amended to be verbatim the same as Cl. 18-98, sub-clauses 5 and 6. Apart from mere editorial amendments, the only amendment of substance is that the words “contractor or sub-contractor” is added in sub-clause 1 letters (a), (b) and (d).

In connection with the above-mentioned amendments, changes have also been made in the Commentary to the respective clauses. Changes have similarly been made in the Commentary to other clauses in which matters regulated in the amended clauses are mentioned. Furthermore, changes have been made in several places in the Commentary to clauses that have not been amended, and where the SRC has found that the former Commentary was impractical,

misleading or could be misunderstood. This applies to the following provisions:

- (1) Clauses 2-8 and 2-9: The Commentaries are amended to remove some of the history and references to the special cover for the Norwegian Shipowners' Mutual War Risks Insurance Association in Ch. 15.
- (2) Chapter 3, Section 3: The introduction to Section 3 is amended. Further, the Commentaries to Cl. 3-22 and Cl. 3-25 are rewritten to be aligned with the development of safety regulations.
- (3) Clause 5-13: The Commentary to sub-clause 2 is amended. There are new comments and examples regarding allocation of common deductibles between liability and damage, and apportionment of recoveries in this respect.
- (4) Chapter 7: The commentaries to all the clauses as well as the introduction are rewritten.
- (5) Clause 12-1: There are new paragraphs in the Commentary regarding electricity consumption as a common repair expense.
- (6) Chapter 15: The commentaries to most of the clauses in Chapter 15 are amended. All references to the Norwegian Shipowners' Mutual War Risks Insurance Association's conditions (previously referred to as Wpol.) are deleted.

When the amendments in the Commentary were made, the explanation of the historical development of the clauses previously contained in the Commentary was also deleted to facilitate the reading and understanding of the Commentary.

However, for clauses where no amendments are made in the Commentary, this historical development is not deleted. In the commentaries to these clauses, references are made to both the Plan in use before the 1996 Plan, the Norwegian Marine Insurance Plan of 1964 (the 1964 Plan), and various insurance conditions and practices. The insurance conditions referred to are

the Conditions for Hull Insurance issued by the Central Union of Marine Underwriters (Cefor) and the Mutual Marine Insurers Committee's Premium and Insurance Conditions (PIC). The abbreviation Cefor stands for Cefor Form 246 A Oct. 1995, while PIC means the Mutual Marine Insurers Committee's Premium and Insurance Conditions 1 January 1995.

The language of the Plan and Commentary is English. The Plan will be translated into four of the Nordic languages.

The Plan Version 2016 enters formally into force on 1 January 2016. The amendments are marked in both the printed and web versions of the Plan. Cefor is the copyright holder and responsible for the printing of the Plan and the publication of the web edition of the Plan and Commentary. The Internet address is www.nordicplan.org. The Plan is also available as an App for smart-phones and tablets.

Finally, the Standing Revision Committee wishes to state that the Plan is a set of standard policy conditions and thus purely illustrative. The Plan is not binding to the parties of this agreement. Parties negotiating an insurance contract are completely free to agree upon other insurance conditions or modify any part of the Plan and its clauses.

Oslo, 15 September 2015

Trine-Lise Wilhelmsen, Chair
Hans Jacob Bull, Chair

Kaja de Vibe Malling, Secretary

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Part one

RULES COMMON TO ALL TYPES OF INSURANCE

Chapter I

Introductory provisions

Clause I-1. Definitions

For the purposes of this Plan

- (a) the **insurer means** the party who under the terms of the contract has undertaken to grant insurance,
- (b) the person effecting the **insurance means** the party who has entered into the insurance contract with the insurer,
- (c) the **assured 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) **the broker means the entity that is instructed by the person effecting the insurance to act as an intermediary between the person effecting the insurance and the insurer.**

Clause I-2. Policy

When the contract is concluded, the person effecting the insurance may **demand** that a policy be issued. The policy shall confirm that a contract has been entered into and shall refer to the conditions. If the insurer wishes to invoke conditions which are not set out 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 applicable.

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.

Clause 1-3. Contracts entered into through a broker

The broker acts on behalf of the person effecting the insurance in all cases except those where the insurer has given written authority to the broker to perform a specific function on behalf of the insurer.

If the person effecting the insurance **demands** that a policy be issued in accordance with Cl. 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 is authorised to receive any return of premium or settlements of claim on behalf of the person effecting the insurance and/or the assured. The person effecting the insurance and/or the assured may at any time change or withdraw this authorisation by giving notice to the insurer.

The person effecting the insurance may pay the premium due to the insurer through a broker, but in accordance with sub-clause 1 the premium shall not be deemed paid until actually received by the insurer.

Clause 1-4. Jurisdiction and choice of law

If insurance based on this Plan is effected with a Nordic claims leader, it is agreed that legal proceedings against the claims leader concerning any matter, dispute or disagreement of any kind which may arise during or in connection with or which in any way concerns the insurance contract, may only be instituted before the courts in the venue where the head office of the claims leader is located and on the basis of the law of the venue of the claims leader, and that law shall apply exclusively.

If insurance based on this Plan is effected with a non-Nordic claims leader, it is agreed that Norwegian law shall apply.

The co-insurer(s) may be sued in the venue of the claims leader.

Any changes in the terms of the agreement set out in sub-clause 1 must be in writing.

Clause 1-5. Insurance period

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.

If the insurer's liability under the agreement attaches on a certain day without any indication of time, liability commences at 00:00 hours. If an insurance remains in effect until a certain day without any indication of time, liability ceases at 23:59:59 hours. The time shall be based on UTC.

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. The provision in Cl. 1-2 above shall apply correspondingly.

If it has been agreed that the insurance shall attach for a period longer than one year, the insurance period shall nevertheless be deemed to be one year in relation to Cl. 2-2, Cl. 2-11, Cl. 5-3, last sub-clause, Cl. 5-4, sub-clause 3, Cl. 6-3, sub-clause 1, Cl. 12-2, Cl. 16-4, sub-clause 2, and Cl. 16-14.

Chapter 2

General rules relating to the scope of the insurance

Section I

Insurable interest and insurable value

Clause 2-1. Insurance unrelated to any interest

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

Clause 2-2. Insurable value

The insurable value is the full value of the interest at the inception of the insurance. **The parties may by agreement fix the insurable value at a certain amount, hereinafter called agreed insurable value, cf. Cl. 2-3.**

The sum or sums insured in the insurance contract shall be deemed to constitute the agreed insurable value(s) unless the circumstances clearly indicate otherwise.

Clause 2-3. Agreed insurable value

The insurer may demand to have the agreed insurable value 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 agreement.

If, due to market fluctuations, the value of the interest insured has changed significantly after the insurance contract was entered into, both parties may require that the **agreed** insurable value be changed by giving fourteen days' notice.

If the parties disagree as to whether the conditions for changing the **agreed** insurable value according to sub-clause 2 are fulfilled, the question shall be submitted for final decision to a Nordic adjuster to be chosen by the assured.

Clause 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 Cl. 2-3, sub-clause 1, above, it shall nevertheless be regarded as the insurable value when the rule in this sub-clause is applied.

Clause 2-5. Over-insurance

If the sum insured exceeds the insurable value, the insurer shall only compensate the loss up to the insurable value.

If the interest is over-insured with fraudulent intent, the contract is not binding on the insurer.

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

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.

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.

If all of the insurers have disclaimed liability where the interest is also insured with another insurer, the rules contained in sub-clause 1 shall apply.

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

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.

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 Cl. 2-6, sub-clause 3, the rule concerning recourse in sub-clause 1 shall apply correspondingly.

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

Clause 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 Cl. 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) perils covered by the RACE II Clause:
 - (1) ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel,
 - (2) the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof,
 - (3) any weapon or device employing atomic or nuclear fission and/or

- fusion or other like reaction or radioactive force or matter,
- (4) the radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter. The exclusion in this sub-clause does not extend to radioactive isotopes, other than nuclear fuel, when such isotopes are being prepared, carried, stored, or used for commercial, agricultural, medical, scientific or other similar peaceful purposes.
 - (5) any chemical, biological, bio-chemical, or electromagnetic weapon.

Clause 2-9. Perils covered by an insurance against war perils

An insurance against war perils covers:

- (a) war or war-like conditions, including civil war 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, 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, sabotage, acts of terrorism or other social, religious or politically motivated use of violence or threats of the use of violence, strikes or lockouts,
- (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 sub-clause 1 (a) - (d).

The insurance does not cover:

- (a) insolvency,
- (b) perils covered by the RACE II Clause:
 - (1) ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel,
 - (2) the radioactive, toxic, explosive or other hazardous or contaminating

- properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof,
- (3) any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter,
 - (4) the radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter,
 - (5) any chemical, biological, bio-chemical, or electromagnetic weapon.

Clause 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.

Clause 2-11. Causation. Incidence of loss

The insurer is liable for loss incurred when the interest insured is struck by an insured peril during the insurance period.

If an unknown defect results in damage to the insured vessel, the defect shall be deemed to be a marine peril that strikes the interest insured at the time the damage starts to develop.

If unknown damage in one part of the vessel results in damage to another part or parts of the vessel, the original damage shall be deemed to be a marine peril that strikes the interest insured at the time the damage to the other part or parts starts to develop.

Where a defect or damage existing at the inception of the insurance, which is known to the assured but not to the insurer, gives rise to damage (in the case of defects) or new damage to other parts (in the case of existing damage), the liability of the insurer shall not exceed the amount the assured would have been able to recover under the insurance on risk at the time the assured first acquired knowledge of the relevant defect or damage.

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

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.

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.

The assured has the burden of proving that the loss has not been caused by such perils as are mentioned in Cl. 2-8 (d) and Cl. 2-9, sub-clause 2 (b).

Clause 2-13. Combination of perils

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.

If a peril that is excluded from cover in Cl. 2-8 (d) and Cl. 2-9, sub-clause 2 (b), has directly or indirectly caused or contributed to the loss, the entire loss shall be attributed to that peril.

Clause 2-14. Combination of marine and war perils

If the loss has been caused by a combination of marine perils, cf. Cl. 2-8, and war perils, cf. Cl. 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 classes of perils is considered dominant, both shall be deemed to have had equal influence on the occurrence and extent of the loss.

Clause 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.

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

If it is evident that a loss has been caused either by marine perils, cf. Cl. 2-8, or by war perils, cf. Cl. 2-9, without it being possible to identify one or the other class as the more probable cause, the rule contained in Cl. 2-14, second sentence, shall apply correspondingly.

Clause 2-17. Sanction limitation and exclusion

This Clause shall be paramount and shall override any other clauses inconsistent therewith.

No insurer shall be deemed to provide cover and no insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit may expose that insurer or his reinsurers to any sanction whether primary or secondary, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, the United Kingdom, the United States of America, France, the Russian Federation, the People's Republic of China or any State where the insurer or his reinsurers have their registered office or permanent place of business.

In the event of the subject-matter insured having been engaged or engaging in any activity whatsoever that may expose the insurer or his reinsurers to any sanction whether primary or secondary, prohibition, restriction, law or regulation as described in sub-clause 1 above, the insurer shall be entitled to terminate the insurance by giving 14 days' notice. Termination also applies to the rights of the mortgagee, but the insurer shall immediately notify the mortgagee of the termination.

Chapter 3

Duties of the person effecting the insurance and of the assured

Section I

Duty of disclosure of the person effecting the insurance

Clause 3-1. Scope of the duty of disclosure

The person effecting the insurance shall, at the time 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.

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.

Clause 3-2. Fraudulent misrepresentation

If the person effecting the insurance has fraudulently failed to fulfil his duty of disclosure, the contract is not binding on the insurer.

The insurer may also cancel other insurance contracts he has with the person effecting the insurance by giving fourteen days' notice.

Clause 3-3. Other failure to fulfil the duty of disclosure

If the person effecting the insurance has, at the time the contract is concluded, in any other way failed to fulfil his 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.

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.

In the cases referred to in sub-clause 2, the insurer may cancel the insurance by giving fourteen days' notice.

Clause 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.

Clause 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 Cl. 3-3 and Cl. 3-4 if the circumstances about which incorrect or incomplete information was given have ceased to be material to him.

Clause 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 Cl. 3-2, Cl. 3-3 and Cl. 3-4. If he fails to do so, he forfeits his right to invoke those provisions.

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

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.

If the person effecting the insurance fails to fulfil his duty under sub-clause 1, the insurer may cancel the insurance by giving fourteen days' notice, but with effect no earlier than on arrival of the ship at the nearest safe port, in accordance with the insurer's instructions.

The insurer is authorised to obtain information referred to in sub-clause 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

Clause 3-8. Alteration of the risk

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 the risk is thereby altered contrary to the implied conditions of the contract.

A change of the State of registration, of the manager of the ship or of 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 sub-clause 1. The same applies to a change of classification society.

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

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 it may be assumed 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.

If it may 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.

Clause 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.

Clause 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 Cl. 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.

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

The insurer may not invoke Cl. 3-9 and Cl. 3-10 after the alteration of the risk has ceased to be material to him.

The same applies 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.

Clause 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 Cl. 3-9 and Cl. 3-10. If he fails to do so, he forfeits his right to invoke those provisions.

Clause 3-14. Loss of the main class

When the insurance commences the ship shall be classed with a classification society approved by the insurer.

The insurance terminates in the event of loss of the main class, unless the insurer explicitly consents to a continuation of the insurance contract. If the ship is under way when the main class is lost, the insurance cover shall nevertheless continue until the ship arrives at the nearest safe port in accordance with the insurer's instructions.

Loss of the main class occurs where the assured, or someone on his behalf, requests that the main class be cancelled, or where the main class is suspended or withdrawn for reasons other than a casualty.

Cl. 3-8, sub-clause 2, second sentence, shall apply to a change of classification society.

Clause 3-15. Trading areas

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 **area**.

The insurer **may consent to trade outside the ordinary trading area and** may require an additional premium. **The insurer** may also stipulate other conditions **which shall constitute safety regulations, cf. Cl. 3-22 and Cl. 3-25, sub-clause 1.**

The vessel is held covered for trade in the conditional trading areas, but 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 200,000. The provision in Cl. 12-19 shall apply correspondingly. **If claims arising out of ice damage are a result of the assured's failure to exercise due care and diligence, further reduction of the claim may be made based on the degree of the assured's fault and the circumstances generally.**

If the insurer has been duly notified in accordance with sub-clause 1 of trade within the conditional trading areas, the insurance remains in full force and effect, subject to compliance with conditions, if any, stipulated by the insurer.

If the ship proceeds into an excluded trading area, the insurance ceases to be in effect, unless the insurer has given **his consent** 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 Cl. 3-12, sub-clause 2, shall apply correspondingly.

Clause 3-16. Illegal undertakings

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.

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.

The insurance terminates if the ship, with the consent of the assured, is used primarily for the furtherance of illegal purposes.

Clause 3-17. Suspension of the insurance in the event of requisition

If the ship is requisitioned by a State power, the insurance against both marine perils and 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.

Clause 3-18. Notification of requisition

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.

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.

If the assured has failed to fulfil his duties according to sub-clause 1 or 2, he has the burden of proving that any loss is not attributable to casualties or other similar circumstances that occurred whilst the ship was requisitioned.

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

If the ship is temporarily seized by a State power without Cl. 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 Cl. 2-8.

Cl. 3-18 shall apply correspondingly.

Clause 3-20. Removal of the ship to a repair yard

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.

If the removal will result in a substantial increase of the risk, the insurer may, before the removal commences, notify the assured that he therefore objects to the removal. If such notice has been given, or if the assured has neglected to notify the insurer in accordance with sub-clause 1, the insurer will not be liable for any loss that occurs during or as a consequence of the removal.

Clause 3-21. Change of ownership

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

Section 3 Safety regulations

Clause 3-22. Safety regulations

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.

Periodic surveys required by public authorities or the classification society constitute a safety regulation under sub-clause 1. Such surveys shall be carried out before expiry of the prescribed time-limit.

When establishing the Safety Management System that is necessary to fulfil the assured's obligation to comply with the International Safety Management Code as adopted by IMO, the assured shall ensure that the system includes instructions and procedures for the use and monitoring of lubricating oil, cooling water and boiler feed water. Cl. 3-25, sub-clause 2, shall not be applied.

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

The insurer has the right at any time during the insurance period to verify that the ship meets the technical and operational safety requirements that are prescribed by public authorities or by the classification society. If necessary for the purpose of such verification, he may demand a complete or partial discharge of the cargo.

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.

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 it becomes apparent that the technical and operational safety requirements have not been met.

Clause 3-24. (open)

Clause 3-25. Breach of safety regulations

If a safety regulation has been breached, the insurer shall only be liable to the extent that the loss is not a consequence of the breach, or that the assured has not breached the safety regulation through negligence. However, the insurer

may not invoke this rule where the assured is the master of the ship or a member of the crew and the breach is committed in connection with his service as a seaman.

If the breach 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 insurer has the burden of proving that a safety regulation has been breached, unless the vessel springs a leak whilst afloat. The assured has the burden of proving that he did not breach the safety regulation through negligence, and that there is no causal connection between the breach of safety regulation and the casualty.

Clause 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, Cl. 3-25, sub-clause 1, shall apply correspondingly.

Clause 3-27. Right of the insurer to cancel the insurance

The insurer may cancel the insurance by giving fourteen days' notice, but with 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 unsuitable construction, a defect, a casualty or similar circumstances, is not in compliance with a technical or operational safety regulation,
- (b) 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.

Clause 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.

Clause 3-29. Duty of the assured to notify the insurer of a casualty

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.

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.

Clause 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.

Clause 3-31. Consequences of the assured neglecting his duties

If the assured, intentionally or through gross negligence, fails to fulfil his duties under Cl. 3-29 or Cl. 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.

The same applies if the master neglects his duties under Cl. 3-29.

Section 5

Casualties caused intentionally or negligently by the assured

Clause 3-32. Intent

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

Clause 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.

Clause 3-34. Right of the insurer to cancel the insurance

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.

If the assured has intentionally brought about the casualty, the insurer may cancel other insurances with the assured by giving fourteen days' notice.

Clause 3-35. Circumstances precluding the application of Clauses 3-32 to 3-34

The rules contained in Cl. 3-32 to Cl. 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 Cl. 3-12, sub-clause 2, provided that his actions under the prevailing circumstances must be considered expedient and justifiable.

Section 6 Identification

Clause 3-36. Identification of the assured with his servants

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.

The insurer may invoke against the assured faults and negligence committed by any organisation or individual to whom the assured has delegated decision-making authority concerning functions of material significance for the insurance, provided that the fault or negligence occurs in connection with the performance of those functions.

Clause 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 Cl. 3-36, sub-clause 2, unless the relevant assured or co-owner has overall decision-making authority for the operation of the ship.

Clause 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 I

General rules relating to the liability of the insurer

Clause 4-1. Total loss

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

Clause 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.

Clause 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 Cl. 5-7.

Clause 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.

Clause 4-5. Costs in connection with settlement of claims

If the insurer is liable for the loss, he shall also pay the necessary costs of establishing the loss and calculating the compensation.

If the assured has reasonable grounds for employing his own surveyor, the insurer is liable for necessary expenses in this connection.

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

If costs mentioned in Cl. 4-3 to Cl. 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 awards and general average

Clause 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 Cl. 4-8 to Cl. 4-12 for the costs of measures taken on account of a peril insured against, provided that the measures were of an extraordinary nature and must be regarded as reasonable.

Clause 4-8. General average

The insurer is liable for any general average contribution apportioned on the interest insured. The hull insurer 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. The insurer is similarly liable for salvage awards, insofar as they are not recovered in general average. However, he is not liable for interest payable after

the due date under Cl. 5-6 if it is recovered in the general average adjustment.

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.

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 **insurance contract**, or
- (b) for the ship's general average contributions.

The adjustment in accordance with the preceding sentence shall be based on the York-Antwerp Rules 1994, but Cl. 4-11, sub-clause 2, second sentence, shall apply correspondingly.

Clause 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.

Clause 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.

Clause 4-11. Assumed general average

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. Cl. 4-10 shall apply correspondingly.

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 Cl. 4-3 and Cl. 5-4.

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

If measures to avert or minimise loss under Cl. 4-7 have been taken without the rules in Cl. 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 Cl. 4-2 is nevertheless not recoverable under this provision.

If loss, damage, liability or costs referred to in the preceding sub-clause 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

Clause 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.

Clause 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 in the settlement of the claim between the assured and the insurer be reduced by the same amount by which the balance has been reduced.

Clause 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 Cl. 3-28 has prohibited or prescribed.

Clause 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.

Clause 4-17. Determination of the liability of the assured

If the insurance covers the assured's liability to third parties, an injured third party does not have any direct claim against the insurer.

The insurer will indemnify the assured's loss as a result of liability if it has been established by:

- (a) a final and unappealable judgment or order by a competent 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.

If the assured has in other cases accepted or settled a claim, the insurer shall only cover the loss 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

Clause 4-18. Main rule

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.

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

Clause 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 Cl. 4-3 to Cl. 4-5, and Cl. 5-21, first sentence,
- (b) interest on the compensation.

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

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

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

When a casualty has occurred, the insurer may avoid further liability by informing the assured that he will pay the sum insured.

Loss referred to in Cl. 4-3 to Cl. 4-5, Cl. 4-7 to Cl. 4-12 and Cl. 5-21, first sentence, is recoverable in excess of the sum insured according to the rules contained in Cl. 4-18 and Cl. 4-19, provided that it is attributable to measures implemented before the assured was notified of the insurer's decision.

In such case the insurer has no right to the object insured under Cl. 5-19.

Chapter 5

Settlement of claims

Section I

Claims adjustment, interest, payments on account, etc.

Clause 5-1. Duty of the assured to provide particulars and documents

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.

If the assured, intentionally or through gross negligence, fails to fulfil his duties according to sub-clause 1, the insurer is only liable to the extent he would have been liable if the assured had fulfilled his duty.

If the assured has acted fraudulently, the insurer is free from liability. In such case, 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.

Clause 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.

Clause 5-3. Rates of exchange

If the assured has made disbursements in a currency other 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.

If the insurer is liable for costs that have not been paid when the adjustment is issued, conversion shall be based on the rate of exchange on the date that the adjustment is issued.

If the sum insured is stipulated in a currency different from the currency stipulated for the deductible or other amounts stated in the **insurance contract**, conversion to the currency for the sum insured shall be made on the banks' last sales rate before the insurance attaches.

Clause 5-4. Interest on the compensation

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.

If the assured fails to provide information and documents as mentioned in Cl. 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.

The rate of interest is six month CIBOR, NIBOR or STIBOR + 2 % for insurance contracts in which the sum insured is stated in Danish Kroner, Norwegian Kroner or Swedish Kronor respectively, 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.

After the due date, cf. Cl. 5-6, interest on overdue payments accrues according to the rate stated in sub-clause 3 + 2 %.

Clause 5-5. Disputes concerning the adjustment of the claim

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 Nordic average adjuster for his opinion before the dispute is brought before the court. The average adjuster shall be chosen by the assured. If the assured fails to appoint an adjuster, the insurer may appoint the adjuster.

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.

The rules in sub-clauses 1 and 2 shall apply correspondingly when the insurer has rejected the assured's claim for compensation.

Where an insurance contract is subject to Finnish or Swedish law and jurisdiction, any dispute concerning the adjustment of the claim shall be submitted to the Finnish or Swedish average adjuster respectively before the dispute is brought before the court.

Clause 5-6. Due date

Compensation is payable **four** weeks after the date when the claim adjustment is or should have been issued.

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

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.

The rules contained in the preceding sub-clause do not apply if the insurer has reasonable doubts as regards his liability. A payment on account by the insurer in no way affects the question of his liability to the assured.

The insurer may claim interest at the same rate as under Cl. 5-4, sub-clause 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.

Clause 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

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

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.

If the assured, intentionally or through gross negligence, fails to fulfil his duties under the preceding sub-clause, the insurer shall only cover such losses as would have fallen on him if these duties had been fulfilled.

Clause 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.

Clause 5-11. Decisions concerning legal proceedings or appeals

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 Nordic average adjusters.

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.

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.

Clause 5-12. Provision of security

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

The provision of such security by the insurer in no way affects the question of his liability to the assured.

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

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

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 Cl. 4-14 shall apply correspondingly.

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.

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.

Clause 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 Cl. 3-28.

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

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.

The insurer also has the right to familiarise himself with all documents and other evidence before he takes over the claim.

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

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.

If the assured, intentionally or through gross negligence, fails to fulfil his duties under the preceding sub-clause, he is liable for the loss incurred by the insurer due to such failure.

Clause 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, Cl. 5-11 shall apply correspondingly.

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

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.

Cl. 5-13 to Cl. 5-17 shall apply correspondingly.

Section 4**Right of the insurer to the object insured upon payment of a claim****Clause 5-19. Right of the insurer to take over the object insured**

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. Cl. 2-4 shall apply correspondingly.

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.

In the event of damage, Cl. 5-13, sub-clause 2, first sentence, shall apply correspondingly.

Clause 5-20. Charges on the object insured

If the insurer, after having taken over all or part of the object insured pursuant to Cl. 5-19, becomes liable for the costs of its removal, the assured shall re-imburse him the costs which exceed the value of what is removed.

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.

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 Cl. 5-19.

Clause 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.

Clause 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.

Clause 5-23. Time-limit for notification of a casualty

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.

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.

Clause 5-24. Limitation

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.

Under a liability insurance, the insurer's liability nevertheless does not become time-barred before the time prescribed by the rules that apply to the assured's liability.

Claims that are notified to the insurer before the claim is time-barred, will not be time-barred before 6 months after the assured has received written notification that limitation will be invoked. The notification shall explain how the limitation period is interrupted. The limitation period will not be extended according to this provision if more than 10 years has passed since the claim was notified to the insurer.

Clause 5-25. Rules regarding claims notice and limitation for insurance contracts subject to Finnish law and jurisdiction

Where the insurer rejects a claim in full or in part, the insurer shall notify the assured that the assured is obliged to refer the claim for adjustment to the Finnish average adjuster within a time limit of one year under the penalty of

forfeiture of his right against the insurer. The time limit shall be calculated from the date at which the assured received written notice of the insurer's decision and of this time limit.

The insurer shall attach to his decision a claims appeal instruction which explicitly states the time limit within which the claim must be referred for adjustment to the Finnish average adjuster.

The insurer shall be liable for the expenses incurred by the average adjuster and for the adjuster's fee.

Chapter 6

Premium

Clause 6-1. Payment of premium

The person effecting the insurance is liable to pay the premium. Unless otherwise agreed, the premium falls due on demand.

If the premium is not paid when due, interest on overdue payments accrues at the same rate as provided for in Cl. 5-4, sub-clause 4.

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

If a premium is not paid at the proper time, the insurer may cancel the insurance by giving fourteen days' notice.

If the premium is paid before expiry of the time-limit, the notice of cancellation no longer applies.

Clause 6-3. Premium in the event of total loss

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

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.

Clause 6-4. Additional premium when the insurance is extended

In the cases referred to in Cl. 10-10 the insurer may demand an additional premium in proportion to the time by which the insurance has been extended.

If, at the expiry of the insurance period, it is uncertain whether a claim for total loss will be brought under Cl. 11-2, sub-clause 2, Cl. 11-7 or Cl. 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.

Clause 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.

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

If the ship, during the insurance period, lies 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).

The insurer is entitled to full premium during a stay provided that:

- (a) the ship is insured on terms as referred to in Cl. 10-5 to Cl. 10-6,
- (b) the insurer subsequently becomes entitled to the entire agreed premium under Cl. 6-3.

Clause 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 mortgagees

Clause 7-1. Rights of a mortgagee against the insurer

If the interest covered by the insurance is mortgaged, the insurance also covers the mortgagee's interest, but the insurer may invoke the rules relating to identification in Cl. 3-36 to Cl. 3-38.

If the insurer has been notified of the mortgage, the rules contained in Cl. 7-2 to Cl. 7-4 shall apply. The notice takes effect from the time it reaches the insurer.

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.

Clause 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 risks insurance, cf. Cl. 15-8, sub-clause 1, second sentence.

Clause 7-3. Handling of claims, claims adjustments, etc.

Decisions required in respect of casualties, adjustments or claims against third parties may be made without the participation of the mortgagee.

The right to compensation for a total loss may not be waived, wholly or in part, to the detriment of the mortgagee.

Clause 7-4. Payment of compensation

In the event of a total loss, the mortgagee's interests take priority.

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.

Compensation under Cl. 12-1, sub-clause 4, and Cl. 12-2, may not be paid without the consent of the mortgagee.

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.

Liability to a third party which is covered by the insurance may only be settled upon presentation of a receipt from the third party.

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

Clause 8-1. Rights of third parties against the insurer

If the insurance is explicitly effected for the benefit of a third party, the insurance also covers **this party's interests within the scope and overall limits of the insurance.**

Clause 8-2. *Protection of third parties against subrogation claims from the insurer*

The insurer does not have any right of subrogation against the co-insured third party unless and to the extent that such right is specified in the insurance contract or the co-insured third party has undertaken an express contractual obligation to an assured to remain liable for losses of the kind otherwise covered by the insurance.

Clause 8-3. *Application of the rules in Chapter 3 and Clause 5-1*

The rules contained in Chapter 3, Section 1, shall apply correspondingly to the co-insured third party, provided that he is aware of the fact that he is named in the policy.

The insurer may invoke the rules in Chapter 3, Sections 2 - 5, or Cl. 5-1 against a co-insured third party.

The insurer may invoke the rules relating to identification in Cl. 3-36 to Cl. 3-38 against a co-insured third party.

Clause 8-4. Amendments and cancellation of the insurance contract

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

Clause 8-5. Handling of claims, claims adjustment, etc.

Decisions required in respect of casualties, adjustments or claims against third parties may be made without the participation of any co-insured third party.

Clause 8-6. Other insurance

If the co-insured third party's claim for compensation under the insurance is also covered by other insurance he has effected, cover under this Chapter is subsidiary to that other insurance.

Clause 8-7. Independent co-insurance of mortgagees and named third parties

If it has been explicitly agreed that the interest of a mortgagee or a named third party shall be independently co-insured, the insurer may not plead that he has no liability due to an act or omission from the person effecting the insurance or another assured under the rules contained in Chapter 3 and Cl. 5-1.

Chapter 9

Relations between the claims leader and co-insurers

Clause 9-1. Definitions

“Claims leader” means the insurer who, at the time the insurance contract is entered into, is identified as claims leader.

“Co-insurers” 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.

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

Unless otherwise agreed, the claims leader is entitled to take the steps referred to in Cl. 9-3 to Cl. 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.

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 Cl. 9-3 to Cl. 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.

Clause 9-3. Lay-up plan

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

Clause 9-4. Notification of a casualty

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

The claims leader, shall as soon as possible, pass on such notifications to the co-insurers concerned, including claims advice with estimated costs.

Clause 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 Cl. 4-21.

Clause 9-6. Removal and repairs

The claims leader takes decisions pursuant to Cl. 3-20 and Cl. 12-10 to Cl. 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 Cl. 11-6.

Clause 9-7. Provision of security

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.

If a co-insurer has been notified that the claims leader has provided a guarantee in accordance with sub-clause 1, the co-insurer may not pay compensation in connection with the liability directly to the assured.

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.

Clause 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 institution of legal proceedings, appeals and amicable settlements.

Clause 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.

Clause 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 insolvent co-insurer's share of expenses incurred by the claims leader on behalf of all of the insurers shall be shared pro rata by the claims leader and the other co-insurers.

Clause 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. Cl. 5-4 shall apply correspondingly.

Part two
HULL INSURANCE

Chapter 10

General rules relating to the scope of the hull insurance

Clause 10-1. Objects insured

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, leased or purchased with a vendor's lien or similar encumbrance,
- (c) bunkers and lubricating oil on board.

The insurance does not cover:

- (a) **provisions**, 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.

Clause 10-2. Objects, etc. temporarily removed from the ship

The insurance also covers objects referred to in Cl. 10-1, sub-clause 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.

Clause 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.

Clause 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.

Clause 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.

Clause 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. Cl. 4-7, Cl. 4-8, Cl. 4-9 and Cl. 4-11.

Clause 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 in Chapter 11,
- (b) general average contribution and loss arising from assumed general average, cf. Cl. 4-7, Cl. 4-8, Cl. 4-9 and Cl. 4-11,
- (c) liability to third parties in accordance with the rules in Chapter 13.

Clause 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 in Chapter 11,
- (b) general average contribution and loss arising from assumed general average, cf. Cl. 4-7, Cl. 4-8, Cl. 4-9 and Cl. 4-11,
- (c) liability to third parties in accordance with the rules 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 it is 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.

Clause 10-9. Duration of voyage insurance

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 slips its moorings in order to sail.

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.

If the ship, at the destination, starts 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 starts loading cargo or ballast.

If the voyage is abandoned after the insurance has attached, the place where the voyage ends shall be regarded as the destination.

Clause 10-10. Extension of the insurance

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 compliant with technical and operational safety requirements, 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.

If it has been agreed that the new insurance shall attach from the moment the old one should have terminated, 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 Cl. 1-5, liability is transferred to the new insurer at the time of sailing.

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

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

Clause 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 **agreed insurable value** applicable to the hull insurance against the same perils, the hull insurer's liability is reduced correspondingly.

Chapter 11

Total loss

Clause 11-1. Total loss

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.

No deductions shall be made in the claims adjustment for unrepaired damage sustained by the ship in connection with an earlier casualty.

Clause 11-2. Salvage attempts

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.

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, but not by more than six months.

Clause 11-3. Condemnation

The assured may claim compensation for a total loss if the conditions for condemnation of the ship are met.

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.

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.

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 except, however, salvage awards or compensation for depreciation in value under Cl. 12-1, sub-clause 4.

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

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. Cl. 2-13, Cl. 2-14 and Cl. 2-16.

If the casualty is caused by such combination of marine and war perils as referred to in Cl. 2-14, second sentence, cf. Cl. 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.

Clause 11-5. Request for condemnation

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.

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.

Clause 11-6. Removal of the ship

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.

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.

Clause 11-7. Missing or abandoned ship

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 recovered, the time-limit is twelve months.

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 has been seen after being abandoned, the time-limit runs from the day on which it was last seen.

If, before expiry of the time-limit mentioned in sub-clauses 1 and 2, it is clear that the assured will not recover the ship, he may at once claim for a total loss.

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.

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

If, upon expiry of the insurance period, a situation exists as referred to in Cl. 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 Cl. 10-10 shall thereafter apply.

However, the insurance shall under no circumstances be extended beyond two years after the expiry of the insurance period.

Clause 11-9. Liability of the insurer during the period of clarification

If the assured is entitled to claim for a total loss in accordance with Cl. 11-2, sub-clause 2, Cl. 11-3 and Cl. 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.

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

Clause 12-1. Main rule concerning liability of the insurer

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.

Liability arises as and when the repair costs are incurred.

If the repairs have resulted in special advantages for the assured because the ship has been 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.

If complete repairs of the damage are impossible, but the ship meets technical and operational safety requirements and may be made fit for its intended use by less extensive 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.

Clause 12-2. Compensation for unrepaired damage

Even if repairs have not been carried out, the assured may claim compensation for the damage when the insurance period expires.

Compensation is calculated on the basis of the estimated reduction in the market value of the ship due to the damage at the time of expiry, but shall not

exceed the estimated costs of repairs. Estimated common expenses are not recoverable, except for 50 % of estimated dock and quay hire.

The insurer is not liable for unrepaired damage if the ship becomes a total loss or qualifies for condemnation under Cl. 11-3 before the insurance terminates. This also applies if the total loss is not covered under this insurance.

In the event of a transfer of ownership of the ship, the assured may transfer claims for known damage to the new owner.

Clause 12-3. Inadequate maintenance, etc.

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.

Clause 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.

Clause 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.

Clause 12-6. Deferred repairs

If the repairs have not been 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.

Clause 12-7. Temporary repairs

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 located.

If temporary repairs of the damaged object 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 **agreed** insurable hull value for the time the assured saves, if the latter amount is higher.

Clause 12-8. Costs incurred in expediting repairs

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

Clause 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 Cl. 4-19, if applicable, but with the deduction of the value of the wreck.

Clause 12-10. Survey of damage

Before any damage is repaired, it shall be surveyed by a representative of the assured and a representative of the insurer.

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.

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.

If there is disagreement between the representative of the assured and the representative of the insurer, 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 Nordic average adjuster.

Neither the assured nor the insurer may petition for a judicial valuation of the damage, unless this is required by the laws of the relevant country.

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 Cl. 2-12, the burden of proving that the damage is not attributable to causes not covered by the insurance.

Clause 12-11. Invitations to tender

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.

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 **agreed** insurable hull value during the excess period.

Clause 12-12. Choice of repair yard

The tenders received shall, for the purpose of comparison, be adjusted by the costs of removal being added to the tender amount.

The assured decides which yard shall be used, but the insurer's liability for the costs of repairs and 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 **agreed** insurable hull value for the time the assured saves by not choosing that tender.

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.

Clause 12-13. Removal of the ship

Subject to the limitation that follows from Cl. 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.

If another insurer has expressly disclaimed liability during the removal in accordance with Cl. 3-20, the insurer who is liable for the damage to the ship shall also be liable for any loss that arises during or in consequence of the removal, and which would otherwise have been recoverable from the other insurer.

The insurer may disclaim any liability during the removal in accordance with Cl. 3-20.

Clause 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 category of work. However, **dry dock charges and quay rental** shall be apportioned on the basis of the time that the recoverable and the non-recoverable work would have required if **each category** of work had been carried out separately.

Clause 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 stated in the **insurance contract. To this shall be added the deductible referred to in Cl. 12-18, sub-clause 1.**

Clause 12-16. Machinery damage deductions

Damage to machinery and accessories and to pipelines and electrical cables outside the machinery is recoverable subject to deductions as set out in the **insurance contract**. To this shall be added the deductible referred to in Cl. 12-18, sub-clause 1.

However, no machinery damage deduction shall be made if the damage is a consequence of:

- (a) the ship having been involved in a grounding, collision or striking,
- (b) the engine room having been completely or partly flooded,
- (c) fire or explosion originating outside the engine room.

Clause 12-17. Compensation without deductions

The following are recoverable without deductions according to Cl. 12-15 and Cl. 12-16:

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

Clause 12-18. Deductible

For each casualty the amount stated in the **insurance contract** shall be deducted.

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 a single casualty.

Costs in connection with the claims settlement, cf. Cl. 4-5, and loss arising from measures to avert or minimise the loss, see Cl. 4-7 to Cl. 4-12, are recoverable without any deductible.

Clause 12-19. Basis for calculation of deductions according to Clauses 12-15 to 12-18 and Clause 3-15

Deductions under Cl. 3-15, sub-clause 2, Cl. 12-15, Cl. 12-16 and Cl. 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.

Deductions are also made if damage to the ship is recoverable under Cl. 4-7, cf. Cl. 4-12, sub-clause 1.

Chapter 13

Liability of the assured arising from collision or striking

Clause 13-1. Scope of liability of the insurer

The insurer will indemnify the assured for loss which is a result of liability imposed on the assured due to collision or striking by the ship, its accessories, equipment or cargo, or by a tug used by the ship.

However, the insurer will not cover:

- (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 Cl. 3-12, sub-clause 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, contamination damage caused by radioactive substances and damage to coral reefs and other environmental damage. The insurer is nevertheless liable if, in the event of a collision with another ship, liability is imposed on the assured for such damage to the other ship with equipment and cargo,
- (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 appliances, 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 sub-clauses (a) to (i) above.

Clause 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.

Clause 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.

Clause 13-4. Deductible

For each casualty the amount stated in the **insurance contract** shall be deducted.

Litigation costs, cf. Cl. 4-4, costs in connection with the claims settlement, cf. Cl. 4-5, and loss arising from measures to avert or minimise the loss, cf. Cl. 4-7 to Cl. 4-12, are recoverable without any deductible.

Part three

OTHER INSURANCES FOR OCEAN-GOING SHIPS

Chapter 14

Separate insurances against total loss

Clause 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 **insurance contract**:

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

Clause 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 **insurance contract**.

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

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 Cl. 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.

The insurer is not liable for any loss arising from measures to avert or minimise the loss, cf. Cl. 4-7 to Cl. 4-12.

The rules contained in Chapters 10 and 11 apply correspondingly.

The rules contained in Cl. 1-4, Cl. 9-4, Cl. 9-5, first sentence, Cl. 9-6 and Cl. 9-8, cf. Cl. 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.

Clause 14-4. Limitations on the right to effect separate insurances against total loss

If hull interest insurance has been effected for more than 25 % of the **agreed** 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.

If more than one hull interest insurance or freight interest insurance have been effected, the insurer's liability is reduced proportionately.

The rules in sub-clause 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 Cl. 14-2 is reduced correspondingly.

Chapter 15

War risks insurance

Section I

General rules relating to the scope of war risks insurance

Clause 15-1. Perils covered

The insurance covers war perils, cf. Cl. 2-9.

If the insurance against marine perils has been suspended under such circumstances as mentioned in Cl. 3-19, the insurance also covers marine perils, cf. Cl. 2-8.

Clause 15-2. Interests insured

Subject to Cl. 15-3 the insurance covers:

- (a) total loss and damage, cf. Chapter 10-12 and Section 4 and 5 below,
- (b) collision liability, cf. Chapter 13,
- (c) hull interest/freight interest, cf. Chapter 14,
- (d) loss of hire, cf. Chapter 16 and Section 6 below,
- (e) owner's liability (P&I), cf. Section 7 below including occupational injuries etc. cf. Section 8 below.

Clause 15-3. Sum insured

Cover in respect of each of the interests listed in Cl. 15-2 is conditional upon the parties having agreed a separate sum insured for each interest. In the case of loss of hire insurance the **insurance contract** must also state the amount of the daily indemnity, cf. Cl. 16-5 and Cl. 16-6, the deductible period cf. Cl. 16-7, and number of days of indemnity per casualty and altogether, cf. Cl. 16-4 sub-clause 2.

Unless otherwise agreed, the following sums insured shall apply:

- (a) The sum insured for Cl. 15-2 (e) P&I and occupational injury insurance is the total of the sums insured under Cl. 15-2 (a) and (c). Within this combined sum, costs incurred to prevent loss under Section 7 and 8 shall be covered. Cl. 4-18 shall not apply.
- (b) The sum insured for 15-2 (b) collision liability shall be equal to the sum insured for Cl. 15-2 (a) with addition of the sum insured for Cl. 15-2 (c) hull interest, cf. Cl. 14-1 (b).

Clause 15-4. Safety regulations

During the insurance period the insurer may, by means of special safety regulations, cf. Cl. 3-22, issue instructions that inter alia:

- (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 specific 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 specific 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.

In the event of a breach of a stipulated safety regulation, Cl. 3-25, sub-clause 2, shall apply correspondingly.

Section 2 Termination of the insurance

Clause 15-5. War between the major powers

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

The United Kingdom, the United States of America, France, the Russian Federation, the People's Republic of China, **the** insurance against war perils shall automatically terminate.

Clause 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.

Clause 15-7. Bareboat chartering

If the ship is bareboat chartered, the insurance shall **automatically** terminate.

Clause 15-8. Cancellation

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 **(such cancellation becoming effective on the expiry of 7 days from midnight of the day on which notice of cancellation is issued by or to the insurer)**. Cancellation also applies to the rights of the mortgagee, but the insurer shall immediately notify the mortgagee of the cancellation.

The insurer will endeavour, to the extent practically and commercially possible, to submit a proposal for continuation of the insurance at the best available terms in the changed circumstances.

Section 3 Trading areas

Clause 15-9. Excluded and conditional trading areas

In addition to Cl. 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

Clause 15-10. Relationship to Chapter 11

The provisions in this Section shall apply in addition to the provisions contained in Chapter 11.

Clause 15-11. Intervention by a foreign State power, piracy

If the assured has been deprived of the ship by an intervention by a foreign State power, for which the insurer is liable under Cl. 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.

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 Cl. 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.

If it has been established before expiry of the time-limits in sub-clauses 1 and 2 that the assured will not recover the ship, he may immediately claim for a total loss.

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.

Cl. 11-8 and Cl. 11-9 shall apply correspondingly.

Clause 15-12. Blocking and trapping

If the ship is prevented from leaving a port or a similar limited area due to blocking, the assured may claim for a total loss, if the relevant obstruction has not ceased within twelve months after the day it occurred.

The provisions in Cl. 15-11, sub-clauses 3, 4 and 5, shall apply correspondingly.

Clause 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. Cl. 15-4, the assured may claim for a total loss.

Section 5 Damage

Clause 15-14. Relationship to Chapter 12

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

- (a) The insurance does not cover costs mentioned in Cl. 12-8 and Cl. 12-11, sub-clause 2. Nor does the insurance cover crew's wages, maintenance and similar expenses in connection with the running of the ship which fall under Cl. 4-11 or Cl. 12-13, sub-clause 1.
- (b) Instead of Cl. 12-12 the following shall apply:

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 sub-clauses.

Clause 15-15. Deductible

If a deductible is stipulated in the **insurance contract**, cf. Cl. 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 a single casualty.

Section 6

Loss of hire

Clause 15-16. Relationship to Chapter 16

The provisions contained in this Section shall apply in addition to the provisions in Chapter 16.

Instead of Cl. 16-1, sub-clause 2 (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.

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

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.

If the assured is entitled to compensation for total loss under Cl. 15-11 or Cl. 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.

Clause 15-18. Loss caused by orders issued by the insurer

The insurer is also liable for loss of time resulting from orders issued by the insurer, cf. Cl. 15-4. However, this does not apply to orders given by the insurer in connection with the outbreak of war.

If the assured is entitled to compensation for total loss under Cl. 15-3, Cl. 15-17, sub-clause 2, shall apply correspondingly.

Clause 15-19. Choice of repair yard

Cl. 16-9 does not apply.

Section 7

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

Clause 15-20. Scope of cover

The insurer covers liability and expenses which are covered by the ship's P&I insurance if the liability/expenses have been caused by a war peril as defined in:

- (a) Cl. 2-9, or
- (b) Appendix IV to the Pooling Agreement of the International Group of P&I Clubs, as it read at the time this insurance contract was entered into.

If no P&I insurance against marine perils has been effected for the ship with one of the associations party to the Pooling Agreement of the International Group of P&I Clubs, the insurer's liability under sub-clause 1 shall be determined as if the P&I insurance had been effected with Assuranceforeningen Gard (Gjensidige).

Clause 15-21. (deleted)

Clause 15-22. Limitations to the cover

If liability and expenses as mentioned in Cl. 15-20 are covered by another insurance which the assured has effected, the cover under this Section is subsidiary in relation to that insurance. This shall not apply to liability and expenses that are recoverable under the ship's P&I insurance and that are also covered under Cl. 15-20, if the P&I insurance has been effected with a P&I association that is a party to the Pooling Agreement of the International Group of P&I Clubs.

Section 8

Occupational injury insurance, etc.

Clause 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 sub-clause 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

Clause 16-1. Main rules regarding the liability of the insurer

The insurance covers loss due to the ship being wholly or partially deprived of income as a consequence of damage to the ship which is recoverable under the conditions of the Plan, or which would have been recoverable if no deductible had been agreed, see Cl. 12-18. If the hull insurance has been effected on conditions other than those of the Plan, and these conditions have been accepted in writing by the insurer, the rules in Chapters 10 - 12 of the Plan shall be replaced by the corresponding conditions of the insurance concerned when assessing whether the damage is recoverable.

The insurance also covers loss due to the ship being wholly or partially deprived of income:

- (a) because it has stranded,
- (b) because it is prevented by physical obstruction (other than ice) from leaving a port or a similar limited area, or
- (c) as a consequence of measures taken to salvage or remove damaged cargo, or
- (d) as a consequence of an event that is allowed in general average pursuant to the 1994 York-Antwerp Rules.

Clause 16-2. Total loss

The insurer shall not be 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 under the corresponding conditions in the hull insurance that applies to the ship pursuant to Cl. 16-1, sub-clause 1, second sentence.

Clause 16-3. Main rule for calculating compensation

Compensation shall be determined on the basis of the time during which the ship has been deprived of income (loss of time) and the loss of income per day (the daily amount). Loss of time that occurred prior to the events described in Cl. 16-1 shall not be recoverable.

Clause 16-4. Calculation of the loss of time

Loss of time shall be stipulated in days, hours and minutes. A period of time during which the ship has only partially been deprived of income shall be converted into a corresponding period of total loss of income.

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, shall be limited to the sum insured per day multiplied by the number of days of indemnity per casualty and altogether stated in the **insurance contract**.

Clause 16-5. The daily amount

The assured's loss of income per day (the daily amount) shall be fixed at the equivalent of 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 ship being out of regular employment.

If the ship is unchartered, the daily amount shall be calculated on the basis of average freight rates for ships of the type and size concerned during the period in which the ship is deprived of income.

Clause 16-6. Agreed daily amount

If it is stated in the **insurance contract** that loss of time shall be compensated for by a fixed amount per day, this amount shall be regarded as an **agreed** daily amount unless the circumstances clearly indicate otherwise.

Clause 16-7. Deductible period

Each casualty shall be subject to a deductible period which shall run from the commencement of the loss of time and last until the loss of time, calculated in accordance with the rule in Cl. 16-4, sub-clause 1, second sentence, is

equivalent to the deductible period stated in the **insurance contract**. Loss of time in the deductible period is not recoverable.

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.

If a separate deductible period for damage to machinery has been agreed on, Cl. 12-16 shall apply correspondingly.

Clause 16-8. Survey of damage

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

Clause 16-9. Choice of repair yard

The insurer may require that tenders for repairs be obtained from repair yards of his choice. If the assured does not obtain such tenders the insurer may do so.

If, due to special circumstances, the assured has reasonable grounds to object to the repairs being carried out by one of the repair yards that has submitted a tender, he may require that the tender from that yard be disregarded.

The assured shall decide which yard is to be used. However, the liability of the insurer shall be limited to the loss of time under the tender that would have resulted in the least loss of time among the tenders for which the assured would have been able to claim compensation under the hull insurance. If the assured chooses this repair yard, the claim shall be settled on the basis of the actual time lost, even if this is greater than that specified in the tender. If the hull insurance has been effected on conditions other than those of the Plan, and these conditions have been accepted in writing by the insurer, the liability of the insurer shall be limited to the loss of time under the tender that would have resulted in the least loss of time plus half of any additional loss of time that may occur.

Clause 16-10. Removal to the repair yard, etc.

Loss of time during removal to the repair yard shall be attributed to the category of repairs that necessitated the removal.

If removal to the repair yard was necessary for more than one category of repairs, the removal time shall be apportioned in accordance with the time that each category of work would have required if carried out separately. Removal time that falls within the deductible period shall not be apportioned.

The rules of sub-clauses 1 and 2 shall also apply to loss of time during surveys, while obtaining tenders, during tank cleaning, while waiting to commence repairs or due to other similar measures that were necessary in order to carry out the repairs.

Clause 16-11. Extra costs incurred in order to save time

The insurer shall be liable for extra costs incurred in connection with temporary repairs and in connection with extraordinary measures taken in order to avert or minimise loss of time covered by the insurance, insofar as such extra costs are not recoverable from the hull insurer. If the hull insurance has been effected on conditions other than those of the Plan, and these conditions have been accepted in writing by the insurer, the rules of Cl. 16-1, sub-clause 1, second sentence, shall apply.

The insurer shall not, however, be liable for such costs in excess of the amount he would have had to pay if such measures had not been taken.

If time is saved for the assured, he shall bear a share of the extra costs that is proportionate to the time saved for his account.

Clause 16-12. Simultaneous repairs

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, or
- (b) is necessary to enable the ship to meet technical and operational safety requirements or perform its contractual obligations, or
- (c) is related to the reconstruction of the ship,

the insurer shall pay compensation for half of the time common to both categories of repair in excess of the deductible period.

If repairs resulting from two casualties, both of which are covered under this

insurance, are carried out simultaneously, the rule in sub-clause 1 shall apply correspondingly for the time that is within the deductible period of one casualty, but not within the deductible period of the other casualty.

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 repair time common to both categories of work in excess of the deductible period. This also applies where repairs under the other **insurance contract** are carried out within the deductible period under this **insurance contract**. Furthermore, if work which is not covered under any loss of hire insurance but which falls within the scope of sub-clause 1 is carried out simultaneously, the insurer shall only pay compensation for one fourth of the common repair time which exceeds the deductible period.

When applying the rules set out in sub-clauses 1-3, each category of work shall be deemed to have lasted for the number of days the work would have required if **each category** of work had been carried out separately, reckoned from the time the work started. Unless the circumstances clearly indicate another point in time, all categories of work shall be deemed to have started on the ship's arrival at the yard. Any delay which might occur due to several categories of work being carried out simultaneously shall be attributed to all categories in proportion to the number of days each category would have required if carried out separately, reckoned from the time the work started. **However, the insurer's liability shall not exceed the amount that would have been payable if the category of work for which he is liable had been carried out separately.**

Clause 16-13. Loss of time after completion of repairs

After repairs have been completed, the insurer shall only be liable for loss of time:

- (a) until the ship 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) until ships which are employed in liner trade or in another way follow a fixed route or operate in a defined geographical area can resume their activity,

- (c) while the ship sails to the first port of loading under a contract of affreightment that was entered into with binding effect prior to the casualty,
- (d) until passenger ships can resume their activity, but for a period not exceeding fourteen days.

Cl. 16-10 shall apply correspondingly to loss of time after completion of repairs.

Clause 16-14. Repairs carried out after expiry of the insurance period

The insurer shall not be 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.

Loss of time resulting from a stay at a repair yard which commences after expiry of the insurance period shall be recoverable in accordance with the rules of Cl. 16-5, even if the daily amount is an **agreed** amount pursuant to Cl. 16-6, if this results in lower compensation.

Clause 16-15. Liability of the insurer when the ship is transferred to a new owner

When damage to the ship is repaired in connection with a transfer of ownership, the insurer shall not be liable for time that would in any event have been lost in connection with the said transfer. If the transfer has to be postponed due to repairs covered by this insurance, the insurer shall be liable for the assured's loss of interest in accordance with the rules of Cl. 5-4, even though the ship would not have earned income during the postponement.

The insurer's liability pursuant to sub-clause 1 shall not exceed the compensation calculated on the basis of the sum insured per day and:

- (a) the period of time by which the transfer was postponed, or
- (b) the time it must be estimated that the buyer will take to repair the ship, less the agreed deductible period. The deductible period is calculated in consecutive days even if the loss of interest differs from the sum insured per day. No compensation may be claimed under Cl. 16-13 in these cases.

The assured's claim against the insurer may not be transferred to a new owner.

Clause 16-16. Relationship to other insurances and general average

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

- (a) the assured's right to claim compensation for loss of time and operating costs during removal to a repair yard under Cl. 12-11 or Cl. 12-13 of the Plan, or equivalent provisions in other conditions applicable to the ship's hull insurance, and
- (b) any right the assured might otherwise have to claim compensation for the loss from another insurer or in general average.

Part four

OTHER INSURANCES

Chapter 17

Special rules for fishing vessels and small freighters, etc.

Section I

Common provisions

Clause 17-1. Scope of application

The rules in Chapter 17, Sections 1-7 shall only apply to the extent that this follows from the **insurance contract**.

Clause 17-2. Renewal of the insurance/Ref. Clause 1-5

Upon expiry of the insurance period, the insurance is automatically renewed for 12 months at the same premium and on the same conditions.

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.

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.

Clause 17-3. Trading areas for fishing vessels/Ref. Clause 3-15

Unless otherwise provided in the **insurance contract**, insurance of fishing vessels shall be subject to the limitations that follow from Point III of the

Appendix to the Plan, Trading areas applicable to insurance of fishing vessels pursuant to Chapter 17.

If a vessel proceeds beyond the trading areas pursuant to sub-clause 1, Cl. 3-15, sub-clause 5, shall apply correspondingly.

Clause 17-4. Classification and ship control/Ref. Clause 3-14 and Clause 3-8

If the vessel at the start of the insurance period is classified with a classification society approved by the insurer, Cl. 3-14 and Cl. 3-8, sub-clause 2, shall apply.

Vessels not ascribed to any class shall at the start of the insurance period have a valid certificate in accordance with the rules of the vessel's flag state. Expiry of a valid certificate is considered equivalent to loss of class, cf. Cl. 3-14.

Clause 17-5. Safety regulations/Ref. Clause 3-22 and Clause 3-25

The following special safety regulations shall apply, cf. Cl. 3-25, sub-clause 2:

- (a) The vessel shall not force ice.
- (b) If the vessel has a trading certificate, the provisions in the certificate shall 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.

Clause 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

Clause 17-7. The relationship to Chapters 10-13

The rules in Chapters 10-13 shall apply together with the amendments that follow from Cl. 17-7A and Cl. 17-10 to Cl. 17-17.

Clause 17-7A. Fixed equipment temporarily removed from the vessel

Where fixed equipment for fishing vessels is temporarily taken ashore, it shall be stored in a locked storage building or room. The insurer is liable for loss resulting from fire and burglary through forced entry into a locked storage building or room. However, this applies only if the insurer is notified before the vessel leaves port as to what equipment has been brought ashore, its value and where it is stored.

In the event of a total loss of the vessel, cf. Chapter 11, deductions shall be made from the total-loss compensation for the value of equipment covered in accordance with sub-clause 1.

Clause 17-8. Change of the open or agreed insurable value/ Ref. Clause 2-2 and Clause 2-3

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

The assured shall notify the insurer of any changes in conditions prescribed by public authorities relating to the vessel's fishing rights, or if he accepts an offer for a public destruction subsidy which is lower than the open or **agreed** insurable value. The insurer may in such cases demand that the open or **agreed** insurable value be reduced.

Clause 17-9. Damage to lifeboats, fishing, whaling and sealing tackle and catch/Ref. Clause 4-7 to Clause 4-12 and Clause 4-16

The insurer's liability for costs of measures to avert or minimise loss, cf. Cl. 4-7 to Cl. 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.

**Clause 17-10. Hull and freight-interest insurance/
Ref. Clause 10-12**

Instead of Cl. 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.

Clause 17-11. Condemnation/Ref. Clause 11-3

Instead of Cl. 11-3, sub-clause 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.

**Clause 17-12. Damage to the hull of vessels which are not
built of steel/Ref. Clause 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 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.

Clause 17-13. Limited cover of damage to machinery

The insurer is only liable for damage to:

- (a) machinery with accessories,
- (b) plant 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 engine room, fire, or of the vessel having sunk or capsized, or the vessel having been filled with water as a result of a breach of a hose or a pipe onboard the vessel provided the breach was not caused by corrosion or age. Damage to electronic equipment caused by heavy weather shall, however, be covered if damage to hull or superstructure occurred in the same casualty.

Clause 17-14. Costs incurred in saving time/Ref. Clause 12-7, Clause 12-8, Clause 12-11 and Clause 12-12

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

- (a) temporary repairs under Cl. 12-7, sub-clause 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 Cl. 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 Cl. 12-12, sub-clause 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 Cl. 12-11, sub-clause 2.

Clause 17-15. Deductions/Ref. Clause 12-15, Clause 12-16 and Clause 12-18

- (a) Ice damage deduction, cf. Cl. 12-15:
Damage resulting from striking against or contact with ice is covered subject to the deductions stated in the **insurance contract**.
- (b) Electronic equipment damage deduction:
Damage to electronic equipment is covered subject to the deductions stated in the **insurance contract**.
- (c) Machinery damage deduction, cf. Cl. 12-16:
Damage to machinery etc. is covered subject to the deductions stated in the **insurance contract**.
- (d) Deductible, cf. Cl. 12-18:
For any one casualty the amount stated in the **insurance contract** shall be deducted.

Clause 17-16. Collision liability for fishing vessels/ Ref. Clause 13-1

In addition to the limitations in Cl. 13-1, sub-clause 2, the following shall apply:

- (a) In the event of a collision with or striking against another vessel, the insurer's liability under Cl. 13-1 is limited to damage caused to the vessel with fixed accessories.
- (b) The insurer does not cover any liability that might arise in connection with a collision with or striking against fishing, whaling or sealing tackle in the sea.

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

Clause 17-17. Collision liability/Ref. Clause 13-1

In addition to the limitations in Cl. 13-1, sub-clause 2, the following shall apply: The insurer does not cover liability under Cl. 13-1 for damage to or loss of fish or structures for keeping live fish, where the loss or damage occurs in connection with **a call at the relevant structure. By a call is meant arrival, anchoring, working, discharging, loading and leaving.**

Section 3

Hull insurance - extended cover

Clause 17-18. Extended cover of damage to machinery

Where the **insurance contract** states that Cl. 17-13 shall not apply to the hull insurance, the rules in Chapter 12, together with the amendments that follow from Cl. 17-14 and Cl. 17-15, shall apply to the cover of damage to machinery, electronic equipment, etc.

Damage to factory machinery for the preparation or processing of catch, etc. shall, however, not be covered unless the damage is a result of the vessel having been subjected to a collision, striking, an earthquake, an explosion outside the machinery or a fire, or of the vessel having sunk or capsized.

Costs of removal of the vessel in connection with damage to a seine winch, line hauler, trawl winch or other hauling device for fishing gear, fish pumps, etc. shall not be covered if the damage is subject to a deduction under Cl. 17-15 (c).

Section 4

Catch and equipment insurance - standard cover

Clause 17-19. 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 preserving 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 Cl. 10-1.

Clause 17-20. 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 Cl. 17-19 (a).

The insurable value of objects mentioned in Cl. 17-19 (b), (c) and (d) represents the replacement cost of the object at the inception of the insurance.

Clause 17-21. Extraordinary handling costs

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

Clause 17-22. Excluded perils/Ref. Clause 2-8

In addition to Cl. 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.

Clause 17-23. Deck cargo

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

- (a) precipitation or seawater,

- (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.

Clause 17-24. 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 Cl. 17-19 (b) are so extensively damaged that the loss constitutes 100 % of their value,
- (d) stated in Cl. 17-19 (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, but 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.

Clause 17-25. Damage to or loss of catch

If a catch, cf. Cl. 17-19 (a), is damaged or lost without the rules in Cl. 17-24 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).

Clause 17-26. Damage to other objects

If objects stated in Cl. 17-19 (b), (c) and (d) have been damaged, the insurer may require that the damage be repaired subject to his paying the costs of repairs as and when they are incurred. Repairs may not be required if they result in an unreasonable loss or disadvantage for the assured.

If the insurer does not, or cannot, require 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.

Clause 17-27. Survey of damage

Cl. 12-10 shall apply correspondingly to insurance in accordance with this Section.

Clause 17-28. Deductible

For any one casualty the amount stated in the **insurance contract** shall be deducted.

Section 5

Supplementary cover for nets and seines in the sea

Clause 17-29. 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.

Clause 17-30. Excluded perils/Ref. Clause 2-8

In addition to Cl. 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 set forth in (a) - (e).

Clause 17-31. Deductible

For any one casualty the amount stated in the **insurance contract** shall be deducted.

**Clause 17-32. Duties of the assured in the event of a casualty/
Ref. Clause 3-29**

In addition to Cl. 3-29 the following shall apply:

The assured shall send notification of the casualty to the fisheries inspectorate giving particulars of 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

Clause 17-33. Perils covered

The insurer covers liability and other loss as set forth in Cl. 17-34 to Cl. 17-46 if such liability or loss has occurred in direct connection with the operation 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.

The insurance covers war perils as well as marine perils, cf. Cl. 2-8 and Cl. 2-9. Cl. 15-5, Cl. 15-6 and Cl. 15-8 apply correspondingly.

Clause 17-34. Liability for personal injury

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.

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

Clause 17-35. Liability for property damage

The insurer covers the assured's liability resulting from damage to or loss of objects belonging to a third party.

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 purchased with a vendor's 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,
- (d) loss occurring while the vessel is calling at a structure for the keeping of live fish. By a call is meant arrival, anchoring, working, discharging, loading and leaving,**
- (e) damage to or loss of live fish carried in the vessel,**
- (f) damage to or loss of cargo due to a leak in a wooden vessel.**

Clause 17-36. 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 vessel knows that the document contains an incorrect description of the cargo, the quantity of the cargo or the condition of the cargo.

Clause 17-37. Liability for the misdelivery of goods

The insurer covers the assured's liability for misdelivery of transported goods to an unauthorised recipient.

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.

Clause 17-38. General average contributions

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.

The insurer also covers the assured's necessary costs in connection with the recovery of the cargo's contribution.

Clause 17-39. 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. The insurer's liability covers the assured's liability for disposal and destruction.

Clause 17-40. Liability for special salvage compensation

The insurer covers the assured's liability for special compensation to the salvor, provided such compensation is fixed under the relevant sections of the Nordic Maritime Codes or is based on some other legislation or contract founded on Article 14 of the International Convention on Salvage of 1989.

Clause 17-41. Liability for bunker oil pollution damage and damage to the environment

The insurer covers the assured's liability for bunker oil pollution damage in accordance with the provisions laid down in national legislation that are based on the provisions of the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001.

The insurer covers the assured's liability for damage to the environment.

Clause 17-42. 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.

Clause 17-43. Liability for fines etc.

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.

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.

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.

Clause 17-44. Liability for social benefits for the crew

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 shipwreck,
- (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, in the event of the illness or death of a close relative.

No deductible shall be charged, unless otherwise agreed.

Clause 17-45. Travel expenses for replacement crew

The insurer covers the assured's necessary travel expenses for replacement crew 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.

Clause 17-46. 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.

Clause 17-47. Limitation due to other insurance, etc.

The insurer does not cover:

- (a) loss which due to its nature is insurable under the rules in Part II, Part III, or Part IV, Chapter 17, Sections 1-5,
- (b) loss as mentioned in Cl. 13-1, sub-clause 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 Cl. 4-16, provided that it could have been covered by fire insurance, cargo insurance or other general insurance.

However, the insurer covers loss as mentioned in Cl. 13-1, to the extent that it exceeds the amount which according to Cl. 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 Cl. 4-16 a deduction shall also be made for the amount that could have been covered by an insurance as mentioned in sub-clause 1 (a) and (c).

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 legislation.

Clause 17-48. Safety regulations/Ref. Clause 3-22 and Clause 3-25

The following special safety regulation shall apply, cf. Cl. 3-25, sub-clause 2:

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

Clause 17-49. Assured's fault

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 when another reasonable course was open to him.

The rules in sub-clause 1 shall not apply if the assured is the master of the vessel or a member of the crew and his negligence is of a nautical nature.

Clause 17-50. The insurer's rights in the event of liability

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.

The insurer has the right to pay any compensation directly to the injured party.

Clause 17-51. Liability for loss that occurred 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, when the latter is named in the contract of affreightment and shall according to that contract carry out the relevant part of the transport, or when 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.

Clause 17-52. Limitation of liability for fishing vessels

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

Clause 17-53. 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 pursuant to Cl. 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 incurred in connection with measures which were or could have been taken by the vessel's crew or with 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.

Clause 17-54. The sum insured as a limit to the insurer's liability

The insurer covers, up to the sum insured, liability arising from any one casualty.

Cl. 4-19 shall apply correspondingly.

Clause 17-55. Deductible

For any one casualty the amount stated in the **insurance contract** shall be deducted.

Section 7

Loss of hire insurance for fishing vessels

Clause 17-56. Relationship to Chapter 16

The provisions of Chapter 16 apply with the changes prescribed in Cl. 17-57 to Cl. 17-61.

Clause 17-57. Liability of the insurer/applies instead of Clause 16-1

The insurance covers loss due to the vessel being wholly or partially deprived of income on account of damage to the vessel, provided that the damage is recoverable under Chapter 17, Section 2, or would have been recoverable if no deductible had been agreed, see Cl. 12-18. If the hull insurance has been effected on conditions other than those of the Plan, and these conditions have been accepted in writing by the insurer, the rules in Chapter 17, Section 2, shall be replaced by the corresponding conditions of the insurance concerned when assessing whether the damage is recoverable. If the hull insurance provides extended cover under Chapter 17, Section 3, the rules in the first and second sentences shall apply correspondingly in relation to Section 3.

Clause 17-58. Total loss/applies instead of Clause 16-2

The insurer is not liable for loss of time resulting from a casualty that gives the assured the right to compensation for total loss under Chapter 11 with Cl. 11-3, sub-clause 2, amended pursuant to Cl. 17-11 or under the corresponding conditions in the hull insurance that apply to the ship pursuant to Cl. 17-57, second sentence.

Clause 17-59. Calculation of compensation for fishing vessels/ Ref. Clause 16-3

The insurance does not cover loss that is due to the vessel being deprived of income from fishing as a result of regulatory measures introduced by the authorities or the fact that the authorities have stopped fishing activities.

Quotas which are not fished in full during the quota year due to damage to the vessel, cf. Cl. 17-57, and which are allowed by the authorities to be transferred

to a new quota year, shall be regarded as quotas fished in the original quota year, if the quota is fished in the new quota year. The same applies to quotas transferred by the vessel to other vessels in the quota year.

The claims adjustment shall be issued as soon as possible after the quota year is over, but in cases where quotas are transferred to a new quota year, the claims adjustment shall be issued as soon as possible after the end of the new quota year, cf. Cl. 5-2 and Cl. 5-6.

Clause 17-60. The daily amount for fishing vessels/applies instead of Clause 16-5

The assured's loss of income per day (the daily amount) shall be calculated on the basis of the average income per day from fishing for vessels of the type and size in question and the geographical area in which it is natural for the vessel to deliver fish during the period when the vessel is deprived of income, less such expenses as the assured saves or ought to have saved due to the ship not being regularly operated.

Clause 17-61. Agreed daily amount for fishing vessels/applies instead of Clause 16-6

If it is stated in the insurance contract that a certain amount per day shall be paid in compensation for loss of income, the said amount is the maximum compensation that may be paid out per day under Cl. 17-60 unless it is clearly evident from the contract that the amount is an **agreed** daily amount.

Chapter 18

Insurance of mobile offshore units (MOUs)

Section I

General rules relating to the scope of the insurance

Clause 18-1. Scope of application and applicable rules

The rules in Part One shall apply with the following amendments:

- (a) Insurable value/Sum insured/Ref. Cl. 2-2 and Cl. 2-3

MOUs which can disconnect from offshore field equipment may be scheduled in the **insurance contract** with separate sums insured for the MOU and the disconnectable equipment.

When the MOU is disconnected and away from the offshore field location, the insurance operates as separate insurances for each insured object with separate sums insured as scheduled in the **insurance contract**.

When the MOU is within the offshore field at which it is to operate or connected to the field equipment, they collectively constitute one insured object with the combined scheduled sums insured as the insurable value.

- (b) Perils insured against/Ref. Cl. 2-8 and Cl. 2-9

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

For MOUs under construction or conversion, ref. Section 6 below, the insurance covers perils as defined in Cl. 2-8 and strikes and lockouts.

- (c) Alteration of the risk/Ref. Cl. 3-8
The storage and use of explosives or radioactive material on board the MOU in connection with its normal operations shall not be regarded as an alteration of the risk under Cl. 3-8.
- (d) Loss of the main class/Ref. Cl. 3-14
When the insurance commences the MOU shall be classed with a classification society approved by the insurer.

The insurance terminates in the event of loss of the MOU's main class, unless the insurer explicitly consents to a continuation of the insurance contract. If the MOU is engaged in its normal operations offshore or under way when the main class is lost, the insurance cover shall nevertheless continue until the MOU terminates the ongoing operations in accordance with applicable regulations and the field operator's consent and arrives at the nearest safe port in accordance with the insurer's instructions.

Loss of main class occurs where the assured, or someone on his behalf, requests that the main class be cancelled, or where the class is suspended or withdrawn for reasons other than a casualty.

Cl. 3-8, sub-clause 2, second sentence, shall apply to a change of classification society.

- (e) Safety regulations/Ref. Cl. 3-22 and Cl. 3-25
- (1) The well(s) shall be equipped with blow-out preventers (BOPs) or other well pressure control equipment of standard issue, installed and tested in accordance with standard practice.
 - (2) For MOUs that are to be moved, a separate MOU move plan shall be approved by the claims leader when;
 - a) the MOU does not move by own main propulsion, or

- b) the MOU moves with its riser and BOP suspended.

The MOU move plan shall be complied with during the move.

- (3) For MOUs under construction or conversion, ref. Section 6 below, a surveyor approved by the claims leader shall be appointed to review the project plans and procedures for moves and lifts and, when applicable, offshore installation of components or modules, and prepare an initial risk assessment. On the basis of the initial risk assessment the claims leader shall approve the scope of survey levels required for the identified risk levels.**

When required by the claims leader for certain operations as per the scope of survey, the surveyor shall issue a certificate of approval when he is satisfied with the preparations for the operation. The operation at issue can commence upon receipt of the surveyor's signed certificate of approval.

The regulations in (1) and (2) are regarded as special safety regulations in relation to Cl. 3-25, sub-clause 2, **and the regulations in (3) are regarded as safety regulations in relation to Cl. 3-25, sub-clause 1.**

- (f) Measures to avert a blow-out, etc./Ref. Cl. 4-7 to Cl. 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.

Loss or damage to the insured MOU caused by such measures is nevertheless covered.

- (g) The limit of liability of the insurer/Ref. Cl. 4-18
The Hull & Machinery (H&M) insurer is liable up to the sum insured for loss caused by any one casualty. The H&M insurer is also liable up to an equivalent amount, not exceeding USD 500,000,000 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 H&M insurer is also liable to the extent that the sum insured has not been

exhausted by the compensation paid for loss of or damage to the MOU.

The H&M insurer has a separate liability in accordance with the rules contained in Cl. 18-35 to Cl. 18-37 for liability to third parties which is a result of collision or striking.

(h) The area of operation/Ref. Cl. 3-15

The area of operation **is limited in accordance with the ordinary trading area as per Cl. 3-15, sub-clause 1, unless otherwise defined in the insurance contract. Any operation in the excluded or conditional trading areas is subject to Cl. 3-15. The maximum deduction in Cl. 3-15, sub-clause 3, shall be USD 1,000,000. The provision in Cl. 18-34 shall apply correspondingly.**

If the MOU is to change **the** area of operation **defined in the insurance contract**, 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 notification.

(i) Waiver of subrogation and co-insurance of third parties/ Ref. Cl. 8-1

The insurer does not have any right of subrogation against a person if he has been granted contractual protection against recourse, provided that such contractual regulation is regarded as customary in the activities in which the MOU is involved.

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 MOU is involved. If the co-insured's claim is covered by other insurance he has effected, cover under this provision is subsidiary to that other insurance.

Under no circumstances shall the waiver of subrogation and/or co-insurance granted under this clause exceed the person or parties' rights or indemnities under the contract.

Section 2

Hull insurance

Section 2-1

General rules relating to the scope of the H&M insurance

Clause 18-2. Objects insured

The insurance covers:

- (a) the MOU's hull and superstructure,
- (b) all its machinery, equipment, plant and spare parts which:
 - (1) belong to the assured or have been borrowed, leased or purchased with a vendor's lien or similar encumbrance, and
 - (2) are on board, above water, subsea or in the well,
- (c) bunkers and lubricating oil on board.

The insurance does not cover:

- (a) supplies, 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.

Clause 18-3. Objects temporarily removed or separated etc. from the MOU

The insurance covers:

- (a) Objects mentioned in Cl. 18-2, sub-clause 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 MOU and has been used in connection with that MOU, or
 - (2) have been temporarily removed from the MOU for repairs, rebuilding, storage or the like,
 - (3) are in storage, or in transit to/from places of storage without being covered by point (2).

The sum insured for such objects constitutes 10 % of the sum

insured under H&M insurance of the MOU. Cl. 2-4 does not apply.

A separate deductible shall be applied.

- (b) The mooring/anchoring system and the like of the insured unit, which has been installed at the place of operation.
- (c) Blow-out preventers that are left on the well head or the seabed adjacent to the well because of:
 - (1) a casualty which is covered by the insurance, or
 - (2) measures taken to avert such casualty.
- (d) Buoys, risers, umbilicals and associated subsea equipment which are installed at the place of operation and are owned by the assured, or which the assured is contractually obliged to insure.

Clause 18-4. Loss due to ordinary use

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

Clause 18-5. Extension of the insurance

If, upon expiry of the insurance period, the MOU has sustained damage for which the insurer is liable and which is of such a nature that repairs are necessary to make the MOU compliant with technical and operational safety requirements, the insurance is extended until the MOU has arrived at a place where permanent repairs can be effected. If repairs are carried out at that place, the insurance is extended until the repairs are completed.

Clause 18-6. Liability of the insurer if the MOU is salvaged by the assured

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

Clause 18-7. 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 **agreed** insurable value as per Cl. 18-1 (a) applicable to the H&M insurance against the same perils, the H&M insurer's liability is reduced correspondingly.

Section 2-2

Total loss

Clause 18-8. Total loss

The assured may claim compensation for a total loss if the MOU is lost without there being any prospect of it being recovered, or if the MOU is so badly damaged that it cannot be repaired.

No deductions shall be made in the claims adjustment for unrepaired damage sustained by the MOU in connection with an earlier casualty.

Clause 18-9. Salvage attempts

The insurer is entitled to attempt to salvage the MOU 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.

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, but not by more than six months.

Clause 18-10. Condemnation

The assured may claim compensation for a total loss if the conditions for condemnation of the MOU are met.

The conditions for condemnation are met when casualty damage is so extensive that the cost of repairing the MOU will amount to at least 80 % of the insurable value or of the value of the MOU 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.

The value of the MOU after repairs shall be determined on the basis of the market value at the time when the assured makes his request for a condemnation.

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 MOU is to be repaired except, however, salvage awards or compensation for depreciation in value under Cl. 18-17, sub-clause 4.

Clause 18-11. Condemnation in the event of a combination of perils

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. Cl. 2-13, Cl. 2-14 and Cl. 2-16.

If the casualty is caused by such combination of marine and war perils as referred to in Cl. 2-14, second sentence, cf. Cl. 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.

Clause 18-12. Request for condemnation

If the assured wishes the MOU to be condemned, he must submit a request to the insurer without undue delay after the MOU 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.

Whether the assured or the insurer salvages or fails to salvage the MOU shall not imply an approval or waiver respectively of the right to condemnation.

Clause 18-13. Removal of the MOU

If the assured has requested a condemnation of the MOU, 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 MOU has been salvaged.

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.

Clause 18-14. Missing or abandoned MOU

If the MOU is reported missing, the assured may claim for a total loss when three months have elapsed from the date on which the MOU was last heard of. If the MOU is reported missing under circumstances that give reason to assume that it is icebound and will subsequently be recovered, the time-limit is twelve months.

If the MOU 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 MOU was abandoned. If it was abandoned because it was icebound, the time-limit is twelve months. If the MOU has been seen after being abandoned, the time-limit runs from the day on which it was last seen.

If, before expiry of the time-limit mentioned in sub-clauses 1 and 2, it is clear that the assured will not recover the MOU, he may immediately claim for a total loss. 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 MOU is subsequently recovered.

Clause 18-15. Extension of the insurance when the MOU is missing or abandoned

If upon expiry of the insurance period a situation exists as referred to in Cl. 18-14 and the MOU is subsequently recovered without the assured being entitled to claim for a total loss, the insurance is extended until the MOU has arrived and is secured at a safe location. If the MOU is damaged, the rules contained in Cl. 18-5 shall thereafter apply.

However, the insurance shall under no circumstances be extended beyond two years after the expiry of the insurance period.

Clause 18-16. Liability of the insurer during the period of clarification

If the assured is entitled to claim for a total loss in accordance with Cl. 18-9, sub-clause 2, Cl. 18-10 and Cl. 18-14, 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.

The insurer who is liable for the total loss shall cover the assured's liability for damages in accordance with Cl. 18-35 to Cl. 18-38 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.

Section 2-3 Damage

Clause 18-17. Main rule concerning liability of the insurer

If the MOU 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 MOU is restored to the condition it was in prior to the occurrence of the damage.

Liability arises as and when the repair costs are incurred.

If the repairs have resulted in special advantages for the assured because the MOU has been 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.

If complete repairs of the damage are impossible but the MOU meets technical and operational safety requirements and may be made fit for its intended use by less extensive 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.

Clause 18-18. Compensation for unrepaired damage

Even if repairs have not been carried out, the assured may claim compensation for the damage when the insurance period expires.

Compensation is calculated on the basis of the estimated reduction in the market value of the MOU due to the damage at the time of expiry, but shall not exceed the estimated costs of repairs. Estimated common expenses are not recoverable, except for 50 % of estimated dock and quay hire.

The insurer is not liable for unrepaired damage if the MOU becomes a total loss or qualifies for condemnation under Cl. 18-10 before the insurance terminates. This also applies if the total loss is not covered under this insurance.

In the event of a transfer of ownership of the MOU, the assured may transfer claims for known damage to the new owner.

Clause 18-19. Inadequate maintenance, etc.

The insurer is not liable for costs incurred in renewing or repairing a part or parts of the hull, machinery, plant or equipment which were in a defective condition as a result of wear and tear, corrosion, rot, inadequate maintenance and the like.

Clause 18-20. 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 MOU, machinery, plant or equipment which were not in proper condition, unless the part or parts in question had been approved by the classification society.

Clause 18-21. Losses that are not recoverable

The insurer is not liable for:

- (a) crew's wages and maintenance, except for crew who are engaged in repairs,
- (b) ordinary expenses connected with the running of the MOU during the period of repair,
- (c) expenses of shifting, storing and removal of cargo,
- (d) accommodation of third party personnel and visitors.

Clause 18-22. Damage to the drill string

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

- (a) whilst in the well 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 relevant area concerned, or
- (b) when it has been left in the well for purposes other than drilling.

Clause 18-23. Deferred repairs

If the repairs have not been 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.

Clause 18-24. Temporary repairs

The insurer is liable for the costs of necessary temporary repairs when permanent repairs cannot be carried out at the place where the MOU is located.

If temporary repairs of the damaged object 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 insurable H&M value as per Cl. 18-1, (a) for the time the assured saves, if the latter amount is higher.

Clause 18-25. Costs incurred in expediting repairs

If the assured, in order to limit his loss of time, expedites repairs of the damaged object by extraordinary measures, the insurer's liability for the costs thereby incurred is limited to 20 % p.a. of the insurable H&M value as per Cl. 18-1, (a) for the time saved by the assured. The time saved for the assured and the liability of the insurer are to be calculated collectively in relation to all repairs that are carried out concurrently.

Clause 18-26. Repairs of a MOU that is condemnable

If a MOU 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 Cl. 4-19, if applicable, but with the deduction of the value of the wreck.

Clause 18-27. Survey of damage

Before any damage is repaired, it shall be surveyed by a representative of the assured and a representative of the insurer.

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.

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.

If there is disagreement between the representative of the assured and the representative of the insurer, 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 Nordic average adjuster.

Neither the assured nor the insurer may petition for a judicial valuation of the damage, unless this is required by the laws of the relevant country.

If the assured, without compelling reasons, has the MOU repaired without any survey being held or without notifying the insurer of such survey, he has, in addition to the burden of proof under Cl. 2-12, the burden of proving that the damage is not attributable to causes not covered by the insurance.

Clause 18-28. Invitations to tender

The insurer may demand that tenders be obtained from repairers of his choice. If the assured does not obtain such tenders, the insurer may do so.

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 insurable H&M value as per Cl. 18-1, (a) during the excess period.

Clause 18-29. Choice of repairers

The tenders received shall, for the purpose of comparison, be adjusted by the costs of removal being added to the tender amount.

The assured decides which repairers shall be used, but the insurer's liability for the costs of repairs and 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 insurable H&M value as per Cl. 18-1, (a) for the time the assured saves by not choosing that tender.

If the assured, because of special circumstances, has justifiable reason to object to the repairs being carried out by one of the repairers that have submitted tenders, he may demand that the tender from that repairer be disregarded.

Clause 18-30. Removal for repairs

Subject to the limitation that follows from Cl. 18-29, the insurer is liable for the costs of moving the MOU to the repair location, including wages and maintenance for necessary crew, bunkers and similar direct expenses in connection with the running of the MOU during the period of time involved. If the removal results in costs savings for the assured, a corresponding amount shall be deducted.

If another insurer has expressly disclaimed liability during the removal in accordance with Cl. 3-20, the insurer who is liable for the damage to the MOU shall also be liable for any loss that arises during or in consequence of the removal, and which would otherwise have been recoverable from the other insurer.

The insurer may disclaim any liability during the removal in accordance with Cl. 3-20.

Clause 18-31. Apportionment of common expenses

Expenses incurred which are common to repair work for which the insurer is liable and other work which is not covered by the insurance, shall be apportioned on the basis of the cost of each category 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.

Clause 18-32. Ice damage deductions

Damage due to striking against or contact with ice, except collision with icebergs on the open sea, is recoverable subject to any deduction stated in the **insurance contract**.

The following are recoverable without deductions:

- (a) loss recoverable under Cl. 18-17, sub-clause 4, Cl. 18-28, sub-clause 2, and Cl. 18-30,
- (b) unused spare parts that are damaged or lost,
- (c) temporary repairs.

Clause 18-33. Deductible

For each casualty the amount stated in the **insurance contract** shall be deducted.

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

Costs in connection with the claims settlement, cf. Cl. 4-5, and loss arising from measures to avert or minimise the loss, see Cl. 4-7 to Cl. 4-12, are recoverable without any deductible.

Clause 18-34. Basis for calculation of deductions according to Clauses 18-32, 18-33 and 3-15

Deductions under Cl. 3-15, sub-clause 3, Cl. 18-32 and Cl. 18-33 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.

Deductions are also made if damage to the MOU is recoverable under Cl. 4-7, cf. Cl. 4-12, sub-clause 1.

Section 2-4

Liability of the assured arising from collision or striking

Clause 18-35. Scope of liability of the insurer

The insurer will indemnify the assured for loss which is a result of liability imposed on the assured due to collision or striking by the MOU, its accessories, equipment or cargo, or by a tug used by the MOU.

However, the insurer will not cover:

- (a) liability arising while the MOU is engaged in towing or caused by the towage, unless this occurs in connection with a salvage operation referred to in Cl. 3-12, sub-clause 2,
- (b) liability for personal injury or loss of life,
- (c) other loss suffered by third party personnel, visitors or crew on the insured MOU,
- (d) liability for damage to or loss of cargo, third party equipment, supplies or other effects on board the insured MOU, or equipment which the MOU uses,
- (e) liability to charterers or others who have an interest in the insured MOU,
- (f) liability for pollution damage and damage resulting from fire or explosion caused by oil or other liquid or volatile substances, contamination damage caused by radioactive substances and damage to coral reefs and other environmental damage. The insurer is nevertheless liable if, in the event of a collision with another MOU, ship or other navigable unit, liability is imposed on the assured for such damage to the other MOU, ship or unit with equipment and cargo,
- (g) liability for loss caused by cargo or bunkers after grounding or striking against ice,
- (h) liability for loss caused by the use of anchor, subsea equipment, mooring and towing gear, loading and discharging appliances, gangways and the like, and liability for damage to or loss of these objects,
- (i) liability for removal of the wreck of the insured MOU and for obstructions to traffic created by the insured MOU,
- (j) refund of amounts which a third party has paid by way of compensation for loss as mentioned under sub-clauses (a) to (i) above.

Clause 18-36. Limitation of liability based on tonnage or value of more than one MOU

If the assured's liability is limited on the basis of the tonnage or value of more than one MOU, and these MOUs 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 MOU in question.

Clause 18-37. Maximum liability of the insurer in respect of any one casualty

The insurer is liable up to an amount equivalent to the sum insured, not exceeding USD 500,000,000 or 50 % of the sum insured, whichever is the higher, in respect of liability for damages arising from any one casualty.

Clause 18-38. Deductible

For each casualty the amount stated in the **insurance contract** shall be deducted. Litigation costs, cf. Cl. 4-4, costs in connection with the claims settlement, cf. Cl. 4-5, and loss arising from measures to avert or minimise the loss, cf. Cl. 4-7 to Cl. 4-12, are recoverable without any deductible.

Section 3

Separate insurances against total loss

Clause 18-39. Insurance against total loss and excess collision liability (hull interest insurance)

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

- (a) for total loss in accordance with the rules contained in Cl. 18-8 to Cl. 18-16,
and
- (b) separately for the assured's liability for collision or striking in accordance with the rules in Cl. 18-35 to Cl. 18-37, when the H&M insurer does not cover the liability because it exceeds his maximum liability as per Cl. 18-37.

Clause 18-40. Insurance against loss of long-term freight income (freight interest insurance)

If 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 Cl. 18-8 to Cl. 18-16 for the amount stated in the **insurance contract**.

Clause 18-41. Common rules for separate insurances against total loss

The insurer's liability is subject to the condition that the assured claims for a total loss against the H&M insurer. If the H&M insurer has paid the sum insured in accordance with Cl. 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.

The insurer is not liable for any loss arising from measures to avert or minimise the loss, cf. Cl. 4-7 to Cl. 4-12.

The rules contained in Cl. 18-2 to Cl. 18-16 apply correspondingly.

The rules contained in Cl. 1-4, Cl. 9-4, Cl. 9-5, first sentence, Cl. 9-6 and Cl. 9-8, cf. Cl. 9-2, apply correspondingly to the relationship between the insurers for the special insurances against total loss, etc., and the claims leader under the H&M insurance.

Clause 18-42. Limitations on the right to insure separately against total loss

If hull interest insurance has been effected for more than 25 % of the **agreed** 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 freight interest insurance.

If more than one hull interest insurance or freight interest insurance have been effected, the insurer's liability is reduced proportionately.

The rules in sub-clause 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 operations. If the assured receives compensation under such an insurance, the liability of the freight interest insurer under Cl. 18-40 is reduced correspondingly.

Section 4 Loss of hire insurance

Clause 18-43. Main rules regarding the liability of the insurer

The insurance covers loss due to the MOU being wholly or partially deprived of income as a consequence of damage to the MOU which is recoverable under the conditions of the Plan, or which would have been recoverable if no deductible had been agreed, see Cl. 18-33. If the H&M insurance has been effected on conditions other than those of the Plan, and these conditions have been accepted in writing by the insurer, the rules in Chapter 18, Section 2, of the Plan shall be replaced by the corresponding conditions of the insurance concerned when assessing whether the damage is recoverable.

The insurance also covers loss due to the MOU being wholly or partially deprived of income:

- (a) because it has stranded,
- (b) because it is prevented by physical obstruction (other than ice) from leaving a port or a similar limited area, or
- (c) as a consequence of measures taken to salvage or remove damaged cargo, or
- (d) as a consequence of an event that is allowed in general average pursuant to the 1994 York-Antwerp Rules.

Clause 18-44. Total loss

The insurer shall not be liable for loss of time resulting from a casualty which gives the assured the right to compensation for total loss under Chapter 18 of the Plan or under the corresponding conditions in the H&M insurance that applies to the MOU pursuant to Cl. 18-43, sub-clause 1, second sentence.

Clause 18-45. Main rule for calculating compensation

Compensation shall be determined on the basis of the time during which the MOU has been deprived of income (loss of time) and the loss of income per day (the daily amount). Loss of time that occurred prior to the events described in Cl. 18-43 shall not be recoverable.

Clause 18-46. Calculation of the loss of time

Loss of time shall be stipulated in days, hours and minutes. A period of time during which the MOU has only partially been deprived of income shall be converted into a corresponding period of total loss of income.

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, shall be limited to the sum insured per day multiplied by the number of days of indemnity per casualty and altogether stated in the **insurance contract**.

Clause 18-47. The daily amount

The assured's loss of income per day (the daily amount) shall be fixed at the equivalent of the amount of hire per day under the current contract of employment, less such expenses as the assured saves or ought to have saved due to the MOU being out of regular employment.

If the MOU is unchartered, the daily amount shall be calculated on the basis of average rates of hire for MOUs of the type, size and area of operation concerned during the period in which the MOU is deprived of income.

Clause 18-48. Agreed daily amount

If it is stated in the **insurance contract** that loss of time shall be compensated for by a fixed amount per day, this amount shall be regarded as an **agreed** daily amount unless the circumstances clearly indicate otherwise.

Clause 18-49. Deductible period

Each casualty shall be subject to a deductible period which shall run from the commencement of the loss of time and last until the loss of time, calculated in accordance with the rule in Cl. 18-46, sub-clause 1, second sentence, is

equivalent to the deductible period stated in the **insurance contract**. Loss of time in the deductible period is not recoverable.

Damage caused by heavy weather or navigating in ice which has occurred during the period between departure from one port or location and arrival at the next port or location shall be regarded as one casualty.

Damage caused by heavy weather occurring as a result of the same atmospheric disturbance whilst the MOU is stationary at one location shall be regarded as a single casualty.

Clause 18-50. Survey of damage

The provision of Cl. 18-27 shall apply correspondingly to this insurance.

Clause 18-51. Choice of repairer

The insurer may require that tenders for repairs be obtained from repairers of his choice. If the assured does not obtain such tenders, the insurer may do so.

If, due to special circumstances, the assured has reasonable grounds to object to the repairs being carried out by one of the repairers that has submitted a tender, he may require that the tender from that repairer be disregarded.

The assured shall decide which repairer is to be used, However, the liability of the insurer shall be limited to the loss of time under the tender that would have resulted in the least loss of time amount the tenders for which the assured would have been able to claim compensation under the H&M insurance. If the assured chooses this repairer, the claim shall be settled on the basis of the actual time lost, even if this is greater than that specified in the tender. If the H&M insurance has been effected on conditions other than those of the Plan, liability of the insurer shall be limited to the loss of time under the tender that would have resulted in the least loss of time plus half of any additional loss of time that may occur.

Clause 18-52. Move to the repair location, etc.

Loss of time during move to the repair location shall be attributed to the category of work that necessitated the move.

If move to the repair location was necessary for more than one category of work, the time of the move shall be apportioned in accordance with the time that each category of work would have required if carried out separately. Time of move that falls within the deductible period shall not be apportioned.

The rules of sub-clauses 1 and 2 shall also apply to loss of time during surveys, while obtaining tenders, during tank cleaning, while waiting to commence repairs or due to other similar measures that were necessary in order to carry out the repairs.

Clause 18-53. Extra costs incurred in order to save time

The insurer shall be liable for extra costs incurred in connection with temporary repairs and in connection with extraordinary measures taken in order to avert or minimise loss of time covered by the insurance, insofar as such extra costs are not recoverable from the hull insurer. If the H&M insurance has been effected on conditions other than those of the Plan, and these conditions have been accepted in writing by the insurer, the rules of Cl. 18-43, sub-clause 1, second sentence, shall apply.

The insurer shall not, however, be liable for such costs in excess of the amount he would have had to pay if such measures had not been taken.

If time is saved for the assured, he shall bear a share of the extra costs that is proportionate to the time saved for his account.

Clause 18-54. Simultaneous works

If repairs covered under this insurance are carried out simultaneous with work which is not covered under any loss of hire insurance, but which:

- (a) is carried out to fulfil classification requirements, or
- (b) is necessary to enable the MOU to meet technical and operational safety requirements or perform its contractual obligations, or
- (c) is related to the reconstruction of the MOU,

the insurer shall pay compensation for half of the time common to both categories of works in excess of the deductible period. Works under (a) - (c), which would not have deprived the MOU from income if carried out separately and which have not delayed the casualty repairs, shall not be taken

into account. If casualty damage are discovered or occurs during the period the MOU would have been deprived of income if the work under (a) - (c) had been carried out separately, time for repairs carried out simultaneously with scheduled works under (a) - (c) shall not be compensated.

If repairs resulting from two casualties, both of which are covered under this insurance, are carried out simultaneously, the rule in sub-clause 1 shall apply correspondingly for the time that is within the deductible period of one casualty, but not within the deductible period of the other casualty.

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 repair time common to both categories of work in excess of the deductible period. This also applies where repairs under the other **insurance contract** are carried out within the deductible period under this **insurance contract**. Furthermore, if work which is not covered under any loss of hire insurance, but which falls within the scope of sub-clause 1, is carried out simultaneously, the insurer shall only pay compensation for one fourth of the common repair time which exceeds the deductible period.

When applying the rules set out in sub-clauses 1-3, each category of work shall be deemed to have lasted for the number of days the work would have required if the two categories of work had been carried out separately, reckoned from the time the work started. Unless the circumstances clearly indicate another point in time, all categories of work shall be deemed to have started on the MOU's arrival at the repair location. Any delay which might occur due to several categories of work being carried out simultaneously shall be attributed to all categories in proportion to the number of days each category would have required if carried out separately, reckoned from the time the work started.

Clause 18-55. Loss of time after completion of repairs

After repairs have been completed, the insurer shall only be liable for loss of time:

- (a) until the MOU can resume the activity that it was engaged in under the contract of employment that was in force at the time of the casualty, or

- (b) while the MOU moves back to an equidistant position to where it without the casualty would have commenced the move to its next location under a contract of employment that was entered into with binding effect prior to the commencement of the move to the repair location.

Cl. 18-52 shall apply correspondingly to loss of time after completion of repairs.

Clause 18-56. Repairs carried out after expiry of the insurance period

The insurer shall not be liable for loss of time resulting from a stay at a repair location that commences more than two years after expiry of the insurance period.

Loss of time resulting from a stay at a repair location which commences after expiry of the insurance period shall be recoverable in accordance with the rules of Cl. 18-47, even if the daily amount is an **agreed** amount pursuant to Cl. 18-48, if this results in a lower compensation.

Clause 18-57. Liability of the insurer when the MOU is transferred to a new owner

When damage to the MOU is repaired in connection with a transfer of ownership, the insurer shall not be liable for time that would in any event have been lost in connection with the said transfer. If the transfer has to be postponed due to repairs covered by this insurance, the insurer shall be liable for the assured's loss of interest in accordance with the rules of Cl. 5-4, even though the MOU would not have earned income during the postponement.

The insurer's liability pursuant to sub-clause 1 shall not exceed the compensation calculated on the basis of the sum insured per day and

- (a) the period of time by which the transfer was postponed, or
(b) the time it must be estimated that the buyer will take to repair the MOU, less the agreed deductible period. The deductible period is calculated in consecutive days even if the loss of interest differs from the sum insured per day. No compensation may be claimed under Cl. 18-55 in these cases.

The assured's claim against the insurer may not be transferred to a new owner.

Clause 18-58. Relationship to other insurances and general average

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

- (a) the assured's right to claim compensation for loss of time and operating costs during removal to a repair location under Cl. 18-28 or Cl. 18-30 of the Plan, or equivalent provisions in other conditions applicable to the MOU's H&M insurance, and
- (b) any right the assured might otherwise have to claim compensation for the loss from another insurer or in general average.

Section 5

War risks insurance

Section 5-1

General rules relating to the scope of war risks insurance

Clause 18-59. Perils covered

The insurance covers war perils, cf. Cl. 2-9.

If the insurance against marine perils has been suspended under such circumstances as mentioned in Cl. 3-19, the insurance also covers marine perils, cf. Cl. 2-8.

Clause 18-60. Interests insured

Subject to Cl. 18-61 the insurance covers:

- (a) total loss and damage, cf. Sections 2-1 to 2-3 above and 5-4 and 5-5 below,
- (b) collision liability, cf. Section 2-4 above,
- (c) hull interest/freight interest, cf. Section 3 above,
- (d) loss of hire, cf. Sections 4 above and 5-6 below,
- (e) owner's liability (P&I), cf. Section 5-7 below including occupational injuries etc., cf. Section 5-8 below.

Clause 18-61. Sum insured

Cover in respect of each of the interests listed in Cl. 18-60 is conditional upon the parties having agreed a separate sum insured for each interest. In the case of loss of hire insurance, the insurance contract must also state the amount of the daily indemnity, cf. Cl. 18-47 and Cl. 18-48, the deductible period, cf. Cl. 18-49, and number of days of indemnity per casualty and altogether, cf. Cl. 18-46, sub-clause 2.

Unless otherwise agreed, the following sums insured shall apply:

- (a) The sum insured for Cl. 18-60 (e) P&I and occupational injury insurance is the total of the sums insured under Cl. 18-60 (a) and (c). Within this combined sum, costs incurred to prevent loss under Sections 5-7 and 5-8 shall be covered. Cl. 4-18 shall not apply.
- (b) The sum insured for 18-60 (b) collision liability shall be equal to the sum insured for Cl. 18-60 (a) and subject to the limitation of Cl. 18-37 with addition of the sum insured for Cl. 18-60 (c) hull interest, cf. Cl. 18-39 (b).

Clause 18-62. Safety regulations

During the insurance period the insurer may, by means of special safety regulations, cf. Cl. 3-22, issue instructions that inter alia:

- (a) the MOU shall not embark on a planned move or operation or complete a move or operation in progress,
- (b) the MOU shall or shall not follow a specific itinerary,
- (c) the MOU shall deviate, be moved from one location to another, or remain at a specific location,
- (d) the MOU shall not have cargo of a specific nature, or certain persons onboard,
- (e) the MOU shall or shall not comply with orders issued by a foreign State power,
- (f) the assured shall without undue delay give information about the MOU's position, about moves and operations which the MOU is undertaking or is going to undertake, about times of departure and arrival, the nature of any cargo, the itinerary, the contract arrangement, etc., and of any changes as regards previously given information about such facts.

In the event of a breach of a stipulated safety regulation, Cl. 3-25, sub-clause 2, shall apply correspondingly.

Section 5-2

Termination of the insurance

Clause 18-63. War between the major powers

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

The United Kingdom, the United States of America, France, the Russian Federation, the People's Republic of China, the insurance against war perils shall automatically terminate.

Clause 18-64. Use of nuclear arms for war purposes

In the event of any use of nuclear arms for war purposes, the insurance shall automatically terminate.

Clause 18-65. Bareboat chartering

If the MOU is bareboat chartered, the insurance shall automatically terminate.

Clause 18-66. Cancellation

In the event of a change of risk, the person effecting the insurance as well as the insurer are entitled to cancel the insurance by giving seven days' notice (such cancellation becoming effective on the expiry of 7 days from midnight of the day on which notice of cancellation is issued by or to the insurer). Cancellation also applies to the rights of the mortgagee, but the insurer shall immediately notify the mortgagee of the cancellation.

The insurer will endeavor, to the extent practically and commercially possible, to submit a proposal for continuation of the insurance at the best available terms in the changed circumstances.

Section 5-3

Areas of operation

Clause 18-67. Excluded and conditional areas

In addition to Cl. 3-15 the following applies:

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

- (a) certain areas shall be designated as conditional areas. The MOU may still move and operate in such areas, but subject to an additional premium.
- (b) certain areas shall be designated as excluded areas. Such areas fall outside the area of operation.

Section 5-4

Total loss

Clause 18-68. Relationship to Section 2-2 above

The provisions in this Section shall apply in addition to the provisions contained in Section 2-2 above.

Clause 18-69. Intervention by a foreign State power, piracy

If the assured has been deprived of the MOU by an intervention by a foreign State power for which the insurer is liable under Cl. 2-9, the assured may claim for a total loss if the MOU has not been released within twelve months from the day the intervention took place.

If the MOU has been captured by pirates or taken away from the assured by similar unlawful interventions for which the insurer is liable under Cl. 2-9, the assured may claim for a total loss if the MOU has not been recovered within twelve months from the day the intervention took place.

If it has been established before expiry of the time-limits in sub-clauses 1 and 2 that the assured will not recover the MOU, he may immediately claim for a total loss.

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 MOU is released at a later time.

Cl. 18-15 and Cl. 18-16 shall apply correspondingly.

Clause 18-70. Blocking and trapping

If the MOU is prevented from leaving a port or a similar limited area due to blocking, the assured may claim for a total loss if the relevant obstruction has not ceased within twelve months after the day it occurred.

The provisions in Cl. 18-69, sub-clauses 3, 4 and 5, shall apply correspondingly.

Clause 18-71. Restrictions imposed by the insurer

If the MOU has been deprived of income for more than six months as a result of orders issued by the insurer, cf. Cl. 18-62, the assured may claim for a total loss.

Section 5-5

Damage

Clause 18-72. Relationship to Section 2-3 above

The provisions in Section 2-3 above shall apply, subject to the following exceptions:

- (a) The insurance does not cover costs mentioned in Cl. 18-25 and Cl. 18-28, sub-clause 2. Nor does the insurance cover crew's wages, maintenance and similar expenses in connection with the running of the MOU which fall under Cl. 4-11 or Cl. 18-30, sub-clause 1.
- (b) Instead of Cl. 18-29 the following shall apply:
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 MOU would be deprived of income if the repairs are

carried out at the repair location 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 by one of the repairers that have submitted tenders, he may demand that that repairer's tender be disregarded. The assured decides which repairer shall be used, but the insurer's liability is limited to the amounts mentioned in the preceding sub-clauses.

Clause 18-73. Deductible

In addition to Cl. 18-33, the following shall apply:

If the MOU 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 a single casualty.

Section 5-6

Loss of hire

Clause 18-74. Relationship to Section 4 above

The provisions contained in this Section shall apply in addition to the provisions in Section 4 above.

Instead of Cl. 18-43, sub-clause 2 (b), the following shall apply:

The insurer is liable for loss due to the MOU being wholly or partly deprived of income because it is prevented from leaving a port or a similar limited area.

Clause 18-75. Loss in connection with a call at a visitation port, a temporary stay, etc.

The insurer is also liable for loss of time caused by a foreign State power for the purpose of:

- (a) visitation and search of cargo, etc.
- (b) capture and temporary detention.

If the assured is entitled to compensation for total loss under Cl. 18-69 or

Cl. 18-70, 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.

Clause 18-76. Loss caused by orders issued by the insurer

The insurer is also liable for loss of time resulting from orders issued by the insurer, cf. Cl. 18-62. However, this does not apply to orders given by the insurer in connection with the outbreak of war.

If the assured is entitled to compensation for total loss under Cl. 18-61, Cl. 18-75, sub-clause 2, shall apply correspondingly.

Clause 18-77. Choice of repairer

Cl. 18-51 does not apply.

Section 5-7

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

Clause 18-78. Scope of cover

The insurer covers liability and expenses which are covered by the MOU's P&I insurance if the liability/expenses have been caused by a war peril as defined in Cl. 2-9 and/or as defined under the Pooling Agreement of the International Group of P&I Clubs as it read at the time this insurance contract was entered into.

If no P&I insurance against marine perils has been effected for the MOU, the insurer's liability under sub-clause 1 shall be determined as if the P&I insurance had been effected with Gard.

Clause 18-79. Limitations to the cover

If liability and expenses as mentioned in Cl. 18-78 are covered by another insurance, which the assured has effected, the cover under this Section is subsidiary in relation to that insurance, except for piracy risks.

Section 5-8

Occupational injury insurance, etc.

Clause 18-80. Scope of cover

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

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

Section 6

Construction risks insurance

Section 6-1

General rules relating to the scope of construction risks insurance

Clause 18-81. Scope of application

The rules in Section 6 apply to construction, conversion and major upgrade of MOUs, including, when applicable, offshore installation, hook-up and commissioning works - "the Project".

Clause 18-82. Insurance period/Ref. Clause 1-5

The insurance period commences at the date stipulated in the insurance contract. The insurance attaches in respect of each component, equipment and materials manufactured or procured for the MOU from the time the risk is transferred to the assured.

The insurance remains in effect until the date stipulated as the completion of the Project. If actual completion is delayed, the insurance will automatically be extended subject to a pro rata additional premium or as agreed in the insurance contract until the actual date of completion but not in excess of nine months.

Clause 18-83. Place of insurance – project locations

The insurance is in effect anywhere in the world.

All locations of yards, workshops and/or work sites for construction and assembling of main components shall be agreed with the insurer. Any change of such location shall be notified to and agreed by the insurer.

Sea trials are covered within the area allowed by the MOU's certificates.

When agreed that the insurance covers offshore installation, hook-up and commissioning, the designated offshore location shall be set out in the insurance contract.

Clause 18-84. Escalation

If the value of the project exceeds the sum insured, the assured shall notify the insurer of this as soon as possible. The assured shall pay a premium for the value increase and the insurer shall accept the value increase.

Under no circumstances shall the sum insured exceed 110 % of the original sum insured unless the insurer has given prior approval of the increase and agreement on the conditions for such an increase has been reached.

Clause 18-85. Deductible

For each casualty, the deductible stated in the insurance contract shall apply. If the same casualty entitles the assured to compensation according to Sections 6-2 and/or 6-3, only one deductible shall apply.

Total loss, cf. Cl. 18-89 and Cl. 18-90, costs in connection with the settlement of claims, cf. Cl. 4-5, and loss in connection with measures to avert or minimize a loss, cf. Cl. 4-7 to Cl. 4-12, are recoverable without deductible.

Clause 18-86. Premium in the event of total loss

If the insurer compensates for total loss pursuant to Cl. 18-89, cf. Cl. 18-88, sub-clause 1, or pays the sum insured pursuant to Cl. 4-21, he is entitled to the entire agreed premium.

If the insurer compensates for total loss pursuant to Cl. 18-89, cf. Cl. 18-88, sub-clause 2, he is only entitled to the proportion of the entire agreed premium that corresponds to the ratio between the compensation paid and the sum insured.

Section 6-2

Loss of or damage to the MOU

Clause 18-87. Objects insured/Ref. Clause 18-2

The insurance covers:

- (a) the MOU and components, equipment and materials manufactured or procured for the Project,
- (b) the costs in connection with design, drawings and other planning of the Project, and
- (c) bunkers and lubricating oil on board.

Clause 18-88. Insurable value

The insurable value at the completion of the Project constitutes:

- (a) the original project contract's price less subsequently agreed deductions,
- (b) subsequently agreed additional amounts mentioned in the insurance contract,
- (c) the value of the owners deliveries, and
- (d) in the event of conversion and upgrade projects, the value of the existing vessel or MOU.

Prior to the completion of the Project, the insurable value constitutes the value under sub-clause 1 with deductions for:

- (a) the value of the project works not performed, and
- (b) the value of components, equipment and materials not manufactured or procured.

Clause 18-89. Compensation in the event of a total loss/ Ref. Clause 4-1

In the event of a total loss the insurer covers the sum insured, but not in excess of the insurable value, cf. Cl.18-88.

Clause 18-90. Total Loss/Ref. Section 2-2

The provisions contained in Section 2-2 above shall apply with the following amendment to Cl. 18-10:

The assured may claim compensation for a total loss if casualty damage to the Project is so extensive that the costs of repairs amount to more than 100 % of the insurable value as per Cl. 18-88.

Clause 18-91. Damage/Ref. Section 2-3

If the MOU or parts thereof have been damaged without Cl. 18-90 being applicable, the rules in Section 2-3 shall apply, as amended by Cl. 18-92 and Cl. 18-93.

Clause 18-92. Error in design, etc.

If the damage is a result of an error in design, 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 proper condition.

For parts and components which are completed, Cl. 18-20 shall apply.

**Clause 18-93. Costs incurred in order to save time/
Ref. Clauses 18-24, 18-28 and 18-29**

For damage to the Project which occurs and is discovered whilst at a yard or any onshore project location, the insurer is not liable for costs incurred in connection with:

- (a) temporary repairs according to Cl. 18-24, sub-clause 2, beyond the amount he saves through the postponement of the permanent repairs,
- (b) repairs and removal according to Cl. 18-29, sub-clause 2, beyond the amount that would have been recoverable if the lowest adjusted tender had been accepted, or
- (c) loss of time according to Cl. 18-28, sub-clause 2.

Section 6-3 Supplementary covers

Clause 18-94. Applicable rules

If supplementary cover has been agreed according to Cl. 18-95 to Cl. 18-99, the rules in Sections 6-1 and 6-2 shall apply unless otherwise provided in Section 6-3.

Coverage in respect of each of the interests insured hereunder is conditional upon the parties having agreed separate sum insured, deductible and premium for each cover.

Clause 18-95. Additional costs arising from unsuccessful launching

In the event of an unsuccessful launching of the MOU, the insurer will indemnify the assured's liability for any additional costs incurred to complete launching.

Clause 18-96. Costs of removal of wreck and debris

The insurer will indemnify the assured's liability for costs of removal of wreck and debris of the MOU or parts thereof following a loss covered under Section 6-2.

Clause 18-97. Liability of the assured arising from collision or striking

Section 2-4 shall apply correspondingly.

Clause 18-98. Liability insurance

The insurer will indemnify the assured's liability resulting from personal injury or loss of life and loss of or damage to an object belonging to a third party in direct connection with the performance of the Project.

Cl. 4-16 shall apply similarly after the MOU has been launched, provided that the damage to or loss of the object concerned is attributable to collision or striking.

The insurer covers the assured's liability for bunker oil pollution damage under the provisions of national legislation that are based on the provisions of the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (the Bunkers Convention).

The insurer covers the assured's liability for damage to the environment if the damage occurred in direct connection with the performance of the Project.

The insurer does not cover:

- (a) liability for personal injury or loss of life of employees of the assured, contractors or sub-contractors,
- (b) liability for loss of or damage to objects belonging to employees of the assured, contractors or sub-contractors,
- (c) loss or liability which is insurable under the rules in Chapter 18, Sections 6-1, 6-2 and other clauses of 6-3,
- (d) loss or liability covered by another insurance effected by the assured, its contractors or sub-contractors, and
- (e) loss or liability which is exclusively based on a contract.

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 occupation,
- (b) loss which is covered by insurance benefits required under a collective agreement and which is financed by the liable employer, and
- (c) loss which is covered in accordance with applicable legislation relating to occupational injury insurance in the country where the relevant project work site is located.

Clause 18-99. Delay in delivery

The rules of Section 4 shall apply correspondingly to delay in delivery due to damage which is recoverable under Section 6-2.

Chapter 19

Builders' risks insurance

Section I

Common provisions

Clause 19-1. Perils covered/Ref. Clause 2-8 cf. Clause 2-10

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

Clause 19-2. Insurance period/Ref. Clause 1-5

The insurance remains in effect until the delivery date stipulated in the building contract. If delivery is later than that date, the insurance will automatically be extended subject to an additional premium as agreed in the **insurance contract** until the buyer has in actual fact taken delivery of the subject-matter insured.

If the buyer has not taken delivery of the subject-matter insured, the insurance is automatically extended subject to an additional premium as agreed in the **insurance contract** until another buyer has in actual fact taken delivery of the subject-matter insured.

Extension of the insurance according to sub-clauses 1 and 2 does not apply beyond nine months from the takeover date stipulated in the building contract.

Clause 19-2A. Premium in the event of total loss

If the insurer compensates for total loss pursuant to Cl. 19-13, sub-clause 1, or pays the sum insured pursuant to Cl. 4-21, he is entitled to the entire agreed premium.

If the insurer compensates for total loss pursuant to Cl. 19-13, sub-clause 2, he is only entitled to the proportion of the entire agreed premium that corresponds to the ratio between the compensation paid and the sum insured.

Clause 19-3. Co-insurance/Ref. Clause 8-1

Unless otherwise agreed, the buyer is co-insured under Cl. 8-1. However, this does not apply to cover of expenses under Section 3.

If liability as mentioned in Section 4 is covered by another insurance which the co-insured has effected, the co-insured's cover under Section 4 is subsidiary in relation to that insurance.

Clause 19-4. Transfer of the building contract/Ref. Clause 3-21

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

Clause 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 seatrials carried out within the area specified by the certificate, including the trading area.

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 **insurance contract**.

Clause 19-6. The sum insured as the limit of the liability of the insurer/Ref. Clause 4-18 and Clause 4-19

In addition to the sum insured as mentioned in Cl. 4-18, sub-clause 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.

Clause 19-7. Escalation of the sum insured

If the value of the project exceeds the sum insured, the assured shall notify the insurer of this as soon as possible. The assured shall pay a premium for the increase in value and the insurer(s) shall accept his/their share of the increase.

Under no circumstances shall the sum insured exceed 110 % of the original sum insured unless the insurers have given their prior approval of the increase and agreement has been reached on the conditions for such an increase.

Clause 19-8. Deductible

For **each** casualty the deductible stated in the **insurance contract** 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. Cl. 19-10 and Cl. 19-11, costs in connection with the settlement of claims, cf. Cl. 4-5, and loss in connection with measures to avert or minimise a loss, cf. Cl. 4-7 to Cl. 4-12, are recoverable without deductible.

Section 2

Loss of or damage to the subject-matter insured

Clause 19-9. Objects insured/Ref. Clause 10-1

The insurance covers:

- (a) the subject-matter insured and components, equipment and materials manufactured or procured for the subject-matter insured,
- (b) components, equipment and materials supplied by the buyer are, however, only covered if this is set out in the **insurance contract**, or transpires from circumstances in general,
- (c) the yard's costs in connection with drawings and other planning of the subject-matter insured, and
- (d) bunkers and lubricating oil on board.

Clause 19-10. Insurable value

The insurable value when the subject-matter insured is ready for delivery constitutes:

- (a) the original contractual building price less subsequently agreed deductions,
- (b) subsequently agreed additional amounts mentioned in the **insurance contract**, and
- (c) the value of the buyer's deliveries which are covered by the insurance.

Before the subject-matter insured is ready for delivery, the insurable value constitutes the value under sub-clause 1 with deductions for:

- (a) the value of the work not performed, and
- (b) the value of components and materials not manufactured or procured.

Clause 19-11. Total loss in the event of condemnation

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

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

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 subject-matter insured 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 Cl. 19-5, sub-clause 2.

Clause 19-13. Compensation in the event of a total loss/ Ref. Clause 4-1

In the event of a total loss where the subject-matter insured is ready for delivery, the insurer covers the sum insured, but not in excess of the insurable value.

In the event of a total loss before the subject-matter insured is ready for delivery, the insurer covers the proportion of the sum insured that is equivalent to the insurable value calculated according to Cl. 19-10, sub-clause 2.

Clause 19-14. Damage/Ref. Chapter 12

If the subject-matter insured or components etc. have been damaged without Cl. 19-11 or Cl. 19-12 being applicable, the rules in Chapter 12 shall apply,

with the exception of Cl. 12-3, Cl. 12-4, Cl. 12-5 (d), (e) and (f), Cl. 12-6 and Cl. 12-15 to Cl. 12-18. **Cl. 12-3 shall apply to rebuilding/conversion of the subject-matter insured.**

**Clause 19-15. Limitation of the insurer's liability/
Ref. Clause 12-1**

If the damage is a result of an error in design, 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.

**Clause 19-16. Compensation for unrepaired damage/
Ref. Clause 12-2**

Even if repairs have not been carried out, both parties may claim compensation for the damage upon expiry of the insurance period, cf. Cl. 19-2.

Compensation is calculated on the basis of a discretionary estimate of the costs of repairs upon expiry of the insurance period, but is limited to the price reduction attributable to the damage.

**Clause 19-17. Costs incurred in order to save time/
Ref. Clause 12-7, Clause 12-11 and Clause 12-12**

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

- (a) temporary repairs according to Cl. 12-7, sub-clause 2, beyond the amount he saves through the postponement of the permanent repairs,
- (b) repairs and removal according to Cl. 12-12, sub-clause 2, beyond the amount that would have been recoverable if the lowest adjusted tender had been accepted, or
- (c) the loss of time according to Cl. 12-11, sub-clause 2.

Section 3

Indemnification of additional costs incurred in an unsuccessful launching and costs of wreck removal

Clause 19-18. Additional costs incurred in an unsuccessful launching

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

Clause 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

Clause 19-20. Scope of the liability insurance

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 required by the authorities if the loss arose in direct connection with the performance of the building contract.

Cl. 4-16 shall apply similarly after the subject-matter insured has been launched, provided that the damage to or loss of the object concerned is attributable to collision or striking.

The insurer covers the assured's liability for bunker oil pollution damage under the provisions of national legislation that are based on the provisions of the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (the Bunkers Convention).

The insurer covers the assured's liability for damage to the environment if the damage occurred in direct connection with the performance of the building contract.

Clause 19-21. Limitations on the liability insurance

The insurer does not cover:

- (a) liability for personal injury or loss of life of the employees **of the assured, contractors or sub-contractors,**
- (b) liability for loss of or damage to objects belonging to the employees **of the assured, contractors or sub-contractors,**
- (c) loss **or liability** which is insurable under the rules in Chapter 19, Sections 1, 2 and 5,
- (d) loss **or liability** covered by another liability insurance effected by the assured, **its contractors or sub-contractors** and
- (e) loss **or liability** which is exclusively based on a contract.

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 occupation,
- (b) loss **which is** covered by insurance benefits required under a collective agreement and which is financed by the liable employer, and
- (c) loss which is covered in accordance with applicable legislation relating to occupational injury insurance in the country where the yard is located.

Section 5 Supplementary covers

Clause 19-22. Applicable rules

If supplementary cover has been agreed according to Cl. 19-23 to Cl. 19-27 the rules in Chapter 19, Sections 1 to 4, shall apply insofar as they have not been departed from in Section 5.

Clause 19-23. Insurance of additional costs in connection with rebuilding and/or building of a new subject-matter insured

The insurance covers the difference between compensation paid under the builders' risks insurance, cf. Sections 1 and 2, and the costs of rebuilding/building of a new subject-matter insured.

Clause 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 under Cl. 19-12. Interest is calculated from the time of payment of the individual instalment up to the time of the total loss.

Clause 19-25. Insurance of the yard's loss of interest in the event of late delivery

The insurance covers the yard's loss of interest resulting from late delivery due to damage which is recoverable under the builders' risks insurance, cf. Sections 1 and 2.

For any one 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 is equivalent to the deductible period stated in the **insurance contract**. Loss of interest during the deductible period is not recoverable.

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 **insurance contract**.

If the assured and the buyer agree to postpone the delivery date due to circumstances which do not provide any basis for compensation under this supplementary cover, the insurance is automatically extended subject to an additional premium as agreed in the **insurance contract** until the buyer has in actual fact taken delivery of the subject-matter insured. Cl. 19-2, sub-clause 3, shall apply correspondingly.

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. 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.

If the assured takes measures to avert or minimise the delay covered by the insurance, the insurer shall not be liable for more than the amount he should have paid if no such measures had been taken. If the measures result in time being saved for the assured, he shall bear a share of the costs of the said measures that is proportional to the time saved for his account.

Clause 19-26. Insurance of the yard's daily penalties in the event of late delivery

The insurance covers the yard's daily penalties resulting from late delivery due to damage which is recoverable under the builders' risks insurance, cf. Sections 1 and 2.

For any one 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 is equivalent to the deductible period stated in the **insurance contract**. Daily penalties during the deductible period are not recoverable.

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 **insurance contract**.

If the assured and the buyer agree to postpone the delivery date due to circumstances which do not provide any basis for compensation under this supplementary cover, the insurance is automatically extended subject to an additional premium as agreed in the **insurance contract** until the buyer has in actual fact taken delivery of the subject-matter insured. Cl. 19-2, sub-clause 3, shall apply correspondingly.

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 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.

If the assured takes measures to avert or minimise the delay covered by the insurance, the insurer shall not be liable for more than the amount he should

have paid if no such measures had been taken. If the measures result in time being saved for the assured, he shall bear a share of the costs of the said measures that is proportional to the time saved for his account.

Clause 19-27. Towage and removal of the subject-matter insured

The insurance covers towage or removal of the subject-matter insured or components thereof.

In the case of towage on a barge, the insurance also covers loss of or damage to the subject-matter insured or components thereof which occurred during discharge. Subject to agreement, the insurance also covers loss or damage that occurred during loading.

In the case of towage, the following safety regulations shall apply, cf. Cl. 3-25, sub-clause 1:

- (a) The tow shall be surveyed and approved by a surveyor.
- (b) The surveyor shall be approved in advance by the insurer.
- (c) The surveyor shall issue a towage approval certificate which shall be sent to the insurer prior to the start of the tow.
- (d) The assured shall ensure that the towage approval certificate is signed by the shipping company before the tow begins.

If the subject-matter insured is moved other than by towage, sub-clause 3 applies correspondingly.

Section 6

Supplementary cover for war risks

Clause 19-28. Perils insured

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

Clause 19-29. Insurance period

The insurer's liability attaches when the subject-matter insured has been launched.

However, for machinery, components and materials liability does not attach until they have been placed on board the launched subject-matter insured.

Clause 19-30. Other applicable provisions

The rules in Chapter 19, Sections 1 to 4, shall apply correspondingly to this insurance.

The insurance is also subject to Cl. 15-5, Cl. 15-6 and Cl. 15-8.

Appendix to Clause 3-15

Trading areas

Introduction

In the 2007 Version of the Norwegian Marine Insurance Plan, changes have been made in the geographical definition of the trading area in I, no. 1.3, first and second sub-clauses, and in II, no. 2. Furthermore, a new no. 5 has been introduced under II. New maps have also been produced to show the changes.

Under the new geographical definition in no. 1.3, *first sub-clause*, the limit of the excluded trading area has been moved north of Sakhalin and the Aleutian Islands. Consequently, there is no longer a need for any longitudinal limitation along this latitude.

No. 1.3, *second sub-clause*, has been amended to the effect that the Bering Sea north of the Aleutian Islands can also be accessed or departed from through the Amchitka and Amukta Passes. Ships sailing north of the Aleutian Islands may not proceed north of 54° 30' north.

As regards the definition of the conditional trading area in II, the geographical limits of the conditional trading area in the Baltic Sea in *no. 1* have been maintained. On the other hand, the period of time during which the insurers may require an additional premium has been extended to the period from 15 December to 15 May for all three conditional trading areas in the Baltic Sea, i.e. a common time period applies to the Gulf of Finland, the Gulf of Bothnia and the Gulf of Riga. A new *no. 5* that regulates East-Asian waters has also been included. This new conditional trading area corresponds to the area that has been removed from the excluded trading area under no. 1.3.

I. Excluded trading areas, cf. Clause 3-15, sub-clause 3 (Map No. 1)

I. The northern hemisphere

I.1 European-Arctic waters

The waters north of 72° north latitude, 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 72° north latitude 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.

I.2 Euro-Asian Arctic waters

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

I.3 East-Asian waters and the Bering Sea

East-Asian waters and the Bering Sea north of 54° 30' north latitude and waters that can only be accessed by crossing this line, including voyages to the Aleutian Islands.

On voyages between places within the ordinary trading areas the ship must in the Bering Sea pass west of Buldir Island or through the Amchitka, Amukta or Unimak Passes, on condition that it is equipped with up-to-date navigation equipment for these waters.

I.4 North and North-Eastern American waters and the waters off West Greenland

The waters north of 60° north latitude and waters which can only be accessed by crossing this line. The St. Lawrence Seaway and the North American Great Lakes during periods when ship traffic in the canals is prohibited by the authorities.

2. The southern hemisphere

The waters south of 50° south latitude 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 or the Falkland Islands, nor to passages through the waters south of 50° south latitude 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. Clause 3-15, sub-clause 2

1. The Baltic Sea (Map No. 2)

- (a) The Gulf of Bothnia north of the line Umeå - Vasa,
 - (b) The Gulf of Finland east of 25° 45' east longitude,
 - (c) The waters east of the line Dagerort - Lyser Ort,
- during the period 15 December to 15 May, both days included.

2. Labrador (Map No. 3)

The waters from Cape St. Charles to 60° north latitude, all year.

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

- (a) The waters within lines drawn between Port Mulgrave and Port Hastings (Strait of Canso), Cape North and Cape Ray (Cabot Strait), Cape Bauld and Cape St. Charles (Strait of Belle Isle) and Baie Comeau and 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 periods 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.

5. East-Asian waters (Map No. 4)

East-Asian waters north of 46° north latitude and south of 54° 30' north latitude to 170° east longitude during the period from 1 November to 1 June, both days included.

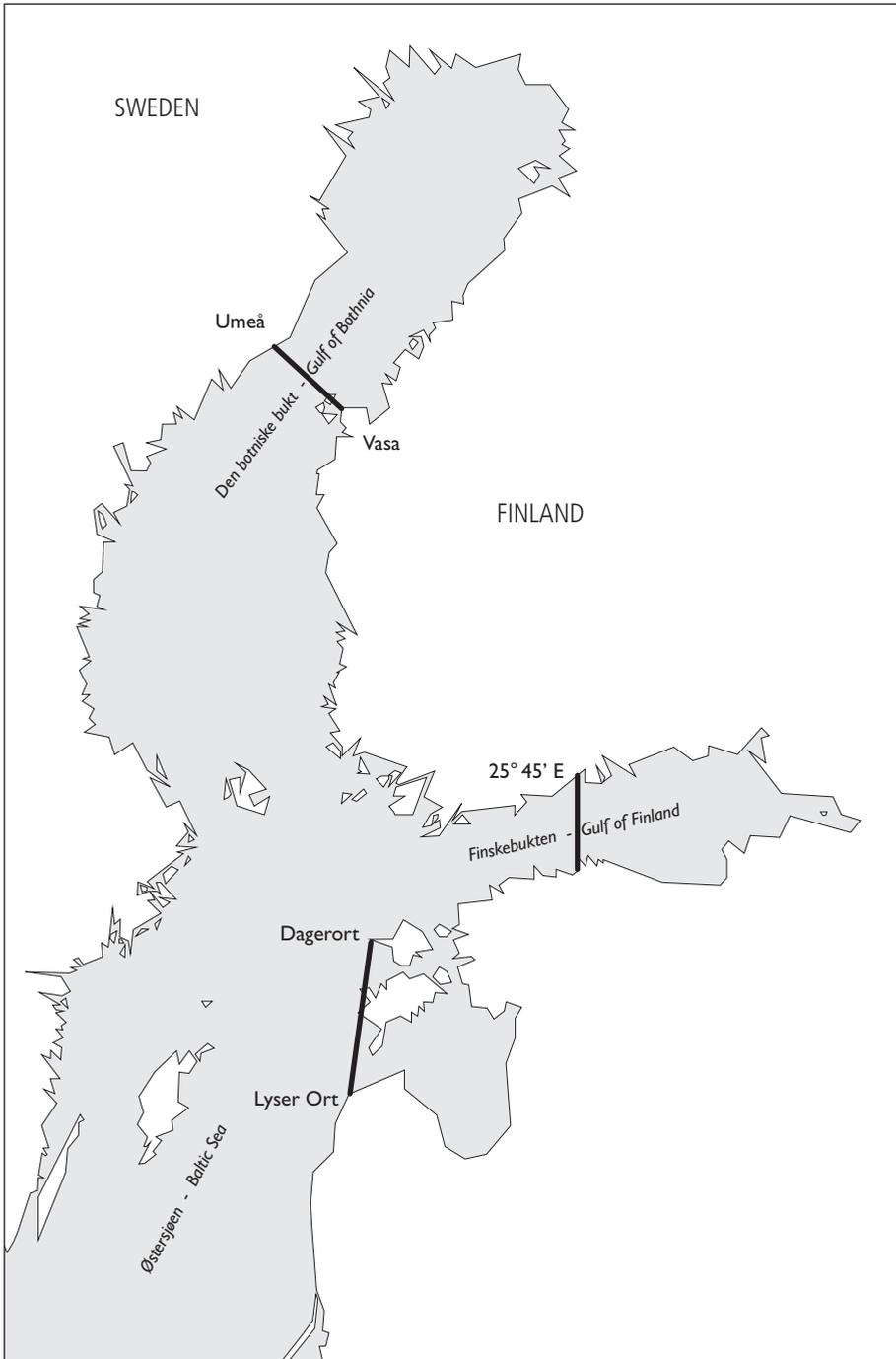
Map No. I



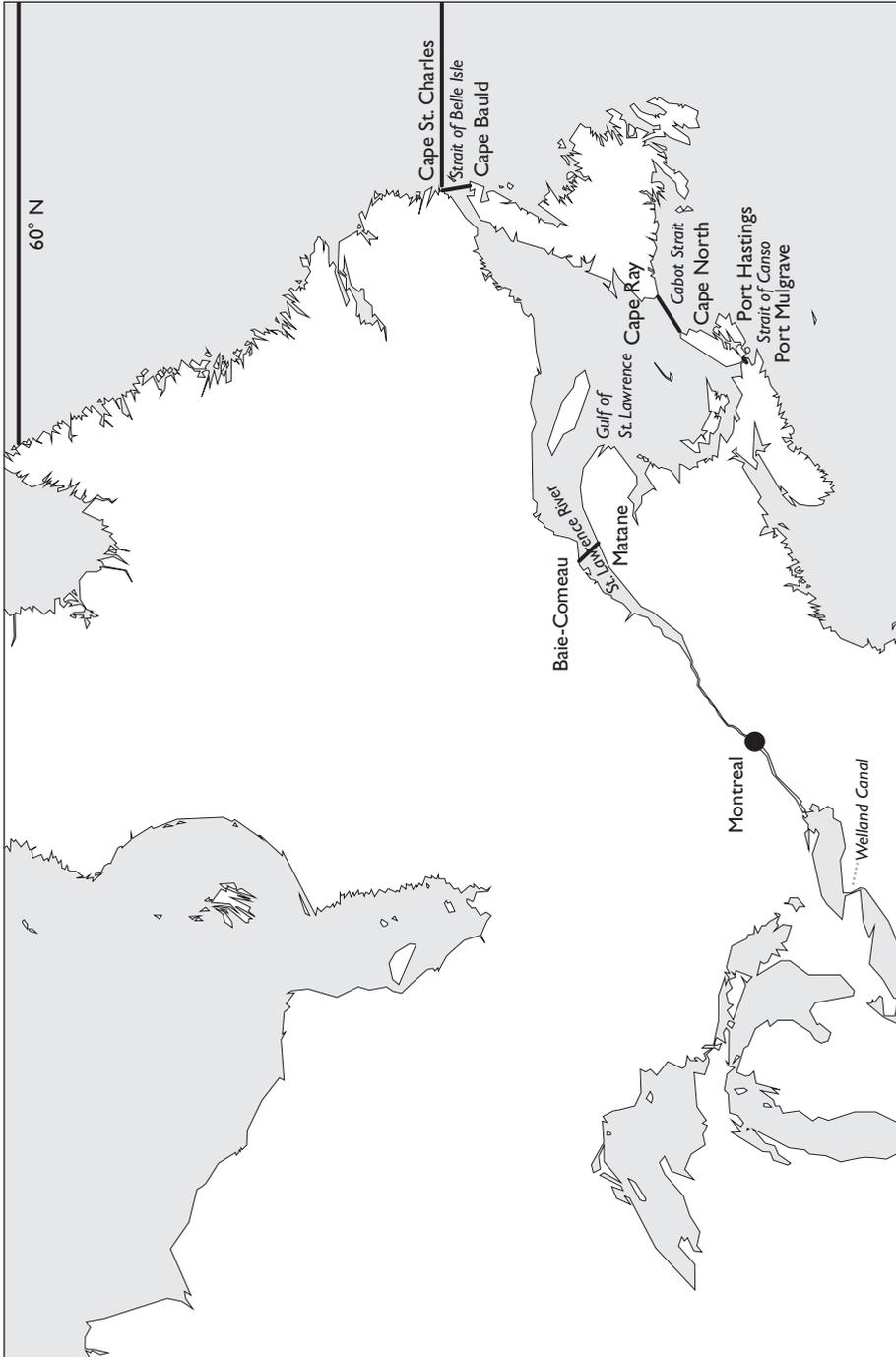
- Excluded Trading Area
- Conditional Trading Area
- Ordinary Trading Area



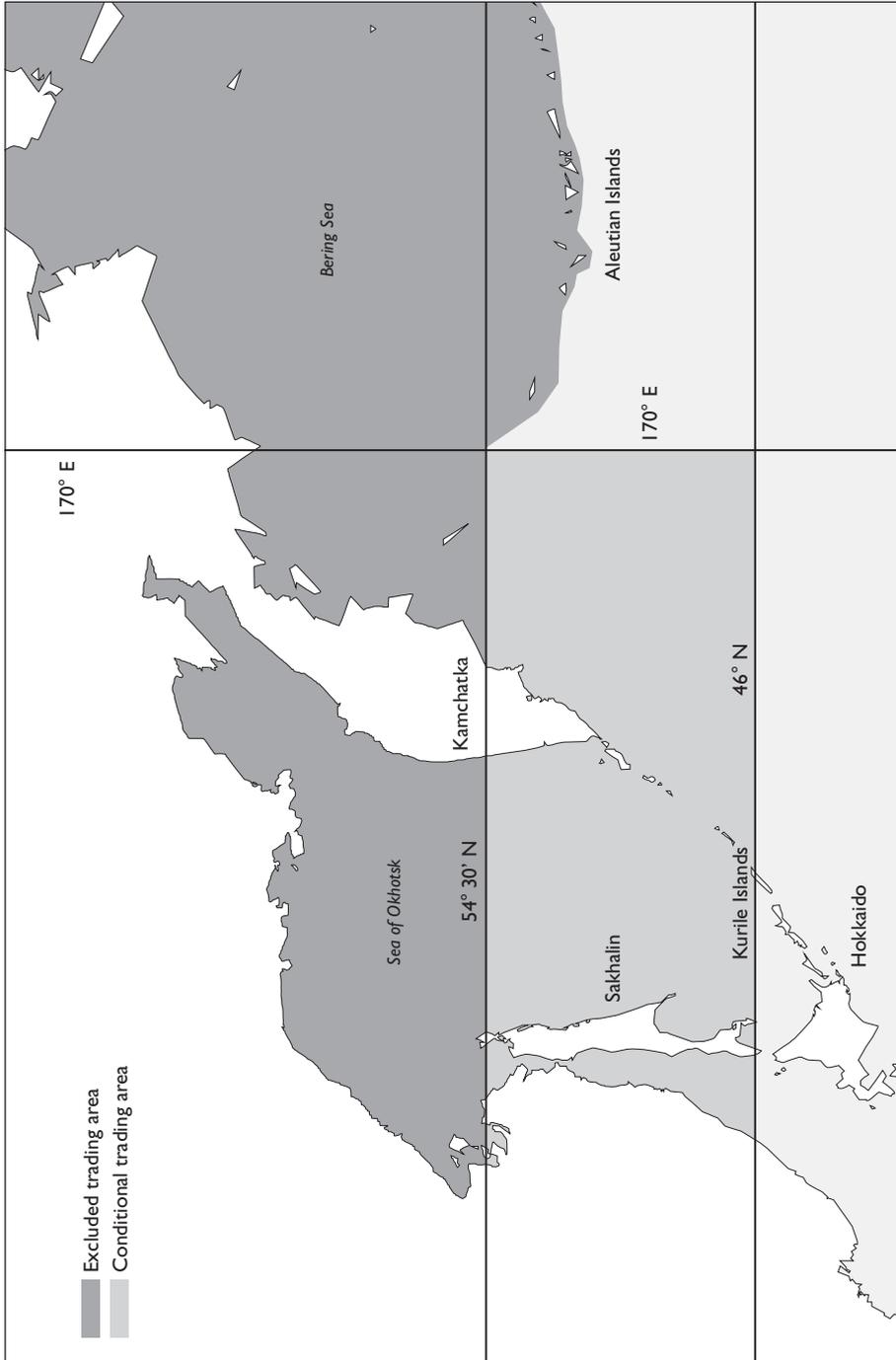
Map No. 2



Map No. 3



Map No. 4



Appendix to Clause 3-15 and Clause 17-3 Trading areas

III. Excluded trading areas applicable to the insurance of fishing vessels pursuant to Chapter 17, cf. Clause 17-3 (Maps No. 5, 6 and 7)

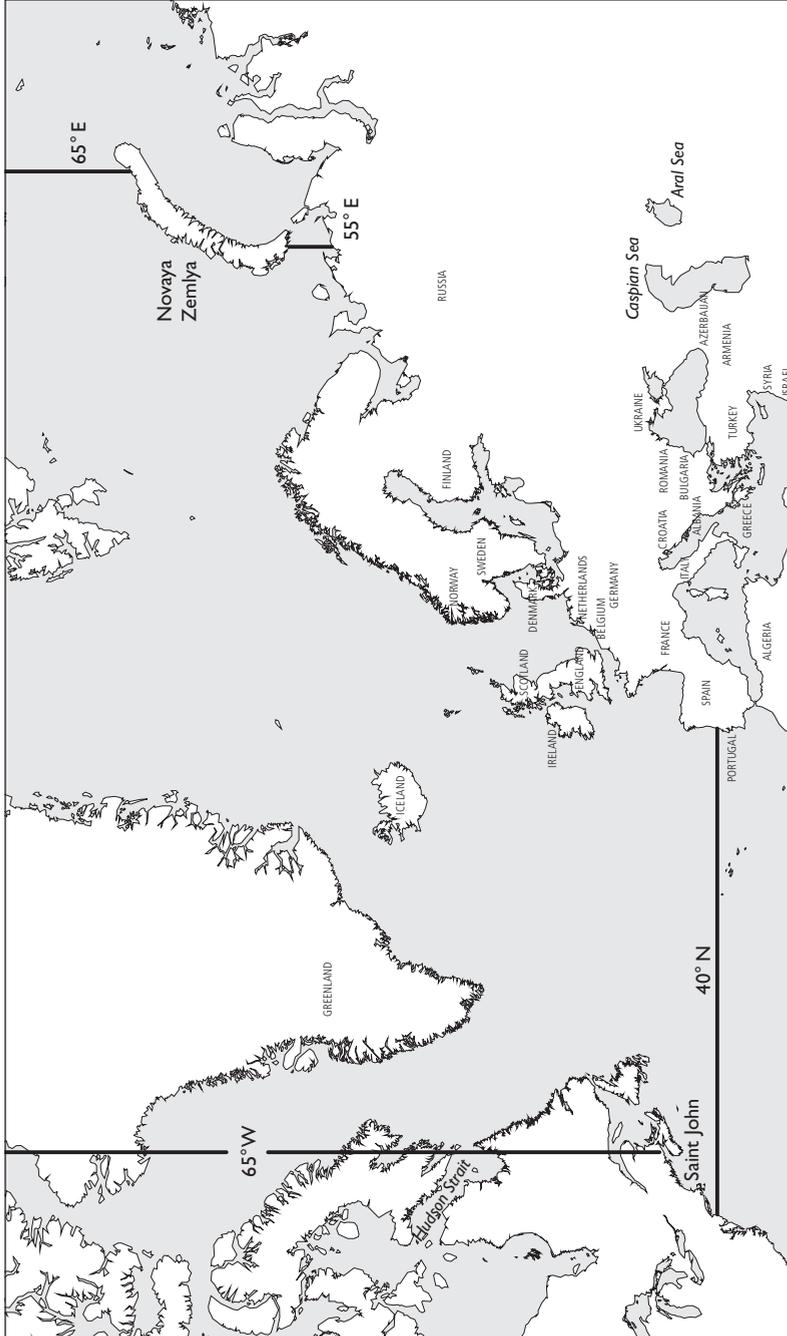
Waters south of 40° north latitude (Map No. 5).

Waters east of 55° east longitude south of Novaya Zemlya and 65° east longitude north of Novaya Zemlya (Map No. 6).

Waters west of 65° west longitude north of Saint John and 75° west longitude south of Saint John (Map No. 7).

Waters with open/scattered drift ice concentration (4/10-6/10) or higher as shown on current ice charts issued by The Norwegian Meteorological Institute.

Clause 17-3. Trading areas for fishing vessels – Map No. 5



**Clause 17-3. Trading areas for fishing vessels - Eastern Limit
– Map No. 6**



**Clause 17-3. Trading areas for fishing vessels - Western Limit
– Map No. 7**

