

January 2016

TO ALL MEMBERS

Skuld Statutes and P&I Rules - Amendments for the 2016/17 policy year

All amendments are listed below. Skuld Statutes and Skuld P&I Rules will appear as two different publications on our website. Hard copies will be available to members upon request.

STATUTES

The following changes to the Statutes have been adopted at Annual General Meeting of Assuranceforeningen Skuld (Gjensidig) in September 2015. New text appears in red and deletions are ~~struck through~~.

Recurrent changes throughout the text:

- *Reference to Control Committee is deleted throughout the text in accordance with the requirements of the new Law on financial institutions adopted in Norway in 2015.*
- *The term "Managing Director (CEO) is replaced with "President and CEO" throughout the text.*

1.1 Foundation and purpose

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 (a) Estimated Total Calls which are subject to supplementary, overspill and release calls, or (b) upon the basis of fixed premiums, with no liability to supplementary, overspill or release calls and no entitlement to any surplus.

Commentary: Clarifies that non-mutual members are neither entitled to surplus nor are liable for supplementary calls.

1.2 The General Meeting

1.2.1 The General Meeting is the Association's highest authority.

1.2.2 The ordinary General Meeting shall be held within 67 months after the expiry of the accounting year. An extraordinary General Meeting shall be held whenever the Board of Directors or the Members' Committee considers it necessary or when at least 10 members who hold between them a minimum of 100 votes so demand.

1.2.3 Venues for the General Meeting are in addition to Oslo: Copenhagen, Piraeus, Hong Kong, Singapore, London and Hamilton, Bermuda.

1.2.4 The General Meeting is called by the Board of Directors upon at least 14 days written notice. The documentation for 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 find necessary. The documentation for the ordinary General Meeting shall include the Board of Directors' proposal for the annual accounts accompanied by the statement of the

Auditors, ~~and~~ the Members' Committee's ~~and the Control Committee's reports~~. Such documentation may be made available electronically or on the Association's website.

1.2.5 The General Meeting may only decide on matters set out in the notice calling the meeting and on which the Members' Committee has had the opportunity to put forward a report.

1.2.6 The General Meeting shall be opened by the Chairman of the Board, or in his absence by a person appointed by the Board of Directors. The General Meeting ~~appoints its chairman is chaired by the President~~. The General Meeting shall form a quorum regardless of the number of members present.

Commentary: This amendment stipulates that AGM shall take place in September to reflect current practice. It also enables the President to chair the AGM to reflect current practice.

1.3 Agenda of the Ordinary General Meeting

The ordinary General Meeting shall:

1.3.1 decide on the adoption of the Statement of Accounts and the Board of Directors' Report, and decide on the level of supplementary calls, reimbursement of excess advance calls or the distribution of any surplus. The General Meeting may not stipulate lower supplementary calls, reimbursement of higher levels of excess advance calls or distribution of a larger part of the surplus than that proposed by the Members' Committee,

~~1.3.2 consider the Report from the Control Committee,~~

1.3.2 determine the number of members to serve on the Members' Committee,

1.3.3 elect members of the Members' Committee, including by separate election its President and Vice President, and determine their remuneration,

1.3.4 elect members of the Election Committee,

~~1.3.6 elect members of the Control Committee and determine their remuneration,~~

1.3.5 decide on the closing of policy years,

1.3.6 decide on amendments to the Statutes of the Association, and

1.3.7 decide on other matters within the authority of the General Meeting and stated in the agenda.

1.4 The Members' Committee

1.4.1 The Members' Committee shall consist of a minimum of 12 and a maximum of 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 one third of the Members' Committee Members, or at the request of the Board of Directors.

1.4.4 The members of the Board of Directors and the Association's ~~Managing Director (CEO) President and CEO~~ shall participate at meetings of the Members' Committee unless it decides otherwise for a particular matter. They shall participate without voting rights.

1.5 Functions of the Members' Committee

1.5.1 The Committee shall supervise the conduct of the business of the Board of Directors and the ~~Managing Director (CEO) President and CEO~~ and ensure that the Association's purpose is promoted in accordance with applicable legislation, the Statutes and Resolutions by the General Meeting and the Members' Committee. Each of the Committee members shall have the right at the Meeting to request information about the Association's business. The Members' Committee may itself or by appointed representatives initiate investigations.

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.

1.5.3 The Members' Committee shall also:

- a) submit a report to the General Meeting as to whether the Board of Directors' proposals for the Statement of Accounts, the Board of Directors' Report and the application of loss or profit, hereunder the level of supplementary calls, reimbursement of excess advance calls or the distribution of any surplus, shall be adopted,
- b) submit to the General Meeting its recommendations regarding the closing of policy years,
- c) submit a report to the General Meeting concerning amendments to the Statutes recommended by the Board of Directors,
- ~~d) determine the Instructions to and examine the Report from the Control Committee~~ examine the Report from the Audit Committee,
- d) elect an Auditor and approve his remuneration,
- ~~f) approve the Association's service agreements,~~
- e) deal with any other matters within the authority of the Members' Committee and stated in the agenda.

Commentary: Tasks of the Members' Committee are updated to include review of the Audit Committee report. The review of service agreement has been deleted to reflect current practice.

1.6 The Control Committee

~~1.6.1 The Control Committee shall consist of at least three members and one alternative member elected by the General Meeting.~~

~~1.6.2 The Control Committee shall elect each year its own Chairman from among its members.~~

~~1.6.3 The Control Committee shall form a quorum when at least three of its members are present and reasonable prior notice of the meeting has been given to its members.~~

1.7 Functions of the Control Committee

~~The Control Committee shall in accordance with the instructions given by the Members' Committee supervise the activities of the Association and ensure that it complies with the applicable laws, regulations and conditions, as well as with the resolutions and rules of the Association's decision-making bodies. The Control Committee shall submit a Report at least once a year to the Members' Committee and the General Meeting.~~

1.8 Board of Directors

1.8.1 The Board of Directors shall see to it that the Association's and its members' interests are being attended to in a proper way, and make such decisions as are not within the province of the Members' Committee or the General Meeting.

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 **optionally a 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.

1.8.3 The Board shall convene by notice from the Chairman. The Chairman may decide that matters shall be submitted in writing or dealt with in any satisfactory way. A Board member and the ~~Managing Director (CEO)~~ **President and CEO** may demand that the Board of Directors shall deal with a particular matter.

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 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.

1.8.5 The ~~Managing Director (CEO)~~ **President and CEO** of the Association ~~and the President of the Committee or in his absence the Vice President of the Committee~~ shall participate in the meetings of the Board of Directors, unless the Board decides otherwise for a particular matter. ~~He~~ They shall participate without voting rights.

Commentary: This amendment specifies that the election of a Vice-President is optional. It also ensures that the Board meetings are attended by the President (or in his absence by Vice-President).

1.9 Functions of the Board of Directors

The Board of Directors shall:

1.9.1 administer the daily business of the Association.

1.9.2 appoint the Association's ~~Managing Director (CEO)~~ **President and CEO** and determine his authority and conditions of service,

1.10 The Association's elected representatives

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 persons who are not otherwise eligible but have special expertise may be elected as a member of the Board of Directors.

~~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 ("Finanstilsynet").~~

1.10.2 Members of the Members' Committee, ~~the Control Committee~~ and Board of Directors shall normally serve for two years. Approximately one half of the members shall retire from office each year. Re-election of members is permitted.

1.10.3 Members of the Board of Directors and the Members' Committee who no longer qualify as stipulated in 1.10.1 shall no longer hold office.

1.10.4 No one can hold office at the same time on the Board of Directors and the Members' Committee. No one can be elected or reelected 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.

1.11 The Election Committee

1.11.1 The Association's Election Committee shall comprise of the President of the Members' Committee, and 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. The ~~Managing Director (CEO)~~ **President and CEO** serves as Secretary with the right to participate and speak. The Election Committee elects its Chairman.

1.12 The Audit Committee

1.12.1 The Audit Committee shall consist of 3 to 4 members who are appointed by and among the members of the Board of Directors.

1.12.2 The Audit Committee shall collectively have the qualifications necessary to perform its duties ~~as stipulated in Section 5-11 of the Act on Insurance Activities 2005~~. At least one of the members shall be independent of the Association and its business and have expertise relating to accounting or auditing.

1.12.3 The Audit Committee shall:

- a) prepare the Board's supervision of the financial reporting process,
- b) monitor the systems for internal control and risk management and the internal audit,
- c) recommend on the choice of auditor, and have ongoing contact with the auditor in respect of the audit of financial statements,

1.12.4 The Audit Committee shall submit to the Member's Committee an annual Report from the Audit Committee.

1.13 The Risk Committee

1.13.1 The Risk Committee shall consist of 3-4 members who are appointed by and among the members of the Board of Directors.

1.13.2 The Risk Committee shall prepare the Board's management of the Association's aggregated risk and assess if the Association's governance and control measures are adapted to the Association's risk levels and scope of activities.

Commentary: This amendment removes reference to the obsolete Insurance Act. It also updates tasks of the Audit Committee, including an annual report to the Members' Committee. Risk Committee is added to the governing bodies.

2. DISSOLUTION AND PERIOD OF TRANSITION

2.2 Provisions for the period of transition

These Statutes shall come into force and the previous Statutes shall cease to have effect as from 20 February 2015~~6~~ 12.00 (noon) GMT. Liabilities or losses incurred before such time shall be determined in accordance with the Statutes then applicable.

SKULD RULES

The following changes to Rules were approved by the Board of Directors of Assuranceforeningen Skuld at its Meeting in November 2015. New text appears in red and deletions are ~~struck through~~.

5. CARGO

5.2 Exceptions

However the standard insurance shall not cover liabilities, costs and expenses arising out of any of the following,

5.2.15 ...

b) a non-negotiable bill of lading, waybill or similar document, without production of the original document by the person to whom delivery is to be made where ~~such production is required by the express terms of that document or the law to which that document, or the contract of carriage contained in or evidenced by it, is subject, there is a legal obligation to produce such document, except where the Member is required by any other law to deliver there is also a requirement under any other applicable law obliging the carrier under the contract of carriage contained in or evidenced by that document~~ to deliver or relinquish custody or control of the cargo without production of such document.

Commentary: This amendment aligns the Rules with the wording in the International Group Pooling Agreement.

30.3 Excluded operations

The insurance shall not cover, except under Rule 27 (Defence), liabilities, costs and expenses, ~~30.3.1 which are incurred in respect of an entered vessel carrying out drilling or production operations (as defined in Appendix 1) and which arise out of or during drilling or production operations,~~

~~30.3.1 which are incurred in respect of a drilling or production vessel (as defined in Appendix 1) and which arise out of or during drilling or production operations,~~

Commentary: This amendment reflects changes in the International Group Pooling Agreement and aligns terms throughout the text of the Rules.

30.4 Excluded risks

The insurance shall not cover,

30.4.1 war risks' liabilities, costs or expenses (as defined in Appendix 1),

a) except that ~~except that this exclusion shall not apply to liabilities, costs and expenses of a member insofar only as they are discharged by the Association on behalf of the member pursuant to a demand made under the Association~~ will discharge on behalf of the member liabilities, costs, expenses arising under a demand made pursuant to the issue by the Association on behalf of the member of...

30.4.2 nuclear risks' liabilities, costs and expenses (as defined in Appendix 1),

a) except that ~~this exclusion shall not apply to liabilities, costs and expenses of a member insofar only as they are discharged by the Association on behalf of the member solely pursuant to a~~

~~demand under~~ the Association will discharge on behalf of the member liabilities, costs, expenses arising under a demand made pursuant to the issue by the Association on behalf of the member of a guarantee, undertaking or certificate as referred to in Rule 30.4.1(a) ...

Commentary: These slight amendments bring these provisions into closer alignment with the Pooling Agreement.

APPENDIX 1 DEFINITIONS

Drilling or production operations

In respect of any entered vessel employed to carry out production operations in connection with oil or gas production, the exclusion shall apply:

- (a) from the time that a connection, whether directly or indirectly, has been established between the Insured Vessel and the well until such time that the Insured Vessel has been disconnected from the well as part of a planned procedure to leave the site for the purpose of navigation to shore or to another production site; or
- (b) where the entered vessel is unintentionally, as well as intentionally as an emergency response, disconnected from the well; or
- (c) where the entered vessel remains connected to the well, but the production is shut down, whether or not as an emergency response.

Commentary: This addition reflects changes in the International Group Pooling Agreement.

APPENDIX 5 Oil Pollution

1.5 For the purpose of this Appendix, 'claims arising in respect of the actual or threatened escape or discharge of oil' shall include all liabilities, costs, losses and expenses, howsoever incurred but exclude liability for loss of or damage to such oil.

Commentary: This amendment is for the purposes of clarifying the treatment of costs for the purposes of the oil pollution limit.

APPENDIX 7 ADDITIONAL INSURANCES

~~[Delete in entirety]~~

Commentary: The number of additional insurances offered by the Association has expanded over the years. Comprehensive information on these covers is available on the Association's website and it is no longer necessary to include reference to them in the Rules publication.