

# SHIPOWNER'S PROTECTION AND INDEMNITY RULES

## 1. GENERAL STIPULATIONS.

1.1. Investflot Insurance Company (the Insurer), on the terms of the present Rules, insures shipowner's liability for damage incurred by the Assured to property of the third persons, including personal injury, in process of the vessel operation.

1.2. In the event of concluding the insurance contract, the present Rules become part of insurance contract and are obligatory for the Insurer and the Assured.

## 2. DEFINITIONS.

2.1. Assured – Russian or foreign juridical and physical persons being the shipowners.

2.2. Shipowner – any person that operates the vessel on its own behalf despite of whether it is the owner of the vessel or uses her on other legal base.

2.3. Vessel – self-propelled or not self-propelled floating structure that is used for the purpose of shipping in the way which is defined in the International Conventions, the Russian Maritime Code, the Russian Inner Waterways Code and other legislative acts.

2.4. Passenger – physical person on board the vessel who is carried out by the Assured.

2.5. Member of the crew – physical person employed or engaged to serve on board the Assured's vessel under the labour contract.

2.6. Third persons – juridical or physical persons including members of the crew, passengers and state authorities to whom the damage, including personal injury, was incurred in process of the vessel operation.

2.7. Insurance accident – damage incurred by the Assured to the third persons in process of the vessel operation, that entailed for the Assured approach of particular liability stipulated in Chapter 4 of the present Rules

## 3. OBJECT OF INSURANCE.

3.1. In respect of the present Rules it is the Assured's obligation to indemnify the damage to property of the third persons or to environment, including personal injury, incurred in process of the vessel operation, in accordance with the International Conventions, the Russian Maritime Code, the Russian Inner Waterways Code, other legislative acts and judgement.

## 4. KINDS OF LIABILITY.

4.1. In accordance with the present Rules the insurance contract shall be concluded in relation to undermentioned liabilities:

4.1.1. Liability incurred by loss of, shortage of or spoiling of or damage to cargo or luggage on board of the Assured's vessel.

4.1.2. Liability incurred by loss of or damage to the towing object, as well as loss of or damage to property on board the object, including personal injury, which is incurred by the Assured's vessel.

4.1.3. Liability incurred by collision between the Assured's vessel and any other vessel as well as in respect of cargo and other property on board of any other vessel and environment, including personal injury.

4.1.4. Liability incurred by loss of or damage to any fixed or movable means of navigating equipment, structures and objects other than vessels, property on that objects, including personal injury, which is incurred by the Assured's vessel.

4.1.5. Liability incurred by pollution of environment or any property by oil or any other polluting substances, including personal injury, by reason of or in consequence of the accidental release or escape of oil or any other polluting substance from the Assured's vessel.

4.1.6. Liability incurred by wreck of the Assured's vessel in respect of damage to the third persons and environment.

4.1.7. Liability incurred by loss of or damage to the vessel hired by the Assured in accordance with the hire contract if such liability is stipulated.

4.1.8. Liability incurred by reason of personal injury of the members of the crew in case of fulfilling labour contract and personal injury of passengers on board the Assured's vessel.

4.2. The Insurer is fully released from liability for damage incurred by the Assured in respect of the following:

4.2.1. Commanding of the Assured's vessel by a person in condition of alcoholic or narcotic inebriation;

4.2.2. Malice or inactivity or negligence of the Assured;

4.2.3. Technical failure of the vessel known to the Assured before the voyage;

4.2.4. Operation of the Assured's vessel in conditions not stipulated by her class;

4.2.5. Not taken by the Assured, by malice or negligence, measures for prevention or minimisation of damage;

4.2.6. Warlike operations and their consequences, civil wars, people's commotion and labour conflicts, acts of sabotage or terrorism, piracy or fraud;

4.2.7. Atomic explosion, radiation and radioactive infection;

4.2.8. Actions of governmental authorities against the Assured except the actions to prevent or diminish the risk of pollution;

4.2.9. Participation of the Assured in smuggling or other illegal activities or due to the attempt of such participation.

5. INSURANCE SUM.

5.1. Insurance sum is defined in the insurance contract and within it the Insurer undertakes to indemnify the Assured for all or for separate liabilities. Premium is defined emanating from insurance sum.

5.2. Insurance sum is defined as the Insurer and the Assured shall agree, in respect of the maximum damage that can be incurred in process of the Assured's vessel operation but can't exceed it.

5.3. Insurance sum is limited by the Assured liability for non-fulfilment or not proper fulfilment of its obligations, and by international and Russian legislation in relation to the Assured's opportunity to limit or fully exclude its liability in the insurance accident.

## 6. PREMIUM.

6.1. Premium is calculated on the base of insurance sum defined in the insurance contract and tariff rates. Tariff rates depend on particular insurance conditions (extent of risk).

6.2. The day of payment of premium is the day of receiving the funds on the Insurer's account.

6.3. The Assured can be provided with a right of paying the premium by instalments. But the Assured has to settle payment within the amount and period stipulated in the insurance contract.

6.4. Insurance contract is terminated the next day after the day of payment if it is not made or is made in a smaller amount as determined by the insurance contract.

## 7. CONCLUSION OF THE INSURANCE CONTACT.

7.1. Under the insurance contract the Insurer has an obligation, if the insurance accident occurs, to indemnify the Assured within the insurance sum, and the Assured has an obligation to pay the premium as determined by the insurance contract.

7.2. In conclusion of the insurance contract, the Assured and the Insurer may agree on altering, adding or excluding of particular clauses of the present Rules.

7.3. The insurance contract is concluded on the base of the Assured's declaration in writing contents exact information regarding the vessel (type, name, year of build, class of Register, capacity or tonnage, trading area and usual cargoes) and required insurance period, kinds of liabilities, insurance sums on particular liability and on the whole contract. Furthermore, the Assured has to notify the Insurer any information essential for judging the extent of risk. The Assured has to notify the Insurer in writing within 3 days in any essential rise of risk within the insurance period. The Insurer is entitled to require additional information from the Assured to judge the extent of risk.

7.4. The Assured is obliged to provide an opportunity for vessel inspection as before the contract conclusion so within the insurance period.

7.5. Unless otherwise stipulated, the insurance contract is concluded on the period of one calendar year.

7.6. The insurance contract effects from the day of receiving the funds on the Insurer's account and terminates at 12 p.m. (time is on the place of concluding the insurance contract) of the day indicated in the insurance contract.

7.7. The insurance contract is terminated if the insurance risk ceases otherwise than the insurance accident. In this case the Insurer is entitled on part of the insurance premium proportionally the insurance period.

7.8. The Assured is entitled to cancel the insurance contract at any time if even the insurance risk does not cease. In this case the insurance premium is not to be returned, unless otherwise stipulated in the insurance contract.

7.9. Within the insurance period the alterations in writing can be added in the insurance contract. The Insurer is entitled to demand additional premium if the extent of risk rises.

## 8. MUTUAL RELATIONS IF THE INSURANCE ACCIDENT OCCURS.

8.1. If the insurance accident occurs the Assured is obliged to:

8.1.1. Apply accessible and reasonable measures for preventing or minimising of the damage;

8.1.2. Notify the Insurer immediately in the most expedient manner so that the Insurer has an opportunity to take part in investigation of the circumstances of the insurance accident;

8.1.3. Not make any admission of the liability and the extent of incurred damage, directly or indirectly, without prior written consent of the Insurer.

8.2. Unless otherwise stipulated in the insurance contract, all claims, connected with the insurance accident, are to be paid by the Assured and then indemnified by the Insurer.

8.3. The Assured is obliged to provide the Insurer with the statement in writing of the extent of incurred damage to be indemnified as well as the circumstances of the insurance accident.

8.4. Upon the Assured's statement is received, the Insurer has to compile the insurance act, defining the extent of incurred damage to be indemnified in accordance with Chapter 9 of the present Rules, and pay-up the insurance indemnity.

8.5. The Insurer has the right to investigate the reasons and the circumstances of the insurance accident independently and also to require the information connected with the insurance accident from the Assured or any other persons.

8.6. To prevent arrest or to release under arrest the Assured's vessel seized by the third persons to secure their claims, the Insurer can guarantee within the insured liabilities under the insurance contract and the present Rules.

8.7. The right of presenting a claim against the Insurer for the insurance indemnity expires within the period defined by the Russian Law.

8.8. The Insurer has the right to refuse in the insurance indemnity, fully or partially, if the Assured communicated incorrect particulars for judging the extent of risk in accordance with Clause 7.3. of the present Rules.

## 9. DEFINITION OF THE EXTENT OF DAMAGE.

9.1. The extent of damage incurred by loss of or shortage of any property is defined by its actual value less its residual value. The loss of property is also considered as such damaged condition if the cost of repairs exceeds 70% of its actual value. Any disputes are subject to the judgement.

9.2. The extent of damage incurred by spoiling of or damage to any property is considered as the cost of its repairs or like the sum on which its actual value has decreased. Any disputes are subject to the judgement.

9.3. The extent of damage incurred by personal injury of any person other than the members of crew or passengers is defined by the judgement regarding injury, illness or death, including hospital, medical and funeral expenses connected with the personal accident.

9.4. The extent of damage incurred by pollution of environment or any property by oil or any other polluting substances, including personal injury, is defined by the judgement as well as expenses of measures reasonably taken by any person to avoid or liquidate the possibility or the consequences of accident pollution.

9.5. The extent of damage incurred by wreck of the vessel, including costs of raising, removal or destruction of the wreck and everything on board the wreck, is defined by the judgement.

9.6. The extent of damage incurred to members of the crew is defined in accordance with individual or collective labour contract or by the judgement regarding injury, illness or death, including hospital, medical, repatriate and funeral expenses connected with personal accident.

9.7. The extent of damage incurred to passengers is defined in accordance with the passenger's contract or by the judgement regarding injury, illness or death, including hospital, medical, repatriate and funeral expenses connected with personal accident.

9.8. The omitted profit, declared by the third persons and connected with the insurance accident, is not to be indemnified by the Insurer.

9.9. Unless otherwise stipulated in the insurance contract, the Insurer doesn't indemnify 10% of sums paid-up by the Assured for the incurred damage in consequence of any insurance accident, nevertheless the Insurer's liability in any case is limited by 100% of the insurance sum, stipulated in the insurance contract.

## 10. DISPUTES.

10.1. In case of disputes the statements of the insurance contract have the priority to the statements of the present Rules.

10.2. Disputes in connection with the insurance contract are subject to the decision of the Russian Law.

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