

Joint Stock Insurance Company “INGOSSTRAKH”

12/12/17

## **SHIPOWNERS’ LIABILITY INSURANCE RULES**

## TABLE OF CONTENTS

<b>PART I</b>	<b>DEFINITIONS</b>
<b>PART II.</b>	<b>GENERAL STIPULATIONS</b>
<b>PART III.</b>	<b>RISKS COVERED</b>
<b>Division 1</b>	<b>Standard Cover</b>
<i>Section 1.1</i>	Liability to persons other than crewmembers of the Insured ship
<i>Section 1.2</i>	Injury and death resulting from injury of crewmembers of the Insured ship
<i>Section 1.3</i>	Illness and death resulting from illness of crewmembers of the Insured ship
<i>Section 1.4.</i>	Repatriation and substitute expenses
<i>Section 1.5.</i>	Loss of or damage to the effects of crewmembers and other persons (other than passengers)
<i>Section 1.6.</i>	Shipwreck unemployment indemnity
<i>Section 1.7.</i>	Diversion expenses
<i>Section 1.8.</i>	Stowaways and refugees
<i>Section 1.9.</i>	Life salvage
<i>Section 1.10.</i>	Collision with other ships
<i>Section 1.11.</i>	Loss of or damage to property
<i>Section 1.12.</i>	Pollution risks
<i>Section 1.13.</i>	Liability arising out of towage of or by the Insured ship
<i>Section 1.14.</i>	Liability arising under certain contracts for rendering services to the Insured ship
<i>Section 1.15.</i>	Wreck liabilities
<i>Section 1.16.</i>	Quarantine expenses
<i>Section 1.17.</i>	Cargo liabilities
<i>Section 1.18.</i>	Property on the Insured ship
<i>Section 1.19.</i>	Unrecoverable general average contributions
<i>Section 1.20.</i>	Ship's proportion of general average not recoverable under the hull policies
<i>Section 1.21.</i>	Special compensation to salvors
<i>Section 1.22.</i>	Legal claims for payment lodged by state competent authorities
<i>Section 1.23.</i>	Sue and labour costs, legal and enquiry expenses
<b>Division 2.</b>	<b>Special cover</b>
<i>Section 2.1.</i>	Charterer's liabilities
<i>Section 2.2.</i>	Salvage by the Insured ship
<i>Section 2.3.</i>	Drilling or oil or gas production operations
<i>Section 2.4.</i>	Dredging, pile driving, laying cables or pipes
<i>Section 2.5.</i>	War risks

- Section 2.6.* Cargo liabilities in case of breach of the contract of carriage (deviation)
- Section 2.7.* Freight, demurrage and defense
- Section 2.8.* Costs and expenses arising out of confiscation of the Insured ship
- Section 2.9.* Costs and expenses arising out of shipping of military cargoes
- Section 2.10.* Insurance of repatriation expenses of crewmembers of the Insured vessel in accordance with provisions of the Maritime Labour Convention, 2006.

**Division 3. General exclusions from the cover under Divisions 1 and 2 of Part III of these Rules**

**PART IV. CONCLUSION OF THE CONTRACT OF INSURANCE**

- Section 4.1* Application for insurance
- Section 4.2* Surveys of ships
- Section 4.3* Double insurance
- Section 4.4.* Contract of insurance. Insurance Policy
- Section 4.5.* Variation of risk within the period of validity of the contract of insurance
- Section 4.6.* Addendum to the insurance policy
- Section 4.7.* Currency of insurance
- Section 4.8.* Period of insurance
- Section 4.9.* Territory of insurance
- Section 4.10.* Premium payment procedure
- Section 4.11.* Consequences of failure to pay premium
- Section 4.12.* Termination of the contract of insurance
- Section 4.13.* Early termination of the contract of insurance

**PART V. RELATIONSHIPS BETWEEN THE PARTIES IN HANDLING AND SETTLEMENT OF CLAIMS**

- Section 5.1* Notification of the insurer of the events provided for by the contract of insurance
- Section 5.2* Prevention and reducing of losses arising out of the event insured
- Section 5.3* The Insurer's rights in handling and settlement of claims
- Section 5.4.* Acknowledgment by the Insured of the Insured's liability for damage caused to third parties, the Insured's consent to settle and pay claims

**PART VI. INSURANCE REIMBURSEMENT**

- Section 6.1* Conditions for effecting insurance reimbursement
- Section 6.2* Procedure for effecting insurance reimbursement
- Section 6.3* Return to the Insurer of reimbursement recovered by the Insured from third parties

**PART VII. ASSIGNMENT OF THE INSURED'S RIGHTS FOR RECOVERY TO THE INSURER (SUBROGATION)**

- Section 7.1.* Exercise of the Insurer's right for subrogation

**PART VIII.            GROUNDS FOR REJECTING INSURANCE  
REIMBURSEMENT**

*Section 8.1.*            List of grounds for rejecting the insurance reimbursement by the Insurer

**PART IX.              LIMITATION PERIOD**

**PART X.                DISPUTES**

**PART XI.              APPLICABLE LAW**

**APPENDICES.**

## **PART I. DEFINITIONS**

Insurance of civil liability of shipowners for damage caused

Insurance of civil liability of shipowners represents a complex of relationships for protection of property interests of Insured arising as a consequence of harm to life or health or damage to property interests of third parties and environment in the process of operation of marine and river ships or other water-borne crafts.

Rules of insurance

Terms and conditions whereunder a contract of insurance is concluded. These Rules have been worked out in compliance with the requirements of the Civil Code of the Russian Federation and the Federal Law “On Organisation of Insurance Business in the Russian Federation”.

Insurer

Ingosstrakh Insurance Company.

Insured

Legal entities or individuals that have property interests in the subject of insurance, operating the ship on their own behalf and specified in the contract of insurance.

Co-insured

Legal entities or individuals that have property interests in the subject of insurance and are inserted in the policy on the Insured’s application.

Shipowner

A person operating the ship on his own behalf irrespective of whether he is the owner of the ship or operates her on any other legal ground.

Third parties

Legal entities or individuals to whose health, life or property interests a harm or damage have been caused as a result of occurrence of the insured event provided for by the contract of insurance concluded under these Rules.

Insured risk

Estimated event the occurrence whereof is subject to insurance. The event considered as insured risk should have attributes of contingency and casualty.

Insured event

The event which is provided for in the contract of insurance and which took place within the period of validity of the contract of insurance the occurrence of which event shall result in either the Insured's liability towards third parties resulting from damage caused to their property interests or the Insured's obligation to bear additional expenses incurred in the course of operation of the ship (ships) and specified in these Rules and subsequent obligation of the Insurer to effect insurance reimbursement subject to fulfilment of all conditions of the insurance contract by the Insured.

Subject of insurance

Lawful property interests of the Insured connected with his liability under the civil law of the Russian Federation or international law to reimburse damage caused to third parties as a result of occurrence of the event insured provided for in the contract of insurance or his liability to bear additional expenses incurred in the course of operation of the ship (ships) stipulated in these Rules.

Scope of risks covered

Risks and additional terms and conditions determined by the parties when entering into the contract of insurance.

Sum insured (limit of liability of the Insurer)

The amount determined in the contract of insurance within which the Insurer undertakes to reimburse to the Insured the losses suffered by him as a consequence of occurrence of the event insured.

Claim

A demand raised against the Insured by third parties to whose property interests damage has been caused in the

process of operation of the insured ship by the Insured.

Loss

Expenses incurred by the Insured as a consequence of occurrence of the insured event provided for in the contract of insurance.

Deductible

Part of the Insured's losses not to be reimbursed by the Insurer under the contract of insurance.

Ship

Self-propelled or non-self propelled floating construction used:-

- 1) for carriage of goods, passengers, luggage and mail, for fishing or any kind of trade, mining, salvage of ships in disaster, towage of ships and other floating objects, performance of hydrotechnical works or wreck removal;
- 2) for special services (protection of fisheries, sanitary and quarantine services, etc.)
- 3) for scientific, educational and cultural purposes;
- 4) for sports;
- 5) for other purposes.

Insured ship

Ship in respect whereof the contract of liability insurance has been entered into.

Crew member (seaman)

Any person (including the master) employed on the ship and holding a position in accordance with list of members of staff or under the terms and conditions of a collective crew agreement or other contract of service or employment, whether or not onboard that ship, and entered in the crew list in prescribed manner.

<u>Passenger</u>	Any person carried on board the ship under a contract of carriage by seagoing or river transport.
<u>Cargo</u>	Any things or goods including those used to pack or secure goods, in respect whereof the shipowner enters into a contract of carriage, evidenced in writing, but excluding containers and other equipment owned or leased by the shipowner as well as live animals.
<u>Insurance Cover</u>	Scope of the Insurer's obligations under the contract of insurance.

## **PART II. GENERAL STIPULATIONS**

**Division 1.** In compliance with these Rules the Insurer shall accept for insurance the risk of occurrence of civil liability of the Insured (or other person, whose liability is covered under contract of insurance) under the Insured's obligations arising as a consequence of harm to life or health or damage to property interests of third parties and environment resulting from operation of ships in respect of which the Insured's liability is insured.

Unless otherwise agreed by contract of insurance, stipulations of present Rules and contract of insurance regarding Insured equally relates to a person, whose liability is covered under contract of insurance (the Insured persons). The Insured is obliged to familiarize the Insured person with terms and conditions of present Rules and contract of insurance. The Insurer has the right to demand from the Insured person to fulfil obligations, provided by present Rules and contract of insurance. The Insured person is liable for nonfeasance, provided by present contract of insurance and contract of insurance together with Insurer.

**Division 2.** These Rules shall be an integral part of the contract of insurance of shipowners' liability entered into between the Insurer and the Insured.

**Division 3.** Upon the agreement between the Insurer and the Insured some provisions and terms and conditions of these Rules may be amended, supplemented, specified or replaced with other provisions and terms and conditions that shall not widen the scope of insurance cover



determined by these Rules and shall not contradict the requirements of the civil legislation of the Russian Federation.

**Division 4.** The scope of risks covered is specified in Sections 1.1 to 1.23 (Standard Cover) and Sections 2.1 to 2.9 (Special Cover) of Part III of these Rules.

The list of risks to be covered shall be determined by the Insured.

**Division 5.** Reimbursement of the Insured's expenses under insured events shall be made within the sums insured (limits of liability) provided for in the contract of insurance. Civil liability insurance shall be subject to limitation of the Insurer's liability under the whole contract of insurance (aggregate limit) and/or under each event insured.

Amounts and types of the sums insured (limits of liability) shall be determined by the parties when entering into the contract of insurance in compliance with the terms and conditions of Section 4.4 of these Rules.

**Division 6.** Reimbursement of the Insured's expenses under insured events shall be made above the deductible.

The amount of deductible and the risks in respect whereof the deductible is applied shall be agreed between the Insurer and the Insured when entering into the contract of insurance.

## **PART III. RISKS COVERED**

### **DIVISION 1 - Standard Cover**

#### **Section 1.1 - Liability to persons other than crewmembers of the Insured ship**

*At the Insured's option the contract of insurance shall cover:-*

**Subsection 1.1.1:** The Insured's liability to pay damages or compensation for personal injury, illness or death to third persons (other than the risks specified in Subsections 1.1.2 and 1.1.3) including hospital, medical or funeral expenses incurred as a result of such injury, illness or death.

**Subsection 1.1.2:** The Insured's liability to pay damages or compensation for personal injury, illness or death of any person engaged to handle the cargo of the Insured ship.

Cover under Subsections 1.1.1 and 1.1.2 of this Section is limited only to the Insured's liabilities arising out of a negligent act or omission onboard the Insured ship or in relation to handling of

cargo from the moment of receipt of the cargo from the shipper at the port of loading until delivery of the cargo to consignee at the port of discharge.

For the purposes of this Subsection a negligent act or omission on board the Insured ship shall mean a negligent act or omission of the Master and the crew of the ship whose actions onboard the Insured ship could cause personal injury, illness or death of any person engaged to handle the cargo of the Insured ship.

### **Exclusions from the insurance cover under Subsections 1.1.1 and 1.1.2**

Where the liability is in respect of injury, illness or death of persons on another ship, and arises out of a collision between that ship and the Insured ship, that liability is not covered under these Subsections but may be recoverable under and in accordance with Section 1.10 (Liability arising out of collision with other ships) of Part III of these Rules.

**Subsection 1.1.3:** The Insured's liability to pay damages or compensation to passengers onboard the Insured ship

This Subsection covers the Insured's liability to compensate for:-

- a) hospital, medical and funeral expenses incurred in relation to personal injury, illness or death of passengers;
- b) expenses arising out of the Insured's liability towards passengers on board the Insured ship as a result of a casualty to the ship, including the cost of forwarding passengers to destination or return to port of embarkation and of maintenance of passengers ashore;
- c) for loss of or damage to the effects of any passenger.

The terms and conditions of the contract of insurance of liability towards passengers under this Subsection shall be agreed between the Insured and the Insurer when entering into the contract of insurance.

### **Exclusions from the cover under Subsection 1.1.3**

1. Unless otherwise agreed between the parties the contract of insurance shall not cover liability of the Insured for death or injury to a passenger whilst on an excursion where a separate contract for the excursion has been entered into by the passenger with either the Shipowner or any other person.

2. Unless otherwise agreed between the parties under the contract of insurance there shall be no recovery in respect of claims relating to the Insured's expenses incurred in connection with loss of or damage to cash, cheques, bank documents and other securities, objets d'art and antiques, precious or rare metals or stones, valuables or objects of a rare or precious nature.

### **Section 1.2 - Injury and death resulting from injury of crewmembers of the Insured ship**

*The contract of insurance shall cover:-*

Insured's liability to pay damages or compensation for personal injury or death resulting from injury of any crewmember of the Insured ship, including necessarily and reasonably incurred expenses as follows:

- hospital expenses;
- medical expenses;
- funeral expenses;
- expenses of repatriating the crewmember and sending a substitute to replace him;
- other expenses necessarily and reasonably incurred in relation to such injury or death resulting from injury of crewmember of the Insured ship.

This cover shall be provided to the Insured where the liability to pay damages or compensation to injured crewmembers arises:-

- a) under the terms of a collective crew agreement or contract of service or employment entered into between the Insured and crewmembers of the Insured ship and approved by the Insurer;
- b) by operation of law.

### **Section 1.3 - Illness and death resulting from illness of crewmembers of the Insured ship**

*The contract of insurance shall cover:-*

Liability to pay damages or compensation for illness and death resulting from illness of any crewmember of the Insured ship, including necessarily and reasonably incurred expenses as follows:

- hospital expenses;
- medical expenses;
- funeral expenses;
- expenses of repatriating the crewmember and sending abroad a substitute to replace him;
- other expenses necessarily and reasonably incurred in relation to such injury or death resulting from injury of crewmember of the Insured ship.

This cover shall be provided to the Insured where the Insured's liability to pay damages or compensation to the sick crewmembers arises:

- a) under the terms of a collective crew agreement or contract of service or employment entered into between the Insured and crewmembers of the Insured ship and approved by the Insurer;
- b) by operation of law.

#### **Section 1.4 - Repatriation and substitute expenses**

*At the Insured's option the contract of insurance shall cover:-*

The Insured's expenses which are not recoverable under Sections 1.2 and 1.3 of these Rules and which are incurred when:-

**Subsection 1.4.1:** sending a substitute to replace a crewmember of the Insured ship who has been left ashore for reasons not connected with medical treatment;

**Subsection 1.4.2:** repatriating any crewmember due to total or constructive total loss of the Insured ship.

#### **Exclusions from the cover under Section 1.4**

This Section shall not cover repatriation and substitute expenses which arise out of or as consequence of:-

- a) expiry of a crewmember's period of service on the Insured ship either in accordance with the terms of a collective crew agreement (contract of service or employment) or by mutual consent of the parties thereto,

- b) breach by the Insured of any obligations with respect to crewmembers of the Insured ship provided for by the rules of law or contracts of service or employment;
- c) bankruptcy, sale of the Insured ship or change of the state of registration of the ship.

**Section 1.5 - Loss of or damage to the effects of crewmembers and other persons (other than passengers)**

*At the Insured's option the contract of insurance shall cover:-*

Liability to pay damages or compensation for loss of or damage to the effects of:

**Subsection 1.5.1:** Any crewmember of the Insured ship;

**Subsection 1.5.2:** Any other person on board the Insured ship (other than passengers).

This cover shall be provided to the Insured where the Insured's liability to pay damages or compensation for loss of or damage to the effects of crewmembers or other persons onboard the Insured ship (other than passengers) arises:

- a) under the terms of a collective crew agreement or contract of service or employment entered into between the Insured and crewmembers of the Insured ship and approved by the Insurer;
- b) by operation of law.

**Exclusions from the cover under Section 1.5**

Unless otherwise agreed with the Insurer, the contract of insurance shall not cover the Insured's liability for loss of or damage to cash, securities, precious or rare metals or stones, valuables or objects of a rare or precious nature.

**Section 1.6 – Shipwreck unemployment indemnity**

*The contract of insurance shall cover:-*

Liability to compensate crewmembers for the loss of their employment caused in consequence of the actual or constructive total loss of the Insured ship.

This cover shall be provided to the Insured where the Insured's liability to compensate crewmembers arises:

- a) under the terms of a collective crew agreement or contract of service or employment entered into between the Insured and crewmembers of the Insured ship and approved by the Insurer;
- b) by operation of law.

### **Section 1.7 – Diversion expenses**

*At the Insured's option the contract of insurance shall cover:-*

**Subsection 1.7.1:** Expenses necessarily and reasonably incurred by the Insured in connection with diversion of the Insured ship solely for the purpose of:-

- delivering an injured or sick crewmember to the nearest port for securing medical treatment;
- substituting an injured or sick crewmember;
- repatriating a deceased crewmember.

**Subsection 1.7.2:** Expenses necessarily and reasonably incurred by the Insured for the purposes of landing stowaways or refugees and saving life at sea.

Diversion expenses shall include the cost of:-

- a) fuel additionally consumed;
- b) stores and provisions additionally consumed;
- c) wages additionally paid to the crew;
- d) port charges.

Expenses of diversion shall represent the net loss to the Insured which expenses are calculated as those actually incurred as a result of the diversion with the deduction of expenses as would have been incurred in normal operation of the ship.

### **Exclusions from the cover under Section 1.7:**

Unless otherwise agreed with the Insurer, the contract of insurance shall not cover expenses, related deviation of the insured ship, if this deviation wasn't previously agreed with Insurer in written form.

### **Section 1.8 – Stowaways and refugees**

*The contract of insurance shall cover:-*

Expenses, other than those covered under Section 1.7 of Part III of these Rules, incurred by the Insured within relevant rules of law in discharging the Insured's obligations towards stowaways and refugees subject to the Insurer's consent.

### **Section 1.9 – Life salvage**

*The contract of insurance shall cover:-*

Sums legally due by the Insured to third parties by reason of the fact that they have saved or attempted to save life of any person on or from the Insured ship but only if and to the extent that such payments are not recoverable under the Hull Policies of the Insured ship or from cargo owners or underwriters.

### **Section 1.10 – Collision with other ships**

*At the Insured's option the contract of insurance shall cover:-*

The liabilities to pay costs and damages to any other person as a consequence of a collision between the Insured ship and any other ship or ships:-

**Subsection 1.10.1:** Insurance shall cover one fourth (or such other proportion as may have been agreed in writing with the Insurer) of the liabilities of the Insured connected with:-

- a) damage caused by a collision of the Insured ship to another ship as well as to property and cargo onboard another ship;
- b) expenses connected with another vessel being out of operation as a result of a collision with the Insured ship;
- c) expenses connected with general average or salvage of another ship resulting from a collision with the Insured ship.

**Subsection 1.10.2:** Insurance shall cover four fourths of the Insured's liabilities arising out of the collision for or relating to:-

- a) expenses connected with removal or disposal of obstructions or wrecks of another ship, cargoes or any other thing whatsoever relating to another ships;

- b) expenses connected with indemnifying third parties for loss of or damage to any real or personal property except another ship or property on another ship, provided that the loss of or damage to said property or things resulted from a collision with the Insured ship;
- c) expenses connected with indemnifying third parties for loss of or damage to the cargo or other property on the Insured ship or general average contributions or salvage paid by the owners of that cargo or property;
- d) expenses connected with compensation for loss of life or personal injury of persons onboard another ship caused by collision of that ship with the Insured ship including repatriation or substitute expenses for that other ship;
- e) expenses connected with indemnifying third parties for an escape or discharge from another ship of oil or any other contaminating substance, as a result of collision of that ship with the Insured ship, but excluding damage caused by pollution to other ship and property on such other ship.

**Subsection 1.10.3:** Insurance shall cover that part of the Insured's liabilities for damage to another ship caused by collision of that ship with the Insured ship (other than the liabilities listed in Subsections 1.10.1 and 1.10.2 of this Section) which exceeds the sum recoverable under the Hull Policy of the Insured ship solely by reason of the fact that the sum of the liabilities to that other ship arising out of the collision exceeds the Hull value of the Insured ship, corresponding to the market value of the Insured ship stipulated in the relevant Hull policy .

#### **General notes to Section 1.10**

- \* The contract of insurance concluded on the terms and conditions contained in Subsections 1.10.1 and 1.10.2 shall not extend to that part of the Insured's liabilities arising out of collision, which is covered under the Hull Policy of the Insured ship.
- \*\* The contract of insurance of liabilities arising out of collision shall not cover any deductibles applicable under the Hull Policy of the Insured ship.
- \*\*\* If a claim arises in respect of a collision involving ships belonging to the same Insured, the latter shall be entitled to recover from the Insurer, and the Insurer, in its turn, shall have the same rights, as if the ships had belonged to different Insured.
- \*\*\*\* If both ships are to blame and where the liability of either or both of the ships in collision becomes subject to limitation by law, claims shall be settled upon the principle of "single



liability”, which provides for recovery of the balance being a result of set-off of mutual claims after application of limitation of liability by law. In all other cases claims shall be settled upon the principle of “cross-liabilities”, whereunder the owner of each ship shall pay the owner of the other ship such proportion of the latter's damages as may have been properly allowed in ascertaining the extent of blame of each ship in the collision, without applying a set-off of amounts claimed.

### **Section 1.11 – Loss of or damage to property**

*The contract of insurance shall cover:-*

Expenses of the Insured connected with liability to third parties to pay damages or compensation for any loss of or damage to any property (whether fixed or floating, etc.) including infringement of right to use such property.

If the Insured ship causes loss or damage to property belonging wholly or in part to the Insured, the Insured shall have the right of recovery from the Insurer and the Insurer, in its turn, shall have the same rights as if such property or rights belonged to third parties.

There shall be no recovery by the Insured under this Section in respect of liability which is within the scope of the following Sections of these Rules:-

*Section 1.1. (Subsection 1.1.3.c.). Loss of or damage to the effects of passengers of the Insured ship.*

*Section 1.5. Loss of and damage to the effects of crewmembers and other persons (other than passengers).*

*Section 1.10. Collision with other ships.*

*Section 1.12. Pollution risks.*

*Section 1.13. Liability arising out of towage of or by the Insured ship.*

*Section 1.15. Wreck Liabilities.*

*Section 1.17. Cargo liabilities.*

*Section 1.18. Property on the Insured ship.*

## **Section 1.12 – Pollution risks**

*At the Insured's option the contract of insurance shall cover:-*

**Subsection 1.12.1:** Costs and expenses borne by the Insured in connection with the liability to pay losses and damages caused by or incurred as a result of the discharge or escape from the Insured ship of oil or oil products or any other substance which may cause pollution.

**Subsection 1.12.2:** The costs of any measures reasonably taken by the Insured exclusively for the purpose of preventing or minimizing pollution caused by the discharge or escape from the Insured ship of oil or oil products or any other substance which may cause pollution or any costs and expenses in connection with liability for loss or damage to third parties' property, caused by measures taken for the purpose of avoiding or minimising pollution.

**Subsection 1.12.3:** The costs or liabilities incurred by the Insured as a result of compliance with any order or direction given by any government or authority for the purpose of preventing or reducing pollution or the risk of pollution caused by the discharge or escape from the Insured ship of oil or oil products or any other substance which may cause pollution, provided always that such costs or liabilities are not recoverable under the Hull Policy of the Insured ship, and not related to normal operation or salvage or repair of the Insured ship.

## **Section 1.13 – Liability arising out of towage of or by the Insured ship**

*At the Insured's option the contract of insurance shall cover:-*

**Subsection 1.13.1:** The Insured's liability under the terms of a contract for the customary towage of the Insured ship in the events as follows:-

- a) towage of the Insured ship for the purpose of entering or leaving port or manoeuvring within the port during the ordinary course of trading;
- b) towage of such Insured ship as *is* habitually towed in the ordinary course of trading from port to port or from place to place, to the extent that the Insured is not covered against such liability under the Hull Policy of the Insured ship.

**Subsection 1.13.2:** The Insured's liability arising out of the towage of the Insured ship other than customary towage.

A contract of insurance shall cover the Insured's liability arising out of the towage of the Insured ship carried out under the terms of a contract for towage other than those specified in Subsection

1.13.1.

The cover under Subsection 1.13.2 shall be provided only if the terms and conditions of such a contract of towage and the scope of cover have been agreed with the Insurer.

**Subsection 1.13.3:** The Insured's liability arising out of the towage of another ship or object by the Insured ship.

The cover shall be provided only if the terms and conditions of such a contract and the extent of cover have been agreed with the Insurer.

**Section 1.14 – Liability arising under certain contracts for rendering services to the Insured ship**

*The contract of insurance shall cover:-*

Liability for loss of life, personal injury or illness, or for loss of or damage to property, arising exclusively under the terms and conditions of a contract made by or on behalf of the Insured relating to facilities or services provided or to be provided to or in connection with the Insured ship, but only if and to the extent that:-

- the liability would not have arisen but for those terms and conditions;
- the terms and conditions of relevant contract have been approved by the Insurer.

**Section 1.15 – Wreck liabilities**

*At the Insured's option the contract of insurance shall cover:-*

**Subsection 1.15.1:** Costs or expenses relating to the raising, removal, destruction, lighting or marking of the wreck of the Insured ship and of her parts, when such raising, removal, destruction, lighting or marking is compulsory by law or the costs thereof borne by third parties are legally recoverable from the Insured.

**Subsection 1.15.2:** Costs or expenses relating to the raising, removal or destruction of any property and cargo being carried or having been carried on the Insured ship, not being oil or oil products or any other contaminating substances within the scope of Section 1.12 of these Rules, when such raising, removal or destruction is compulsory by law or the costs borne by third parties are legally recoverable from the Insured, but only if and to the extent that:-

- a) the cargo is not owned by the Insured and such property does not form part of the Insured

ship and is not owned or leased by the Insured or by any company associated with or under the same management as the Insured ship;

- b) the Insured is unable to recover such costs or expenses from the owner or insurer of such property, or from any other party.

**Subsection 1.15.3:** Liabilities incurred by the Insured as the result of the presence or involuntary shifting of the wreck of the Insured ship, remnants of the cargo and property or as a result of the Insured's failure to remove, destroy, light or mark such wreck, including liability arising from the discharge or escape from such wreck of oil, oil products or any other contaminants.

**Subsection 1.15.4:** Liabilities incurred by the Insured as the result of any such raising, removal or destruction of the wreck of the Insured ship, cargo or any property or any attempt thereat.

**Provided always that:**

- \* The Insured ship became a wreck as the result of a casualty or event occurring during the validity of the contract of insurance.
- \*\* In respect of the amount claimed by the Insured under the contract of insurance entered into under the terms of Subsection 1.15.1, the value of all property, stores and materials saved, as well as the wreck itself, shall first be deducted from the amount claimed by the Insured and only the balance thereof, if any, shall be recoverable from the Insurer.
- \*\*\* Nothing shall be recoverable if the Insured shall, without the consent of the Insurer in writing, have transferred the Insured's interest in the wreck prior to the raising, removal, destruction, lighting or marking of the wreck or prior to the Insured event giving rise to the liabilities, costs and expenses referred to in this Section.
- \*\*\*\* Where the Insured's liability arises under the terms and conditions of a contract for providing services to the Insured ship, and would not have arisen but for those terms, such costs and expenses borne by the Insured are only recoverable if and to the extent that the terms of the cover have been approved by the Insurer in view of the terms and conditions of such a contract.

**Section 1.16 – Quarantine expenses**

*The contract of insurance shall cover:-*

Additional expenses incurred by the Insured as a direct consequence of an outbreak of infectious

disease on the Insured ship, including quarantine and disinfection expenses and the net loss to the Insured (over and above such expenses as would have been incurred but for the outbreak) in respect of fuel, stores, provisions, wages and port charges.

### **Section 1.17 – Cargo liabilities**

*At the Insured's option the contract of insurance shall cover:-*

The liabilities and costs set out in Subsections 1.17.1-1.17.4 below when and to the extent that they relate to cargo intended to be or being or having been carried on the Insured ship:

**Subsection 1.17.1.** The Insured's liability to third parties having property interest in the cargo for loss or shortage of or damage to the cargo or other responsibility arising out of any breach by the Insured, or by any person for whose acts, neglect or default the Insured may be legally or contractually liable, of the obligation properly to load, handle, stow, carry, keep, care for, discharge or deliver the cargo.

**Subsection 1.17.2.** Additional costs incurred in discharging, storing, selling or destroying damaged cargo.

The contract of insurance shall cover additional costs (over and above those which would have been incurred by the Insured if the cargo had not been damaged) incurred by the Insured in discharging, disposing, storing, selling or destroying of damaged cargo, but only if and to the extent that the Insured has no recourse to recover those costs from any other party.

**Subsection 1.17.3.** Failure of consignee to collect or remove cargo.

The contract of insurance shall cover additional costs (over and above the costs which would have been incurred by the Insured if the cargo had been collected or removed) incurred solely by reason of the total failure of a consignee to collect or remove cargo at the port of discharge or place of delivery, but only if and to the extent that such liabilities or costs exceed the proceeds of sale of the cargo and the Insured has no recourse to recover those liabilities or costs from any other party.

**Subsection 1.17.4.** Liability for loss, shortage or damage in respect of cargo carried by means of transport other than the Insured ship, when the liability arises under a through or transshipment bill of lading, or other form of contract, providing for carriage partly to be performed on the Insured ship.

This insurance cover shall be provided subject to previous agreement of terms and conditions of

such carriage with the Insurer in writing.

### **General terms for reimbursement of the Insured's Losses under Section 1.17**

1). *Standard Terms of Contract of Carriage*

Unless special cover was agreed in writing between the Insurer and the Insured when they entered into the contract of insurance, there shall be no recovery in respect of costs and expenses of the Insured relating to cargo liabilities that arise out of carriage of the cargo (including cargo on deck) on terms less favourable to the carrier than the Hague Visby Rules (i.e. the Rules contained in the International Convention for the Unification of Certain Rules relating to Bills of Lading signed at Brussels on 28<sup>th</sup> August 1924, as amended by the Protocol to that Convention signed at Brussels on 23<sup>th</sup> February 1968).

2). *Deviation*

Unless special cover was agreed in writing between the Insurer and the Insured when they entered into the contract of insurance, there shall be no recovery in respect of the Insured's losses and expenses relating to cargo liabilities that arise out of or that are incurred as a consequence of deviation, which deviation in the sense of this Section is understood as a departure from the contractually agreed route or a change of terms of carriage, which deprive the Insured of the rights of limitation which would otherwise have been available to the Insured on the basis of the standard terms of carriage referred to in proviso 1 (Standard Terms of Contract of Carriage) of this Section.

3). *Ad Valorem Bills of Lading*

Unless and to the extent that special cover was agreed in writing between the Insurer and the Insured when they entered into the contract of insurance, the Insurer shall not be liable for payments to cargo claimants of amounts exceeding US dollars 2,500 per unit, piece or package.

This provision shall also apply to shipments of goods carried under an ad valorem bill of lading, waybill or other document containing or evidencing the contract of carriage in which the value of the relevant unit, piece or package has been stated to be in excess of US dollars 2,500.

4). *Rare and Valuable Cargo*

Unless and to the extent that special cover has been agreed in writing between the Insurer

and the Insured when they entered into the contract of insurance, there shall be no recovery from the Insurer in respect of claims relating to the unsafe carriage of specie, bullion, precious or rare metals or stone, plate or other objects of a rare or precious nature, bank notes or other forms of currency, bonds or other negotiable instruments and other precious or rare cargoes.

5). *Unsafe Carriage of Cargo being property of the Insured onboard the Insured Ship*

In the event that any cargo lost or damaged on board the Insured ship shall be the property of the Insured, the latter shall be entitled to recover from the Insurer the same amount as would have been recoverable from Insurer if the cargo had belonged to a third party and that third party had concluded with the Insured a contract of carriage of the cargo on the said ship on the standard terms of carriage.

**Exceptions from the cover under Subsection 1.17**

*This Section shall not cover losses and expenses incurred by the Insured as a consequence of:-*

1. Issuance of a bill of lading, waybill and other documents evidencing the contract of carriage with the breaches as follows:-
  - 1.1. The date of loading or acceptance of cargo for carriage specified in the said documents differs from the date when the cargo was actually loaded or accepted for carriage;
  - 1.2. Name, quantity and condition of the cargo have been incorrectly specified with the privity of either the Insured or the master.
2. Discharge of cargo at a port or place other than that provided in the contract of carriage.
3. Delivery of cargo without production of the original bill of lading, waybill or any other document of title by the person to whom delivery is made.
4. Delivery of cargo to a person other than the party named in the bill of lading, waybill or other documents as the person to whom the delivery should be made.
5. Non-arrival of the Insured ship at the port of loading or her late arrival or impossibility to load a certain cargo on board the Insured ship.

**Section 1.18 – Property on the Insured ship**

*The contract of insurance shall cover:-*

Liability of the Insured for loss of or damage to any containers, equipment, fuel or other property on board the Insured ship provided always that such property:-

- a) is not property of passengers, crewmembers and other persons within the scope of Section 1.1 or Section 1.5 of these Rules;
- b) is not cargo within the scope of Section 1.17 of these Rules;
- c) does not form part of the Insured ship and is not owned or leased by the Insured or by any company associated with or under the same management as the Insured.

### **Section 1.19 – Unrecoverable general average contributions**

*The contract of insurance shall cover:-*

The proportion of general average, special charges or salvage expenses which the Insured may be entitled to claim from cargo or from some other party to the marine adventure and which is not legally recoverable solely by reason of a breach by the Insured of terms and conditions of the contract of carriage.

### **Section 1.20 – Ship's proportion of general average not recoverable under the hull policies**

*The contract of insurance shall cover:-*

The Insured ship's proportion of general average, special charges or salvage expenses not recoverable under the Hull Policies by reason of the value of the ship being assessed for contribution to general average or salvage at a sound value in excess of the insured value under the Hull Policies.

Recovery shall be limited to the amount of the ship's proportion of the general average or salvage which shall not be recoverable under the Hull Policies for the reason that the hull and machinery of the ship had been insured for a proper amount (at the market value) which amount, however, increased at the time of the general average or salvage.

### **Section 1.21 – Special compensation to salvors**

*The contract of insurance shall cover:-*

The Insured's expenses relating to his liability to pay special compensation to salvors of the



Insured ship connected with the measures taken or the works done by the salvors to prevent or minimize damage to the environment, subject to the following conditions:

1. The Insured's liability to pay special compensation to salvors is imposed on the Insured pursuant to Article 14 of the International Convention on Salvage, 1989, or is assumed by the Insured under the terms of the salvage agreement approved by the Insurer;
2. The Insured's liability to pay special compensation is not imposed or is not payable by the party or parties interested in the salvaged property.

### **Section 1.22 – Legal claims for payment made by state competent authorities**

*At the option of the Insured the contract of insurance shall cover:-*

Expenses as set out in Subsections 1.22.1 to 1.22.4 of this Section incurred by the Insured in connection with the claims arising out of operation of the Insured ship(s) lodged by the state competent authorities for payment against the Insured or any parties for whose actions the Insurer is liable under the law or contract.

**Subsection 1.22.1.** Expenses incurred by the Insured or by any parties for whose actions the Insured is liable under claims raised by the state competent authorities for payment, except for the events specified in Subsections 1.22.1 to 1.22.4 of this Section provided that the Insured proves to the Insurer that the Insured took all necessary steps as the Insurer considers to be sufficient to prevent the event giving rise to such claims.

**Subsection 1.22.2.** Expenses incurred by the Insured or by any parties for whose actions the Insured is liable under the claims raised by the state competent authorities for payment in respect of shortage, overlanding of cargo, or for a failure to comply with regulations relating to declaration of goods or to documentation in respect of the cargo.

**Subsection 1.22.3.** Expenses incurred by the Insured or by any parties for whose actions the Insured is liable under claims raised by the state competent authorities for payment due to (for) breach of any law or regulation relating to immigration.

**Subsection 1.22.4.** Expenses incurred by the Insured or by any parties for whose actions the Insured is liable under claims raised by the state competent authorities for payment in respect of a discharge or escape of oil, oil products or other contaminants.

**There shall be no recovery of expenses incurred by the Insured in respect of claims of the state competent authorities for payment arising out of:**

- a) weight overloading of the Insured ship;
- b) illegal fishing;
- c) infringements of or non-compliance with the provisions relating to construction, adaptation and equipment of ships contained in the International Convention for the Prevention of Pollution from Ships, 1973, as amended by the Protocol of 1978 and any subsequent Protocols.

### **Section 1.23 – Sue and labour costs, legal and enquiry expenses**

*The contract of insurance shall cover:-*

Costs and expenses approved by the Insurer and reasonably incurred by the Insured for the purpose of:-

- a) preventing a threat of occurrence of the insured event;
- b) determining the extent of damages caused to third parties as a result of occurrence of the insured event;
- c) enquiring into the circumstances of occurrence of the insured event;
- d) minimising or avoiding the claim (including that in judicial instances) resulting from occurrence of the insured event.

## **DIVISION 2. Special cover**

### **Section 2.1 – Charterer’s liability**

*At the Insured’s option the contract of insurance shall cover:*

**Subsection 2.1.1** – Charterer’s liability towards a shipowner or other company/ person owning/ operating the vessel on legal ground for the risks set out in Division 1 of these Rules (“Standard Cover”) provided that such liability shall be imposed on the charterer under the terms and conditions of the charter party.

**Subsection 2.1.2** – Charterer’s liability for loss of or damage to the chartered ship (Insured ship).

**Subsection 2.1.3** – The loss incurred by Charterer as a result of loss of or damage to bunker, fuel or other property of the Charterer onboard the Insured ship.

## **Section 2.2 – Salvage by the Insured ship**

*The contract of insurance shall cover:-*

The Insured's liability for damage caused to third parties as a result of salvage operations or attempts at salvage carried out by the Insured.

The salvage shall be carried out by a rescue tug or any other salvage ship specially designed for carrying out such an operation.

## **Section 2.3 – Drilling or oil or gas production operations**

*The contract of insurance shall cover:-*

The Insured's liability for damage caused to third parties as a result of drilling or oil or gas production operations carried out by the Insured.

Drilling or oil or gas production operations shall be carried out by the ships or crafts specially equipped and designed for carrying out such operations.

## **Section 2.4 – Dredging, pile-driving, cable or pipe laying**

*The contract of insurance shall cover:-*

The Insured's liability for damage caused to third parties as a result of dredging, pile-driving, cable or pipe laying, carried out by the Insured.

The said operations shall be carried out by the specially equipped ships or crafts.

## **Section 2.5 – War risks**

*The contract of insurance shall cover:-*

Liability of the Insured resulting from harm to life or health or damage to third parties' property interests in consequence of operation of the ship, provided that the Insured's expenses were incurred as a consequence of:

- a) war, civil war, revolution, rebellion, insurrection or civil strife;
- b) pirates actions, including general average or particular average expenses connected with pirates actions;
- c) capture, seizure, arrest, restraint or detainment of both the vessel and crewmembers of

the Insured ship as a result of hostilities and the consequences thereof or any attempt thereat;

- d) mines, torpedoes, bombs, rockets, shells, explosives or other similar weapons of war, save for the Insured's expenses incurred as a result of the carriage of military cargo on board the Insured ship;
- e) strikes, lockout and sabotage;
- f) acts of terrorists or those acting for political reasons;

By providing insurance of the risks outlined in the Section 2.5, the Insured on demand of the Insurer is obliged to present information which is necessary for evaluation of the risk.

**Exceptions from the cover:**

The insurance of the Insured's expenses incurred as a consequence of pirates actions in no circumstances does not extend on liabilities, costs or expenses to which the Insured or Insured's representative can be forced to suffer in order to release hostages.

Unless otherwise agreed by the contract of insurance there shall be no recovery in respect of the Insured's losses arising out of the events that occurred in the areas included in the list of the Institute of London Underwriters of War Risks effective at the material time and (or) specified by the Insurer as higher risk areas (Risk areas).

The list of Risk areas is specified by the Insurer in the form of the clause included into the contract of insurance or in the addendum to the contract of insurance, or the separate written notice issued by the Insurer and directed to the Insured (Insured's representative) before or at the moment of concluding the contract of insurance, and within the period of insurance. The notice with outlined list of Risk areas directed by the Insurer to the Insured (Insured's representative) shall be considered as an integral part of the contract of insurance.

The change of the list of the Risk areas by notification during the validity of insurance contract covering liabilities, costs or expenses under Section 2.5, is considered as substantive change of the risk and as a result the Insurer has the right to require change of terms and conditions of the cover. If the Insured does not agree with these changes (change in the list of the Risk areas) and/or the Insured does not give the written consent to these changes within the period determined in the notice of the Insurer, the cover under Section 2.5 will be canceled from the date fixed in the Insurer's notice, and if such date is not fixed – from the date of notice

submission.

If there is an agreement between both parties, the Insurer in addition to insurance under Section 2.5 may provide the Insured with cover of single voyage through the Risk area, subject to additional premium and terms/conditions. The request of the Insured (Insured's representative) for this insurance must be submitted to the Insurer and terms/conditions of the cover have to be confirmed by the Insurer in writing before the Insured vessel enters the Risk area waters.

For providing additional insurance the Insurer has the right to enquire information on a vessel itinerary, availability/absence of armed guard or arrangement of the sufficient measures for safety navigation of the Insured ship, the period of being at or going to the Risk area, type of cargo carried on board the Insured ship or other details required for evaluation of the risk.

The Insurer has the right to demand from the Insured arrangement of the sufficient measures for safety navigation in the Risk area (armed guard, convoy, authority representatives on board the Insured vessel and etc.)

The additional cover of liabilities, costs or expenses arising out of shipping/trading in the Risk area for a single voyage can be drawn by issuance of the separate documents (Notice, Addendum and etc.), in which all terms/conditions of such insurance will be outlined and this document shall be considered as an integral part of the Certificate of Insurance with effect from the date when it was sent to the Insured or the Insured's Representative.

If the Insured does not agree with terms and conditions of additional cover of liabilities, costs or expenses under Section 2.5 and/or in case of non-fulfillment of those special terms and conditions specified by the Insurer as conditions for additional cover and/or nonpayment of additional premium by the date fixed in the relevant document/invoice issued by the Insurer and sent to the Insured (or the Insured's representative) accordingly, the cover of liabilities, costs or expenses arising out of shipping/trading in the Risk area will not be considered as valid and the Insurer is not liable for costs and expenses arising out of shipping/trading in such area(s).

### **Section 2.6 – Cargo liabilities in case of breach of the contract of carriage (deviation)**

*At the Insured's option the contract of insurance shall cover:*

The Insured's liability and expenses arising out of breach of the contract of carriage by the Insured if in result thereof the Insured shall be deprived of the right of limitation of liability, i.e.-

**Subsection 2.6.1:** Liability for carriage of on-deck cargo under the hold (under-deck) bill of lading.

**Subsection 2.6.2:** Cargo liability arising out of a deviation of the Insured ship connected with departure from the contractually agreed voyage, only subject to the previous written agreement obtained from the Insurer for each deviation.

**Section 2.7 – Freight, demurrage and defence**

*At the Insured's option the contract of insurance shall cover:*

The Insured's costs and expenses connected with legal defence of the Insured's rights and property interests arising out of operation, ownership and management of the Insured ship, provided that the claim itself being the subject of the dispute shall not be covered.

The cover shall include reimbursement of legal expenses pertaining to settlement of disputes, suits or claims connected with:-

1. Charterparties, relationships under charterparties, bills of lading and other contracts of carriage;
2. Loss of, damage to or detention of the Insured ship;
3. Supplies to the Insured ship of equipment, bunker, lubricants and provision;
4. Repair or renovation of the Insured ship;
5. Contributions and expenses on general and particular average;
6. Loading, stowage or discharge of cargo;
7. Salvage and towage services rendered by or to the Insured ship;
8. Payment for services of ship's agents, brokers, stevedores, port authorities or other persons connected with the operation of the Insured ship;
9. Payments under contracts of insurance concluded in respect of the Insured ship with the insurance companies other than Ingosstrakh;
10. Carriage of passengers;
11. Disputes with the master or crewmembers of the Insured ship;
12. Construction, purchase, mortgage or sale of the Insured ship.

*Legal expenses to be reimbursed under the contract of insurance shall be as follows:-*

1. Expenses relating to consideration of any dispute, suit or claim before commencement of court proceedings including fees of the lawyers acting on behalf of the Insured and appointed by the Insurer or those appointed by the Insured and approved by the Insurer;
2. Expenses relating to proceedings in respect of any dispute, suit or claim in competent courts or arbitration, including court and arbitration fee as well as fees of the lawyers acting on behalf of the Insured;
3. Opponents' legal expenses (including court fees and arbitration) in case a judgement on the dispute has been delivered not in the Insured's favour and the said expenses have been adjudged by a judicial body as payable by the Insured.

FD&D insurance shall not extend to expenses covered under Hull & Machinery and shipowners' liability contracts of insurance, and also to war risks and to risk of piracy in case of seizure of the vessel by pirates (excluding such cases when this insurance is valid simultaneously with special insurance cover under Section 2.5 of the present Rules.

*The Insurer shall have the right to refuse full or partial reimbursement of the Insured's expenses incurred in settlement of disputes, suits or claims in the events where:-*

1. To the Insurer's estimate settlement of the dispute, suit or claim in the Insured's favour is unlikely or such settlement in favour of the Insured would be inconsistent with the expenses payable in respect thereof;
2. To the Insurer's estimate, the dispute, suit or claim of the Insured are groundless, contain elements of unlawfulness, improper or illegal handling on the part of the Insured.

### **Section 2.8 – Costs and expenses arising due to confiscation of the Insured ship**

This Section at the Insurer' discretion shall cover damages caused to the Insured due to confiscation of the Insured ship by the award of court, arbitration or other competent body in whole or in part, if such confiscation resulted from infringement by the Insured or a person for whose acts the Insured is legally liable of any customs law or customs regulations, provided always that:

- a) the amount recoverable from the Insurer shall not exceed the market value of the ship at the date of the confiscation;
- b) the Insured shall have satisfied the Insurer that the Insured took such steps as appear to the Insurer to be reasonable to prevent the event giving rise to confiscation of the Insured

ship.

When non-fulfilment of the said conditions take place the Insurer shall have the right to refuse full or partial reimbursement of the Insured's expenses.

### **Section 2.9 Costs and expenses arising out of shipping of military cargoes**

This Section shall cover liabilities, costs or expenses incurred as a result of the transportation of weapons of war or its parts, including bullets, other warheads, mines, bombs and another parts of weapons of war.

For making decision by the Insurer whether to provide cover of the risks incurred as a result of the transport of military cargo, the Insured upon request shall provide the Insurer with all necessary information which is required for evaluation of the risks. The cover of expenses or costs arising out of the shipment of military cargo can be provided for a single voyage or for the full period of insurance or its part (short-term coverage).

While providing coverage of the risks arising out of the shipment of military cargo without declaring the details of the cargo carried, Insured has to arrange all possible and available measures for safety navigation and shipment of the cargo carried on board of the insured vessel and if claims occur the Insured, prior the Insurer decides to cover expenses or costs, has to provide the Insurer with the written evidences that the relevant security measures were arranged. If the written evidences that the Insured has arranged all possible and available measures for safety navigation are not submitted the Insured will not effect reimbursement of expenses or costs related to the shipment of military cargo carried on board of the insured vessel.

In case the Insurer is provided with the required details of nature of military cargo carried, the Insured upon request of the Insurer will be obliged to pay additional premium and/or arranged measures for safety navigation, agreed and approved by the Insurer.

The cover of liabilities, costs and expenses arising out of the transport of military cargo can be drawn by including it into a Certificate of Insurance or issuance of the separate documents (Notice, Addendum and etc.), in which all terms/conditions of such insurance will be outlined and this document shall be considered as an integral part of the Certificate of Insurance with effect from the date when it was sent to the Insured or his Representative.

If the Insured does not agree with terms and conditions of cover of liabilities, costs or expenses arising out of the shipment of the military cargo specified by the Insurer and/or in case of



nonfulfillment of those special terms and conditions and/or nonpayment of additional premium by the date fixed in the relevant document/invoice issued by the Insurer and sent to the Insured (or the Insured's representative) accordingly, the cover of liabilities, costs or expenses arising out of the transport of military cargo will not be considered as valid and the Insurer is not liable for costs and expenses arising out of the shipment of military cargo.

**Section 2.10 Insurance of repatriation expenses of crewmembers of the Insured vessel in accordance with provisions of the Maritime Labour Convention, 2006.**

The contract of insurance shall cover:

The liability of the Insured in respect of repatriation expenses of crewmembers in accordance with Regulation 2.5 or other provisions of Maritime Labour Convention, 2006.

**DIVISION 3. General exceptions from the cover under Divisions 1 and 2 of Part III of these Rules**

The cover under the contract of insurance entered into in compliance with these Rules shall not extend to either the Insured's liability and obligations to third parties or the costs and expenses, excluding expenses covered under Section 2.7, arising or incurred by the Insured in consequence of:-

- 3.1. Wilful misconduct or recklessness of the Insured;
- 3.2. Unseaworthiness of the Insured ship that the Insured knew about or should have known about prior to commencement of the voyage;
- 3.3. The Insured ship's participation in smuggling or other unlawful operations or attempts thereat;
- 3.4. A waiver by the Insured of the right to claim a recovery from the person liable for the losses incurred by the Insured or the Insurer's impossibility to exercise such a right through the Insured's fault;
- 3.5. War risks specified in Section 2.5 of these Rules if the terms and conditions of additional insurance against such risks have not been agreed with the Insurer;
- 3.6. Ionising radiation, toxic, explosive or other hazardous properties of nuclear fuel or nuclear products or waste;

- 3.7. Loss of, damage or repairs to the Insured ship or cleaning of the Insured ship or any part thereof from oil or oil products pollution;
- 3.8. Loss of or damage to the Insured ship or equipment or containers, lashings, stores or fuel being onboard the Insured ship and owned or leased by the Insured or by any company under the same management as the Insured;
- 3.9. Claims raised by or against the Insured relating to loss of freight or hire or demurrage, detention of the Insured ship unless such an amount forms part of a claim recoverable from the Insured for shortage of or damage to the cargo;
- 3.10. Claims against the Insured arising out of breach or cancellation of a charterparty or any other contract;
- 3.11. Claims against the Insured arising out of irrecoverable debts or out of the insolvency or a fraud of any person;
- 3.12. Claims against the Insured arising out of exercising by the Insured of lien or sale of cargo;
- 3.13. Claims against the Insured arising out of properties or inherent defects and vice of cargo;
- 3.14. Claims against the Insured arising out of delay in delivery of cargoes connected with deviation of the Insured ship which has not been previously approved by the Insurer under item 2 “Deviation” of Section 1.17 (“Cargo Liabilities”) of these Rules;
- 3.15. Any costs and expenses arising out of salvage of the Insured ship;
- 3.16. Use of a non-specialised ship as:-
  - a) a salvage ship, but excluding salvage of life at sea;
  - b) a drilling ship;
  - c) a dredger;
  - d) a cable and pipe laying ship and/or other type of vessels.

#### **PART IV. CONCLUSION OF THE CONTRACT OF INSURANCE**

##### **Section 4.1 - Application for insurance**

The contract of insurance shall be concluded on the basis of a written application containing all circumstances known to the Insured which may be material for determining probability of occurrence of an insured event and the amount of possible losses thereby caused.

**Subsection 4.1.1:** The Insured's application shall be an integral part of the contract of insurance.

**Subsection 4.1.2:** The Insurer shall be entitled to verify the accuracy of information given by the Insured relating to the subject of the contract of insurance and the Insured shall assist the Insurer in this respect. The Insured shall be responsible for the accuracy and completeness of the particulars and information given as per provisions of item "e" of Subsection 8.1.1 of these Rules.

**Subsection 4.1.3:** If after conclusion of the contract of insurance it becomes apparent that the Insured has provided the Insurer with patently false information about the circumstances material for determining the extent of risk then the Insurer shall be entitled to deem the contract of insurance invalid.

#### **Section 4.2 - Surveys of ships**

**Subsection 4.2.1:** The Insurer shall be entitled to inspect ships applying for insurance in terms of their technical condition at the expense of the applicant, or at any time within the period of validity of the contract of insurance at the expense of the Insurer, while the Insured shall be obliged:-

- a) to render any assistance and afford such facilities as may be required for such inspection/survey,
- b) to comply with such recommendations as the Insurer may make following such inspection/survey.

**Subsection 4.2.2:** If following the inspection of the ship carried out within the period of validity of the contract of insurance any defects in the ship's condition or her machinery are found which defects may threaten either the safe carriage of cargo or may cause the Insured's liability to third parties the Insurer shall not be liable for claims connected with such defects until same have been eliminated and a new inspection has been carried out.

#### **Section 4.3 - Double insurance**

When entering into the contract of insurance the Insured shall notify the Insurer of all valid contracts of insurance of the shipowner's liability as well as of liability insurance under hull

policies.

If any double insurance exists the Insured shall be only indemnified in the part, which is not recoverable under contracts of insurance with other insurance companies.

#### **Section 4.4 – Contract of insurance. Policy**

**Subsection 4.4.1:** The contract of insurance shall be made in writing.

**Subsection 4.4.2:** When entering into the contract of insurance the Insured and the Insurer shall agree on the following:

- a) subject of insurance;
- b) nature of the risk insured against (insured event);
- c) limit of liability of the Insurer (sum insured);
- d) period of validity of the contract of insurance;
- e) terms and conditions specified as material by one of the parties.

**Subsection 4.4.3:** If so agreed between the parties the contract of insurance may provide for insurance of liability of a number of persons having insurance interest in the subject of insurance. In this event “Jointly and Severally Insured” Clause shall apply.

**Subsection 4.4.4:** If so agreed between the parties other persons may be included in a contract of insurance solely by reason that they may be deemed liable for damage actually caused by the Insured.

**Subsection 4.4.5:** The contract of insurance shall be made in the form of a policy. The policy shall be the underlying document confirming the fact of conclusion of the contract of insurance.

**Subsection 4.4.6:** The Insurer shall be entitled to insert in the contract of insurance clauses which limit the Insurer’s liability under the contract of insurance in the event the Insured has failed to fulfil the requirements of international seamanship for ensuring safety navigation and safe carriage of cargoes as well as other clauses specifying the relationship between the Insurer and the Insured and other persons included in the policy on the Insured’s application.

**Subsection 4.4.7:** In case of renewal of the contract of insurance the Insurer shall have the right to alter the amount of premium taking into consideration variation of the degree of risk, terms

and conditions of insurance or loss records in the previous period of the contract of insurance.

**Subsection 4.4.8:** Upon payment of the first instalment or the full premium to the account of the Insurer the latter shall forward the original policies to the Insured.

**Subsection 4.4.9:** The contract of insurance of liability shall be deemed as concluded in favour of persons to whom damage can be caused (beneficiaries).

Conclusion of the contract of insurance in favour of beneficiaries under this subsection assumes that the Insurer shall under these Rules reimburse the Insured's expenses incurred as a consequence of occurrence of the Insured's liability towards the beneficiaries.

**Subsection 4.4.10:** Should risks of additional expenses of the Insured connected with the insured event be covered, the contract of insurance (in the part concerning the said risks) shall be deemed as concluded in favour of the Insured.

#### **Section 4.5 – Variation of risk within the validity period of the contract of insurance**

As soon as it becomes known to the Insured about any material variation concerning any covered risk that took place within the validity period of the contract of insurance the Insured shall immediately notify the Insurer of such variation.

Variations increasing the degree of risk shall entitle the Insured to revise the terms and conditions of insurance or to charge an additional premium. If the Insured does not agree to change the terms and conditions of the contract of insurance or to pay additional premium the contract of insurance may be terminated from the time of occurrence of such variation concerning the increase of the degree of risk.

#### **Section 4.6 – Addendum to the policy**

**Subsection 4.6.1:** All amendments to the contract of insurance including those made due to variation of the degree of risk shall come into force with effect from the date agreed by the parties.

**Subsection 4.6.2:** As evidence of introducing amendments to the contract of insurance including those made due to variation of the degree of risk, the Insurer shall issue to the Insured an addendum to the policy.

#### **Section 4.7 – Currency of insurance**

**Subsection 4.7.1:** The currency of the contract of insurance shall be Russian roubles or any convertible currency agreed between the Insurer and the Insured in accordance with Monetary and Currency legislation of Russian Federation.

**Subsection 4.7.2:** If so agreed between the parties the currency of payment may be other than the currency of the contract.

**Subsection 4.7.3:** In case the currency of insurance reimbursement differs from the currency of settlement of a claim by the Insured the insurance reimbursement shall be made at the rate of exchange applicable to the settlement by the Insured of the claim concerned.

#### **Section 4.8 – Period of insurance**

**Subsection 4.8.1:** The contract of insurance shall be concluded for a period of one year. Upon mutual agreement of the parties the contract of insurance may be concluded for a different period which should be stipulated in the contract of insurance.

Subsection 4.8.2; The contract of insurance shall come into force from the moment of payment of the insurance premium or first installment of the insurance premium, unless otherwise agreed by the contract.

1. When the contract of insurance implies that it shall come into force from the moment other than payment of insurance premium or first installment of insurance premium, in case the insurance premium or first installment of insurance premium was not paid within 10 days from the due date indicated in the contract of insurance (or respective invoice), the Insurer is entitled to cancel the contract of insurance by giving written notice to the Insured.

In case the contract of insurance did not come into force at the time the Insurer was entitled to cancel the insurance as per above clause, such contract of insurance shall be deemed invalid and shall not entail any legal consequences for the parties thereto.

2. In case of non-payment of respective installment of the insurance premium within 10 days from the due date indicated in the contract of insurance (or respective invoice), the Insurer is entitled to cancel the contract of insurance unilaterally by giving written notice to the Insured.

3. The moment of cancellation of Contract of Insurance as per para 1 and 2 of this subsection can be specified as follows:

- due date stipulated in the contract of insurance for payment of insurance premium (installment), in case notice of cancellation was sent to the Insured not later than 45 days

from the due date indicated in the contracts concluded with legal entities; and not later than 60 days from the due date indicated in the contracts concluded with individuals.

- date of sending of notice of cancellation in case this notice was sent by the Insurer later than 45 days from the due date indicated in the contracts concluded with legal entities; and later than 60 days from the due date indicated in the contracts with individuals.

The Insurer is not liable to effect any payments of claims arising on or after the date of cancellation of the contract of insurance as defined in this paragraph.

4. In case contract of insurance was unilaterally terminated by the Insurer in accordance with para 2 and 3 of this subsection the insurance premium paid to the Insurer shall not be returned to the Insured.
5. Other consequences of non-payment of the insurance premium (or respective installment) by the Insured could be determined by the contract of insurance.

#### **Section 4.9 – Territory of insurance**

The contract of insurance is valid for the territory determined by the classification society

#### **Section 4.10 – Premium payment procedure**

**Subsection 4.10.1:** The Insured shall be obliged to pay to the Insurer either instalments or the full amount of insurance premium within the periods stipulated by the contract.

**Subsection 4.10.2:** The date of payment of insurance premium (instalment) shall be considered as:

- the date of payment to the Insurer's cash department - in case of cash payment ;
- the date of debiting the Insured's account for the amount of the insurance premium (instalment), provided such an amount shall be actually credited to the Insurer's account - in case of non-cash payment.

**Subsection 4.10.3:** Within the period of validity of the contract of insurance the parties may agree on other periods of payment of premium in writing.

**Subsection 4.10.4:** In case of a total loss of the Insured vessel whether Actual or Constructive the Insured(s) is to effect immediate payment of the full amount of insurance premium for the whole period of insurance .

#### **Section 4.11 – Consequences of failure to pay premium**

When the Insured has failed to pay insurance premium within the periods and in the amounts specified in the contract of insurance or in the relevant invoice, and taking into consideration the provisions of Sections 4.8, 4.10 of these Rules, the Insurer shall be entitled:-

- a) to demand that the Insured fulfil the obligation to pay premium;
- b) to cancel the contract of insurance;
- c) to impose penalties in compliance with the provisions of civil legislation.

#### **Section 4.12 – Validity of the contract of insurance**

The contract of insurance is valid until mutual obligations are fully fulfilled by the parties, and also for the reasons mentioned in Section 4.13 of these Rules .

#### **Section 4.13 – Early termination of the contract of insurance**

**Subsection 4.13.1:** The contract of insurance shall early terminate in the events as follows:-

- a) fulfilment by the Insurer of all obligations within the aggregate limit if such limit is provided for in the contract of insurance;
- b) failure to pay insurance premium or any instalment within the terms stipulated in the contract unless other terms of payment of insurance premium have been agreed in writing by the parties. Consequences of failure to pay premium shall be regulated by Section 4.11 of Part IV of these Rules;
- c) liquidation of the Insured's legal entity in accordance with procedure established by the legislation;
- d) reorganisation of the Insured's legal entity, provided that the contract of insurance may be considered valid by a written agreement of the parties;
- e) termination of the contract by court judgement;
- f) termination of title to the ship in the event of her sale or termination of rights whereby the ship was owned (possessed) by the Insured;
- g) withdrawal of class from the ship due to failure by the shipowner to comply with the requirements of relevant classification society;



- h) the ship being missing;
- i) actual or constructive total loss of the ship;
- j) submission of patently false documents and information when entering into the contract of insurance;
- k) in other cases provided for by the law of the Russian Federation.

**Subsection 4.13.2:** If so mutually agreed by the parties the contract of insurance may be early terminated at the request of either the Insured or the Insurer.

The parties shall notify each other of the intention to early terminate the contract of insurance no later than 30 days before the expected date of termination of the contract of insurance unless otherwise agreed by the parties.

**Subsection 4.13.3:** In the event of early termination of the contract of insurance for reasons other than breach of terms and conditions of the contract of insurance by the parties, Ingosstrakh shall return to the Insured the insurance premium for the non-covered period of insurance after deduction of expenses incurred, except in cases of a total loss of the Insured vessel whether Actual or Constructive

**Subsection 4.13.4** Special terms for the Insured being physical person to terminate the contract of insurance.

1. The Insured (a physical person) in addition to terms and conditions of early termination of the contract of insurance stipulated in Subsections 4.13.1 – 4.13.3 of the Rules has the right to cancel the cover within 14 (fourteen) working days as from the date of the conclusion of the contract irrespective of the due date of premium payment provided that no occurrence took place which can be attributed to the insured event.
2. In case the Insured rejects the cover both within the period stipulated in Item 1 of this Subsection and prior to the Insurer's liability becomes effective (hereinafter referred to as "from the date of contract of insurance comes into force") premium paid to the Insurer shall be returned to the Insured in full.
3. In case the Insured rejects the cover within the period stated in Item 1 of this Subsection but after the date the contract of insurance comes into force Insurer shall return the premium on pro rate basis as from the date the contract of insurance comes into force up to the date of termination of the contract of insurance, unless otherwise agreed.

4. In the event of early termination of the contract of insurance in accordance with provisions of this Subsection the contract shall be terminated either as from the date of receipt of written notification to cancel the cover given by Insured to the Insurer or from any other date unless otherwise agreed by the parties but not later than it is stipulated by the Item 1 of this Subsection.
5. Return of insurance premium to the Insured shall be made in accordance with this Subsection at Insured's option either in cash or by the bank transfer within 10 days as from the date of receipt of written notification to cancel the contract of insurance.
6. The provisions of this Subsection shall not extend to contracts of insurance for physical persons being business owners which are required due to their business activities as well as for dealing with a voluntary insurance which is compulsory for physical persons to exercise their professional activities as provided by the Russian Federation Law and also insurance of physical person being abroad in respect of medical assistance and/or repatriation of the body (remains) to the Russian Federation.

## **PART V. RELATIONSHIPS BETWEEN THE PARTIES IN HANDLING AND SETTLEMENT OF CLAIMS**

### **Section 5.1 – Notification of the Insurer of the events provided for by the contract of insurance**

**Subsection 5.1.1:** In case of occurrence of an event provided for by the contract of insurance, which may entail liability of the Insured the latter shall be obliged to notify the Insurer thereof immediately in writing. If the Insured fails to either notify or notify in due course of the occurrence of such event and the said failure does not allow the Insurer to duly undertake all steps for preventing or reducing the claim, the Insurer shall have the right to reject the Insured's claim for reimbursement in whole or in part.

**Subsection 5.1.2:** If the Insurer is not notified of the occurrence of the insured event provided for by the contract of insurance within six months of the moment when it became known to the Insured of such an occurrence the Insurer shall have the right to reject the Insured's claim for insurance reimbursement.

### **Section 5.2 – Prevention and reducing of losses incurred in consequence of the event insured**

**Subsection 5.2.1:** In case of occurrence of an insured event provided for by the contract of

insurance the Insured shall take all measures reasonable and available under the circumstances for preventing and reducing possible losses. When taking such measures the Insured shall follow instructions of the Insurer if same have been given to the Insured.

**Subsection 5.2.2:** The Insurer shall not be liable for reimbursement of the Insured's losses incurred as a consequence of the Insured's failure to take all measures reasonable and available under the circumstances for preventing and reducing possible losses in case of occurrence of an insured event.

### **Section 5.3 – The Insurer's rights in handling and settlement of claims**

**Subsection 5.3.1:** In all matters connected with handling and settlement of claims the Insurer shall have the right:-

- a) to require any information and documents relating to the insured event from the Insured;
- b) to appoint or employ surveyors, experts, lawyers and other persons on behalf of the Insured for handling, considering and settlement of claims - at the Insurer's discretion;
- c) to participate in court and arbitration proceedings on behalf of the Insured. For this purpose the Insured shall be obliged to confer a power of attorney on the Insurer specifying relevant powers and authorities;
- d) to control handling and settlement of third parties' claims by the Insured including handling and settlement thereof in court and arbitration instances, to give instructions to the Insured on handling, settlement and payment of claims including compromise settlements on the conditions, in the amounts and within the terms which the Insurer shall deem fit.

**Subsection 5.3.2:** Any actions of the Insurer aimed at prevention of an insured risk, ascertainment of the causes of the event or casualty which may result in the Insured's liability, as well as at reducing of the amount of claim raised against the Insured by third parties or at rejection of such a claim, shall not lead to unconditional acknowledgement of the Insurer's liability by the Insurer and obligations to reimburse the Insured's expenses in respect of the particular insured event.

**Subsection 5.3.3:** If the Insured fails to assist the Insurer in exercising his rights listed in this section or to comply with the Insurer's instructions, the Insurer shall be entitled to reject the Insured's claims for reimbursement or to reduce the sum thereof.

**Section 5.4 – Acknowledgment by the Insured of the Insured’s liability for damage caused to third parties, the Insured’s consent to settle and pay claims**

The Insured shall not be entitled to either expressly or by implication (including via representatives) acknowledge his liability, to give consent to or assume obligations on amicable settlement as well as to actually pay claims of third parties without the prior written consent of the Insurer.

Failure by the Insured to comply with this requirement shall give ground for rejection by the Insurer of the Insured’s claim for full or partial reimbursement.

**PART VI. INSURANCE REIMBURSEMENT**

**Section 6.1 – Conditions for effecting insurance reimbursement**

**Insurance reimbursement is effected subject to the following conditions:**

**Subsection 6.1.1:** At the time of occurrence of the insured event the Insured ship was classed with the classification society approved by the Insurer (this provision shall not apply to the events when the ship is waiting for or being under repairs) unless otherwise agreed between the parties.

**Subsection 6.1.2:** At the time of occurrence of the insured event the Insured ship was operated according to the class requirements.

**Subsection 6.1.3:** At the time of occurrence of the insured event the Insured has complied with the requirements of the law of the state of the ship’s flag in respect of construction, condition, equipment, fitting-out and crew manning of the Insured ship and possessed all the documents issued by the state of the ship’s flag confirming observance of the said requirements by the shipowner.

**Subsection 6.1.4:** The Insured’s liability to compensate for the damage caused to third parties occurred by virtue of the judgement of arbitration court, arbitration tribunal or common court, the award of competent state body or under the settlement agreement approved by the Insurer and concluded between the Insured and the claimant for compensating the latter for the damage caused.

**Section 6.1.4:** The Insured’s liability to compensate for the damage caused to third parties occurred by virtue of the judgement of arbitration court, arbitration tribunal or common court, the award of competent state body or under the settlement agreement approved by the Insurer

and concluded between the Insured and the claimant for compensating the latter for the damage caused.

**Subsection 6.1.5:** The Insurer shall reimburse the Insured's losses after the actual settlement of claim by either the Insured or the Insured's agent unless otherwise agreed with the Insurer in writing.

**Subsection 6.1.6:** If, irrespective of reasons, the Insured fails to comply with the Insurer's instructions specified in item "d" of Subsection 5.3.1 with regards to the amount and terms of payment of the claim raised by third parties against the Insured, and as a result of such failure the claim amount has increased, the amount of reimbursement payable by the Insurer shall be limited to the sum initially recommended to the Insured for payment or settlement.

## **Section 6.2 – Procedure for effecting insurance reimbursement**

**Subsection 6.2.1:** The Insurer shall effect insurance reimbursement within 30 banking days subject to receipt of the originals or copies of the following documents:-

- a) the Insured's request (application) for insurance reimbursement);
- b) Contract of insurance (Certificate of Insurance) duly signed and stamped by the Insured;
- c) documents relating to the circumstances, causes and extent of loss;
- d) claim of the suffering party for recovery of the damage caused
- e) by the enforceable court judgment obliging the Insured (Assured person) to compensate for the damage caused (if the claim for recovery was considered judicially);
- f) amicable settlement agreement concluded between the Insured and third parties and approved by the Insurer;
- g) documents evidencing payment of the claim by the Insured;
- h) documents confirming the amount of additional expenses incurred by the Insured in operating the ship (ships) in the events specified in these Rules;
- i) other documents including those issued by third parties, the Insured, competent state bodies, persons authorised by the parties to the contract of insurance to investigate the circumstances of the insured event, which documents allow to establish the actual causes and nature of the insured event as well as the amount of payable reimbursement.

The Insurer shall be entitled to reduce the above-mentioned list of documents or to request from the Insured (Assured person) additional documents if in certain circumstances lack of such documents makes it impossible to establish the fact of occurrence of the insured event and to determine the amount of the damage caused.

Failure to submit the documents substantiating the expenses claimed for reimbursement shall entitle the Insurer to reject reimbursement in that part of losses which has not been confirmed by such documents.

**Subsection 6.2.2:** Request (application) for reimbursement shall be forwarded to the Insurer no later than within two years of the date of payment of the amount of claim by the Insured.

Failure to comply with this provision shall entitle the Insurer to reject the Insured's request for recovery.

**Subsection 6.2.3:** The Insurer shall consider the documents submitted under Subsections 6.2.1 and 6.2.2 of these Rules in terms of their contents and consistency with international and national laws applicable to relationships on damage claims and under contracts of insurance. If the documents submitted fail to prove the insured event as per the rules of applicable law or do not allow to make a conclusion on possibility to deem these circumstances as an insured event the Insurer shall be entitled to either request additional proofs and documents from the Insured or obtain the said documents by the Insurer's own means.

The amount of payable reimbursement shall be determined on the basis of these Rules relating to certain risks covered under the contract of insurance, documents submitted together with the request for reimbursement and the laws applicable to relationships between the parties participating in the event insured.

**Subsection 6.2.4:** The insurance reimbursement shall be effected to the Insured's account specified by the Insured in his application (request) for reimbursement. The insurance reimbursement may also be made to the account of other parties stipulated in the Insured's written request for insurance compensation, such as:

- specialized service companies ("correspondents"), ship's agents, surveyors, lawyers appointed by the Insurer or the Insured subject to the Insurer's approval, for protection of their interests and minimizing of the claim(s);
- repair companies as well as other enterprises and organisations providing service and carrying out such operations as repairs, salvage, wreck removal, pollution

prevention, life salvage;

- hospital, medical institutions;

- insurance brokers, lawyers and other specialized companies assisting in settlement of claims;

- state authorities (bodies) and/or legal entities acting on their behalf .

At the request of the Insured the Insurer may settle the claims relating to the damages caused to third parties directly to third parties (beneficiaries) as well as to mortgagees (holding a mortgage for the Insured' property) subject to presentation of all necessary claim documents to the Insurer.

Insurance reimbursement may be effected to the account and in favour of a properly authorised representative of the beneficiary such as lawyer, insurance broker, ship's agent or a properly authorised successor of the beneficiary in the order of cession, subrogation, regress action as well as to the account and in favour of contracting party approved both by the Insurer and Insured and nominated to render assistance in the accident.

In the above mentioned cases the Insured shall be obliged to remit the deductible provided for by the contract of insurance to the Insurer's account.

### **Section 6.3 – Return to the Insurer of reimbursement recovered by the Insured from third parties**

In case the Insured receives both compensation from third parties and reimbursement from the Insurer under the same insured event, the Insured shall be obliged to return to the Insurer reimbursement received from him in the amount equal to the sum recovered from third parties but not in excess of the sum of reimbursement paid by the Insurer.

## **PART VII. ASSIGNMENT OF THE INSURED'S RIGHTS FOR RECOVERY TO THE INSURER (SUBROGATION)**

### **Section 7.1 – Exercise of the Insurer's right for subrogation**

**Subsection 7.1.1:** The Insured's right to claim against the persons actually liable for the losses reimbursed by the Insurer under the contract of insurance shall be assigned to the Insurer up to the amount of reimbursement paid by the latter.

**Subsection 7.1.2:** The Insured shall be obliged to pass all documents and evidence over to the

Insurer and provide the Insurer with all information necessary for exercising the Insurer's right for subrogation.

**Subsection 7.1.3:** In case the Insured waives the right to claim against the party liable for losses covered by the Insurer under the contract of insurance or if the exercise of such a right becomes impossible through the Insured's fault the Insurer shall be entitled to reject reimbursement in full or in part.

## **PART VIII. GROUNDS FOR REJECTING THE INSURANCE REIMBURSEMENT**

### **Section 8.1 – List of grounds for rejecting the insurance reimbursement by the Insurer**

**Subsection 8.1.1:** Grounds for rejecting the insurance reimbursement by the Insurer shall be as follows:

- a) grounds listed in Division 3 of Part III of these Rules;
- b) the event that caused the Insured's liability occurred either before commencement of the contract of insurance or after termination thereof;
- c) the event that caused the Insured's liability occurred outside the territory of validity of the contract of insurance;
- d) failure of the Insured to fulfil the obligation to pay premium under Section 4.10 of these Rules;
- e) submission by the Insured to the Insurer of patently false information or counterfeit documents relating to the relevant contract of insurance or the event insured;
- f) breach by the Insured of the terms and conditions of the contract of insurance and additional terms inserted in the contract of insurance under Subsection 4.4.6 of Part IV of these Rules;
- g) failure of the Insured to give notice to the Insurer in proper time and in the order according to Subsection 5.1 of these Rules.
- h) failure of the Insured to submit to the Insurer the documents substantiating expenses for reimbursement in the order stipulated in Subsection 6.2.1 of these Rules;
- i) failure of the Insured to submit to the Insurer the request (application) for insurance reimbursement within the period stipulated in Subsection 6.2.2 of these Rules;



- j) waiver by the Insured of the rights to claim against the parties responsible for damage to property interests of third parties, or impossibility to effect subrogation through the Insured's fault (delay in lodging a claim against the parties responsible for the losses, etc.);
- k) recovery received by the Insured from the party responsible for damage to property interests of third parties;
- l) submission of requirements for claims reimbursement, occurred as a result of transportation of weapons of war or its parts including bullets, other warheads, mines, bombs and other parts of weapons of war, not depending on presence of cause-effect relation between such carriage and claims for reimbursement excluding cases where such liability was explicitly covered by contract of insurance.

**Subsection 8.1.2:** The Insured shall be advised of the Insurer's decision to reject insurance reimbursement and provided with justified arguments for such rejection in writing within 30 days of the date of fulfilment by the Insured of the provisions of Subsection 6.2.1 of Part VI of these Rules.

#### **PART IX. LIMITATION PERIOD**

All claims arising out of the contract of insurance concluded in accordance with these Rules are subject to a limitation period of two years beginning from the date of occurrence of the right to claim.

#### **PART X. DISPUTES**

Any dispute or disagreement arising out of or relating to the contract of insurance concluded according to these Rules or its breach, termination or invalidity shall, if possible, be settled by means of negotiations between the parties. If no agreement has been reached by the parties disputes shall be referred to the Arbitration Court in Moscow in compliance with Russian legislation, unless the parties have otherwise agreed.

#### **PART XI. APPLICABLE LAW**

The relations under the contract of insurance with participation of foreign legal entities that is concluded in accordance with these Rules shall be governed by Russian law, unless the parties have otherwise agreed.

## **Appendix 1**

### **To Shipowners' Liability Insurance Rules.**

**In accordance with Subsection 4.4.6 of Part IV of these Rules the Insurer shall have the right to insert the following clauses and warranties in the insurance policy:**

- **Disclaimer clause:**

This Certificate of Insurance is evidence only of the contract of indemnity insurance between the below named Insured and Ingosstrakh and shall not be construed as evidence of any undertaking, financial or otherwise, on the part of Ingosstrakh to any other party. In the event that the Insured tenders this Certificate as evidence of insurance under any applicable law relating to financial responsibility, or otherwise shows or offers it to any other party as evidence of insurance, such use of this Certificate by the Insured is not to be taken as any indication that Ingosstrakh thereby consents to act as guarantor or to be sued directly in any jurisdiction whatsoever. Ingosstrakh does not so consent.

- **Seaworthiness warranty:**

At the commencement of each voyage the Shipowner/Insured shall be bound to effect due diligence to make the vessel seaworthy in all respects for the purpose of the particular adventure insured.

**Security Clause:**

Whereas Ingosstrakh is under no obligation to provide bail or other security on behalf of the Insured, Ingosstrakh shall be entitled to provide same solely at Ingosstrakh's discretion. In case such bail or security is provided, it shall be on the terms as Ingosstrakh may consider appropriate and shall not constitute any admission of liability by Ingosstrakh for the claim in respect of which the bail or other security is given.

- **ISM Code Clause:**

The Insured shall procure that both the Vessel(s) and "the Company" shall comply with the requirements of the ISM Code if such requirement is provided for by chapter IX of the International Convention for the Safety Of Life At Sea, 1974 with amendments 1994.

Unless and to the extent that Ingosstrakh otherwise decide, the Insured shall not be entitled to any recovery from Ingosstrakh in respect of any claim arising during a period when the Insured is not fulfilling or has not fulfilled this condition

• **Terrorism exclusion clause:**

This contract excludes any loss, damage, liability or expense arising from:

- a. terrorism; and or
- b. steps taken to prevent, suppress, control or reduce the consequences of any actual, attempted, anticipated, threatened, suspected or perceived terrorism.

For the purpose of this clause, “terrorism” means any act(s) of any person(s) or organisation(s) involving:

- i. the causing, occasioning or threatening of harm of whatever nature and by whatever means;
- ii. putting the public or any section of the public in fear,

in circumstances in which it is reasonable to conclude that the purpose(s) of the person(s) or organisation(s) concerned are wholly or partly of a political, religious, ideological or similar nature.

• **Institute Time Clauses Hulls cl. 280 1/11/95 clause 4 Classification:**

4.1 It is the duty of the Assured, Owners and Managers at the inception of and throughout the period of this insurance to ensure that:

4.1.1 The Vessel is classed with a Classification Society agreed by the Underwriters and that her class within that Society is maintained,

4.1.2 Any recommendations requirements or restrictions imposed by the Vessel’s Classification Society which relate to the Vessel’s seaworthiness or to her maintenance in a seaworthy condition are complied with by the dates required by that Society.

4.2 In the event of any breach of the duties set out in Clause 4.1 above, unless the Underwriters agreed to the contrary in writing, they will be discharged from liability under this insurance as from the date of the breach provided that if the Vessel is at sea at such date the Underwriters’ discharge from liability is deferred until arrival at her next port.

4.3 Any incident condition or damage in respect of which the Vessel’s Classification Society might make recommendations as to repairs or other action to be taken by the Assured, Owners or Managers must be promptly reported to the Classification Society.

4.4 Should the Underwriters wish to approach the Classification Society directly for information and/or documents, the Assured will provide the necessary authorization.

• **Institute Radioactive Contamination, Chemical, Biological, Bio-chemical and Electromagnetic Weapons Exclusion Clause 10/11/2003 CL 370**

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

1. In no case shall this insurance cover loss damage liability or expense directly or indirectly caused by or contributed to by or arising from

1.1 ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel

1.2 the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof

- 1.3 any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter
- 1.4 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
- 1.5 any chemical, biological, bio-chemical, or electromagnetic weapon.

- **Institute Cyber Attack Exclusion Clause 10/11/03 CL 380**

- 1.1 Subject only to clause 1.2 below, in no case shall this insurance cover loss damage liability or expense directly or indirectly caused by or contributed to by or arising from the use or operation, as a means for inflicting harm, of any computer, computer system, computer software programmer, malicious code, computer virus or process or any other electronic system.
- 1.2 Where this clause is endorsed on policies covering risks of war, civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power, or terrorism or any person acting from a political motive, Clause 1.1 shall not operate to exclude losses (which would otherwise be covered) 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.

- **Electronic Date Recognition Endorsement C (XLEDRC) clause.** This endorsement shall prevail notwithstanding any provision whether written typed or printed in this contract inconsistent herewith.

- 1. This contract does not cover loss, damage, liability or expense arising from or in anyway connected, whether directly or indirectly, with;
  - a) the actual or anticipated failure or inability of any computer or electronic device or component or system or software or embedded programming, whether or not belonging to or in the possession of the direct Assured;
  - i) correctly and unambiguously to assign any date to the correct day, week, year or century,
  - ii) correctly to recognise sequence or compute any date which is or is intended to be beyond 31 December 1998,
  - iii) to continue to operate as it would have done had its current date, the true date and any other date relevant to any function being carried out by it been prior to 1 January 1999;
  - b) the use of any arbitrary, ambiguous or incompletely defined date or date-like code in any data, software or embedded programming;
  - c) any measures taken whether preventative, remedial or otherwise with the intention of averting or minimising any of the above.
- 2. Notwithstanding 1.a) and 1.b) above, this contract shall be extended to include;
  - a) loss or damage arising from physical loss of or physical damage to tangible property;

- b) liability for actual or alleged bodily injury;
  - c) liability for physical loss of or physical damage to tangible property owned by another person and resulting loss of use of such physically lost or physically damaged property;
- provided that such loss, damage or liability above is within the terms, conditions and exclusions of the original policy(ies) or contract(s).

3. For the purposes of 2. above, tangible property shall not include:

- a) any data or embedded programming however stored or conveyed;
  - b) any computer or electronic device or component or system or software, other than where such property forms part of an insured cargo or ship's machinery, which is in any way connected whether directly or indirectly with loss or damage claimed or from which such loss or damage arises.
4. This endorsement shall not include loss, damage, liability or expense arising from any contract solely designed to cover losses arising from any matter referred to in 1. above.

• **Paperless Trading Endorsement (BOLERO) clause.**

1. There shall be no recovery from Ingosstrakh in respect of any liability, cost or expense whatsoever or howsoever arising, whether directly or indirectly, out of or in consequence of:

- (a) the member's participation in or use of any system or contractual arrangement the predominant purpose of which is to replace paper-based documentation in shipping and/or international trade with electronic messages, including, without limitation, the Bolero system (any such system or arrangement being referred to in this endorsement as a «paperless system»), or
  - (b) a document which is created or transmitted under a paperless system which document contains or evidences a contract of carriage, or
  - (c) the carriage of goods pursuant to such a contract of carriage,
- save to the extent that the Association in its sole discretion may determine that such liability, cost or expense would have arisen and would have been covered by the Association if the Member had not participated in or used a paperless system and any contract of carriage had been contained in or evidenced by a paper document.

2. For the purpose of this endorsement a «document» shall mean anything in which information of any description is recorded, including, but not limited to, computer or other electronically generated information.

• **Joint Insured Clause (Jointly And Severally Insured)**

The Insurer agree to extend insurance in respect of an Insured Vessel to a Joint Insured, subject to the following terms and conditions:

1. The Insured and each Joint Insured shall be jointly and severally liable for payment of any premium due to the Insurer.
2. Each Joint Insured has a right to be indemnified by the Insurer against any loss or expense for which such Joint Insured is legally liable and which arises from liability or expense which is specified in the Certificate of insurance.
3. A Joint Insured shall not be indemnified against any loss or expense unless it arises out of the operations for which the Insured would be responsible as a Shipowner.

4. The Insurer shall not indemnify the Insured or Joint Insured against loss or expense which arises from a dispute between the Insured and a Joint Insured or between one Joint Insured and another.
5. Each Joint Insured shall comply with all the obligations of the Insured under the Certificate of insurance, including its obligations to disclose material information, as if it were itself the Insured.
6. An act or omission of the Insured or any Joint Insured shall be deemed to be the act or omission of the Insured and all Joint Insureds.
7. Any notice or other communication by the Insurer to the Insured or any Joint Insured shall be deemed to be a notice of communication to the Insured and all Joint Insureds.
8. Any payment by the Insurer in satisfaction of a liability insured under the Certificate of insurance shall be deemed to have been received by the Insured and all Joint Insureds, and the Insurer shall thereby be fully discharged from its obligations to the Insured and all Joint Insureds in respect of such liability.

All other terms, conditions, exclusions and limitations of the Certificate of insurance, in so far as they are not inconsistent with the above, shall apply to the Insured and all Joint Insureds.

- **“Misdirect Arrow Cover” Clause**

Notwithstanding the fact that the Insured are named in their capacity as (the capacity) in this Certificate of insurance, the cover of Ingosstrakh will extend to them only insofar as they may be found liable to pay in the first instance for the liabilities which are properly the responsibility of the shipowner/ bareboat charterer insured under this certificate of insurance.

However, nothing herein contained shall be construed as extending cover in respect of any amount which would not have been recoverable from Ingosstrakh by the shipowner had such claim been made or enforced against the shipowner/ bareboat charterer.

Once Ingosstrakh has made indemnification under such cover it shall not be under any further liability and shall not make any further payment to any person or company whatsoever, including the shipowner/ bareboat charterer insured under this certificate of insurance in respect of that claim.

### **Wet Damage Clause:**

#### ***1<sup>st</sup> variant.***

- Excluding any and all claims for wet damage to cargo caused by (a) ingress of water/bunker/oil from the ship's pipelines or tanks for bunkers or ballast waters etc. due to their tear and wear or rust and by (b) ingress of water through hatch covers and other openings in outer plating of hull and upper deck. This exclusion does not apply when a wetting is caused by a latent defect or mechanical damage to hull or ship's systems. This exclusion in respect of (b) can be waived from the beginning of the current voyage on submission of water tightness certificate of the abovementioned systems/equipment of the ship issued by an independent surveyor approved by Ingosstrakh;

#### ***2<sup>nd</sup> variant.***

- Excluding any and all claims for wet damage to cargo caused by (a) ingress of water/bunker/oil from the ship's pipelines or tanks for bunkers or ballast waters etc due to their tear and wear or rust and by (b) ingress of water through hatch covers and other openings in outer plating of hull

and upper deck. This exclusion does not apply when a wetting is caused by a latent defect or mechanical damage to hull or ship's systems.

**3<sup>rd</sup> variant.**

- Excluding any and all claims for wet damage to cargo caused by (a) ingress of water/bunker/oil from the ship's pipelines or tanks for bunkers or ballast waters etc due to their tear and wear or rust and by (b) ingress of water through hatch covers and other openings in outer plating of hull and upper deck. This exclusion does not apply when a wetting is caused by a latent defect or mechanical damage to hull or ship's systems. Unless Ingosstrakh otherwise decides, this exclusion in respect of (b) can be waived on submission of water tightness certificate of the above mentioned systems/equipment of the ship, which shall be valid within 12 months from the date of its issuance and provided by an independent surveyor approved by Ingosstrakh;

**4<sup>th</sup> variant.**

- Excluding any and all claims for wet damage to cargo caused by ingress of water/bunker/oil. This exclusion does not apply when a wetting is caused by a latent defect or mechanical damage to hull or ship's systems.

**5<sup>th</sup> variant.**

- Excluding any and all claims for wet damage to cargo caused by any reason.

**6<sup>th</sup> variant.**

- Excluding any and all claims for wet damage to cargo caused by ingress of water/bunker/oil from the ship's systems due to their tear and wear or rust. This exclusion does not apply when a wetting is caused by a latent defect or mechanical damage to hull or ship's systems.

- **Steel cargo clause:**

It is the duty of the Insured to carry out a pre-loading survey of steel cargo at the Insured's expense by a surveyor approved by Ingosstrakh and to clause the Bills of Lading in accordance with the surveyor's findings/recommendations. In the event of any breach of above duty Ingosstrakh will be discharged from any liability for cargo damage of whatsoever nature unless Ingosstrakh otherwise decides.

- **Reefer Clause:**

Excluding any and all claims for damage to cargoes which require special temperature and/or ventilation regime of carriage caused by failure to comply with such regime unless refrigerating and/ or ventilation system goes out of order due to an accident.

- **Liquid Cargoes Clause:**

Excluding any and all claims in respect of contamination and water damage of liquid cargo.

- **Fishing Vessels Clause:**

*Excluding any and all claims in respect of:*

- a) illegal fishing
- b) any damage to or by nets and gear
- c) catch and cargo.

- **Timber Carriers Clause:**

Excluding any and all claims for shortage of pieces in intact bundles of timber.

- **Container Clause:**

Excluding any and all claims for shortage of cargo in intact package or in containers with intact seals.

**Fleet cover clause**

- Unless otherwise agreed with Ingosstrakh in writing, the failure of one of the Assureds insured on a “fleet cover” basis to pay due premiums in full or in part shall mean failure of all the Assureds insured on a “fleet cover” basis to meet their obligation in respect of premium payment and shall automatically enforce “Premium Payment Clause” accordingly. By virtue of this clause “Joint Statistics” method shall apply which means that at the renewal of cover a unified coefficient calculated on the basis of joint claims record of all individual Assureds covered on a fleet basis shall be applicable to each individual premium rate.