



**CLASS III**  
**Hull and Machinery**

Edition 2026

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## RULE 1 DEFINITIONS

In these Rules, the following words and phrases shall have the following meanings unless the context otherwise requires.

### General Rules

The General Rules for the time being of the Association.

### Rules

The General Rules and the Class III Rules.

## RULE 2 GENERAL

1. Insurance in this Class is subject to the General Rules and to the Memorandum and Articles of the Association.
2. The contract relating to entry in this Class shall be deemed to be separate from the contract for entry in any other Class.
3. *The sub-rule 3.5 (Hierarchy of Clause Validity and Application Rules) shall be paramount and shall override anything contained in the Rules/Terms/Clauses in Certificate of Entry inconsistent therewith.*

## RULE 3 SELECTION AND APPLICATION OF TERMS OF RISK COVERED

1. For the purpose of this Rule,
  - a) "Special Agreed Clauses" refer to the modifications, supplements or exception agreements specifically listed in the Certificate of Entry by the Member and the Association regarding an entered ship, which are aimed at the general clauses of the Certificate of Entry (such as Limits, Sum Insured, Trading Warranty, Deductible, Special Warranty Clauses, etc.);
  - b) "Third-Party Clauses" refer to the clauses not formulated by the Association that are stated to be applicable in the Certificate of Entry (such as forms of Lloyd's Marine Policy with Institute Time Clauses, International Hull Insurance Clauses, industry general standard clauses, etc.);
  - c) "Corresponding Provisions" refer to the clause contents that can be directly applied to specific accidents, liability determination, claim settlement procedures and other matters, including explicit authorization, restriction, obligatory or prohibitory agreements.
2. The Member may negotiate with the Association on the application of the corresponding coverage clauses for the hull risks (including but not limited to war risks and/or strike risks under Hull and Machinery) of the ship covered by the Association; the contents agreed upon through negotiation shall be included in the Certificate of Entry or a separate supplementary agreement to be valid.
3. The contents of the cover terms/clauses determined through negotiation shall be clear and specific; for the scope of liability or coverage not clearly agreed upon, the default provisions of the Association's general applicable clauses shall apply.
4. The Member shall submit the complete text of the selected Third-Party Clauses to the Association at the time of coverage application; the Association shall only be liable for the application of the content of the Third-Party Clauses stated in the Certificate of Entry, and shall not bear additional liability or coverage for disputes arising

from ambiguities, invalidity or unresolved matters in the Third-Party Clauses themselves.

**5. Hierarchy of Clause Validity and Application Rules**

- a) Where there is a conflict between the Special Agreed Clauses stated in the Certificate of Entry, the general applicable clauses formulated by the Association and the Third-Party Clauses stated to be applicable in the Certificate of Entry, the priority of validity of each clause shall be determined in accordance with the provisions of this Article: the Special Agreed Clauses stated in the Certificate of Entry shall have the highest validity; the general applicable clauses formulated by the Association shall have the next highest validity; the Third-Party Clauses stated to be applicable in the Certificate of Entry shall have the lowest validity.
- b) If there is a difference in the formation time of clauses at the same level, the clause formed later shall prevail; for matters not covered by these Terms, the supplementary agreement separately signed by both parties shall apply first.
- c) These Terms and various applicable clauses shall only be binding on accidents occurring within the coverage period stated in the Certificate of Entry; for subsequent matters occurring after the expiration of the coverage period (such as correction and supplementation of claim settlement materials), the clauses valid during the coverage period shall still apply.
- d) If the Third-Party Clauses stated in the Certificate of Entry are revised, repealed or replaced, the Member shall notify the Association in writing within 15 working days after becoming aware of such circumstance; the Association shall not be liable for losses caused by failure to notify in a timely manner.
- e) The Third-Party Clauses stated to be applicable in the Certificate of Entry may only be applied when there are no corresponding provisions in both the Special Agreed Clauses stated in the Certificate of Entry and the general applicable clauses formulated by the Association. The exclusion of liability in the Third-Party Clauses may only be applied when it does not conflict with the Special Agreed Clauses and the general applicable clauses.

**6. Obligation of Truthful Disclosure:**

When negotiating the application of clauses, the Member shall truthfully inform the true status of the entered ship (including but not limited to ship age, trading area, past claim records) and the core content of the Third-Party Clauses. If the Member fails to make truthful disclosure resulting in incorrect application of clauses or losses, the Association has the right to be exempted from corresponding liability for compensation.

**RULE 4 CLAIMS**

1. It is a condition precedent to the liability of the Association for any claim in respect of damage to the property of the Member that the claim is lodged with the Association within 12 months of the Member becoming aware of the existence of the damage concerned. If this condition precedent is not complied with, then the liability of the Association in respect of the claim concerned shall be extinguished.
2. Unless otherwise recorded in the Certificate of Entry:
  - 1) if this entry is direct insurance, then the Claims Co-operation Clause (A) or (B) appearing in the Annex shall apply, and
  - 2) if this entry is reinsurance, then the Claims Control Clause appearing in the Annex shall apply.
3. No other Clause appearing in the Annex shall apply to this insurance unless specifically incorporated herein by the Certificate of Entry.
4. Want of due diligence

- 1) If liabilities, losses or expenses are incurred as a result of want of due diligence by the Member, his managers, superintendents or onshore management, then the Directors may, in their discretion, reject or reduce the liability of the Association to the Member to the extent that such want of due diligence has, in their opinion, caused the liabilities, losses or expenses incurred.
- 2) In exercising their discretion under paragraph 4.1 of this Rule the Directors may take into account any failure by the Member, his managers, superintendents or onshore management to comply with recommendation(s) in connection with the operation of the insured ship which may have been made in any Circular or Risk Bulletin published by the Association and published on its website the burden being on the Member to show that the liability, loss or expense could not have been avoided by compliance with such recommendation (s).

#### **RULE 5 LAID UP RETURNS**

Unless otherwise agreed, laid up returns (if any) will be made in accordance with Clause 23 of the Institute Time Clauses - Hulls 1.11.95 and the Joint Hull Committee Scale of Returns applicable to risks written after 1st November 1975.

#### **RULE 6 ENTRY AND NOTICE**

1. Unless otherwise agreed in writing at the time of entry and subject as otherwise provided in the Rules, the insurance shall begin and end at the time and dates stated in the Certificate of Entry.
2. On expiry, the insurance shall be renewed for a new policy period of one year commencing with the end of the expiring policy period on the same terms and conditions as those in force for the expiring policy period, unless at the request of a Member other terms shall be agreed or unless:
  - f) no less than 15 days' notice shall have been given in writing by either the Member to the Managers or the Managers to the Member that the insurance specified in the notice is not to be renewed, or
  - g) the Managers shall have given no less than 15 days' notice that the terms of the insurance by the Association for the next following policy period are to be changed, in which case the insurance for the next following policy period shall be renewed upon such terms as may be agreed between the Member and the Managers prior to the end of the expiring policy period, and if no terms shall by then have been agreed, the insurance shall not be renewed;

***PROVIDED ALWAYS that***

if the Managers give 60 days' notice of an alteration in the Rules of the Association and/or a decision of the Directors under Rule 7.4 of the General Rules, the Member shall be deemed to have agreed to and accepted such alteration and/or decision and the insurance shall be renewed in accordance with this sub-rule, unless notice has been given in accordance with sub-rule 2 (a) of this Rule.

3. Notwithstanding anything herein contained, the Directors or the Managers may at any time suspend or terminate the insurance of any ship by the Association by giving seven days' notice to a Member.
4. An entered ship shall not be withdrawn from the Association at any other time or in any other manner except with the written consent of the Managers.
5. The Member shall be under a duty to disclose to the Association all material circumstances in connection with any renewal of this insurance. The duty shall arise 45 days prior to the expiry of the current policy period and shall continue until the Association is irrevocably committed to renew this insurance.

**RULE 7 ANNEX**

**SUSPENSION OF COVER**

If this entry is providing war risks (or war and strikes risks) in Hull & Machinery coverage, then this clause in this Annex (SUSPENSION OF COVER) shall compulsively apply notwithstanding any other term of this insurance, including any terms incorporated by reference to standard market clauses:

1. The coverage granted by this insurance may be suspended by the Association giving seven days' notice (such suspension becoming effective on the expiry of seven days from midnight of the day on which notice of suspension is issued by or to the Association). The Association however agrees to reinstate this insurance subject to agreement between the Association and the Member prior to the expiry such notice of suspension as to the new rate of premium and/or condition and /or warranties.
2. Whether or not such notice of cancellation has been given, this insurance shall be suspended automatically:
  - a) on the outbreak of war (whether there be declaration of war or not) between any of the following countries: France, The Russian Federation, The People's Republic of China, The United Kingdom, and The United States of America,
  - b) In the event of the entered ship being requisitioned either for title or use.
3. In the event of automatic suspension of cover, the Association shall be under no obligation to reinstate cover.

**CLAIMS CONTROL CLAUSE**

Notwithstanding anything herein contained to the contrary, it is condition precedent to any liability of the Association that:

- a) in the event of any claim being made or threatened against the Member in respect of damage caused by the entered ship, the Member shall give immediate notice thereof to the Association and the Member shall not agree to or make any settlement of any such claim without the written consent of the Association, and
- b) in the event of damage being suffered by the entered ship, the Member shall give immediate notice thereof to the Managers, and the Member shall not agree to settle any resulting claim without the prior consent of the Association.

**CLAIMS CO-OPERATION CLAUSE (A)**

1. The Member shall, upon knowledge of any loss or circumstances which may give rise to a claim under this coverage, advise the Association as soon as practicable.
2. The Member shall arrange for the Association to be furnished with all information available in respect of such loss or losses and shall co-operate with the Association in the adjustment and settlement thereof.

**CLAIMS CO-OPERATION CLAUSE (B)**

1. The Member shall, upon knowledge of any circumstances which may give rise to a claim under this coverage, advise the Association as soon as practicable.
2. The Member shall arrange for the Association to be furnished with all information available in respect of such loss or losses particularly, but not limited to, all survey advices and reports and any other technical reports commissioned by the Leading Underwriters, by whose decisions and settlements (excluding "ex-gratia" settlements) the Association has agreed to be bound.