

Updates for 2024/25

# Introducing NorthStandard's new combined FD&D rules



NorthStandard

**The FD&D rules have been synchronised and aligned.**

**From the 2024 Policy year onwards the FD&D rules for NorthStandard's business have been combined: we will be using use one set of policy wordings from 20 February 2024.**

**The new policy wordings can be found on our website <https://north-standard.com/our-rules/insurance-wordings-and-clauses/>.**

The principles and processes involved in arriving at the new combined wordings were as follows:

- The new wordings are based on Standard's rules. The rules of each legacy business worked, but the Standard wordings are generally more modern in tone and had already been formally reviewed/re-drafted by lawyers Reed Smith more recently than North's.
- We worked closely with lawyers Reed Smith on the new wordings. Reed Smith was already familiar with Standard's wordings, and because they were the lead lawyers for the merger itself, they have been able to ensure efficiently that the rules dealing with the operation of the different business classes are worded appropriately. Reed Smith also advise the International Group on the terms of the Pooling Agreement, so their input ensures that cover given under the new wordings remains poolable where relevant.
- The process of combining the rules was split into two broad sections; "Scope of Cover" (setting out the risks covered and any areas where there may be exclusions to cover) and the "Mechanical Provisions" (concerning membership, payment of premium, operation of classes and handling of claims, etc.).
- Scope of Cover. When combining the rules, wherever one set of rules provided a wider cover than the other, we have adopted the wider cover wherever reasonably possible. This provides (a) tangible merger benefits to members of both legacy businesses and (b) enables us to assure members of both legacy businesses that the new wordings do not make any Members' position materially worse than it was under the "old" legacy sets of rules.
- Mechanical provisions. These have been drafted to mirror the move into operation of the business broadly through the North corporate structure/mechanisms, for example by adopting references to the members' board for discretionary decisions rather than Standard's previous reference to the statutory board of directors. Where one set of rules contained a provision which gave better protection to the broader membership (eg, in terms of remedies available to the club in the event of default by a member) that wording has been adopted. There is obviously a move away from much of the terminology and definitions used under the North rules, but there are no substantive changes in how the classes will operate or in how claims will be handled.

The information set out in the following pages should help members from both legacy clubs find their way around the new rules, but if you have any queries relating to the new rules, please speak to your usual contacts in the underwriting team.

# Guide to navigating the new rules



## What can you expect when you look at the new rules?

- Changes will be apparent to members of both legacy clubs as a result of the process of combining and synchronising the rules.
- The format and feel of the rules will be familiar to legacy Standard members, but you will see new and different wordings. For legacy North members you will see a different format and feel. The new combined rules, however, reflect the cover provided previously by both legacy clubs.

## How can I find my way around the new rules?

- On pages 7 to 11 you will find a table which sets out the new combined rules side by side with the relevant legacy North's rule which it replaces. This should allow members of each legacy club to compare the wordings and find where the various heads of cover are now to be found.



# Alignment of NorthStandard Rules: FD&D



## FD&D Scope of Cover (Rule 3) amendments

Rule number	Equivalent Legacy North rule number	Former North rule	New rule
<b>3</b>	19	The business of this Class is the enforcement of all proper claims and the defence of all claims improperly brought in respect of any Ship entered in this Class which fall within Rule 3 relating to:	Costs and expenses in respect of matters properly brought by or improperly brought against a member in respect of the ship relating to:
<b>3.1</b>	19(1)(i)	Freight, dead freight and demurrage.	any charterparty, contract of affreightment, bill of lading or other contract
<b>3.2</b>	19(1)(ii)	General average, insurance monies and salvage.	general average
<b>3.9</b>	19(1)(ii)	General average, insurance monies and salvage.	amounts due from or to underwriters or brokers, but always excluding claims against the club, club subsidiaries, associated companies, agents, representatives or servants
<b>3.10</b>	19(1)(ii)	General average, insurance monies and salvage.	salvage, pilotage or towage services rendered by or to the ship
<b>3.1</b>	19(1)(ii)	Breach of charter or contract of affreightment or hire.	any charterparty, contract of affreightment, bill of lading or other contract
<b>3.1</b>	19(1)(iv)	Detention through collision or any other cause	any charterparty, contract of affreightment, bill of lading or other contract
<b>3.3</b>	19(1)(iv)	Detention through collision or any other cause.	detention or loss of use of, or delay to, the ship
<b>3.4</b>	19(1)(v)	The supply of short, defective or improper outfit, equipment, bunker fuel or other necessities.	the provision of supplies, equipment, bunker fuel or other necessities
<b>3.1</b>	19(1)(vi)	Loading, stowing, trimming, or discharge of cargo.	any charterparty, contract of affreightment, bill of lading or other contract
<b>3.7</b>	19(1)(vi)	Loading, stowing, trimming, or discharge of cargo.	cargo operations

<b>3.15</b>	19(1)(vii)	The building, purchase, sale, or negligent repair, alteration or conversion of the Ship, save that cover shall be limited to such sum or sums as the Directors may from time to time determine. Unless otherwise agreed between the Member and the Managers this limit will be US\$250,000 in excess of the applicable deductible or the equivalent in the currency of entry on the date of signing the building, purchase, sale, repair, alteration or conversion agreement. This limit of liability shall apply to each claim and to the aggregate of all claims arising from the building, purchase, sale or negligent repair, alteration or conversion of the Ship.	<p>the building, modification, purchase or sale of the ship</p> <p>Exclusions to rule 3.15</p> <p>(1) Unless otherwise agreed between the member and the managers, cover in respect of such matters shall be limited to US\$1 million;</p> <p>(2) Where a limit has been stipulated in respect of matters, it applies in the aggregate to all matters in respect of all ships entered by the insured parties or associated or affiliated companies arising out of any one contract or series of related</p> <p>(3) There shall be no cover under this rule unless a copy of the building, modification or purchase agreement or proposed agreement is approved by the managers before the commencement of cover and not later than 7 days from the date of signing such agreement.</p>
<b>3.5</b>	19(1)(vii)	The building, purchase, sale, or negligent repair, alteration or conversion of the Ship, save that cover shall be limited to such sum or sums as the Directors may from time to time determine. Unless otherwise agreed between the member and the Managers this limit will be US\$250,000 in excess of the applicable deductible or the equivalent in the currency of entry on the date of signing the building, purchase, sale, repair, alteration or conversion agreement. This limit of liability shall apply to each claim and to the aggregate of all claims arising from the building, purchase, sale or negligent repair, alteration or conversion of the ship.	maintenance of or repair to the ship to the extent not covered by the policies on hull & machinery or, in the case of charterer members, the policies on charterers' liability for damage to hull, or if covered, where the amount is below the relevant franchise or deductible in force on the member's policies
<b>3.12</b>	19(1)(viii)	Disputes with any mortgagee of the ship.	the mortgage of the ship
<b>3.11</b>	19(2)	The defence and protection of Members (in respect of any Ship entered in this Class) from any wrongful or improper action taken or instigated against them or their servants, or their ship by the crew of any such Ship, and the prosecution of or recovering of damages and other claims from any such crew in respect of any improper act, breach of duty, neglect or default on their part.	actions taken or instigated by the crew of the ship against a member, their servants or the ship, and the prosecution of or recovering of damages and other claims from any such crew



3.14	19(3)	<p>The defence and protection of Members in respect of any Ship entered in this Class against improper action on the part of any Department of the State or any Public Body charged with or assuming the control of the Mercantile Marine whether such improper action be in the nature of personal proceedings (civil or criminal) against the Members or their Servants, or the detention of or interference with such Ships and also in respect of the improper action, neglect or default of any port, harbour or lighthouse authority, dock or railway undertaking, or any Corporation or Authority acting under statutory powers, and the recovery of damages arising out of or consequent upon any of the matters mentioned in this clause.</p>	<p>claims by or against any customs, port, governmental or local authority, or body acting under statutory powers</p>
3.6	19(4)	<p>Subject to the discretion of the Members Board the enforcement of all proper claims and the defence of all claims improperly brought in respect of Ships entered in this class for damages sustained by any such Ships where the amount is not covered by the policies on Hull and Machinery (or in the case of Charterer Members the policies on Charterers' liability for Damage To Hull), or, if covered, is (apart from detention) below the franchise for the time being in force on Members' Policies, which for the purposes of this Rule shall be deemed not to exceed one percent of the Ship's insured value for Owner Member claims, and not to exceed US\$25,000 for Charterer Member claims.</p>	<p>loss of or damage to the ship to the extent not covered by the policies on hull &amp; machinery or, in the case of charterer members, the policies on charterers' liability for damage to hull, or if covered, where the amount is below the relevant franchise or deductible in force on the member's policies</p> <p>Exclusion to rules 3.5 and 3.6 Unless otherwise agreed in writing as part of the terms upon which the ship is entered in the club, the club will only cover a member for costs and expenses in relation to a matter within any franchise or deductible under a hull &amp; machinery or damage to hull policy if and to the extent that such franchise or deductible does not or is deemed not to exceed US\$100,000 in respect of each matter for owner members and US\$25,000 in respect of each matter for charterer members</p>

<b>3.8</b>	19(5)	The enforcement of all proper claims and the defence of all other proceedings improperly brought in respect of any Ship entered in this Class, the true intent of these Rules being that the Members shall be afforded aid and protection in all legal proceedings which in the opinion of the Members Board arise out of the ownership and management of Ships entered in this Class (other than co-ownership matters or disputes), except such as are covered or protected by Lloyd's Marine Policy with Institute Time Clauses (Hulls) 1.10.83 or equivalent, and the Protecting and Indemnity Associations.	charges, disbursements or accounts
<b>3.17</b>	19(5)	The enforcement of all proper claims and the defence of all other proceedings improperly brought in respect of any Ship entered in this Class, the true intent of these Rules being that the Members shall be afforded aid and protection in all legal proceedings which in the opinion of the Members Board arise out of the ownership and management of Ships entered in this Class (other than co-ownership matters or disputes), except such as are covered or protected by Lloyd's Marine Policy with Institute Time Clauses (Hulls) 1.10.83 or equivalent, and the Protecting and Indemnity Associations.	all other matters in respect of which a member should, in the opinion of the members' board, be supported by the club.
<b>3.13</b>	19(6)	The legal representation of the Members upon Coroner's Inquests, formal investigations or other inquiries into casualties, or the conduct of their servants relating to any Ship entered in this Class.	representation at inquests, official investigations or enquiries
<b>3.17</b>	19(7)	The procuring and supplying information and advice as to all matters affecting Shipowners with respect to their rights and liabilities either towards the Government or any Department thereof or any public body charged with the control of the Mercantile Marine, and also by co-operating with any of the above public authorities in all matters affecting the interests of Shipowners.	all other matters in respect of which a member should, in the opinion of the members' board, be supported by the club.

3.16	19(8)	Procuring the alteration and improvement of existing law, usages, and customs at home or abroad, which are prejudicial to Shipowners, and delaying and preventing the enactment of such laws or the establishment of such usages and customs.	seeking changes to and improvement of existing laws, usages, and customs, which are prejudicial to shipowners, or seeking to delay or prevent the enactment of such laws or the establishment of such usages and customs
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## The members' board's right to control conduct of all cases

The North mechanism giving the members' board overall power to control which cases are supported and what steps are taken in respect of those claims is retained in rule 1.5. This allows the members' board to consider and give input into unusual or potentially very expensive claims, or to consider claims where the merits are finely balanced. In operational terms day to day decisions are delegated to the managers who refer appropriate cases for consideration to the members' board.

## Recovery of costs

The North rule which creates a mechanism to allow costs to be recovered from other parties to litigation has been retained (see rule 5.11).

## Financial limits on cover

Rule 2.8 provides that there is a limit of cover of US\$10 million per claim or incident. This provides contractual certainty and the limit of US\$10 million significantly exceeds the maximum liability for costs which either legacy club has ever incurred for an individual FD&D claim. As such, fixing a limit at this level is unlikely to have any impact on members. If members would like to explore the potential to take higher limits of cover, they should speak to their underwriting contacts.

Rule 3.15(1) provides that there is a US\$1 million limit of cover per claim for new build, modification and sale & purchase disputes. These contracts can give rise to complicated and expensive disputes and the entry of pre-purchase contracts is therefore subject to approval by the club. A limit of cover for disputes arising under these contracts is a pragmatic approach and, again, if members would like to explore the potential to take higher limits of cover, they should speak to their underwriting contacts.

## Disputes between insured parties

Rule 4.1 incorporates the North rule which clarifies that cover is not provided for disputes between the parties who appear on the certificate of entry. This is a pragmatic approach which protects the class generally: joint entrants who believe they are likely to have legal disputes with other joint entrants should discuss a separate entry with their underwriting contacts.

## Circulars

The North mechanism for making recommendations to members by way of circulars has been retained (see rule 23.6). This enables the managers to give guidance to members on a range of issues, including guidance on steps which the managers may wish members to take to ensure that rule 4.8 (Unlawful sanctionable and hazardous trades) is not triggered.



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