



Nordisk Skibsrederforening
(NORDISK DEFENCE CLUB)

RULES 2023

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1. DEFINITIONS

- 1.1. **Member** An owner, operator, manager or charterer of a Vessel who in accordance with the Statutes and these Rules has been accepted as a member of the Association.
- 1.2. **Joint Member** Where a Vessel is entered on behalf of more than one Member, each Member shall be a Joint Member.
- 1.3. **Main Member** Where a Vessel is entered by Joint Members, the Member making the application shall be considered the Main Member.
- 1.4. **Vessel** Any existing or contracted vessel, floating structure or mobile unit entered with the Association.
- 1.5. **Association** Nordisk Skibsrederforening, an association incorporated in Norway.
- 1.6. **Statutes** The Statutes of Nordisk Skibsrederforening as adopted and amended by the Annual General Meeting of the Association.
- 1.7. **Rules** These Rules of Nordisk Skibsrederforening as adopted and amended by the Annual General Meeting of the Association.

2. INTRODUCTION

- 2.1. **Nature of cover** The Association shall provide advice and assistance to its Members in connection with questions of a legal nature which arise out of the Members' business activities in relation to a Vessel and cover the Members for the costs of such assistance in accordance with the provisions set out in the Statutes and these Rules.
- 2.2. **Northern Shipowners' Defence Club** All Members shall also be members of Northern Shipowners' Defence Club (Bermuda) Ltd.

3. MEMBERSHIP

- 3.1. **Application** Any aspiring member who wishes to enter a Vessel shall make an application for such entry in accordance with the requirements of the Association.
- All entries require approval from the Association, which may refuse an application for membership without giving reasons therefor.
- 3.2. **Joint Members** a) When Joint Members are accepted by the Association, the Main Member shall be deemed to have full power and authority to act in the name of and/or on behalf of all the Joint Members.

- b) The contents of any communication from or on behalf of the Association to any Joint Member shall be deemed received by all the Joint Members, and any communication from any Joint Member to the Association shall be deemed to have been made with the full approval and authority of all the Joint Members.
- c) The Main Member and all Joint Members shall be jointly and severally liable to pay all amounts due to the Association.

3.3. Special Entry

The Association may accept special entry of Vessels under construction at a shipyard or undergoing major conversions, periods which are excluded from normal cover. Such special entry of a Vessel under construction or conversion assumes that the Vessel is entered for normal cover after delivery/redelivery.

4. PREMIUM

4.1. Annual premium

The Association shall determine the annual premium for each Vessel. The Board of the Association shall decide any general change in the premiums for all Vessels for the following year.

4.2. Payment

The annual premium falls due for payment in one installment on entry and thereafter in advance, on the first working day of each year of cover.

- 4.3. **Pro rata premium** If a Vessel is not entered with the Association for a full year because it has been entered in the course of the year and/or because the entry ceases during a year, the premium shall be calculated proportionately in accordance with the number of days the Vessel was entered with the Association. A refund of any overpaid premium shall be made as soon as possible.
- 4.4. **Lay-up returns** If the Vessel is in layup, the Member shall be entitled to a return of premium in line with the guidelines set out in Appendix B.
- 4.5. **Supplementary call** If the Association's expenses cannot be met by the annual premium and the Association's other income, the Board may decide to make a supplementary call which shall be apportioned amongst the Members according to the premium paid in respect of the Vessels that have been entered in the course of that year. Any unpaid supplementary call may be recovered by an additional supplementary call levied on the other Members.
- 4.6. **Late payment** If a Member fails to pay any premium, supplementary call, deductible or other amount due to the Association within 14 days of the due date for payment, interest shall become payable on the outstanding amount at the rate applicable from time to time to business transactions, in accordance with the Norwegian Interest on Overdue Payments Act nr.100 of 17 December 1976, or any subsequent amendment or re-enactment thereof. See also Rule 7.2.

5. COVER

5.1. Nature of cover The Association shall provide assistance in collecting the Member's debts, defending the Member against claims, providing advice on legal issues and resolving disputes of a legal nature, always in relation to a Vessel, and always subject to the Board's discretion in accordance with Rule 6.

5.2. Extent of cover The Association shall provide legal assistance to the Member and cover its costs in the manner and to the extent provided in these Rules in connection with claims or disputes arising during the period of cover for the Vessel and in respect of the Member's interest in the Vessel and which relate to any of the below matters:

- a) hire, freight, deadfreight, demurrage, detention or any other matter arising out of a charterparty, bill of lading or other contract of affreightment or the carriage of goods or the employment of the Vessel generally,
- b) detention, salvage and general average contributions,
- c) a policy of insurance,
- d) damage sustained by the Vessel,
- e) representation at official inquiries and protection against any interference by a public body, authority, company or corporation in matters connected with the business of shipowning,
- f) contracts for sale of vessels,

- g) contracts for repair of vessels,
- h) contracts for the building, purchase or significant modification of the Vessel, including any guarantee in connection with such contract, only to the extent that the Association has specifically accepted that claims, disputes or proceedings arising from the particular contract will be covered as a term of entry,
- i) any mortgage of the Vessel or contract for such mortgage,
- j) contracts for supplies to the Vessel, and
- k) other contracts in relation to the Vessel.

The Board may furthermore decide to extend cover, wholly or in part, to a dispute which would not otherwise be covered pursuant to these Rules, but which nevertheless is considered to fall within the nature of the cover.

5.3. Excluded from cover

The Association shall not cover claims or disputes:

- a) arising out of the Vessel carrying contraband or being employed in an unlawful trade or, if the Association is of the opinion that the carriage, trade, voyage or any other activity on board or in connection with the Vessel was imprudent, unsafe, unduly hazardous or improper,
- b) which concern the Member's internal affairs, including (if the dispute does not concern a contract for the carriage of goods or the hire of a Vessel) any relationship with the Member's joint venture, pool partners or between Joint Members,

- c) which concern the Vessel's officers or crew,
- d) which concern claims, loss or liability which are, or normally are, covered by insurance, but the Association will nonetheless cover such disputes where the total quantum of the claim falls below the level of market deductibles,
- e) which concern tax,
- f) in respect of a class action or other legal proceedings in which one or more persons sue or are sued as representatives of a group of persons with a common interest, or
- g) relating to actual or alleged infringement(s) of legislation or regulations relating to safety, navigation or prevention of pollution.

5.4. Material change

The Member is obliged to notify the Association of any material change relating to a Vessel.

5.5. Period of cover

The cover afforded by the Association as set out in these Rules is for claims or disputes arising during the period of cover. For the purpose of these Rules, a claim or dispute is deemed to have arisen when the cause of action accrues.

5.6. Disputes between Members

In the event of a dispute where both parties have entered the relevant Vessel with the Association, the Association may instruct external lawyers who will be responsible for the handling of the case, unless the two Members accept that the dispute should be handled by the Association's own lawyers. Either party may, however, ask the Association to give an

opinion on the merits of their respective positions for the guidance of the parties. Such an opinion will normally be given by three of the lawyers employed by the Association. If the parties do not reach agreement after the opinion is provided, the opinion shall not be referred to in any later arbitration or court proceedings.

5.7. Non-covered matters

The Association may assist a Member in matters otherwise falling outside of cover, e.g. contract negotiations, transactions or similar. In such circumstances the external and internal expenses of such assistance shall be paid for by the Member.

6. CASE HANDLING

6.1. Member obligations

When a Member wants the Association to handle and cover a dispute, the Member shall:

- a) inform the Association immediately of any claim made by or against the Member and of any event which might give rise to a claim,
- b) provide the Association as soon as possible with all available information and documentation relating to any dispute or to any event which might give rise to a dispute,
- c) obtain information, undertake calculations, prepare reports, present witnesses and assist in all aspects of case handling in accordance with the Association's recommendations, requirements or directions, at the Member's own expense,

- d) refrain from admitting liability or settling any claim or waiving any right of recourse or recovery from any third party without the prior approval of the Association,
- e) authorise the Association to employ or appoint lawyers, advisers, experts and other parties as agents on behalf of the Member but under the control, direction and instructions of the Association, and
- f) secure approval from the Association prior to appointing any lawyer in respect of any claim or dispute subject to these Rules, and ensure that such lawyer is under the control, direction and instruction of the Association.

6.2. Handling by the Association

The handling of a case will be conducted by the Association. The case will be handled on behalf of the Member as agent for the Member, and the Association will not be a party to any dispute handled by it for the Member.

The Association may furthermore:

- a) employ or appoint lawyers, advisers, experts and other parties to handle any claim on behalf of the Member,
- b) as a condition for continued cover of a case, require the Member to settle, compromise or otherwise dispose of any claim or proceedings in such manner and upon such terms as the Association considers appropriate, and

- c) exercise its discretion under these Rules without being under any obligation to give reasons for the decision reached pursuant to the exercise of such discretion.

6.3. Non-cooperation

Without prejudice to Rules 6.4 and 6.6, if the Member fails to comply with the requirements set out in Rule 6.1 or prevents the Association from exercising its rights as set out in Rule 6.2, the Association shall, in its absolute discretion, be entitled to refuse to cover all or part of the claim and decide that all costs of handling the case shall be for the Member's account.

6.4. Cost cover

When the facts of a case are sufficiently known, the matter shall be put before the Board which shall in its absolute discretion decide whether and to what extent the Association shall:

- a) provide cover to a Member for the legal costs and expenses of handling the case,
- b) modify the terms of any such cover, or
- c) decline to cover such costs notwithstanding any previous decision by the Association.

Such decision may be provisional. Unless or until the Board ultimately exercises its discretion in favour of providing cover for legal costs and expenses, all costs and expenses, including work performed by the Association's team of lawyers, shall be for the Member's account.

6.5. Deductible

Unless agreed otherwise or so decided by the Board, the cover will be subject to the standard deductibles as set out in Appendix A. Decisions concerning changes of the standard deductibles rest with the Board together with premium adjustments as per Rule 4.1. The Association shall decide in its absolute discretion whether a case involves one or more disputes to which a deductible applies.

6.6. Board's discretion

The Board may in its absolute discretion refuse to cover costs or may modify the level of cover if, in the opinion of the Board, such measures are justified in the particular circumstances. The Board will normally refuse to cover costs or limit cover if, in the opinion of the Board:

- a) the Member is not sufficiently likely to succeed,
- b) the amount in dispute is disproportionate to the expected costs,
- c) the other party's financial standing, the venue of proceedings or other reasons render the prospects of recovering the amount of the claim or of resisting liability disproportionate to the costs,
- d) such measures are justified by the size of the case or the amount of the costs,
- e) the Member has failed to take reasonable care in the chartering, control or management of the Vessel, or the position adopted by the Member is unreasonable or the Member's conduct has been imprudent, improper or tainted with illegality, or

- f) any other reason which the Board decides, in its absolute discretion, is sufficient reason for cover to be limited or refused.

The Board can decide that a case shall be considered by the Board again at any stage. The Board may in its absolute discretion wholly or in part revise its previous decision(s) as to cover if new information or the development of the case appears to the Board to warrant such revision.

6.7. Limit of cover

The cover under these Rules is limited to NOK 100 million per dispute, except for disputes arising under Rule 3.3.b (conversion or construction of a Vessel) where the limit shall be NOK 10 million per dispute unless a different limit is agreed. Any such limit shall apply to the total amount of all costs, inclusive of the deductible.

6.8. Cost awards

If a case is won and the Member is awarded costs relating to expenses the Association has paid or will cover, the costs shall be paid directly to the Association. If a case is settled in such circumstances that the Member would normally have been awarded costs wholly or in part, a proportional amount shall be paid to the Association. If it is not apparent how much is attributable to costs, the Board shall in its discretion decide how much of the settlement amount shall be paid to the Association by way of costs.

The Association may also in particular circumstances in its sole discretion extend the cover to include wholly or partly the Member's liability for the opponents' legal costs.

6.9. Security

If requested by a Member, the Association may agree to provide security for the other side's costs on such terms as it in its discretion may consider necessary and only on the basis that:

- a) the Association shall be entitled to recover from the Member the expenses incurred in connection with the provision of such security, and
- b) the Member shall first forward to the Association a cash deposit, bank guarantee or any other form of counter security in favour of the Association that the Association finds acceptable.

6.10. Appeal

In case of any appeal made by a Member against a decision made by the Association concerning matters subject to the Board's discretion, the Board shall be the sole and final arbiter. For other matters, Rule 8.5 shall apply.

7. CESSATION, TERMINATION, SUSPENSION

7.1. By the Member

Save as provided for in the second paragraph of this section, a Member may only withdraw a Vessel upon notice given more than one month before the expiry of the year of cover. Withdrawal shall take effect from the beginning of the following year of cover.

If a Member, in the course of a year, ceases to operate a Vessel because it is sold, it becomes an actual or constructive total loss or (where a Member has chartered a Vessel) is redelivered to its owners, the membership and cover in respect of that Vessel shall cease with effect from the date the Member ceases to operate the Vessel.

A Member remains liable for the annual Premium, any supplementary call or any outstanding deductibles or fees in accordance with these Rules notwithstanding that the membership has ceased.

7.2. By the Association

If any amount owed to the Association is not paid within 14 days after the due date, the Association may cease to handle all cases the Association is currently handling for the Member and, further, may suspend the cover for all Vessels until such time as the amount owing and the interest thereon have been paid.

If outstanding amounts have not been paid within two months after the due date, the Association may terminate the entry and the Main Member shall then lose its membership in respect of all Vessels.

The Association may terminate an entry with immediate effect at any time after an insolvency event as set out in Rule 8.1 has occurred and not ceased.

The Board may, upon giving at least one month's notice, terminate any entry without giving reasons therefor.

7.3. Effect of cessation and termination

When a Member ceases to operate a Vessel as per Rule 7.1 or has its entry terminated by the Board without reason as per the final part of Rule 7.2, the Member shall be entitled to a pro rata reduction of premiums from cessation or termination until the end of the year of cover.

8. GENERAL

8.1. Insolvency

Any obligation of the Association to cover new cases or to handle and cover cases already taken over shall cease in the event of the Member becoming insolvent, suspending payments, taking steps towards dissolving its business (except in cases of amalgamation) or otherwise ceasing to carry on business or taking steps towards winding up.

8.2. Set off

The Association shall be entitled to set off any amount due from the Member under these Rules against any amount due to the Member from the Association.

8.3. Exclusion of Liability

Except in the event of gross negligence or willful misconduct, neither the Association nor its employees shall be liable for acts, errors or omissions which may be committed by its employees or by lawyers,

experts, or agents appointed by the Association in relation to the handling of cases, no matter whether such cases are covered or not, nor for the correct accounting and settlement of amounts due to the Member by those entrusted with the collection of such amounts.

8.4. **Amendments to these Rules** These Rules may be amended in accordance with the procedure set out in Section 3.8 of the Statutes.

8.5. **Law and arbitration** These Rules shall be governed by Norwegian law. The privileges enjoyed by Members under these Rules do not constitute a policy of insurance and the Norwegian statute of 16 June 1989 no. 69 regulating insurance policies is not applicable. Any dispute arising between the Association and one or more of its Members concerning the rights and obligations of the parties in relation to these Rules shall be resolved by arbitration in accordance with the Norwegian Arbitration Act of 14 May 2004, No 25 or any subsequent amendment or re-enactment thereof.

APPENDIX A – STANDARD DEDUCTIBLES

The Standard Deductibles are the sum of the following per case:

1. A base amount of up to NOK 25.000 for external costs
2. A further 25% of total costs in excess of NOK 400.000

See also Rules 6.5 and 6.4

APPENDIX B – LAYUP RETURNS

For Vessels placed under cold layup for a period exceeding 90 days, the Member shall be returned 80% of the agreed annual premium for the period in question. This amount will be returned to the Member at the end of the relevant policy year. The Member is responsible for declaring and reporting the commencement and expiration of such cold layup periods to the Association. Any such report and claim for layup should be made immediately and at the latest by the end of February in the following year.

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