

THE RULES
OF
ACTIVITIES INDUSTRY
MUTUAL LIMITED

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I INTRODUCTION

RULE 1 MEMORANDUM AND ARTICLES OF ASSOCIATION

These Rules are to be read in conjunction with the Memorandum and Articles of Association of the Activities Industry Mutual Limited, the Certificate of Entry of each Entered Member. In the event of any inconsistency between these Rules and any other document, the provisions of these Rules shall apply except where expressly stated otherwise.

RULE 2 DEFINITIONS AND INTERPRETATIONS

Definitions 2(1) In these Rules the following words and expressions shall have the following meanings:

Affiliated Body Any society, association, trust, foundation, school or similar body associated with an Entered Member or any body corporate wholly owned or controlled by an Entered Member or any body corporate which, in the opinion of the Board of Directors of the Mutual, is closely connected to an Entered Member.

The Board The Board of Directors for the time being of the Mutual.

Certificate of Entry A document and any endorsement thereto issued by the Mutual in accordance with Rule 6 which evidences the scope and extent of discretionary indemnity in respect of a Member.

Activities Centre Any Corporate, Trust, individual, partnership engaged in whole or in part in the provision of outdoor or other activities to third parties

Contribution All monies payable to the Mutual by a Member pursuant to Rule 6 and Rule 13.

Cover The matters which are the subject of the discretionary indemnity by the Mutual as set out in the Certificate of Entry of each Entered Member.

Closed Indemnity Year An Indemnity Year of the Mutual which the Mutual shall have declared to be closed in accordance with Rule 28(1).

Documents Deeds, wills, agreements, maps, photographs, plans, models, records, written or printed books, letters, certificates or written or printed documents (including those visible on a computer screen) or forms of any nature whatsoever (excluding any forms of currency or negotiable paper) and recorded information for use with a computer system.

Entered Member A Member that is entered for discretionary indemnity with the Mutual.

Entry The admission of a Member for discretionary indemnity by the Mutual.

Indemnity Year A year commencing at 00.01 hours on the 1st xxx in any year up to and including 23.59 hours on the next following xxx, or any other period so

	designated by the Mutual.
<i>The Managers</i>	The managers for the time being appointed by the Mutual.
<i>Member</i>	An Activities Centre that has subscribed to the Memorandum and Articles of Association of the Mutual.
<i>Member's Representative</i>	The officer or representative shown as such on the Certificate of Entry of such Member for the time being in force.
<i>The Mutual</i>	Activities Industry Mutual Limited.
<i>Period of Indemnity</i>	In respect of each Entered Member, the period defined in Rule 10 and, if issued, as stated in the Certificate of Entry of that Member.
<i>These Rules</i>	The Rules and by-laws of the Mutual for the time being in force.
<i>Interpretation 2(2)</i>	In these Rules: (i) Writing shall include, printing, typewriting, word processing, lithography, facsimile, electronic mail and any other mode or modes of representing or reproducing words in a visible form. (ii) Words importing the singular number only shall include the plural number and vice versa. (iii) Words importing persons shall include individuals, partnerships, corporations and associations.

Any reference to the discretion of the Board and to any action to be taken as the Board thinks fit shall be construed as a discretion to be exercised and action to be taken in the sole and absolute discretion of the Board without any fetter or other qualification whatsoever.

RULE 3 DISCRETIONARY NATURE OF COVER

<i>Cover 3(1)</i>	The Cover which may be provided by the Mutual is as set out in these Rules and the Certificate of Entry of each Entered Member and provides an indemnity for an Entered Member against loss, damage, liability or expense incurred by that Entered Member. Notwithstanding anything to the contrary, any indemnity provided by the Mutual is at the discretion of the Board in accordance with Rule 23(2)(A). Any reference in these Rules or in any Certificate of Entry issued hereunder to risks covered or to indemnity, or any such similar expression must be read accordingly.
<i>Conditions 3(2)</i>	The risks covered as set out in Rule 16 are subject to all the conditions set out in other parts of these Rules and those risks may only be varied by agreement in writing between an Entered Member and the Mutual either under Rule 7 or Rule 13.
<i>Payment 3(3)</i>	The entry of an Entered Member in the Mutual is only valid provided Contributions have been paid as specified in Rule 6 and Rule 13 and

as set out in the Entered Member's Certificate of Entry, and no final notice has been sent to the Entered Member by the Mutual under Rule 24(a).

RULE 4 MEMBERSHIP

Date of Membership 4(1) If an application to admit an Activities Centre to become a Member of the Mutual shall be accepted, then, as from the date stated in its Certificate of Entry, the Activities Centre concerned shall be or become an Entered Member.

Acceptance 4(2) Acceptance of an Activities Centre or the refusal of membership to an Activities Centre is in the Board's discretion.

RULE 5 RIGHT OF RECOVERY

Right 5(1) Subject always to Rule 3, an Entered Member shall be entitled to seek recovery out of the funds of the Mutual the amount of any liability, loss, cost or expense which may be incurred by the Entered Member in respect of the risks set out in Rule 16 to the extent and upon the terms, conditions and exceptions provided by these Rules and by its Certificate of Entry.

Set-off 5(2) Without prejudice to any other provisions of these Rules, the Mutual shall be entitled to set off any amount due from the Entered Member against any amount agreed to be due to such Entered Member from the Mutual.

II ENTRY AND CONTRIBUTION

RULE 6 ENTRY

Application 6(1) Any Member or Activities Centre that wishes to become an Entered Member of the Mutual shall apply for such entry in such form as may from time to time be required by the Board and shall furnish any particulars and information so requested.

Warranty 6(2) All particulars and information given in the course of entry shall, if the entry or re-entry of the Member or Activities Centre be accepted, be deemed to form part of the terms of entry between the Entered Member and the Mutual and it shall be a condition precedent of such entry that all such particulars and information are true and complete so far as the same are within the Entered Member's knowledge or could with reasonable diligence have been ascertained by the Entered Member.

Certificate of Entry 6(3) Prior to or as soon as reasonably practicable after the commencement of a Period of Indemnity of an Entered Member in the Mutual, the Mutual shall issue a Certificate of Entry which (subject to any special terms upon which such Entered Member may be entered) shall state:-

- (a) the name of the Entered Member;
- (b) the name of the Entered Member's Representative;
- (c) the risks against which the Entered Member may seek indemnity from the Mutual and any exclusions thereto;
- (d) the Period of Indemnity of such Entered Member;
- (e) the limits of the Cover which may be provided; the excesses or deductibles applicable to the Entered Member;
- (f) the Contributions due from the Entered Member and/or any special terms as to Contributions; and
- (g) the names of any Affiliated Body.

Confirmation of Cover 6(4) The Mutual will, upon request, issue to the Entered Member a Confirmation of Cover which may include any of the matters set out in 6(3) above.

Subject to Rules 6(5) The terms and conditions upon which the entry of an Entered Member is accepted into the Mutual including those relating to the nature and extent of the Cover given and the Contributions payable by the Entered Member, shall be those set out in the Rules and by-laws hereinafter mentioned but subject to such variations, within the scope of these Rules, as may have been agreed between the Entered Member and the Mutual and set out in the Certificate of Entry.

Variation of Cover 6(6) If at any time the Mutual and the Entered Member agree to vary the terms and conditions upon which the Entered Member is entered, the Mutual, as soon as reasonably practicable thereafter, shall issue an endorsement to the Certificate of Entry stating the nature of such variation and the date from which such variation is to be effective.

Conditions of Entry 6(7) Every Certificate of Entry issued as aforesaid shall be conclusive evidence of the conditions of entry between the Entered Member and the Mutual.

RULE 7 SPECIAL TERMS OF ENTRY

The Mutual may agree special terms of entry and Contributions for Entered Members; such special terms shall be endorsed on the Entered Member's Certificate of Entry.

RULE 8 COMMUNICATIONS

Unless the Mutual has otherwise agreed in writing, all communication from or on behalf of the Mutual shall be deemed to be validly served on such Entered Member if sent to the Entered Member's Representative.

RULE 9 SUB-CONTRACTORS

A Member may be entered for liabilities, together with costs and expenses incidental thereto, which may arise as the result of acts or omissions of a specialist consultant or sub-contractor employed by and acting on behalf of the Entered Member as an independent contractor.

PROVIDED ALWAYS THAT

- (a) there shall be no waiver of any rights of recourse against any such specialist consultant or sub-contractor;
- (b) in respect of liabilities arising under a contract for the services of such specialist consultant or sub-contractor, that contract has been approved by the Board; and
- (c) the Entered Member has complied with any by-laws published by the Mutual relating to the forms of contract for such services.

RULE 10 PERIOD OF INDEMNITY

*Period of
Indemnity
10(1)*

Subject as otherwise provided in these Rules, the Period of Indemnity shall begin on the date and at the time of Entry or, if a Certificate of Entry has been issued, as stated therein or, in the case of a change in the terms of entry, at 00.01 hours on the effective date of change and shall continue until 24.00 on the day prior to the first anniversary of such date unless an earlier date be agreed and set out in the Certificate of Entry. All Contributions paid or payable by a Member during this Period of Indemnity shall be accounted for in the books of account of the Mutual as belonging to the Indemnity Year during which the Period of Indemnity is deemed to commence in accordance with the provisions of this Clause.

*Withdrawal of
Entry 10(2)*

An Entered Member may not withdraw from the Mutual at any time in any manner except:

- (a) [DELETED]; or
- (b) in the event of failure to agree terms for a new Period of Indemnity; or
- (c) with the consent of the Mutual.

*[DELETED]
10(3)*

[DELETED]

*New Indemnity
Year 10(4)*

On or before the end of each respective Period of Indemnity a Member shall make an application to renew its Cover for the next Period of Indemnity in accordance with the provisions of Rule 6 (provided always that the Mutual may in its absolute discretion accept a late application for re-entry). The Cover shall recommence for the next Period of Indemnity in accordance with the information and requests contained in each application and upon the same terms and conditions

as those in force for the current Period of Indemnity, unless at the request of the Member or the Member's Representative, other terms shall be agreed, or unless either:

- (a) notice shall have been given in writing by the Mutual to the Member or the Member's Representative prior to the end of a current Period of Indemnity, that the entry specified in the notice is to cease. In this event the membership of the Mutual and the indemnity shall cease at the end of the then current Period of Indemnity; or
- (b) notice shall be given in writing by the Mutual to the Member or the Member's Representative prior to the end of a current of Indemnity that the terms of entry, including an estimate of the Contributions for the next following Period of Indemnity, are to be changed. In the event of such notice being given, the terms of Entry for the next following Period of Indemnity shall continue upon such terms as may be agreed between the Member or the Member's Representative and the Mutual by 24.00 hours on the last day of the current Period of Indemnity and, if no terms shall by then have been agreed.

RULE 11 APPLICATION OF CONTRIBUTIONS

Use 11(1)

The Entered Members of the Mutual shall contribute by way of Contributions to the funds required to meet:

- (a) the claims, and other expenses or outgoings (whether incurred, accrued or anticipated) which at the discretion of the Board properly fall upon the Mutual in respect of such Indemnity Year;
- (b) any costs or expenses incurred by the Mutual in entering into or arranging insurance contracts or reinsurance contracts in respect of the Cover provided to Entered Members under these Rules and each Entered Member's Certificate of Entry and/or insurance of the Mutual; or
- (c) such transfer to reserves or provisions as the Board may deem it expedient to make, including transfers to reserves and provisions in respect of any deficiency which has occurred or which may be thought likely to occur in respect of any Closed Indemnity Year as the Board thinks fit;

Source 11(2)

The said Contributions shall be levied by means of Advance and Supplementary Contributions in accordance with the provisions of Rule 12.

RULE 12 CONTRIBUTIONS AND SUBSCRIPTIONS

Advance Contributions

Before the start of an Indemnity Year the Board shall decide the percentage (if any) by which there is to be a general change in the

12(1)(A) contribution rates of all Entered Members which are to be levied (subject to any special terms upon which such Companies or Entered Members may be entered) and which are to be paid by way of an Advance Contribution in respect of such indemnity year.

Rate 12(1)(B) The Contribution rates in respect of each Entered Member shall be set by the Mutual and shall be stated in the Certificate of Entry of such Entered Member and may be altered in accordance with the provisions of Rule 6(6), Rule 10(4) and Rule 12(1)(A).

Supplementary Contributions 12(2) The Board may at any time or times during or after the end of each Indemnity Year (but not after such Indemnity Year has been closed) direct that a Supplementary Contribution shall be paid by each Entered Member for such Indemnity Year at such rate as the Board may think fit. All Supplementary Contributions so made shall be calculated pro rata to the Advance Contributions (less any return of Contributions) in the relevant Indemnity Year.

PROVIDED ALWAYS THAT:

The rate at which such Supplementary Contribution is levied shall not exceed in aggregate 0 percent of the Advance Contribution of the Entered Member.

RULE 13 SUMS DUE TO THE MUTUAL

Time of Payment 13(1) Every Advance and/or Supplementary Contribution shall be payable in such instalments and on such dates as the Board may specify.

Notification 13(2) As soon as reasonably practicable after the rate of any Advance and/or Supplementary Contribution shall have been fixed the Mutual shall notify each Entered Member's Representative concerned of:

- (a) such rate;
- (b) the date on which the Contribution concerned is payable or, if such Contribution is payable by instalments, of the amounts of such instalments and the respective dates on which they are payable; and
- (c) the amount payable.

Set-off 13(3) An Entered Member shall not be entitled to set off the whole or any part of any potential benefits from the Mutual against the Contributions or other sums of whatsoever nature due to the Mutual nor shall an Entered Member be entitled to withhold or delay payment of any such Contributions or sums.

Penalty for late payment 13(4) Without prejudice to the rights and remedies of the Mutual under Rule 24, if any Contribution or instalment or part thereof or any other sum of whatsoever nature due from any Entered Member is not paid by such Entered Member on or before the date specified for payment thereof the Board may order such Entered Member to pay interest on the amount not so paid, from and including the date so specified down to

the date of payment, at such rate as the Board may from time to time determine.

*Effect of an
Entered
Member's non-
payment 13(5)*

If any Contribution or other payment due from an Entered Member to the Mutual is not paid and if the Board decides that payment cannot be obtained, the sums required to make good any resulting shortfall or deficiency in the funds of the Mutual shall be deemed to be expenses of the Mutual for the purposes of applying Contributions under Rule 11.

RULE 14

RELEASE

*Liability for
Contribution
14(1)*

Upon the cessation of an Entered Member's Entry or any part thereof under Rule 24, the Mutual may, at the request of the Entered Member, release the Entered Member from liability for further Contribution in respect of such Entered Member's Entry or part thereof upon such terms, and including the payment of such amount, as the Board in its discretion may deem to be appropriate in the circumstances. In the absence of such request the Mutual shall nevertheless have power to assess, as at the date of the cessation, the liability of any Entered Member for further Contributions and the amount of such assessment shall be payable by the Entered Member on demand without any set-off.

*No right to
surplus 14(2)*

As from the date of the release of an Entered Member under Rule 14(1) the Entered Member shall be under no further liability to contribute in respect of its Entry or any part thereof under Rule 14 nor shall there be any right to share in any return of Contributions or other receipts under Rule 28(2) in respect of its Entry or part thereof except in accordance with Rule 28(2)(b)(ii).

RULE 15

RECOVERY OF CONTRIBUTIONS

All monies from time to time due and payable by an Entered Member to the Mutual may be recovered by action commenced in the name of the Mutual.

III

SCOPE OF ENTRY

RULE 16

RISKS COVERED

In accordance with the Certificate of Entry issued under Rule 6(3) and subject to these Rules, an Entered Member may seek indemnity from the Mutual in respect of any or all of the following risks:-

A. LIABILITY

(i) General Third Party Liability

(ii) Products Liability

- (iii) Professional Indemnity
- (iv) Fraud of Employees
- (v) Directors' and Officers' Indemnity
- (vi) Employers' Liability
- (vii) Trustees' Liability
- (viii) Tour Operators' Liability
- (ix) Such other liabilities costs and expenses as the Board may determine from time to time.

B. PROPERTY

- (i) All Real and Personal Property Risks
- (ii) Machinery Breakdown and Boiler Explosion
- (iii) Economic Loss and Business Interruption
- (iv) Computer and Associated Plant and Equipment
- (iv) Marine Hull
- (vi) Marine Transit
- (vii) Motor Vehicles and Equipment
- (viii) Livestock
- (ix) Fidelity Guarantee
- (x) Such other real and personal property risks costs and expenses as the Board may determine from time to time.

C. OTHER

- (i) Personal Accident
- (ii) Travel

D. GENERAL

1. Legal Costs

Legal costs or other expenses which an Entered Member may incur in respect of any liability or expenditure against which the Entered Member may be indemnified under these Rules

2. Mitigation of Loss

Losses, costs and expenses necessarily incurred by an Entered Member in order to avoid or reduce a liability or

expenditure against which the Entered Member may be indemnified by the Mutual; even if such losses, costs and expenses would otherwise be excluded by these Rules.

3. Special Direction

Losses, costs and expenses which an Entered Member may be required to incur by special direction of the Mutual.

PROVIDED ALWAYS THAT IN RELATION TO THE RISKS SET OUT IN 1, 2 AND 3 ABOVE THAT:

No such losses, legal or other costs or expenses shall be recoverable unless either they have been incurred with the prior agreement of the Mutual or the Mutual shall subsequently determine that such losses, costs and expenses were reasonably incurred.

4. Risks incidental to the operation of an Entered Member

Such other losses, costs or expenses incidental to the operation of an Entered Member as the Board, in the Board's discretion, may determine notwithstanding that such risks may be excluded by these Rules or in any Certificate of Entry issued hereunder.

IV EXCLUSIONS, LIMITATIONS AND WARRANTIES

RULE 17 RISKS SPECIFICALLY EXCLUDED

There shall be no recovery from the Mutual except as otherwise provided in this Rule, in respect of liabilities, costs and expenses resulting or arising from:-

1. Other Ventures

Activities carried out by an Entered Member other than in the name of the Entered Member or any Affiliated Body thereof unless cover has been extended under Rule 9.

2. Pre-existing Circumstances

Any circumstances not notified to the Mutual before the start of an Indemnity Year and which the Entered Member knew or ought reasonably to have known might give rise to a claim falling within the cover provided under these Rules.

3. War Risks

War, civil war, revolution, rebellion, insurrection or civil strife, or any hostile act by or against a belligerent power.

4. Fraud

- Any dishonest, fraudulent, criminal or malicious act or omission or wilful misconduct of an Entered Member.
5. Nuclear
- Unless agreed in writing and endorsed on the Certificate of Entry
- (a) physical loss, destruction of or damage to Property any legal liability of whatsoever nature
 - (b) directly or indirectly caused by or contributed to or arising from
 - (i) from the combustion of nuclear fuel including any self sustaining process of nuclear fission;
 - (ii) nuclear weapons materials.
6. Asbestos
- Exposure to or contamination by asbestos or asbestos-containing materials.
7. Pollution
- Discharge, dispersal release or escape of smoke vapours soot fumes acids alkalis toxic chemicals liquids or gases waste materials or other.
8. Cyber Risks
- Damage or consequential loss caused by or occasioned through or in respect of the erasure distortion or corruption of data or programmes contained on data carrying materials.
9. Date Recognition
- Liability or damage or consequential loss occasioned by an actual or alleged failure of any computer equipment to correctly recognize or process dates and/or time.
10. Terrorism
- Damage liability or consequential loss occasioned by an act of terrorism.
11. Other Exclusions
- All other exclusions listed on Certificates of Entry issued under Rule 6(3).

RULE 18 OTHER INSURANCES

Where an Entered Member is insured in any manner whatsoever against any of the losses, liabilities, costs or expenses which might otherwise have been recoverable under these Rules, the Mutual shall contribute no more than its rateable proportion to such liabilities, costs or expenses on the basis of any terms in such insurance excluding or limiting liability on the grounds of double insurance or otherwise.

RULE 19 LIMITS OF DISCRETIONARY COVER

The Cover afforded to an Entered Member shall be limited to the amount and be subject to the excess or deductible stated in its Certificate of Entry.

RULE 20 BY-LAWS

Power 20(1) The Board shall have power to pass by-laws prescribing the form of contractual obligations which may be incurred by an Entered Member and which relate to losses, liabilities, costs and expenses covered by these Rules.

Notice 20(2) Notice shall be sent by the Mutual to all Entered Members upon the passing of any by-law. The by-laws shall come into operation on the date stated in the notice and shall thereupon be assumed to be incorporated in these Rules and shall be included in every copy of these Rules issued by the Mutual as soon as may be conveniently possible.

Breach 20(3) If an Entered Member shall commit a breach of such by-law, the Board in considering its discretion in respect of a claim, may take into account the extent to which it would not have arisen if the Entered Member had complied with the by-law.

V CLAIMS

RULE 21 OBLIGATION OF THE MEMBER IN RESPECT OF CLAIMS

Claim 21(1) There shall be no payment by the Mutual unless the Entered Member gives the Mutual prompt notice in writing of any claim made against the Entered Member (including receipt of notice of intention to make a claim), or of any losses or potential losses incurred by the Entered Member which may fall within the ambit of these Rules.

Circumstances 21(2) Every Entered Member shall be bound to give prompt notice to the Mutual of any circumstances which may reasonably be expected to give rise to a claim under these Rules and shall furnish the Mutual as soon as is reasonably practicable with all documents or information relevant thereto. The Mutual may reject any such notice if it appears that the circumstances notified by the Entered Member may not

reasonably expected to give rise to a claim hereunder.

*Mitigation of
Loss 21(3)*

When circumstances arise which may give rise to a claim under these Rules, the Entered Member shall take such steps as at the time shall appear proper for the purpose of averting or minimising any loss, damage, expense or liability in respect of which the Entered Member may make a claim on the Mutual under the Rules or as requested by the Mutual.

*Information
21(4)*

Every Entered Member must at all times promptly notify the Mutual of any information, documents or reports in the Entered Member's or the Entered Member's agents' possession or knowledge relevant to any claim or circumstances referred to under Rule 21(1) and Rule 21(2) above. Further, the Entered Member shall, whenever so requested, give the Mutual or its representatives free access to such information, documents or reports with liberty to inspect and copy the same.

Such free access shall include the right to conduct a survey, or to interview any officer, servant or agent of the Entered Member who may in the opinion of the Board be in possession of information relevant to the said claim or circumstances.

RULE 22

**POWERS OF THE MUTUAL RELATING TO THE HANDLING
AND SETTLEMENT OF CLAIMS**

*Conduct of
Claims 22(1)*

The Mutual shall have the right, if it so decides, to control or direct the conduct of any claim or legal or other proceedings relating to any matter which may result in loss, damage, expense or liability in respect of which the Entered Member may be indemnified under these Rules and the Certificate of Entry and to require the Entered Member to settle, compromise or otherwise dispose of such claim or proceedings in such manner and upon such terms as the Mutual sees fit.

*Appointment of
Experts
22(2)(A)*

Without prejudice to any other provision of these Rules and without waiving any of the Mutual's rights hereunder the Mutual may at any and all times appoint on behalf of the Entered Member, upon such terms as the Mutual may think fit, lawyers, surveyors or other persons with a view to advising them upon investigating or dealing with any matter which may result in loss, damage, expense or liability in respect of which the Entered Member is or may be indemnified under these Rules and the Certificate of Entry, including taking or defending legal or other proceedings in connection therewith. The Mutual may also at any time discontinue such appointment if it thinks fit.

*Terms of
Appointment
22(2)(B)*

All lawyers, surveyors or other persons appointed by the Mutual on behalf of the Entered Member, or appointed by the Entered Member with the prior consent of the Mutual, shall at all times be and be deemed to be appointed on the terms that:

- (a) they have been instructed by the Entered Member at all times to give advice and to report to the Mutual in connection with the matter without prior reference to the Entered Member and to produce to the Mutual without prior reference to the Entered

Member any documents or information in their possession or power relating to such matter, all as if such person had been appointed to act and had at all times been acting on behalf of the Mutual;

- (b) any advice they may give to the Entered Member is that of an independent contractor appointed by the Entered Member and shall in no way bind the Mutual.

RULE 23 POWERS OF THE BOARD RELATING TO RECOVERIES FROM THE MUTUAL

*Consideration
23(1)* The Board shall consider claims which may be paid by the Mutual in accordance with these Rules as the Board determines and as and when it thinks fit, but the Board shall have power from time to time to authorise the Managers to effect payment of claims in the Managers' discretion without prior reference to the Board. Without the prior agreement of the Board, no Director of the Mutual shall sit on the Board while it is engaged in the settlement of any claim in which the Activities Centre of that Director is interested.

*Claims
23(2)(A)* The Board may grant from the funds of the Mutual to any Entered Member or former Entered Member an indemnity wholly or in part with regard to any of the matters set out in these Rules and that Member's or former Member's Certificate of Entry. The Board may determine the extent or limit of any such indemnity at any time and advise the Entered Member or former Entered Member in writing in respect thereto without having to assign any reason in respect of such determination. In every case any such indemnity may be granted or withheld by the Board in its discretion.

23(2)(B) Without prejudice to any other provisions of these Rules the Board may reject a claim or reduce the sum payable by the Mutual in respect thereof if:

- (a) in the opinion of the Board the Entered Member making the claim has not taken such steps before, at the time of, or after the Entered Member had knowledge of the circumstances giving rise to the claim, to protect the Entered Member's interests as the Entered Member should have done or as the Entered Member would have done if the Entered Member had not been an Entered Member of the Mutual;
- (b) the claim shall have been settled, or any liability shall have been admitted, by or on behalf of the Entered Member without the prior consent in writing of the Mutual;
- (c) the Entered Member failed to comply with a recommendation or directive made at any time by the Mutual or the Managers to the Entered Member, in connection with the handling or settlement of the claim or potential claim, or
- (d) the Entered Member shall have failed to comply with any of

the Entered Member's obligations under Rule 21.

Interest 23(3) In no case shall an Entered Member be entitled to claim interest on any claim against the Mutual.

VI CESSATION OF INDEMNITY

RULE 24 CESSATION OF INDEMNITY

An Entered Member shall cease to be considered for indemnification by the Mutual upon the happening of any of the following events if:

- (a) having failed to pay when due and demanded by the Mutual any sum due from him to the Mutual, the Entered Member is served with a final notice by the Mutual requiring the Entered Member to pay such sum and the Entered Member fails to pay such sum in full on, or before, the date specified in such final notice; or
- (b) the Period of Indemnity shall have ceased in accordance with Rule 10 (Period of Indemnity); or
- (c) any of the following events occurs:-
 - (i) the dissolution of the Entered Member;
 - (ii) a resolution being passed or an order made for the winding up of the Entered Member; other than for the purposes of reorganisation
 - (iii) the Entered Member making any composition or arrangement with its creditors; or
 - (iv) the appointment of a receiver, manager or administrator over the assets or undertaking of the Entered Member.

RULE 25 EFFECT OF CESSATION OF INDEMNITY

For failure to pay 25(1) If the cessation of indemnity of an Entered Member shall have occurred by virtue of Rule 24(a) (failure to pay), the Mutual shall not be liable to consider any claim under these Rules in respect of an Entered Member or Affiliated Body whether the notification under Rule 23 of the claim or circumstances giving rise to such claim was given before or after the cessation of indemnity, unless the said notification occurred during an Indemnity Year which had been closed at the time of the cessation of indemnity.

For any other reason 25(2) If the cessation of indemnity shall have occurred by virtue of any other reason, the Mutual shall continue to give consideration to all claims under these Rules which arise prior to the date on which the indemnity ceases.

No waiver of Without prejudice to the generality of Rule 32 (forbearance and waiver)

rights 25(3) no act, omission, course of dealing, forbearance, delay or indulgence of any kind by or on behalf of the Mutual nor the granting of time, nor the acceptance by the Mutual (whether express or implied) of liability for, or the recognition of, any claim and whether occurring before or after the cessation of indemnity, shall derogate from the effect of Rule 24 (cessation of indemnity) or be treated as a waiver of any of the Mutual's rights thereunder.

RULE 26 CONTRIBUTIONS DUE ON CESSATION OF INDEMNITY

Contribution on Cessation 26(1) Except in the case of an Entered Member released under Rule 14 (Release), an Entered Member who ceases to participate in the Mutual for any reason, shall be and remain liable to pay to the Mutual all Contributions for the Indemnity Year in which the indemnity ceases and for any previous indemnity Years which have not, at the date the indemnity ceases, been closed in accordance with Rule 28 (Closing of Indemnity Years) and which, under Rule 12 (Contributions and Subscriptions), such Member would have been liable to pay had the entry not ceased.

Provided always that the Entered Member shall be liable for Contributions for such Indemnity Year pro rata only to the period beginning with the date of entry and ending with the happening of the event that occasioned the cessation of indemnity if:

- (a) such cessation arises by virtue of Rule 24(a) (Failure to Pay) and in such case the Entered Members liability to pay Contributions shall include the sum specified in the notice given under that Rule; or
- (b) such cessation arises upon the happening of any of the events specified under Rules 24(b) (cessation of indemnity) and 24(c) (other termination events).

Set-off 26(2) The set-off of any specific sum due under these Rules must be specifically agreed in writing by the Mutual. Otherwise, no set-off of any kind shall be allowed against any sum due under these Rules, including any set-off which might have arisen by reason of bankruptcy or winding up of an Entered Member.

RULE 27 REINSTATEMENT OF INDEMNITY

If cessation of indemnity shall have occurred by virtue of Rule 24(a) and 24 (b) (failure to pay) and Rule 24(c) (other termination events), then, in the event that the Entered Member offers unconditionally to pay to the Mutual all outstanding amounts together with interest due under Rule 13(4) (penalty for late payment), the Board may in its discretion reinstate indemnity for such period or periods as the Mutual may determine.

VII THE FUNDS OF THE MUTUAL

RULE 28 CLOSING OF INDEMNITY YEARS

Closing 28(1) The Board shall, at such time as it may deem expedient after the end of an Indemnity Year, declare that such Indemnity Year shall be closed.

Disposal of Excess Funds 28(2) If prior to closing any Indemnity Year it appears to the Board at any time that the Contributions and other receipts (including transfers from reserves and provisions) in respect of such Indemnity Year shall exceed the claims, expenses, losses and other outgoings (whether incurred, accrued or anticipated) falling upon the Mutual for that year together with all transfers to reserves and provisions made out of the Contributions paid in respect of such Indemnity Year, then the excess may at the discretion of the Board be disposed of in whole or in part either:

- (a) to Reserves in accordance with the provisions of Rule 30; and/or
- (b) by being returned in whole or in part to the Entered Members who paid such Contributions in proportion to their respective Contributions, save that:
 - (i) no return shall be made in respect of an Entered Member's entry which has ceased by reason of the application of Rule 24(a) (failure to pay); or application of Rule 24(a) (failure to pay) except where in the event that the Entered Member offers unconditionally to pay to the Mutual all outstanding amounts together with interest due under Rule 13 (4) (penalty for late payment), the Board may in its discretion reinstate a return for such period or periods as the Board may determine; or
 - (ii) where an Entered Member's entry has ceased for any other reason then there shall be deducted a sum equivalent to the total claims of that former Entered Member paid or accepted by the Mutual in respect to the relevant Indemnity Year or Years from any Surpluses able to be returned hereunder.

Closed Indemnity Year 28(3) If in respect of any Closed Indemnity Year it shall appear to the Board at any time that the claims, expenses, losses and other outgoings (whether incurred, accrued or anticipated) falling upon the Mutual for that Year, together with all transfers to reserves and provisions, are not equal to the Contributions and other receipts (including transfers from reserves and provisions) in respect of that Year, then any credit shall be transferred to the General Reserve of the Mutual and any deficit shall be treated as an expense of the Mutual and may be made up either by a transfer from the General Reserve of the Mutual or by Contributions under Rule 11(1) (Application of Contributions).

**RULE 29 INSURANCE AND/OR REINSURANCE ARRANGED ON
MEMBERS' BEHALF**

*Individual
Members 29(1)* The Mutual may insure or reinsure the whole or any part of the risks arising in respect of individual Entered Members upon such terms and with such insurers/reinsurers as the Board thinks fit.

*Risks of the
Participants
29(2)* The Mutual may insure, reinsure or cede the whole or any part of any risk of the Members collectively with such insurers/reinsurers and on such terms as the Board thinks fit.

*Applicable
Rules 29(3)* Unless otherwise agreed in writing, the provisions of Rules 6, 7, 8, 9, 10, 13, 17, 18, 20, 21, 22, 24, 25, 33, 34, 35, 36 and 37 shall also apply to any such insurance or reinsurance arranged on behalf of a Member by the Mutual.

RULE 30 RESERVES

The Mutual may establish and maintain such reserve funds as it thinks fit and an example of which is a General Reserve or other accounts for such contingencies or purposes as the Board in its discretion thinks fit.

General Reserve

The Board may set aside at any time to General Reserve such sums from the proceeds of any Advance or Supplementary Contribution in respect of any Indemnity Year as it thinks fit. Such General Reserve may be used by the Mutual at any time so as to provide in whole or in part for any claims, expenses, losses or other outgoings of the Mutual (whether incurred, accrued or anticipated) and including, but not limited to, any deficiency which has occurred or may occur in respect of any Closed Indemnity Year, or so as to eliminate or reduce any Contribution in respect of any Indemnity Year past, present or future.

RULE 31 INVESTMENT

*Investment
Management
31(1)* The funds of the Mutual may be invested by the Board or Managers or by an investment manager appointed by the Board. The Board may from time to time and at any time lay down such guidelines for the investment of the funds of the Mutual as it shall think fit.

*Investment
Media 31(2)* Such investments may be made by means of the purchase of such stocks, shares, bonds, debentures, derivatives, futures, options, swaps or other securities or the purchase of such currencies, commodities or other real or personal property, or by means of being deposited in such accounts as the Board thinks fit, or by such other method whether producing income or not as the Board thinks fit.

*Pooling of
Funds 31(3)* Unless the Board otherwise decides the funds standing to the credit of all Indemnity Years and of any reserve or account, shall be pooled and invested as one fund.

Gains and Losses 31(4) When funds are so pooled any dividends, interest or accruals of interest and any realised investment gains (including dividends or accruals of interest) or losses, arising on the pooled funds shall be credited or debited, as the case may be, to the Indemnity Year in which such gains or losses arise.

- (a) Any such gains may be used to meet:
 - (i) the claims, expenses, losses and other outgoings (whether incurred, accrued or anticipated) which in the opinion of the Board necessarily and properly fall on the Mutual in respect of such Indemnity Year;
 - (ii) such transfers to reserves or provisions as the Board may deem it expedient to make, including transfers to reserves and provisions in respect of any deficiency which has occurred or which may be likely to occur in respect of any Closed Indemnity Year as the Board thinks fit.
- (b) Any such losses shall be treated as an expense of the Mutual and may be made up either by a transfer from the reserves of the Mutual or by Contribution under Rule 11(1) (Application of Contributions).

VIII GENERAL TERMS AND CONDITIONS

RULE 32 FORBEARANCE AND WAIVER

No admission 32(1) No act, omission, forbearance or conduct of the Mutual whatsoever and whensoever occurring, whether by or through its officers, servants, managers, or agents or otherwise, shall constitute any admission or promise that the Mutual will forgo any of its rights under these Rules.

Waiver by Association 32(2) Notwithstanding any neglect or non-compliance with, or breach of, any of these Rules by any Member, the Board may in its discretion waive any of the Mutual's rights arising therefrom and may pass and pay in full or in part any claim which it thinks fit. The Mutual shall nevertheless at all times and without notice be entitled to insist on the strict application of these Rules.

RULE 33 ASSIGNMENT, SET-OFF AND SUBROGATION

Assignment 33(1) No obligation of the Mutual and no interest under these Rules or under any contract between the Mutual and any Entered Member, may be assigned without the written consent of the Board which has the right in its discretion to give or refuse such consent without stating any reason therefore or to give consent upon any such terms or conditions as it may think fit.

Set-off 33(2) The Mutual shall be entitled before causing any payment to be made to the assignee of the Entered Member to deduct or retain such amount as the Mutual may then estimate to be sufficient to discharge any liabilities or potential liabilities of the Entered Member to the Mutual.

Subrogation 33(3) Whenever a payment from the funds of the Mutual has been authorised by the Board under these Rules, the Entered Member agrees to subrogate, assign or otherwise transfer any and all of its rights of recourse against third parties to the Mutual and hereby authorises the Mutual to use the Entered Member's name in any proceedings relating thereto.

PROVIDED ALWAYS THAT:

The Mutual shall not exercise any rights of subrogation against any employees of an Entered Member, or require the assignment or transfer of any rights which the Entered Member may have against any employee of the Entered Member save in cases where there is an allegation of a dishonest, fraudulent, criminal or malicious act or omission by the employee. The term employee shall include ex-employees and any person acting or who has acted as an employee of or consultant to the Entered Member without a contract of service or employment.

RULE 34 DELEGATION OF POWERS

*By the Mutual
34(1)* Whenever any power, duty or discretion is stated in these Rules to be vested in the Mutual, such power, duty or discretion shall be exercisable by the Board unless the same shall have been delegated to any committee, or sub-committee, of the Board of Directors or to the Managers, in which event such power, duty or discretion may be exercised by any person to whom the same shall have been so delegated.

*By the
Managers
34(2)* Whenever any power, duty or discretion is conferred or imposed upon the Managers by virtue of these Rules, such power, duty or discretion may, subject to any terms, conditions or restrictions contained in these Rules, be exercised by any one or more of the Managers or by any employee of the Managers to whom the same shall have been delegated.

*On behalf of
the Mutual
34(3)* Whenever any power, duty or discretion is exercised by the Mutual, by the Board, by the Managers or by any other person to whom it shall have been delegated, they shall exercise such power, duty or discretion on behalf of the Mutual.

RULE 35 DISPUTES AND DIFFERENCES

*Adjudication
35(1)* If any difference or dispute between any person and the Mutual touching any loss, claim or demand made by that person shall arise out of or in connection with these Rules or a Certificate of Entry, such difference or dispute shall in the first instance be referred to and adjudicated by the Board, notwithstanding that the Board may have already considered the matter before any such difference or dispute arose. Such reference and adjudication shall be on written submissions only.

*Arbitration
35(2)* Subject thereto any such dispute or difference shall be determined by arbitration in accordance with the Arbitration Act 1996.

*Sole Remedy
35(3)* Subject to Rule 35 (2) any such dispute or difference shall be referred to a single arbitrator in London to be agreed between the parties. Failing such agreement within 30 days of the request by one party to the other that a matter be referred to arbitration in accordance with this Rule such reference shall be to an arbitrator appointed by the President for the time being of the London Chamber of Commerce. The decision of such arbitrator shall be final and binding upon the parties. Any reference under this clause shall be deemed to be a reference to arbitration within the meaning of the Arbitration Act 1996.

RULE 36 NOTICES

*To the Mutual
36(1)* A notice required under these Rules to be served on the Mutual may be served by: i) sending it through the post in a pre-paid letter; or ii) by sending it by email to the email address notified by the Mutual to the

Member from time to time.

To a Member
36(2) A notice required or permitted under these Rules to be served on a Member's Representative may be served by sending it: i) through the post in a pre-paid letter; or ii) by sending it by email to the email address notified to the Mutual from time to time; or iii) in the case of a general notice to members, by making it available on the Mutual's website and notifying the Member that such notice has been posted.

Date of Service
36(3) Any notice or other document if served by post shall be deemed to have been served on the second day following the day on which the letter containing the same was put in the post, and in proving such service it shall be sufficient to prove that the letter containing the notice was properly addressed and put into the post in a pre-paid envelope. Any notice served by email shall be deemed to have been served on the day it was despatched and in proving such service it shall be sufficient to prove that such facsimile message was duly despatched.

RULE 37 GOVERNING LAW

These Rules and any other relationship between the Mutual and a Member shall be governed by and construed in accordance with the laws of England and Wales. The courts of England and Wales shall have exclusive jurisdiction under these Rules.