



CLASS III
Hull and Machinery

Edition 2018

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RULE 1 DEFINITIONS

The subject matter of this insurance is the vessel, including its hull, lifeboats, machinery, equipment, instruments, tackles, bunkers and stores.

This insurance is classified into Total Loss Cover and All Risks Cover.

RULE 2 SCOPE OF COVER

2.1 Total Loss Cover

This insurance covers total loss of the insured vessel caused by:

- (1) earthquake, volcanic eruption, lightning or other natural calamities;
- (2) grounding, collision, contact with any object, fixed, floating or otherwise, or other perils of the seas;
- (3) fire or explosions;
- (4) violent theft by persons from outside the vessel or piracy;
- (5) jettison;
- (6) breakdown of or accident to nuclear installations or reactors;
- (7) this insurance also covers total loss of the insured vessel caused by:
 - 1) accidents in loading, discharging or shifting cargo or fuel;
 - 2) any latent defect in a machinery or hull of the vessel;
 - 3) wrongful acts willfully committed by the master or crew to the prejudice of the Insured's interest;
 - 4) negligence of the Master, crew or pilots, repairers or charterers;
 - 5) acts of any governmental authority to prevent or minimize a pollution hazard resulting from damage to the vessel caused by risks insured against;

Provided such loss has not resulted from want of due diligence by the Insured, Owners or Managers.

2.2 All Risks Cover

This insurance covers total loss of or partial loss of or damage to the insured vessel arising from the causes under the Total Loss Cover and also covers the undermentioned liability or expense:

(1) Collision Liabilities

1) This insurance covers legal liabilities of the Insured as a consequence of the insured vessel coming into collision or contact with any other vessel, or any object, fixed, floating or otherwise. However this clause does not cover any liabilities in respect of:

- a. loss of life, personal injury or illness;
- b. cargo or other property on, or engagements of, the insured vessel;
- c. removal or disposal of obstructions, wrecks, cargoes or any other thing whatsoever;
- d. pollution or contamination of any property or thing whatsoever (including cost of preventive measures and clean-up operations) except pollution or contamination of the other vessel with which the insured vessel is in collision or property on such other vessel.
- e. indirect expenses arising from delay to or loss of use of any object, fixed, floating or otherwise.

2) Where the insured vessel is in collision with another vessel and both vessels are to blame, then unless the liability of one or both vessels becomes limited by law, the indemnity under this clause shall be calculated on the principle of cross-liabilities. This principle also applies when the insured vessel comes into contact with an object.

3) The Insurer's liability (including legal costs) under this clause shall be in addition to his liability under the other

provisions of this insurance, but shall not exceed the insured amount of the vessel hereby insured in respect of each separate occurrence.

(2) General Average and Salvage

1) This insurance covers the insured vessel's proportion of general average, salvage or salvage charges, but in case of general average sacrifice of the vessel, the Insured may recover fully for such loss without first obtaining contributions from other parties.

2) General average shall be adjusted in accordance with the relative contract and/or governing law and practice. However, where the contract of affreightment or carriage does not so provide, the adjustment shall be according to the Beijing Adjustment Rules or similar provisions of other rules.

3) Where all the contributing interests are owned by the Insured, or when the insured vessel sails in ballast and there are no other contributing interests, the provisions of the Beijing Adjustment Rules (excluding Article 5), or similar provisions of other rules if expressly agreed, shall apply as if the interests were owned by different persons. The voyage for this purpose shall be deemed to continue from the port or place of departure until the arrival of the vessel at the first port or place of call thereafter other than a port or place of refuge or a port or place of call for bunkering only. If at any such intermediate port or place there is an abandonment of the adventure originally contemplated the voyage shall thereupon be deemed to be terminated.

(3) Sue and Labour

1) Where there is loss or damage to the vessel from a peril insured against or where the vessel is in immediate danger from such a peril, and as a result reasonable expenditure is incurred by the Insured in order to avert or minimize a loss which would be recoverable under this insurance, the Insurer will be liable for the expenses so incurred by the Insured. This clause shall not apply to general average, salvage or salvage charges or to expenditure otherwise provided for in this insurance.

2) The Insurer's liability under this clause is in addition to his liability under the other provisions of this insurance, but shall not exceed an amount equal to the sum insured in respect of the vessel.

RULE 3 EXCLUSIONS

This insurance does not cover loss, damage, liability or expense caused by:

3.1 unseaworthiness including not being properly manned, equipped or loaded, provided that the Insured knew, or should have known, of such unseaworthiness when the vessel was sent to sea.

3.2 negligence or intentional act of the Insured and his representative.

3.3 ordinary wear and tear, corrosion, rottenness or insufficient upkeep, or defect in material which the Insured should have discovered with due diligence, or replacement of or repair to any part in unsound condition as mentioned above.

3.4 war, civil war, revolution, rebellion or civil strife arising therefrom, or any hostile act;

3.5 capture, seizure, arrest, detainment, confiscation or blockade ;

3.6 any weapons of war including mines, torpedoes, bombs, atomic, hydrogen bombs or nuclear weapons of war;

3.7 strikes, lock-outs or other similar events;

3.8 civil commotions, riots or other similar events;

3.9 any person acting maliciously from a political motive;

3.10 requisition or pre-emption

RULE 4 DEDUCTIBLE

4.1 Partial loss caused by a peril insured against shall be payable subject to the deductible stipulated in the policy for each separate accident or occurrence (excluding claims under collision liability, salvage and general average, and sue and labour).

4.2 Claims for damage by heavy weather occurring during a single sea passage between two successive ports shall be treated as being due to one accident.

This clause shall not apply to a claim for total loss of the vessel, and the reasonable expense of sighting the bottom after grounding, if incurred specially for that purpose.

RULE 5 SHIPPING

Unless previously approved by the Insurer and any amended terms of cover and additional premium required have been agreed, this insurance does not cover loss, damage, liability and expense caused under the following circumstance:

5.1 towage or salvage service undertaken by the insured vessel;

5.2 cargo loading or discharging operation at sea from or into another vessel (not being a harbour or inshore craft) including whilst approaching, lying alongside and leaving;

5.3 the insured vessel sailing with an intention of being broken up or sold for breaking up.

RULE 6 PERIOD OF INSURANCE

This insurance is classed into Time Insurance and Voyage Insurance.

6.1 Time Insurance: The longest duration is one year, the time of commencement and termination being subject to the stipulation in the policy. Should the insured vessel at the expiration of this insurance be at sea or in distress or at a port of refuge or of call, she shall, provided previous notice be given to the Insurer, be held covered to her port of destination with the payment of an additional pro rata daily premium. However, in case of a total loss of the vessel during such period of extension, an additional annual premium shall be paid to the Insurer.

6.2 Voyage Insurance: to be subject to the voyage stipulated in the policy. The time of commencement and termination to be dealt with according to the following provisions;

(1) With no cargo on board: to commence from the time of unmooring or weighing anchor at the port of sailing until the completion of casting anchor or mooring at the port of destination.

(2) With cargo on board: to commence from the time of loading at the port of sailing until the completion of discharge at the port of destination, but in no case shall a period of thirty days be exceeded counting from midnight of the day of arrival of the vessel at the port of destination.

RULE 7 DISCHARGE

1. This insurance shall be discharged automatically in the event of payment for total loss of the insured vessel.

2. Unless previously agreed by the Insurer in writing, this insurance shall terminate automatically at the time of any change of the Classification Society of the insured vessel, change of, cancellation or withdrawal of her class therein, change in the ownership or flag, assignment or transfer to new management, charter on a bareboat basis, requisition for title or use of the vessel, provided that, if the vessel has cargo on board or is at sea, such termination shall, if required, be deferred until arrival at her next port or final port of discharge or destination.

3. In case of any breach of warranty as to cargo, voyage, trading limit, towage, salvage services or date of sailing, this insurance shall be discharged automatically unless notice is given to the Insurer immediately after receipt of advice and any additional premium required be agreed.

RULE 8 PREMIUM AND RETURNS

8.1 Time Insurance: Full premium shall be due and payable on attachment, and if agreed by the Insurer payment may be made by installments, but in the event of total loss of the insured vessel, any unpaid premium shall be immediately due and payable.

In no case shall time insurance be cancelable and the premium thereof be returnable once it commences.

8.2 Voyage Insurance: In no case shall voyage insurance be cancelable and the premium thereof be returnable once it commences.

RULE 9 DUTY OF THE INSURED

9.1 Immediately upon receipt of advice of any accident or loss to the insured vessel, it is the duty of the Insured to give notice to the Insurer within 48 hours, and if the vessel is abroad, to the Insurer's nearest agent immediately, and to take all reasonable measures for the purpose of averting or minimizing a loss which would be recoverable under this insurance.

9.2 Claiming for the indemnity, the Insured should submit the relevant certificates or documents in good time, including original insurance policy, endorsement on marine affairs, log book, engine log book, sea protest, official ship inspection certificate, registry certificate, ship's trading certificates, copy of seafarer certificate, cargo record of carriage contract, accident mediation agreement, arbitral award, statement of loss and other documents which is connected with the nature, causes and loss severity of the accident.

As the insured claims for the indemnity and provides the required documents above, the Company should ratify within 90 days. The Company will pay the compensation which is admitted inside the scope of coverage within 90 days after reaching an agreement of compensation for loss or payment of the insurance with the insured.

If the insured fails to fulfill the documents providing obligation as written in the preceding paragraph, which makes the Insurer unable to ratify the loss, the Insurer shall not be liable to compensate for the loss which could not be ratified.

9.3 Measures taken by the Insured or the Insurer with the object of averting or minimizing a loss which would be recoverable under this insurance shall not be considered as waiver or acceptance of abandonment or otherwise prejudice the rights of either party.

9.4 The Insured shall obtain prior agreement of the Insurer in determining the liabilities and expenses in respect of the insured vessel.

9.5 If any third party is liable for the loss or damage within the coverage of this insurance, the Insured shall lodge a claim against such third party. If the third party fails to fulfill the obligation of payment, the Insured shall take all necessary measures to reserve the right to claim against such third party. The Insurer shall be entitled by subrogation to claim for indemnity against the third party after the Insurer makes payment of indemnity upon reception of a written claim from the Insured subject to the terms and conditions of the Policy, and the Insured shall provide necessary assistance to pursue remedy against such third party. **If the Insured gives up the right to claim indemnity from the third party without the consent of the Insurer, or the Insurer cannot exercise the right of subrogation due to negligence of the Insured, the Insurer may deduct a corresponding sum when calculating the amount of indemnity.**

RULE 10 TENDER

10.1 Where the insured vessel is damaged and repairs are required, the Insured shall take such tenders as a diligent uninsured owner would take to obtain the most favourable offer for the repairs of the damaged vessel.

10.2 The Insurer may also take tenders or may require further tenders to be taken for the repair of the vessel. Where such a tender is accepted with the approval of the Insurer and allowance in respect of fuel and stores and wages and maintenance of the master and crew shall be made for the time lost between the despatch of the invitations to tender required by the Insurer and the acceptance of a tender, but the maximum allowance shall not exceed the rate of 30% per annum on the insured value of the vessel.

10.3 The Insured may decide the place of repair of the damaged vessel, however, if the Insured in taking such decisions does not act as a diligent uninsured owner, then **the Insurer shall have a right of veto concerning the place of repair or a repairing firm decided by the owner or deduct any increased costs resulting therefrom from the indemnity.**

RULE 11 CLAIM AND INDEMNITY

11.1 The Insured shall not lodge any claim against the Insurer if he has no Insurable Interest of the subject insured at time of occurrence.

11.2 Total Loss

(1) Where the insured vessel is completely destroyed or so seriously damaged as to cease to be a thing of the kind insured or where the Insured is irretrievably deprived of the vessel, it may be deemed an actual total loss, and the full insured amount shall be indemnified.

(2) Where no news is received of the whereabouts of the insured vessel over a period of two months after the date on which she is expected to arrive at the port of destination, it shall be deemed an actual total loss and the full insured amount shall be indemnified.

(3) Where an actual total loss of the insured vessel appears to be unavoidable or the cost of recovery, repair and/or salvage or the aggregate thereof will exceed the insured value of the vessel, it may be deemed a constructive total loss and the full insured amount shall be indemnified after notice of abandonment of the vessel is given to the Insurer irrespective of whether the Insurer accepts the abandonment. Once the Insurer accepts the abandonment, the subject matter insured belongs to the Insurer.

11.3 Partial Loss

(1) Claims under this insurance shall be payable without deduction new for old.

(2) In no case shall a claim be admitted in respect of scraping, derusting or painting of the vessel's bottom unless directly related to repairs of plating damaged by an insured peril.

(3) Where repairs for owner's account necessary to make the vessel seaworthy and/or a routine drydocking are carried out concurrently with repairs covered by this insurance, then the cost of entering and leaving dock and the dock dues for the time spent in dock shall be divided equally.

Where it is necessary to place the vessel in drydock for repair of the damage covered by this insurance, the Insurer's liability for the cost of docking shall not be reduced, should the Insured has surveys or other work carried out while the vessel is in dock provided the time for the work for the Insured's account is not prolonged in dock or the cost of docking is not in any way increased.

11.4 In no case shall any sum be allowed under this insurance either by way of remuneration of the Insured for time and trouble taken to obtain and supply information or documents or in respect of the commission or charges of any manager, agent, managing or agency company or the like, appointed by or on behalf of the Insured to perform such services, unless prior agreement has been obtained.

11.5 Where the insured amount is less than the agreed value or the contributory value in respect of general average or salvage, then the Insurer is only liable to pay that proportion of any loss or expense covered by this insurance that the amount insured bears to the agreed or contributory value.

11.6 Where the insured vessel comes into collision with or receives salvage services from another vessel owned by the Insured or under the same management, the Insurer shall be liable under this insurance as if the other vessel were owned by a third party.

RULE 12 TREATMENT OF DISPUTES

Disputes arising from the execution and performance of the policy shall be settled through negotiation between the parties hereto. Should no settlement be reached, the case in dispute shall be submitted to the arbitration institution specified in the policy. Where no arbitration institution is specified in the policy or no arbitration agreement is reached after disputes, either party hereinto may bring litigation to the Court with jurisdiction.

The insurance contract shall be governed by the Laws of the People's Republic of China, but except Hong Kong SAR, Macau SAR, and Taiwan area.