



**JANUARY 16, 2009**

**CIRCULAR NO. 02/09**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

**CHANGES TO THE RULES OF THE ASSOCIATION FOR THE 2009 POLICY YEAR**

Please note that your Board of Directors has approved the following changes to the Club's Rules to take effect from February 20, 2009.

As in previous years, they derive from a continuing review of the language of the existing Rules and a desire to maintain good housekeeping in the interests of the clarity and efficacy of the terms on which Members are insured by the Club. They also embrace changes made necessary through policies initiated at International Group level.

The changes are set out in the order in which current Rules appear in the Rule Book.

**Class I – Protection and Indemnity Insurance**

**General Provisions – exception to the “pay-to-be-paid” principle**

In response to a variety of factors, including initiatives being taken within the International Maritime Organization (IMO) and the International Labor Organization (ILO), a consensus has emerged among International Group clubs to make an exception to the “pay-to-be-paid” principle in the settlement of claims in respect of the death, illness or injury of seamen.

The precise wording of the changes proposed in respect of the American Club's Rules to embrace this consensus remain under review. When the changes in question are finalized – which is expected to be very soon – they will be separately circulated to Members who are in the meantime requested to note that a change in this element of current cover is intended.

**Cover for property on board the insured vessel**

In order to fill an unintended lacuna in the cover currently offered by the Club, a new Section 6 to Class I Rule 2 – Risks and Losses Covered – will be added as follows:

**Section 6      *PROPERTY ON BOARD THE INSURED VESSEL***

***Liability for loss of or damage to any containers, equipment, fuel or other property on board the insured vessel, other than to the extent that such property is elsewhere covered herein;***

***PROVIDED THAT:***



- a. *there is no cover under this section for loss of or damage to any property which forms part of the insured vessel which is owned or leased by the Member or by any company associated with or under the same management as the Member; and*
- b. *unless the Member has obtained appropriate special cover by agreement with the Managers in writing, there is no cover under this section where any liability arises under a contract or indemnity entered into by him and would not have arisen but for such a contract or indemnity.*

The remaining sections of Class I Rule 2 will be renumbered appropriately.

At the same time, and for the sake of clarity, Class I Rule 2 Section 5 will be amended so that the first paragraph thereof shall henceforward read (amended wording underlined):

**Section 5     *DAMAGE TO DOCKS, BUOYS, ETC.***

*Liability for loss of or damage to any dock, pier, jetty, bridge, harbor, breakwater, structure, beacon, buoy, lighthouse, cable, or to any fixed or movable object or property whatsoever, including infringement of rights, except another vessel or craft or property on another vessel or craft, or to property on the insured vessel other than to the extent that such property is covered under section 6 below or elsewhere herein.*

*Where any such object or property belongs to the Member, claims hereunder shall be adjusted as if it belonged to a third person; provided, however, that if such object or property be insured, the Association shall be liable hereunder only insofar as the damage, but for the insurance herein provided, is not or would not be recoverable by the Member under such other insurance.*

**War Risks**

In light of the recent entry into force of the new Bunker Convention, and the issue of “blue cards” in respect thereof, the proviso to Class I, Rule 3, Section 1.1 will be supplemented by the addition, prior to the final sub-paragraph of that sub-section, of the following words:

- *“A certificate issued by the Association in compliance with Article 7 of the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 or any amendments thereto, or .....”*

**Returns of Premium Consequent Upon Lay-up**

The words “**or under repair**” will be removed from the wording of Class I, Rule 4, Section 11.i.

In Class 1, Rule 4, Section 11.iii, the words “lay-up period” will be removed and the words “policy year” substituted in place thereof.

These amendments will bring the American Club’s future practice more in line with those of other member clubs of the International Group.



### **Class II: Freight, Demurrage and Defense Insurance**

The amendments set out above will also be formally incorporated into, and form an integral part of, the Rules of Class II to the extent that they are consistent with the subject and context of the said Rules of Class II.

### **Class III: Insurance For Charterers' Risks**

The amendments set out above will also be formally incorporated into, and form an integral part of, the Rules of Class III to the extent that they are consistent with the subject and context of the said Rules of Class III.

There are a few very small typographical errors related to the renumbering of Rule sections and sub-sections in earlier years which will also be corrected in the forthcoming edition of the Rule Book for 2009.

It is hoped that the foregoing changes are clear, but if any Member requires any further explanation or comment, the Managers will be happy to respond.

Yours faithfully,

  
Joseph E. M. Hughes, Chairman & CEO  
Shipowners Claims Bureau, Inc., Managers for  
**THE AMERICAN CLUB**