

Hull & Machinery Insurance 2016

The terms for 2016's Hull & Machinery Insurance are outlined in this circular. The Association will continue to make available comprehensive insurance cover to suit the needs of individual members at rating and deductible levels reflecting exposure.

Section 1: Statement from the Management

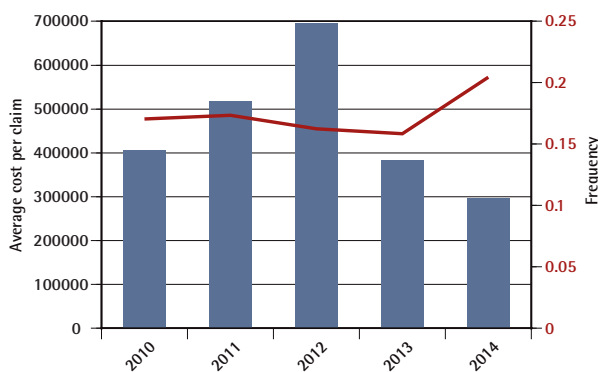
Business development

The Swedish Club has seen a healthy growth in the Marine portfolio as well as continued diversification. We are able to attract new business from high quality operators, appreciating in particular the Club's high quality claims handling capabilities.

Claims picture

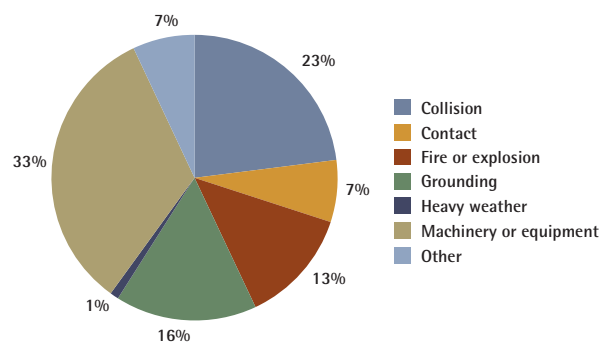
The overall frequency of claims has increased but average claims cost dropped in 2014, as illustrated by graph 1. This can be attributed to a reduction in frequency of claims above USD 500,000. This trend has not continued into 2015 as we have seen an increased number of large claims this year. The main claims areas remain Navigational (Collision, Grounding and Contact) and Machinery claims, as can be seen from graph 2.

Graph 1: H&M - all claims categories – average claim cost and frequency



As per 1 October 2015 Limit >= USD 10,000 (Non capped).

Graph 2: Claims cost distribution



As per 1 October 2015 Limit >= USD 10,000 (Non capped).

Renewals 2016

We produced a positive underwriting result on Marine in 2014 mainly due to a benign claims year as overall claims cost came in below expected levels. We expect a normal distribution of claims going forward. 2015 has so far come in higher than expected. We will offer our members renewal terms that are tailored to individual exposure.

Loss Prevention

Our Loss Prevention activities pivot around the following products:

- ▶ The Swedish Club Academy's Maritime Resource Management (MRM)
- ▶ The Swedish Club's Operations Review (SCORE)
- ▶ Interactive Root Cause Analysis (IRCA)
- ▶ Pre Engagement Medical Examination (PEME)
- ▶ Main engine damage study
- ▶ Collisions & Groundings
- ▶ P&I Claims Analysis
- ▶ Claims at a glance

The annual findings of the Interactive Root Cause Analysis are reported back to the membership via our annual publication "Claims at a glance". The Swedish Club Academy has increased its reach significantly and today more than 115 licensees have signed up to the Mari-

time Resource Management (MRM) leadership programme. Going forward, we expect even greater focus from shipowners on Loss Prevention initiatives. To this end our Loss Prevention activities in this field will become even more of a priority and an added value.

Section 2: Descriptive part

- ▶ Records will reflect a five-year period, based on The Swedish Club On Line "SCOL" data, available to members and their brokers via the Association's extranet
- ▶ Each member, or its broker, will be contacted individually for renewal discussions

It should be further noted:

Hull Premium

The premium will be based on the type of vessel, management, value, risk exposure and loss records, in addition to the information stated above. In particular, the Association will ensure and prioritize that the premium fully covers the risk exposure.

Procedures for Payment of Premium

- ▶ Unless otherwise agreed, debit notes will be mailed to members/brokers, one month prior to the due date, in order to provide ample time for arranging payment
- ▶ To speed up the transfer of funds, the use of an electronic payment order is recommended
- ▶ Cross-border payments should always be made with the relevant IBAN, the Association's bank name, address and SWIFT address (Bank/BIC code), which is HANDSESS, to ensure quick and easy settlement
- ▶ The debit note reference number (i.e. invoice number) should always be stated on the payment order, enabling the Association's credit control officers to quickly trace the payment
- ▶ For renewals and risk attachments, debit notes for the first instalment might not have been received prior to the due date. In such cases,

- members are requested to transfer the outstanding amount prior to receiving the debit note
- ▶ In the event of premiums not being received by the Association on the due date, interest calculated at 1% per month will be charged from the day following the due date. The interest will be debited per calendar quarters
- ▶ Should premiums still be outstanding 30 days after the due date, the Association may issue a cancellation notice to the member and relevant mortgagees. (Reference is also made to "Premium Payment and Cancellation Clause", (A.5.1).

Renewals

Statistical records used for the 2016 renewals will reflect the results for 2010, 2011, 2012, 2013 and 2014. Claims development for 2015, if adverse, will also be taken into consideration when deciding renewal terms. Records are only presented at The Swedish Club On Line, "SCOL", available on the Association's website.

SCOL (Swedish Club On Line)

SCOL provides access for members and their brokers to the database detailing claims summaries and records (five years' data available). In addition, insurance data of vessels entered is available. Furthermore, it includes a benchmarking facility in relation to types of claims. Information is updated every night. Comments about claims and reserves are answered by each Team.

Members and Brokers, who have not yet applied to join SCOL are invited to contact the Association to obtain their personal password.

For more information please visit our website: www.swedishclub.com

Claims lead

The Association will have the claims lead at all times, unless otherwise agreed in writing. For all policies not covering 100%, where the Association has the claims lead, the "Swedish Club Claims Lead Clause" (A.4) shall apply.

Members electing to place a part of the cover elsewhere, are recommended to arrange for procedures to provide counter-security to the satisfaction of the Association, in cases when the Association decides to issue a Guarantee or a Letter of Undertaking for the full amount.

Claims – Adjustments – Adjusters

Claims must be reported immediately to the Association by the member. Emergency, office, private telephone numbers, email addresses and other contact details are available on the website, as well as listed in the annual booklet "List of Correspondents". All claims are adjusted by the Association's in-house Adjusters. Adjusters for General Average shall be appointed in co-operation with the Association.

Lay-up returns

The Association will acknowledge two types of lay-up situations:

Full lay-up, which applies to ships that have: been taken out of commercial operation and have been made subject to any recommendations issued by the Classification Society, Flag State and/or Port Authority.

Light lay-up, which applies to ships that, when applicable, have:

been made subject to any recommendations issued by the Classification Society, Flag State and/or Port Authority, but are still in operation and may be idling for a period awaiting the next cargo.

Returns are not granted if compensation for total loss has been paid. Returns are granted for Hull & Machinery insurance only. The Association retains the right to individually assess any lay-up. A lay-up return application form is enclosed.

Application for lay-up returns

The application for lay-up returns can be made subsequent or prior to the lay-up.

Application for subsequent returns

Application for lay-up returns must be made in writing no later than 30 days after the expiry of the insurance period, or at the absolute latest by 31 January of the year after the lay-up commenced. Returns are credited to the Member when the policy year expires.

Application for upfront returns

Returns may be granted upfront in respect of full lay-up or light lay-up. As regards the former, upfront returns will be granted after the expiry of the excess period provided for within the relevant Hull & Machinery conditions. In respect of the latter, an upfront return will only be granted for the idling period exceeding 30 days.

Lay-up rate schedule

The association has the discretion at all times to individually assess any lay-ups, and apply a relevant rate.

Lay-up type	Maximum return Pro-rata	Minimum rate Pro-rata
Full lay-up	0-50%	0.15%
Light lay-up	0-25%	0.15%

Conditions applicable for lay-up, and subjects of cover

The Association will afford cover for lay-up as per the following conditions:

Full lay-up

Members are entitled to lay-up returns if the period exceeds what is stipulated under the relevant Hull & Machinery conditions. The Member must comply with any recommendations issued by the Classification Society, Flag State and/or Port Authority. If a claim arises due to the recommendations referred to above not being followed, the Association will not be liable for that claim.

Light lay-up

Members are entitled to lay-up returns only for the period that exceeds 30 days. If and when applicable, Members must comply with any recommendations issued by the Classification Society,

Flag State and/or Port Authority. If a claim arises due to the recommendations referred to above not being followed, the Association will not be liable for that claim.

Club Clauses

Policies for 2016 should contain: "Fleet Clause" (A.1), "Classification Clause" (A.2), Swedish Club Claims Lead Clause (A.4), "Premium Payment and Cancellation Clause" (A.5.1), "Tender Clause" (A.6), "Condition Survey Clause" (A.7), "Time Bar of Claims Clause" (A.8), "Assignment Clause" (A.9), "Uniform Interest Rate Clause" (A.11), "Radioactive Contamination, Chemical, Biological, Biochemical

and Electromagnetic Weapons Exclusion Clause" (C.1.3) (LSW 370, 2003-11-01), "Institute Cyber Attack Exclusion Clause" (C.1.3.1) (LSW 380, 2003-11-01), "US Terrorism Risk Insurance Act Clause (TRIA Clause)" 2003-01-01 (C.9), "Sanction Limitation and Exclusion Clause" 2014-09-30 (W.10).

All Swedish flagged vessels are also subject to "The Swedish Club Outbreak of War Clause (Hulls, etc.)" (W.7.1).

For a full set of Mandatory Club Clauses, please refer to the "Downloads" section in SCOL or visit our website: www.swedishclub.com under "News/Circulars".

Yours sincerely,
The Swedish Club



Lars Rhodin

Encl.

- ▶ Enclosure 1-14: Club Clauses
- ▶ Enclosure 15: Lay-up return application form

Fleet Clause

2013-10-03

It is understood and agreed that this vessel forms part of the fleet [see Policy] entered in this Association. It is rated as a member of that fleet and the Assured and Co-Assured shall be jointly and severally liable with all the other Assureds and Co-Assureds in the fleet for premiums, calls and other sums whatsoever due in respect of all vessels in the fleet.

Accordingly, any failure by an Assured and Co-Assured of any vessel in that fleet to pay his premiums, calls or any sums whatsoever due from him to the Association shall be deemed to be a failure also of the Assured and Co-Assured of this vessel to pay such premiums, calls or other sums whatsoever and shall entitle the Association to give him notice under the applicable insurance conditions and to offset any amount due to him under this insurance against any such unpaid premiums, calls and other sums, and to decide not to put up security in respect of claims under this insurance.

Notwithstanding the aforesaid, should the receiver of monies for claim(s) or other payments due be the Mortgagee(s) or any other Person(s) or Company(ies), which by a Letter of Undertaking and/or a Loss Payable Clause attached to the Policy are entitled to receive said monies, this clause shall be waived by the Association in respect of the rights of such aforesaid parties, however, the Association will retain its right to decide as to whether or not to put up security in respect of claims under this insurance.

To the extent the terms of this clause are in conflict with any other clause in this policy, the terms of this clause shall take precedence.



Classification Clause

2013-10-03

The Assured authorises The Swedish Club ("The Club") to access all information held by Classification Societies ("Class") relating to the vessel and agrees to authorise such Class to disclose information to the Club.

The Club may instruct the Assured to request the Classification Society ("The Society") to survey the ship should the Club consider that the safety of the ship is endangered.

The vessel shall at all times be classed with a Society being member of International Association of Classification Societies (IACS). The insurance shall terminate automatically if the vessel is transferred to a Society not being member of IACS without the consent of the Club, or if the vessel loses its class. If the vessel loses its class while at sea, the insurance shall not terminate until the vessel has reached the nearest safe port.

The vessel's class shall be deemed lost if:

1. the Assured or any person on his behalf requests that the vessel's class be cancelled,
2. the class is suspended, cancelled, interrupted or withdrawn.

If periodic surveys are not carried out within the time limits fixed by Class, the Club shall only be liable if the Assured establishes (to the satisfaction of the Club) that the damage giving rise to the claim against the Club would have occurred even if such surveys had been properly carried out to Class satisfaction.

If Class has expressly extended the time limit for completion of a survey and the Assured has complied with the conditions that may be given for the extension, the class is not deemed lost until the extended time limit has expired.

All recommendations as specified by Class or any extension thereof to be complied with failing which the Club shall be exempted from all liability for any damage or loss whatsoever unless the Assured establishes (to the satisfaction of the Club) that the failure was not material to the damage or loss claimed.

Swedish Club Claims Lead Clause

2007-10-19

The Swedish Club ("The Club") shall have claims lead.

The Swedish Club has the right on a 100% basis of the claim, in all respects, irrespective of the Swedish Club's share of the risk, to decide any matter relating to any claim made under this Policy, including but not limited to any appointments of experts, decisions, agreements, payments, settlements, claims, surveys, guarantees, towage, salvage, payments on account and claim settlements.

This Claims Lead Clause must be incorporated in all policies, and Co-insurers must follow the Swedish Club's decisions in all respects as long as they are in accordance with the Policy conditions.

Further, the Swedish Club shall at all times have the right to appoint and employ their choice of experts including but not limited to surveyors, lawyers etc. on behalf of the Assured to deal with any matters involving third parties (including investigating or advising and taking or defending legal actions or other proceedings) that may give rise to a claim by the Assured on the Swedish Club.

If the Swedish Club provides for security on a 100% basis of a claim covered under the Policy, Co-insurers are required to put up counter security for their respective shares, as per the Swedish Club's instructions. The Swedish Club has the subsequent discretionary right to request Co-insurers to put up amended securities.

In the event of the Swedish Club putting up security on a 100% basis for the liability of the Assured in consequence of a collision, striking and/or salvage, other underwriters on all policies are not allowed to effect settlement of claims in connection with the liability directly with the Assured, and cannot set off against the Swedish Club's counterclaims against the Assured.

The Swedish Club has the right to set off against any sums due to the Assured, unpaid Co-insurers' or other underwriters' share or shares of sums advanced and any and all sums incurred for provision of both claims and general technical services including entry and condition surveys, if any, to the Assured by the leader. Alternatively, the Swedish Club has the right to charge participating Co-insurers directly any and all such sums mentioned in this paragraph, but always limited to such co-insuring Underwriter's proportion hereon.

Should the Swedish Club at its own discretion decide to make ex gratia payments to the Assured, the Swedish Club may limit such payments to its share of the risk written under this Policy and such payments should in no respect be binding for any other Co-insurers or underwriters participating in this risk.

Notwithstanding any of the above, or any condition in this Policy to the contrary, the liability of all underwriters to the Assured shall remain several and nothing shall affect the Swedish Club's right to limit its liability to the Assured to the proportion of the risk which it has written and the Swedish Club shall in no way be liable to the Assured for any amounts due or agreed to be due but not recovered or recoverable from other underwriters or Co-insurers.

Premium Payment and Cancellation Clause

2012-10-04

The premium payable for this insurance shall be received into the designated bank account of The Swedish Club on the due dates as stated on the Insurance Policy/Slip. Should the Club not receive any payment as aforesaid the Assured has not fulfilled its obligation to pay the premium. In the event premiums are not received by The Club on the due date, interest calculated at 1% percent per month (or at such lower rate as The Club may at its sole discretion otherwise decide) will be levied from the day after the due date on the whole amount due. Any interest accrued will be debited per calendar quarters. The Club may decide, to waive any interest accrued and/or debited at its sole discretion.

If the premium has not been received by the due date, The Club may cancel this insurance. Should The Club exercise its rights of cancellation, immediate written notice shall be given to the Assured or his Broker and Mortgagee(s), if applicable, and take effect 14 days after such written notice has been received by the Assured or his Broker and Mortgagee(s) if applicable.

The Club shall have a lien in the ship for any unpaid premium or sums due irrespective of whether the insurance has been terminated.

In the event of the vessel being deemed an Actual Total Loss and/or Constructive Total Loss and/or Arranged Total Loss and/or Compromised Total Loss covered under the terms and conditions of this policy, the total premium for the policy period will be considered earned and payable to The Club and shall be deducted from the agreed settlement to the Assured.

The expression "Assured" referred to in this clause is deemed to include the Assured, his Agents, Managers or any other company or person(s) who are acting on behalf of the Assured, and/or any Co-assured(s) and/or Mortgagees as agreed by The Club, if and as applicable.

To the extent the terms of this clause are in conflict with any other clause in this policy, the terms of this clause shall take precedence.

Tender Clause

2013-10-03

Before the Assured arranges for repairs of damage for which the Swedish Club ("Club") is liable, he must, whenever possible, consult with the Club with regard to time and place of the repairs and the methods to be applied.

Once the Assured has submitted the preferred choice of repairyard the Club may request additional tenders to be invited from those repairyards that the Club considers suitable.

If the Club decides to take additional tenders, compensation for time lost as a consequence of taking such additional tenders will be made in accordance with the Hull Insurance Conditions applicable to this Policy.

Non-compliance with the stipulations in this clause entitles the Club to reduce the ascertained recoverable claim by 15% prior to applying any stipulated deductible(s) or any other deductions as per Policy conditions.

Condition Survey Clause

2009-10-01

The Swedish Club (“Club”) has the right to carry out any surveys subject to giving prior notice.

The Assured shall notify the Club at least 14 days in advance or at the time of decision, whichever is the later, of any dry-docking, lay-up or yard-visits with a minimum duration of 3 days, whether average repairs claimable under the Policy will be effected or not.

All recommendations as specified by the Club to be complied with failing which the Club shall be exempted from all liability for any damage or loss whatsoever unless the Assured establishes to the satisfaction of the Club that the failure was not material to the damage or loss claimed.

Time Bar of Claims Clause

2009-10-01

The Assured shall immediately inform The Swedish Club ("The Club") of any incident, occurrence or circumstance giving rise to a claim, or a potential claim, under the policy. The Club must be notified in writing within a period of six months from the date on which the Assured first received notification of the incident, occurrence or circumstance, or six months from the date when the Assured ought to have received notification of the incident, occurrence or circumstance, failing which the claim is extinguished and The Club shall have no liability to pay compensation to the Assured.

All claims which the Association has been properly notified of will become time-barred in accordance with the relevant limitation and/or prescription provisions of the chosen system of law governing the policy.

This Clause shall override any other clause(s) in this Policy unless otherwise specifically stated and agreed.

Assignment Clause

1991-01-01

The owner, the Assured or any one acting on their behalf, may not assign any right, title, interest to any amount payable or claim under this policy, known or unknown, without written consent by the Swedish Club.

Uniform Interest Rate Clause

2009-10-01

In the event that the Swedish Interest Act of 1975 (SFS 1975:625 as amended) ("Interest Act") or any other national legislation providing for a rate of interest on late payments is applicable to a payment due from the Club to the Assured, it is agreed that, notwithstanding anything to the contrary in the Interest Act or any other national legislation, the relevant interest rate shall be calculated by reference to the ruling LIBOR rate plus 1.5 percentage points for the currency stated in the policy.

Radioactive Contamination, Chemical, Biological, Bio-chemical and Electromagnetic Weapons Exclusion Clause

2003-11-01

(Ref LSW Clause 370, 10/11/2003)

This clause shall be paramount and shall override anything contained in this insurance issued by The Swedish Club 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.

Cyber Attack Exclusion Clause

2003-11-01

(Ref LSW Clause 380, 10/11/2003)

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 programme, 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.

US Terrorism Risk Insurance Act Clause (Tria Clause)

2003-01-01

By accepting this Policy, the Assured(s), Member(s), Joint-Member(s) and or Co-Assured(s) named herein acknowledge and confirm that:

(a) cover for “acts of terrorism” as defined in the US Terrorism Risk Insurance Act 2002 was made available to the Assured(s), Member(s), Joint-Member(s) and/or Co-Assured(s) named herein;

(b) the Assured(s), Member(s), Joint-Member(s) and/or Co-Assured(s) named herein declined to purchase such cover;

(c) the Assured(s), Member(s), Joint-Member(s) and/or Co-Assured(s) named herein has/ have not paid the Association any premium for such cover.

The following Clause is deemed to form part of any Policy in respect of Hull, Interest, War and War Interest covers relating to a Swedish flagged vessel.

The Swedish Club Outbreak of War Clause (Hulls etc.)

1982-01-01

Should normal communications between Sweden and other countries be interrupted subsequent to the outbreak of a war which will greatly affect Swedish trade, commerce and industry, an organisation in the name of Svenska Transportförsäkringspoolen (hereinafter referred to as the Pool), formed by all the Swedish Marine Insurance Companies, will commence operations on a date to be decided upon by the Government War Risks Insurance Office.

Should this occur during the duration of this policy, the liability of the Association according to this policy will be transferred to The Pool as from the date upon which The Pool commences operations. The policy will then remain in force and subject to the same terms until 12 o'clock midnight on the thirtieth day of acceptance of liability by the Pool, unless it has been agreed to terminate the validity of the policy at an earlier date.

In the event of the liability terminating prior to the date indicated in the policy, the Assured is entitled to a refund from the Association of the excess premium paid. If on the other hand, the validity of the policy is to be maintained during a period for which no premium was paid, the Assured shall pay premium pro rata parte for this period.

When the above mentioned contingencies arise, it will be incumbent upon the Insured to notify the Association or The Pool without delay of the position and the voyage of the vessel.

The Association takes over that portion of the ship's hull insurance which is not covered by the Association at the time when the own liability of the Association according to this policy is being transferred to The Pool, after which the risk thus taken over is immediately transferred to The Pool. The Assured will then have to pay premium pro rata parte to the Association at a rate calculated according to the period during which the insurance is valid according to the above; the insurance also applying in other respects to what, in pertinent parts, has been agreed upon through this clause.

W.10 Sanction Limitation and Exclusion Clause

2014-09-30

No insurer shall be deemed to provide cover and no insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that insurer or any of its reinsurers to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, the United Kingdom, the United States of America, France, the Russian Federation, the People's Republic of China or any State where the insurer or any of its reinsurers has its registered office or permanent place of business.

Lay-up return application

Member name:

Vessel:

Insurance class: Hull & Machinery Protection & Indemnity

Arrival date: Time:

Departure date: Time:

Port of place:

Exact location at arrival:

Cargo at arrival: Loaded Ballasted Cargo at departure: Loaded Ballasted

Crew: Full crew Reduced crew% Watchmen only

Reason for lay-up: Awaiting berth Awaiting orders Other (please state):

Approval from Class for mooring at lay-up location: Yes No

Have repairs been carried out during lay-up period? Yes No

If Yes: Owners work period:

Claims repairs period:

Shifting/Mooring/Unmooring operations:

From date/time	Location	To date/time	Location

Other information attached to this form:

It is hereby confirmed that the vessel was always in a safe condition during the time for lay-up claimed.

Authorized signature: Date:

Lay-up return will be subject to assessment of the provided information. This form has to be completed and submitted to the Club within time frames as set out in Marine and/or P&I Circulars respectively. Please do not hesitate to contact the Club for further information.