

CIRCULAR



January 2014

TO ALL MEMBERS

SKULD STATUTES AND RULES: AMENDMENTS FOR THE 2014 POLICY YEAR

STATUTES

The following changes to the Statutes have been adopted at Annual General Meeting of Assuranceforeningen Skuld ("the Association") in August 2013. New text is underlined and deletions are struck through.

STATUTES

1.1 Foundation and purpose

1.1.1 Assuranceforeningen Skuld (Gjensidig) (the "Association") was founded in January 1897, and has its head office in Oslo. ~~with offices in Bergen, Copenhagen, Hamburg, Hong Kong and Piraeus.~~

1.1.3 The purpose of the Association is mutual insurance against liabilities and losses incurred by members in direct connection with the operation of the entered vessels, including any business related to such insurance, hereunder defence insurance, insurance of charterers and insurance of mobile offshore units and similar mobile floating structures. The Association may provide such insurance on the basis of Estimated Total Calls which are subject to supplementary, overspill and release calls, or upon the basis of fixed premiums.

Commentary

The amendment to Statute 1.1.3 makes a clearer distinction between the provision of insurance by the Association on a full mutual basis upon payment of Estimated Total Calls and on the basis of a fixed premiums.

1.2 The General Meeting

1.2.4 The General Meeting is called by the Board of Directors upon at least 14 days

written notice. The documentation for notice of the meeting shall include the Members' Committee's and Board of Directors' reports on the items which are on the agenda and such documents as the Board of Directors finds necessary. The documentation for notice of the ordinary General Meeting shall include the Board of Directors' proposal for the annual accounts accompanied by the statement of the Auditors, the Members' Committee's and the Control Committee's reports. Such documentation may be made available electronically or on the Associations website.

1.2.8 Members shall not be entitled to vote in respect of entries

- a) for a period of less than one year,
- b) which are not entered on the basis of Estimated Total Calls subject to supplementary calls for the policy year in which the Meeting takes place,
- c) for vessels which are not entered in the Association on the day of the Meeting, or...

Commentary

The amendments to Statute 1.2 are for the sake of clarification and do not make substantive changes.

1.3 Agenda of the Ordinary General Meeting

The ordinary General Meeting shall:

- 1.3.2 consider the Report from the Control Committee,
- 1.3.3 determine the number of members to serve on the Members' Committee,
- 1.3.4 elect members of the Members' Committee, including by separate election its President and Vice President, and determine their remuneration,
- 1.3.5 elect members of the Election Committee,

1.4 The Members' Committee

1.4.1 The Members' Committee shall comprise consist of in addition to a President and a Vice President, a minimum of 40 12 and a maximum of 28-30 members in a total number as determined by the General Meeting, including a President and a Vice President. The members of the Members' Committee are elected by the General Meeting after having considered the proposals of the Election Committee. A minimum of two thirds of the members of the Members' Committee shall be appointed representatives of members with vessels entered on the basis of Estimated Total Calls. The President and Vice President of the Members' Committee shall be elected separately.

1.4.2 The Members' Committee shall form a quorum when at least half of the members, including the President or the Vice President, are present and when more than one half of those present are appointed representatives of members with vessels entered on the basis of Estimated Total Calls.

1.4.3 Members' Committee meetings are held as often as the President deems necessary or at the request of at least 4/3 one third of the Members' Committee Members, or at the request of the Board of Directors.

Commentary

These amendments provide clarification in relation to election of the President and Vice President of the Members' Committee and ensures minimum representation and voting requirements for Members entered on a mutual basis and subject to Estimated Total Calls.

1.5 Functions of the Members' Committee

1.5.2 The Members' Committee shall, upon recommendations from the Election Committee, elect the members of the Board of Directors, including by separate election its Chairman and Vice Chairman and determine the Board of Directors' remuneration. ~~The Members' Committee shall also, upon recommendations from the Election Committee, elect the members of the Board of Directors of all subsidiaries or associated companies of the Association.~~

1.5.3 The Members' Committee shall also:

- e) elect an Auditor and approve his remuneration,
- f) approve ~~management contracts~~ the Association's service agreements,
- g) deal with any other matters within the authority of the Members' Committee and stated in the agenda.

Commentary

The amendments to Statute 1.5 are for the sake of clarification and do not make substantive changes.

1.8 Board of Directors

1.8.2 The Board of Directors of the Association shall, in accordance with a decision made by the Members' Committee, consist of 5 to 9 members including a Chairman and Vice Chairman. A minimum of three quarters of these members of the Board of Directors shall be appointed representatives of members with vessels entered on the basis of Estimated Total Calls. They shall be elected without substitutes in accordance with Statute 1.5.2 . In addition, two members being elected by and among the employees of the Association or of a subsidiary appointed as Manager shall sit on the Board

1.8.4 The Board of Directors forms a quorum when more than half of its members are present or participate in the handling of a matter and when more than one half of those present or participating are appointed representatives of members with vessels entered on the basis of Estimated Total Calls. In order to have a valid decision, those who support a decision must comprise more than 4/3 one third of the whole Board. In the event of an equal number of votes being cast, the Chairman or in his absence the Vice Chairman shall have the deciding vote.

Commentary

These amendments establish minimum representation in relation to representation and voting rights on the Board of Members entered on a mutual basis and subject to Estimated Total Calls.

1.9 Functions of the Board of Directors

The Board of Directors shall:

1.9.6 decide on or amend the Association's insurance conditions ("Rules" and "Terms & Conditions"),

1.9.7 approve the Association's reinsurance contracts arrangements,

1.9.12 in a particular case decide whether the Association shall compensate liabilities or losses beyond those provided for under the Association's insurance conditions ("Rules" and "Terms & Conditions") or excluded from cover therein when the Board of Directors considers in accordance with the purpose of the Association that such compensation would be natural and desirable,

1.10.1 Any person who is the appointed representative of a member shall be eligible for election to the Members' Committee and the Board of Directors. If such person shall cease to be so eligible, he or she shall no longer be entitled to serve. In addition ~~one~~ persons ~~is~~ are not otherwise eligible but have special expertise may be elected as a member of the Board of Directors The Board of Directors shall satisfy the requirements of Statute 1.12.2.

1.10.2 Any appointed representative of a member of the Association, except the President and Vice President of the Members' Committee and the members of the Board, is eligible for election to the Control Committee. In addition, one person who is not otherwise eligible may be elected. One member of the Control Committee shall have the qualifications required by Norwegian Law for appointment as Judge in the Law Courts. The election of this member shall be subject to approval by the Financial Supervisory Authority of Norway ("~~Kredi~~Finansstilsynet").

1.10.5 No one can hold office at the same time on the Board of Directors and the Members' Committee. No one can be elected or re-elected after having attained the age of 67 years unless the Election Committee has recommended that this age limit should not apply to a particular person on the grounds of that person's special expertise. The individual may, however, continue to serve the remainder of the period for which he was elected.

Commentary

The amendments to Statute 1.10.1 clarify the position in relation to serving Directors who cease to be eligible while in office and enables persons who are not eligible to serve if they possess special expertise. The amendment to Statute 1.10.5 gives limited scope for Directors to hold office after the age of 67 years. The remaining amendments to Statute 1.10. are for clarification only.

1.11 The Election Committee

1.11.1 The Association's Election Committee shall comprise of the President of the Members' Committee, and ~~two~~ three appointed representatives of the members elected by the General Meeting. In the event of an equal number of votes being cast, the Chairman shall have the deciding vote. ~~and~~ ~~†~~The Managing Director (CEO) ~~serves~~ serving as Secretary with the right to participate and speak. The Election Committee elects its Chairman.

1.11.2 The Election Committee shall make recommendations for the election of all the Association's elected representatives.

1.11.3 In its recommendations~~s~~ the Election Committee ~~shall take into account that the composition of the Board of Directors and the Members' Committee shall reflect take into account~~ the Association's international activities, tonnage entered and structure of membership. ~~and be comprehensively composed.~~

1.11.4 The Board of Directors shall approve Guidelines for the Election Committee.

Commentary

The amendments to Statute 1.11 introduces minor changes in the composition of the Election Committee.

3. CHOICE OF LAW AND PRECEDENCE

3.1. These Statutes are governed by Norwegian Law.

3.2. The Association's Statutes are adopted in the English and Norwegian languages. In case of conflict, the English version shall prevail.

~~The Norwegian text shall take precedence.~~

Commentary

This change clarifies that the Statutes are subject to Norwegian law but that the English language version shall take precedence.

RULES

The following changes to the Rules were approved by the Board of Directors of Assuranceforeningen Skuld at its Meeting in November 2013.

3.3 TERMINATION BY THE ASSOCIATION

3.3.2 The Association may also terminate the entry of any or all vessels entered by the member or on behalf of more than one member,

e) on such notice in writing as the Association may decide where, in the opinion of the Association, the Member has exposed or may expose the Association to the risk

of being or becoming subject to a sanction, prohibition, restriction or other adverse action by a state or international organisation or competent authority.

Commentary

The Association has a general exclusion in respect of sanctionable activity and a provision addressing the eventuality of non-recovery from a pooling partner or reinsurer due to sanctions legislation. This addition to the termination rule will strengthen the ability of the Association to respond if members are found to be engaging in activity which gives rise to a risk of sanctions.

4. PREMIUMS, RESERVES AND DEDUCTIBLES

4.1 Premiums Generally

4.1.1 The premiums for each entered vessel shall be determined by the Association, taking into account all matters which the Association considers relevant, including the member's loss record.

4.1.2 The premiums determined by the Association and payable by the member may include the following,

- a) ~~estimated total calls~~ **annual calls**
- b) supplementary calls
- c) overspill calls
- d) release calls
- ~~e) fixed premiums~~
- ~~f) e) additional insurance premiums.~~

4.6 Fixed Premiums

~~4.6.1 The Association may agree fixed premiums for special categories of members.~~

~~4.6.2 Where fixed premiums have been agreed, the member shall not pay annual calls, supplementary calls, overspill calls or release calls, and the member shall not be entitled to any surplus.~~

Commentary

These changes avoid duplication of matters now dealt with in the Statutes.

7 CREW

7.1 Cover

The standard insurance for crew shall cover the member's liability for,

7.1.5 the costs of the funeral ~~or~~ **and** sending home of the coffin or ashes, and personal effects of a deceased crew member,

Commentary

The minor amendment ensures that both funeral costs and costs of sending home the coffin or ashes can in principle be covered. This is necessary to meet the requirements of the Maritime Labour Convention.

14. POLLUTION

14.2 Exceptions

However the standard insurance shall not cover under this Rule or any other Rule, 14.2.1 costs which are required as part of the normal operation, salvage or repair of the vessel, ~~or 14.2.2 liabilities, losses, costs or fines in respect of actual or threatened oil pollution arising out of an incident to which the US Oil Pollution Act 1990 is applicable when the entered vessel is capable of carrying oil in bulk as cargo, unless an agreement has been entered into with the Association on the terms and conditions set out in Appendix 5, or~~

14.2.3 2 costs and expenses which would be recoverable in general average if the member had incorporated the York-Antwerp Rules 1994.

14.4 Additional cover

~~If separately agreed, the Association can arrange additional insurance to cover liability, loss, costs and fines, arising out of incidents to which the US Oil Pollution Act 1990 is applicable and which would otherwise be excluded under Rule 14.2.2, provided the member enters into an agreement on the terms set out in Appendix 5 and makes all declarations and pays all premiums required under such agreement.~~

Commentary

These deletions can be made in view of the changes in the International Group Reinsurance programmes removing the US Oil Pollution Surcharge for tankers. Appendix 5 Paragraph 1 "US Trading" will also be deleted.

27 DEFENCE COVER

27.3 Miscellaneous

27.3.5 Where a dispute involves two or more members of the Association, the Association shall be entitled at any stage of the dispute to recommend the members to submit to mediation with a recognised international shipping mediator to be appointed by agreement among those members. Failing agreement among those members on the appointment of a mediator, the Association shall be entitled to recommend appointment of such a mediator on their behalf.

Comment

In view of the growing use of mediation, the Association will be able to recommend mediation in cases where several parties to a dispute have separate entries with the Association. Refusal of a Member to follow such recommendation may be a ground for restriction or withdrawal of cover.

30.2 Excluded losses

The insurance shall not cover, except under Rule 24 (mitigation costs) or Rule 27 (Defence), liabilities, losses, expenses or costs, 30.2.2 which arise in respect of salvage, wreck removal, towage or services in the nature of salvage provided to the entered vessel, or which arise out of salvage, wreck removal or towage operations performed by the member or by an entered vessel, subject to Rules 17 and 18 (general average), Rule 22 (salvage) or Rule 23 (towage),

Commentary

This change reflects an amendment to the Pooling Agreement and clarifies that liabilities arising out of wreck removal by the entered vessel are excluded.

