

Our Ref: UKWR C1-2023

20 January 2023

TO THE MEMBERS

Dear Sirs

**RENEWAL OF THE ASSOCIATION'S COVER FOR THE POLICY YEAR
COMMENCING 20 FEBRUARY 2023**

We are writing to advise Members of the decisions made by the Directors of the Association and UK P&I Club N.V. ("UKNV") on the rates, terms and conditions for the 2023 Policy Year.

Key points:

- **Advance Contribution rates for 2023 to remain as per 2022.**
- **A Discretionary Continuity Credit will be made to renewing Members who have maintained their entry for the entire 2022 Policy Year.** A total of US\$2.625 million will be paid from reserves, and each Member's total return will be determined by their insured values. See page 3 of this Circular for further details.
- **Cover for ships calling to the Russia, Ukraine and Belarus Additional Premium areas is changing due to a significant reduction in capacity in the treaty reinsurance market.** Please see page 4 of this Circular for further details.
- All **Rule changes** proposed at the Association's Annual General Meeting on 18 October 2022 were agreed. Please see pages 14-16 of this Circular for further details.
- **Optional War Loss of Hire cover will continue to be offered.** Please see pages 6, 10 & 11 of this Circular for further details.
- **Contraband / Drug seize cover will continue to be offered.** This optional insurance covers loss of hire when a ship is detained or seized, when drugs or other contraband are discovered on board. Please see pages 7, 12 & 13 of this Circular for further details.
- **The Chemical, Biological, Bio-Chemical and Electromagnetic Weapon and Radioactive Contamination and Nuclear Risks Exclusion Clauses** will not apply to the first US\$50 million of claims in the annual aggregate across the membership.
- **The Computer Virus Exclusion Clause** will not apply to the first US\$50 million of claims in the annual aggregate across the membership.
- Cover incorporates LMA5395, the **Coronavirus Exclusion Clause**, which is outlined on page 5 of this Circular.

Members are reminded that under the fronting arrangement between the Association and UKNV, the latter will issue contracts of insurance for ships which are flagged in EEA countries. The Association’s [Circular C4-2020](#) contains further details.

ADVANCE CONTRIBUTIONS

At their meeting on 18 January 2023, the Directors reviewed the financial position of the Club including the performance of the current Policy Year, and decided on the rates for the 2023 Policy Year. They agreed that the Advance Contribution rates should remain at the same level as in 2022; a similar decision was also taken by UKNV, which will underwrite all EEA risks. From Noon GMT 20 February 2023, the rates will therefore be as follows:

Entered ships qualifying for Government reinsurance – WW1

Passenger Cruise Ships	Other Ships
Worldwide trading 0.0081%	Worldwide trading 0.0032%

Entered ships not qualifying for Government reinsurance – WW2

Passenger Cruise Ships	Other Ships
Worldwide trading 0.009%	Worldwide trading 0.0036%

The Directors also decided that:

- the Advance Contribution rates will be discounted by 50 per cent in respect of insurance under Rule 3 (Freight, disbursements and/or increased value, premiums and/or other interests).
- the Advance Contribution rates will be discounted by 50 per cent for ships which trade exclusively for the whole Policy Year within one of the following “restricted trading” areas:
 - USA and Canada, excluding Panama Canal transits
 - Australasia
 - Europe, not south of Gibraltar and excluding Mediterranean and Black Sea.
- the Advance Contribution rates will be increased by 50 per cent for those ships requiring Blue Cards for war and terrorism risks as required by Regulation (EC) No 392/2009 (Passenger Liability Regulation (“PLR”)) and/or the 2002 protocol to the Athens Convention. Members will need to specifically apply for this cover.
- the Advance Contribution will be called pro rata daily and will be payable in one instalment, debited on 20 February 2023.

The Directors will keep the level of contribution under review during the Policy Year.

DISCRETIONARY CONTINUITY CREDIT

The Directors have decided that at this renewal, notwithstanding a difficult year for investments, due to the strength of our capital position a return to the membership will be made by way of payment of a Discretionary Continuity Credit on the following basis:

A total of US\$2.625 million will be returned to Members who have maintained an entry throughout the 2022 Policy Year and whose entries are renewed and maintained in full for the 2023 Policy Year. The Discretionary Continuity Credit will be determined by reference to Members' individual insured values and is not otherwise linked to the level of premiums paid by each Member. The Managers will be contacting Members regarding the level of their return on an individual basis.

BROKERAGE/COMMISSION

Advance Contribution

If ships are entered in the Association through a broker, brokerage of 20 per cent will be payable on the Advance Contribution rates listed above, less any allowances for Rule 3 or restricted trading discounts. If ships are entered in the Association directly, commission of 20 per cent, calculated on the same basis, will be payable to the Member. The Advance Contribution rates listed above are shown before the application of 20 per cent brokerage / commission.

Additional Premiums

Where Additional Premiums are placed on the Association's main reinsurance contract, a discount of 30 per cent will be payable. If the ships are entered in the Association through a broker, the discount will be payable to the broker. If the ships are entered in the Association directly, the discount will be payable to the Member.

THE COVER

Maximum Sum Insured

In accordance with Rule 20, the maximum amount for which any one ship or the interests therein may be insured by the Association is USD 1,000,000,000 or the equivalent in other acceptable currencies, to be determined by USD rates of exchange published in the Financial Times on 20 February 2023, other than for Russia, Ukraine and Belarus.

Please see below for maximum sums insured for Russia, Ukraine and Belarus.

Protection and Indemnity Cover

Other than for Russia, Ukraine and Belarus, the cover for all P&I claims including claims in respect of oil pollution shall be a maximum of USD 500,000,000 or the equivalent in other acceptable currencies, to be determined by USD rates of exchange published in the Financial Times on 20 February 2023, but SDR 340 million any one vessel in respect of liability arising from the PLR and/or 2002 protocol to the Athens Convention, provided that the Managers have agreed an application for such cover as is required by the PLR / 2002 Protocol.

The above limit is per each accident or occurrence. This cover is provided under Rule 2 Part C.

Please see below for maximum sums insured for Russia, Ukraine and Belarus.

Russia, Ukraine & Belarus

Market wide losses suffered across the international treaty reinsurance market during 2022 from the Russia/Ukraine conflict have led to a significant reduction in capacity in the marine war reinsurance market for the Russia, Ukraine, Belarus ('RUB') Additional Premium areas for the 2023 Policy Year.

The Association is seeking to obtain reinsurance cover for ships calling to these areas, but as a consequence of the changes in the treaty reinsurance market, this is likely to be subject to lower sub-limits than the rest of the cover. The Association is aiming to obtain cover on the following basis:

Limit US\$125,000,000 (inclusive of WLOH/CLOH) per ship plus US\$125,000,000 War P&I per ship, subject to the successful completion of the Association's Reinsurance placement for RUB. Members who may be impacted by these sub-limits should contact the Managers to discuss further.

The usual procedures for notifying the Managers of the intention to call to these AP areas, and the existing due diligence and sanctions checking requirements remain unchanged.

Members are reminded that, as per Rule 29, for any AP calls not insured through the Association, the Association must be informed in advance of the call so that cover can be suspended in the usual manner. This applies to all AP areas, including Russia, Ukraine and Belarus.

ISPS Compliance Clause

The terms and conditions of insurance of every Member shall incorporate and be subject to the following ISPS Compliance Clause:

ISPS Code Compliance Warranty (to be read in conjunction with Rule 4E.2.3)

Unless otherwise agreed in writing between the Insured Owner and the Managers, the Insured Owner warrants that he shall comply with all statutory requirements of the state of the Entered Ship's flag relating to the International Ship & Port Facility Security Code ("the ISPS Code")

PROVIDED ALWAYS that:-

- (i) neither this clause nor Rule 4E.2.3 shall apply if the Insured Owner shall prove that the failure to comply with any statutory requirements of the state of the Entered Ship's flag relating to the ISPS Code and/or the failure at all times to maintain the validity of any statutory certificates issued by or on behalf of the Entered Ship's flag in relation to the ISPS Code arose without the fault of the Insured Owner or the managers of the Entered Ship; and
- (ii) the Directors may authorise payment of a claim, either in whole or in part, which would otherwise be excluded by the provisions of this clause, if in all the circumstances the Directors shall in their sole discretion see fit.

AMENDMENTS TO THE ASSOCIATION'S RULES

Members are asked to note that the changes to the Association's Rules proposed at the Annual General Meeting on 18 October 2022 were adopted. Please see the summary at Appendix C to this Circular.

CLARIFICATION OF COMPUTER VIRUS EXCLUSION (RULE 4D.7 REFERS)

The Managers wish to advise that the exclusion within Rule 4D.7 relating to computer viruses shall not operate to exclude or limit losses (which would otherwise be covered under the terms of this policy) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.

For the 2023 Policy Year, the exclusion clause will include the following provision:

“1.3 To the extent not excluded by this clause any loss otherwise covered by this policy will not be prejudiced by the involvement of the use or operation of any computer, computer system, computer software programme or any other electronic system.”

CORONAVIRUS EXCLUSION CLAUSE

For the 2023 Policy Year, the terms and conditions of insurance of every Member shall incorporate and be subject to the following Coronavirus Exclusion Clause:

This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith.

This insurance excludes coverage for:

- 1) any loss, damage, liability, cost, or expense directly arising from the transmission or alleged transmission of:
 - a) Coronavirus disease (COVID-19);
 - b) Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2); or
 - c) any mutation or variation of SARS-CoV-2;
- or from any fear or threat of a), b) or c) above;
- 2) any liability, cost or expense to identify, clean up, detoxify, remove, monitor, or test for a), b) or c) above;
- 3) any liability for or loss, cost or expense arising out of any loss of revenue, loss of hire, business interruption, loss of market, delay or any indirect financial loss, howsoever described, as a result of any of a), b) or c) above or the fear or the threat thereof.

All other terms, conditions and limitations of the insurance remain the same.

OPTIONAL ADDITIONAL COVER

War Risks Loss of Hire Insurance

The Association will continue to offer War Loss of Hire Insurance for the 2023 Policy Year. This is an optional additional insurance, which Members will specifically need to request. It is offered under Rule 2 Part G and subject to the wording set out in Appendix A to this Circular, the Rules otherwise remaining unchanged. Application forms are available from the Managers.

Annual premium rates will be the same as the gross Advance Contribution rates set out on the second page of this Circular and will be calculated on the total sum insured for loss of hire.

Coverage will, unless otherwise requested, be for 90 days at the declared daily rate any one occurrence, limited to 90 days in any one Policy Year with longer (or shorter) periods available on application.

Members are asked to note that War Loss of Hire has two sections:

Section A: War Loss of Hire from Physical Damage: this responds in the event of physical damage from a covered war peril;

and

Section B: War Loss of Hire - Special Risks: this responds without the need for physical damage but only to capture, seizure, arrest, restraint or detainment (or attempt thereat) by:

- (a) any terrorist or any person acting maliciously or from a political motive, or
- (b) piracy, barratry or violent theft by persons from outside the Entered Ship.

Therefore, 'Section B: War Loss of Hire - Special Risks' does not respond to ships captured, seized, arrested, restrained or detained due to a war, such as seen for the ships trapped in Ukraine. However, the Association's Detention cover under Rule 2B would respond in these circumstances."

In non-Additional Premium areas, cover extends to Section B risks (which include piracy risks), whether or not a ship has suffered damage necessitating time off-hire for repairs.

For loss of hire Additional Premium, Members can elect whether to maintain this Section B cover or exclude Section B cover at a lower rate.

A 7 day deductible will apply (0 days for Section B risks).

Depending on the area, Additional Premium declarations which include Section B risks will be charged at either the ship's hull value or a rate 2.5 times that levied on the ship's hull value. Members should see [Circular C2-2019](#) for further details. Should Members wish the Additional Premium declarations to exclude Section B risks then the rate will be the same rate as that levied on the ship's hull value. Annual cover must be purchased for Additional Premium cover to be available.

Members who wish to purchase this additional coverage should contact the Managers in the normal manner, advising the number of days' cover required and the daily indemnity rate. There will be a maximum combined single limit of USD 1,000,000,000 for hull, hull interests and loss of hire amounts (other than for Russia, Ukraine and Belarus, where the limits shall be as above).

Members are asked to note that no commissions will be allowed on loss of hire premiums, whether on Advance Contribution amounts, or for Additional Premiums.

Contraband / Drug seize cover

The Association will also offer insurance which covers hire lost when a ship is detained or seized when drugs, or other contraband, are discovered on board. This is an optional additional insurance, offered under Rule 2 Part G. The cover wording can be found at Appendix B to this Circular. Members who are interested in purchasing this cover should contact the Managers for further details. The cover is available on a stand-alone basis and Members do not have to purchase war loss of hire cover to purchase this additional cover.

ADDITIONAL PREMIUM AREAS AND PREMIUMS

The Additional Premium Areas, which have been determined by the Directors under Rule 19.3, are shown below. Additional Premiums to be charged for calls to Additional Premium Areas should be agreed with the Managers.

Additional Premium Areas

In accordance with Rule 19 the following places, countries, zones and areas (whether land or sea) shall continue to be Additional Premium Areas with effect from Noon GMT 20 February 2023.

(note: **bold** headings are for ease of reference only)

The ports, places, countries, zones and areas listed shall include all harbours, offshore installations and terminals unless otherwise stated.

Africa

Benin

Cabo Delgado – the waters within 50 nautical miles of Mozambique and Tanzania enclosed by the following boundaries:

To the north, from Mnazi Bay at 10°19.6'S, 40°18.9'E to high seas point at 9°50.7'S, 41°7.6'E.

To the south, from Baía do Lúrio at 13°30'S, 40°31.6'E to high seas point 13°30'S, 41°28.8'E.

Gulf of Guinea, but only in respect of the area enclosed by:

On the west, from the coast of Togo 6° 06'45" N, 1°12'E, south to

High seas point 0° 40'S, 3° 00' E

And then east to Cape Lopez Peninsula, Gabon 0°40'S, 8° 42'E.

Libya

Nigeria

Somalia

Togo

Europe

Sea of Azov and Black Sea waters plus inland waters as defined below:

1) Sea of Azov and Black Sea waters enclosed by the following boundaries:

- a) On the west, around Romanian waters, from the Ukraine-Romania border at 45° 10.858'N, 29° 45.929'E to high seas point 45° 11.235'N, 29° 51.140'E
- b) thence to high seas point 45° 11.474'N, 29° 59.563'E and on to high seas point 45° 5.354'N, 30° 2.408'E
- c) thence to high seas point 44° 46.625'N, 30° 58.722'E and on to high seas point 44° 44.244'N, 31° 10.497'E
- d) thence to high seas point 44° 2.877'N, 31° 24.602'E and on to high seas point 43° 27.091'N, 31° 19.954'E
- e) and then east to the Russia-Georgia border at 43° 23.126'N, 40° 0.599'E

2) All inland waters of Ukraine

3) Inland waters of Russia within the following areas:

- a. Crimean Peninsula
- b. River Don, from Sea of Azov to vertical line at 41° E
- c. River Donets, from River Don to Ukraine border

4) All inland waters of Belarus south of horizontal line at 52° 30' N

Middle East

- Iran
- Iraq
- Israel
- Lebanon
- Oman (Musandam Governorate)

Persian or Arabian Gulf and adjacent waters including the Gulf of Oman and waters west of the line from Oman's territorial limit off Cape al-Hadd at 22°42.5'N, 59°54.5'E northeast to the Iran-Pakistan border at 25°10.5'N, 61°37.5'E excepting coastal waters of adjoining territories up to 12 nautical miles offshore unless otherwise provided.

- Saudi Arabia (Gulf Coast)
- Saudi Arabia (Red Sea Coast) excluding transits
- Syria
- United Arab Emirates
- Yemen

Russia

- Russia

South America

Venezuela

Indian Ocean / Arabian Sea / Gulf of Aden / Gulf of Oman / Southern Red Sea Transits

The waters enclosed by the following boundaries:

On the north-west, by the Red Sea, south of Latitude 15° N

On the northeast, from the Yemen border at 16°38.5'N, 53°6.5'E to high seas point 14°55'N, 53°50'E

On the east, by a line from high seas point 14°55'N, 53°50'E to high seas point 10°48'N, 60°15'E, thence to high seas point 6°45'S, 48°45'E

And on the southwest, by the Somalia border at 1°40'S, 41°34'E, to high seas point 6°45'S, 48°45'E

All areas above excepting coastal waters of adjoining territories up to 12 nautical miles offshore unless otherwise provided, and subject to the conditions that the Entered Ship does not approach within 50 nautical miles of the north coast of Somalia, or within 100 nautical miles of the Socotra Archipelago, or within 200 nautical miles of the east coast of Somalia.

The named countries shall include their coastal waters up to 12 nautical miles offshore, unless specifically varied above. The named ports shall include all facilities/terminals within areas controlled by the relevant port authority/ies (as or may be more precisely defined) including offshore terminals/facilities and all waters within 12 nautical miles of such but not exceeding 12 nautical miles offshore unless specifically stated.

Members' attention is drawn to the terms of Rule 29 (Additional Premiums). The Owner of an Entered Ship is required to give the Association written notice before an Entered Ship proceeds to an AP Area. If notice is not given as required, the Entered Ship has no cover while in the AP Area. The notices required under Rule 29 should be given to the Managers by email to ukwr@thomasmiller.com.

Yours faithfully

THOMAS MILLER WAR RISKS SERVICES LIMITED
Managers

Copies of this Circular and other publications, including the Association's Rules, can be viewed and/or downloaded from the Association's website at www.ukwarrisks.com

**APPENDIX A TO THE ASSOCIATION'S CIRCULAR C1
dated 20 January 2023**

**War Risks Loss of Hire Insurance
under Rule 2 Part G "Optional Additional Insurance"**

1. The cover provided by the Insurance is subject to the terms and conditions set out in paragraphs 1 to 17 inclusive and is divided into two sections, section A and section B.

Section A

2. This part of the Insurance shall indemnify the Owner if, in consequence of damage to the Entered Ship covered under the Rules of the Association, the Entered Ship be wholly or partly deprived or prevented from earning hire or reward for a period in excess of 7 consecutive periods of 24 hours in respect of any one occurrence provided that:-

(i) such damage to the Entered Ship occurs during the period of entry of the ship in the Association; and

(ii) repairs if actually carried out in respect of damage are completed within twelve months of the expiry of this Insurance.

3. In such circumstances the Association shall indemnify the Owner for each 24 hour period or part thereof during which the Entered Ship is so deprived or prevented, not exceeding a further [to be agreed] days in respect of any one occurrence or in the aggregate.

4. This part of the Insurance will not indemnify the Owner in respect of any period during which the Entered Ship is captured, seized, arrested, restrained or detained as a result of any terrorist or any person acting maliciously or from a political motive, piracy or violent theft by persons from outside the Entered Ship.

5. The Owner shall effect, or cause to be effected, all repairs (temporary or permanent) with due diligence and dispatch. The Association shall have the right to require the Owner to incur any expense which would reduce the Association's liability under this part of the Insurance, provided such expense is for the Association's account.

Section B

6. If, during the period covered by this Insurance, the Entered Ship is delayed by reason of capture, seizure, arrest, restraint or detention, or any attempt thereat by:

(a) any terrorist or any person acting maliciously, or from a political motive, or

(b) piracy, barratry or violent theft by persons from outside the Entered Ship

this Insurance will pay, subject to the terms which follow, the amounts set out below in respect of any delay caused by such an event.

7. Subject to the Managers' agreement, the daily sum recoverable under this part of the Insurance shall be USD [to be agreed] per day whether the Entered Ship is on charter or not.

8. This part of the Insurance shall cover a maximum of [to be agreed] days, or such other period as the Managers agree, resulting from any one occurrence or in the aggregate during the period of this Insurance.

9. Where the Entered Ship is under time charter the period covered by this part of the Insurance shall commence at the time and date of the period for which Charter Hire ceases to be paid by the Entered Ship's time charterers.

10. The Association will be entitled to any Charter Hire in respect of the period for which a claim has been paid by the Association under this part of the Insurance which is received by the Owner after payment of the claim by the Association.

11. If an Owner is entitled to claim Charter Hire from any time charterer for the period in respect of which the claim is made under this part of the Insurance the Association shall be entitled to exercise rights of subrogation in respect of such hire and the Owner shall assign its rights thereto to the Association.

12. This part of the Insurance may be reinstated subject to the approval of the Managers.

13. There shall be no recovery under this part of the Insurance if the event in respect of which a claim would otherwise arise also results in the Entered Ship becoming an actual or constructive total loss under the Rules of the Association. In the event that a claim under this part of the Insurance has been paid prior to the Entered Ship becoming an actual or constructive total loss there shall be deducted from any claim in respect of the actual or constructive total loss a sum equivalent to any claim paid under this part of the Insurance.

14. The provisions of Rule 4E.15 shall not apply to this part of the Insurance.

Terms applicable to both Section A and Section B cover

15. This Insurance is subject to the Association's Rules, unless expressly stated otherwise in this document, including, but not limited to, the submission by the parties to the jurisdiction of the English High Court of Justice in accordance with the terms of Rule 46 – "Disputes" in respect of any dispute or difference between the Owner and the Association.

16. The Association hereby gives notice under Rule 17 – "Notice of Termination" that the Insurance shall not continue from Policy Year to Policy Year but shall terminate at noon G.M.T. on 20 February 2024 unless otherwise agreed by the Managers.

17. In this document "Insurance" shall mean the insurance as set out in paragraphs 1 to 17 inclusive; and the words "Owner", "Entered Ship", "Association" and "Policy Year" shall bear the meanings set out in the Definitions of the Association's Rules.

Explanatory Note – not forming part of the terms of the War Risk Loss of Hire Insurance

The insurance provided by this additional insurance is subject to the Rules of the Association including those relating to the declaration of Additional Premium Areas. Where an Additional Premium Area is declared, the Association is likely to impose different additional premiums for Section A and Section B cover. Members may, in accordance with the Rules of the Association, give notice of suspension of insurance in respect of either Section A or Section B cover and pay the Additional Premium to maintain whichever Section of the additional insurance they wish to preserve. Notice of suspension could also be given for both Sections if Members wish.

**APPENDIX B TO THE ASSOCIATION'S CIRCULAR C1
dated 20 January 2023**

**Contraband Loss of Hire Insurance
Under Rule 2 Part G "Optional Additional Insurance"**

1. The cover provided by this insurance is subject to the terms and conditions set out in paragraphs 1 to 18 inclusive. Cover is provided on a worldwide basis and, for this insurance only, includes cover in Additional Premium Areas within the annual premium chargeable hereunder.

2. If, in consequence of the discovery, or suspicion, of the presence on board of Contraband but excluding illegal or unlicensed military, security and paramilitary goods, equipment, arms, ammunition and related material belonging to, or in the possession of, armed security engaged by the Owner or charterer, the Entered Ship is delayed during the period covered by this insurance by reason of seizure, arrest, restraint, detainment or confiscation, or any attempt thereat, by any:

- (i) Government, public or local authority, or
- (ii) port or customs authority

this insurance will pay, subject to the terms which follow, the amounts set out below in respect of any delay caused by such an event.

3. Subject to the Managers' agreement, the daily sum recoverable under this insurance shall be USD [to be agreed] per day whether the Entered Ship is on charter or not.

4. The insurance shall cover a maximum of 90 days' delay, or such other period as the Managers agree, resulting from any one occurrence or in the aggregate during the period of this insurance.

5. Where an Owner is entitled to recover a daily sum by reason of events set out in clause 2 he shall, in addition, be entitled to recover any costs or expenses which are directly caused by such events up to an amount equivalent to the maximum limit of cover provided in respect of delay, such expenses to include but not be limited to the costs of transshipment, crewing (including repatriation and substitution expenses), bunkers, demurrage, warehousing, substitute chartering, cargo liabilities, legal expenses, port expenses and the cost of providing security (such as letter of credit charges) to obtain the release of a vessel but excluding:

- (i) any fines, penalties or other impositions,
- (ii) any sum paid in consideration of or for the release of the Entered Ship, and
- (iii) any cost or expense which is recoverable from any other insurance or would be recoverable in circumstances set out in Rule 4E.9 – "Double Insurance".

6. Where the Entered Ship is under time charter the period covered by this insurance shall commence at the time and date of the period for which charter hire ceases to be paid by the Entered Ship's time charterers.

7. The Association will be entitled to any charter hire in respect of the period for which a claim has been paid by the Association under this insurance in respect of delay which is received by the Owner after payment of the claim by the Association.

8. If an Owner is entitled to claim charter hire from any time charterer for the period in respect of which the claim is made under this insurance, the Association shall be entitled to exercise rights of subrogation in respect of such hire and the Owner shall assign its rights thereto to the Association.

9. This insurance may be reinstated subject to the approval of the Managers.

10. There shall be no recovery under this insurance if the event in respect of which a claim would otherwise arise also results in the Entered Ship becoming an actual or constructive total loss under the Rules of the Association. In the event that a claim under this insurance has been paid prior to the Entered Ship becoming an actual or constructive total loss there shall be deducted from any claim in respect of the actual or constructive total loss a sum equivalent to any claim paid under this insurance.

11. There shall be no recovery under this insurance if the Owner, or any of the Owner's managers, superintendents or shore management knew of, or is successfully prosecuted as being knowingly involved in, the carriage of Contraband which led to the seizure, arrest, restraint, detainment or confiscation referred to in paragraph 2 above. In the event that a claim under this insurance has been paid prior to the establishment of such knowledge or prior to the successful prosecution, the amount paid by the Association will be repayable by the Owner.

12. It is warranted that where the Entered Ship is newly acquired, newly bareboat chartered or redelivered, the Owner will search the ship for Contraband immediately on acquisition, delivery or redelivery.

13. It is warranted that the Owner shall take all reasonable steps to prevent the Entered Ship or its cargo being used for the purpose of carrying Contraband.

14. It is warranted that the Owner is signatory either to the Sea Carrier Initiative Agreement or the Customs-Trade Partnership Against Terrorism agreement with the United States of America's Customs Authorities unless the Managers otherwise agree.

15. The provisions of Rules 4E.5 – "Seizure by a country where the Entered Ship is owned, registered or managed", 4E.4 – "Fines, Penalties etc", 4E.7 – "Ordinary Judicial Process" and 29 – "Additional Premiums" shall not apply to this insurance.

16. This insurance is subject to the Association's Rules, unless expressly stated otherwise in this document, including, but not limited to, the submission by the parties to the jurisdiction of the English High Court of Justice in accordance with the terms of Rule 46 – "Disputes" in respect of any dispute or difference between the Owner and the Association.

17. The Association hereby gives notice under Rule 17 – "Notice of Termination" that the insurance shall not continue from Policy Year to Policy Year but shall terminate at noon G.M.T. on 20 February 2024 unless otherwise agreed by the Managers.

18. In this document "insurance" shall mean the insurance as set out in paragraphs 1 to 18 inclusive; "Contraband" shall mean any object, including drugs, which is unlawful to import, export, produce or possess; and the words "Owner", "Entered Ship", "Association", "Managers" and "Policy Year" shall bear the meanings set out in the Definitions of the Association's Rules, and "Additional Premium Area" shall bear the meaning set out in Rule 19 – "Constitution of Additional Premium Areas" of the Association's Rules.

**APPENDIX C TO THE ASSOCIATION'S CIRCULAR C1
dated 20 January 2023**

**Amendments to the Association's Rules agreed at the Annual General Meeting
held on 18 October 2022**

1) References in the Rules to Queen's Enemy Risks

References in the Rules to Queen's Enemy Risks and Q.E.R. premiums are replaced with King's Enemy Risks and K.E.R premiums.

2) References in the Rules to the Secretary of State for Transport

References in the Rules to Secretary of State for Transport are replaced with the Board of Trade wherever it appears.

3) Rule 4D.8 (Notice of Cancellation and Automatic Termination of Cover)

The new Rule is set out below with amendments ~~struck through~~ in bold:

4D.8.2 Whether or not notice of cancellation has been given under Rule 4D.8.1, cover provided by Rule 2 Parts A, B, C, E, F and G, by Rule 3 and by reason of an Entered Ship being accepted under Rule 4A.2 shall terminate ~~at the expiry of the periods set out in Rules 5A.4.1 to 5A.4.4~~ automatically upon the outbreak of war (whether there be a declaration of war or not) between any of the following countries:

the United Kingdom, the United States of America, France, the Russian Federation, the People's Republic of China.

4) Rule 4D.9 (Sanctions Exclusion and Limitation)

The new Rule is set out below with amendments in **bold underlined**:

4D.9 Sanctions Exclusion and Limitation

4D.9.1 The Association shall not provide insurance for any losses, damages, liabilities, costs or expenses, be liable to pay any claim or provide any benefit whatsoever to the extent that:

4D.9.1.1 the provision of such insurance; or

4D.9.1.2 the payment of any such claim; or

4D.9.1.3 the provision of any such benefit would result in the Association being in breach of any sanction, prohibition or restriction made under any resolution of the United Nations or under any trade or economic sanctions, laws or regulations of the European Union, the United Kingdom of Great Britain and Northern Ireland or the United States of America.

4D.9.2 Whenever so determined by the Managers and without prejudice to any other provision of these Rules, it shall be a condition precedent to the Association being liable for any claim otherwise payable under these Rules that the Insured Owner demonstrates that the original payment or incurring of liability for the losses, liabilities, costs or expenses for which

indemnification is sought under these Rules would not amount to a breach of any sanction, prohibition or restriction made under any resolution of the United Nations or under any trade or economic sanctions, laws or regulations of the European Union, the United Kingdom of Great Britain and Northern Ireland or the United States of America.

4D.9.3 The condition precedent in Rule 4D.9.2 applies irrespective of whether the Insured Owner was in fact subject to such sanctions, prohibitions or restrictions.

4D.9.4 Notwithstanding, and without prejudice to, any other provisions of these Rules, the Directors may terminate the insurance of an Owner in respect of any and all ships entered by him or on his behalf where, in the opinion of the Directors, the Owner has exposed or may expose the Association to a risk of being or becoming subject to a sanction, prohibition, restriction made under any resolution of the United Nations or under any trade or economic sanctions, laws or regulations of the European Union, the United Kingdom of Great Britain and Northern Ireland or the United States of America.

5) Rule 16 (Variation of Contract)

The new Rule is set out below with amendments in **bold underlined**:

16 Variation of Contract

16.1 If before the end of any Policy Year these Rules shall have been altered in any respect which affects the terms and conditions of the policy or contract of insurance between the Insured Owner and the Association, then such alteration shall be binding upon the Insured Owner and for all purposes take effect as from the commencement of the next ensuing Policy Year.

16.2 If the Managers shall have given notice not later than noon G.M.T. on the 20th January in any Policy Year that for the next ensuing Policy Year they require some change to be made in the terms or conditions of entry, including, but not limited to, the application of a deductible to claims arising under the cover afforded by Rule 2 Parts A, B, C, E, F and G, or Rule 3 or Rule 4A.2, or any one or more or any part of them, unless the claim results from an actual total loss or a constructive total loss, then the insurance of the Entered Ship for the next ensuing Policy Year shall continue upon the existing terms varied in accordance with the terms of the said notice, unless the Insured Owner shall notify the Managers in writing before noon G.M.T. on the 20th February next following the date of the said notice that he is not willing to accept such terms, whereupon the insurance of the Entered Ship shall cease at the end of the Policy Year during which the said notice was given by the Managers.

16.3.1 If before the end of any Policy Year these Rules shall have been altered in any respect which affects the terms and conditions of the contract of insurance between the Owner and the Association, then such alteration shall be binding upon the Owner and for all purposes take effect as from the commencement of the next ensuing Policy Year.

16.3.2 Notwithstanding the provisions of sub-paragraph 16.3.1 above, where, in the opinion of the Directors, there occurs or may occur a material change in the risks to the Association or the cover provided by it, either as a result of the implementation of new legislation or for any other reason whatsoever, the Association may alter the Rules in accordance with Article 10 of the Articles and decide that such alteration shall take effect during the Policy Year on no less than 30 days' notice.

6) Rule 17 (Notice of Termination)

The new Rule is set out below with amendments in **bold underlined**:

Rule 17 Notice of Termination

17.1 The insurance of any Entered Ship may be terminated in the following manner:

17.1.1 the Managers in their discretion and without giving any reason may give a written notice of termination to any Insured Owner not later than noon G.M.T. on the 20th January in any year;

17.1.2 an Insured Owner in his discretion and without giving any reason may give a written notice of termination to the Association not later than noon G.M.T. on the 20th January in any year.

17.2 If a notice shall have been given pursuant to Rule 17.1, the period of insurance shall terminate at noon G.M.T. on the 20th February immediately following such notice. Save with the agreement of the Managers, **and without prejudice to Rule 17.3** an Entered Ship may not be withdrawn from the Association nor may any notice of termination be given at any other time.

17.3 Without prejudice to Rule 17.1 and Rule 17.2, the Directors may at any time and without stating a reason terminate the Owner's insurance on 30 days' written notice, given not later than 30 days before the expiry of the period of insurance specified in Rule 15.