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PART 1

SHIPS

CHAPTER ONE: General Provisions

Article 1

Under the provisions of this Code, a ship means every vessel which is fit for navigation, and which is normally operated or intended for marine navigation using engine power or sails even without necessarily seeking to make profiles.

The appurtenances of the ships required for the operation thereof shall be deemed an integral part thereof.

Article 2

Without prejudice to international agreements to which the State of Bahrain is a party, any ship shall acquire Bahraini nationality if it is registered at any port of the State of Bahrain and if the owner thereof is a Bahraini national.

If the ship is owned by several persons, all owners shall be Bahraini nationals and if the owners are a corporation it shall have Bahraini nationality.

Every Bahraini ship shall sail under the Bahraini flag and may not carry another unless it has the object of avoiding capture by any enemy or a foreign warship and if by so doing it is exercising a legitimate right at times of war.

Notwithstanding the provisions of the preceding paragraph, the Minister for finance and National Economy may with the consent of the Council of Ministers award Bahraini nationality to ships owned by non-Bahrainis with the proviso that they shall be registered at a Bahraini port.

Article 3

Every Bahraini ship shall carry a name to be approved by the appropriate maritime department.

No alteration may be effected to the name of any ship save with the written consent of the aforesaid department.

Such name shall be clearly marked in Arabic and Latin letters and shall be accompanied by the ship's registration number and net tonnage, which details shall be prominently displayed in accordance with the provisions of this Code.

The ship owner shall formally establish the net and gross tonnage of the ship and such establishment shall be undertaken by the appropriate maritime department which shall issue a certificate in respect of the said tonnage to the parties concerned.

Article 4

Coastal navigation, fishing, towing and pilotage in territorial waters as well as navigation between Bahraini sea ports shall be permitted exclusively for ships sailing under the Bahrain flag.

The competent minister may issue orders authorizing foreign ships to undertake any more of the aforesaid functions. The term territorial waters shall be defined in accordance with the relevant laws.

Article 5

Criminal acts which are committed on board a ship carrying the Bahraini flag shall be deemed to have taken place on the territories thereof.

Matters relating to the maintenance of law and order aboard ships carrying the Bahraini flag shall be subject to the laws relevant thereto.

Article 6

Any act involving the establishment, transfer or lapse of title to any ship or affecting any other original rights in specie shall be effected by an instrument in writing signed before the Notary Public or by a final court judgment, otherwise it shall be deemed null and void.

Should such act take places in a foreign country, it shall be affected before the Consul of the State of Bahrain or before the local notary public in any country where there is no consulate.

Such acts shall not be effective towards the contracting parties or third parties unless they are registered in accordance with the provision of this Code.

CHAPTER TWO: Real Rights to the Ship

Section 1 Joint Owner ship

Article 7

A decision adopted by a majority vote in connection with the common interest of joint ship owners shall be valid unless the law provides otherwise and unless an agreement to the contrary has been made.

The required majority shall be attained with the approval of half the number of co-owners who hold more than a 50% share of the ship.

Article 8

Each co-owner shall be liable for the obligations arising in respect of the ship to the extent of the proportionate share held by him.

In case one of the co-owners has opposed a certain effected by the majority referred to in the preceding Article, he may assign his share, in which case he shall be absolved from any obligations arising from the said act. Then the shares shall be distributed amongst the continuing co-owners in proportion to their respective shares in the ship.

Article 9

A manager employed by the co-owners to operate the ship shall be entitled to do all acts required for the management thereof. He shall represent the co-owners before the law courts in connection with the said acts. The manager's powers may not be restricted except by virtue of a resolution in writing issued by the majority set forth in Article 7 hereof. Such resolution may only be valid from the date of entry thereof in the Ships Register.

The aforesaid manager may not sell, mortgage or create any other right over the ship except by a special authorization.

Article 10

Every co-owner has the right to do all acts in respect of his share in the ship. However, he may not create a mortgage on the ship save by the majority provided for in Article 7 hereof.

Article 11

If any co-owner sells his share in the ship to any third party, the purchaser shall give notice of the sale to the continuing co-owners within 15 days in the manner laid down in respect of saving official instruments, otherwise the sale shall be deemed null and void.

Every co-owner may within 15 days from the date of the said notice exercise his pre-emptive right to the share offered for sale provided that he shall pay to the purchaser the sale price and other expenses during such period. Where several co-owners are interested in exercising the pre-emptive right to the said share, it shall be distributed to the interested co-owners in proportion to their shares.

The pre-emptive right shall be exercised by virtue of a notice in writing to both the vendor and purchaser given in the manner referred to in paragraph one.

Article 17

Compensation due to the ship owner under insurance contracts or payments, subsidies or grants awarded by the State shall not be deemed as part of the ship's appurtenances or transportation charges.

Article 18

The privileged right shall be valid towards transportation charges in so far as such charges are payable or in the hands of the master or the ship owner's representative. The same shall be applicable to any privileged right over the appurtenances of the ship and elements of transportation charges.

Article 19

Privileged debts relating to one voyage shall rank according to order set forth in Article 13.

The debts provided for in each clause of the aforesaid Article 13 shall be included in one rank and shall be subject to joint repayment in proportion to the value thereof.

Debts referred to in clauses (iii) and (v) of Article 13 shall rank as to each respective clause in accordance with the reverse order of the dates of creating such debts, debts relating to one occurrence shall be deemed to have been created on the same date.

Article 20

Privileged debts arising from any voyage shall have refereeing over privileged debts arising from a previous voyage.

However, all debts arising from one employment contract covering several voyages shall have the same rank as debts arising from the most recent voyage.

Article 21

Privileged debts shall be enforceable upon the ship whoever may be the owner thereof.

Article 22

Privileged rights towards the ship shall be extinguished by:

- (a) The sale of the ship by virtue of a court order.
- (b) The voluntary sale of the ship under the following terms and conditions:

- First:** Registration of the bill of sale in the Ship's Register.
- Second:** Displaying a proclamation on the notice board at the Ship Registration Office indicating the date of sale, price, purchaser's name and domicile.
- Third :** Publication of a prospectus of the bill of sale indicating the price, purchaser's name and domicile twice each separated by a seven day interval either in a daily newspaper or in a weekly newspaper if a daily is not available or alternatively in the Official Gazette.

Privileged rights shall devolve to the sale price if privileged creditors give notice within 30 days from the most recent publication in newspapers to both the previous and new owners expressing opposition to payment of the sale price. Such notice shall be given in the manner followed in respect of serving any legal process.

Nevertheless, the creditor's privilege shall remain valid towards the sale price unless it has been paid or distributed.

Article 23

Privileged rights over the ship shall be extinguished by the elapse of one year with the exception of privileged rights securing supply debts referred to in Article 13 (v) which shall elapse after the expiry of a six-month period.

The validity of the period referred to in the foregoing paragraph shall commence as follows:

- (a) With respect to privileged rights securing remunerations for salvage and rescue operations from the date of completing such operations.
- (b) With respect to privileged rights securing compensation for marine collisions, other accidents and physical injuries from the date of the occurrence of the damage.
- (c) With respect to privileged rights securing connected with compensation for damages to cargo and luggage from the date of delivering such cargo or from the date on which they should have been delivered.
- (d) With respect to repairs, supplies and all other instances referred to in Article 13 (ii) from the date of creating the debt.

In all other cases, the period shall commence from the date of the debt's maturity.

Receipt of any advances by the master, seamen, or others employed on board the ship under contracts of employment shall not result in considering their debts referred to in Article 13 (ii) payable before maturity dates.

If the ship against which privileged rights are created may not be impounded in Bahrain's territorial waters, the prescription period shall be extended to three years. This benefit may only be enjoyed by Bahrain nationals, by persons taking up residence in Bahrain or by nationals of any state offering Bahraini nationals reciprocal treatment.

Article 24

The foregoing provisions of this section shall be applicable to the ships run by the operator who is not the original owner or charterer thereof. However, the aforesaid provisions shall not be applicable if the owner has lost possession of the ship through an illegal act and if the creditor acts in bad faith.

Article 25

The competent maritime department shall have the right to impound the ship-wreck as security for payment of expenses relating to the removal of the said wreck. The said department may auction the wreck for payment of its debt from the proceeds of sale whilst enjoying preference over any other creditor and the balance of the proceeds of sale shall be deposited with the Court Treasury.

Article 26

The foregoing provisions of this Section shall not be applicable to commercial vessels operated by the State. Neither warships nor State-owned ships intended for public services shall be subject to any of the aforesaid provision.

Section 3 **Maritime Mortgage**

Article 27

A ship shall be mortgaged by means of a mortgage deed, otherwise it shall be null and void. A mortgage deed shall be personal or in favor of a certain person.

Article 28

A ship may only be mortgaged by its owner or by its agent by virtue of a special power of attorney.

If a ship is owned by several co-owners, it may be mortgaged by virtue of the majority set forth in Article 7 and if such majority is not available the matter shall be referred to the court of law which takes such action which is in the interest of the ship's co-owners.

Article 29

A mortgage created over any ship or over any part thereof shall be enforceable upon its wreck.

A mortgage created over a ship shall not be enforceable upon transportation charges, insurance compensation, remunerations, subsidies or grants awarded by the State. Nevertheless, a mortgage shall be enforceable upon compensation payable to the ship owners in respect of material damages suffered by the ship which have not actually been repaired.

However, an agreement may be contained in the mortgage deed whereby the creditor may have his debt settled from the insurance amounts provided that such provision is accepted by the insurers in writing or after service of a notification thereto in the manner followed for the service of process.

Article 30

A ship may be mortgaged whilst being under construction. Prior to the execution of a mortgaged deed, a statement shall be made at the Registration Office under whose jurisdiction the shipyard undertaking construction is subject, and the said statement shall include such details as the designation of the said shipyard, length of ship, other dimensions and approximate tonnage.

Article 31

Any ship mortgage shall be registered in the Ship's Register kept at the Ship's Registration Office, if a mortgage is created over the ship whilst being under construction, it shall be registered in the Ship's Register at a Registration Office referred to the foregoing Article.

Article 32

In order to affect the necessary registration, a formal copy of the mortgage deed shall be submitted to the Ship's Registration Office and shall be accompanied by two statements containing the following details:

- (a) Full names of the creditor and debtor, their domiciles and occupations.
- (b) Date of the mortgage deed and name of ship.
- (c) Amount of debt as stated in the mortgage deed.
- (d) Terms and conditions of repayment and interest.
- (e) Creditor's chosen domicile in the area of jurisdiction of the Registration Office wherein registration has been affected.

Article 33

The Ship's Registration Office shall make a note of the details of the two statement of which a noted one shall be delivered to the applicant evidencing that registration has been effected and this shall be shown on the Registration Certificate.

Article 34

Debts secured by a mortgage shall rank immediately after privileged debts. This rank of debts secured by way of mortgage shall be determined in sequence of registration thereof.

Registration shall have the effect of securing interest payment in respect of the last two years in addition to the current year's interest at the time of auctioning the ship. Such interest shall rank *pari passu* with the principal.

Article 35

Mortgagees of any ship or any part thereof may trace it wherever may be the holder thereof. A mortgaged ship may not be disposed of after entry of the legal charge in the Ship's Register.

Article 36

Where the mortgage is placed upon a part not exceeding one half of the ship, the mortgagee may only charge this particular part and proceed with the sale thereof.

Where the mortgage is placed upon more than one half of the ship, the creditor may effect the sale of the entire ship after having the ship impounded.

In either case, the creditor shall give notice to the other co-owners in accordance with the procedures followed in respect of service of process, and such notice shall be given 30 days prior to the commencement of the sale procedures for payment of the debts owned or effecting execution proceedings.

Article 37

An award for auctioning a ship shall result in discharging it from all mortgages and the rights of creditors shall be charged to the proceeds of sale.

Article 38

If ownership of mortgaged ship or any part thereof has been transferred before registering the seizure statement, the mortgagee who has taken execution procedures against the ship shall notify the holder or the said legal charge advising it in the manner prescribed for services of legal instruments of the need to settle the debt.

If the holder wishes to avoid the attachment and sale procedures, he shall prior to commencement of such procedures or within the 15 days following receipt of the attachment writ and the notice for settlement, give notice in the manner followed for service of legal instruments, to all creditors recorded in the Ship's Register at their chosen domiciles, of the prospectus of the sale contract, date, vendor's name, name of ship, type, tonnage, sale price, expenses, list of outstanding debts and dates thereof, amounts and creditors names.

In giving the aforesaid notice, the holder shall make an express statement of its willingness to pay immediately the debts secured by the mortgage whether they are payable or not payable provided that their amount shall be less than the ship's sale price.

Article 39

Each creditor may in the event set forth in the foregoing Article request the sale of the ship or any part thereof by way of auction and permission shall be given thereto for auctioning the ship upon providing a guarantee of the sale price and relevant expenses.

The said request shall after its signature by the creditor be duly notified in the manner followed for service of legal instruments to the holder of the ship within 15 days from the date of serving the notification provided for in the second and third paragraph of the foregoing Article. The request shall include a summons to the holder to appear before the competent court of law in the area where the ship is located, or in whose area of jurisdiction the ship's port of registration is situated if it is not available in a Bahrain port for a hearing to be held for pronouncing the judgment ordering the sale of the ship by way of auction.

Article 40

If the request referred to in the foregoing Article is not submitted by any mortgagee, the holder may purge the ship of mortgages by depositing the sale price with the Court's Treasurer, in which case he shall have the right to apply for deletion of entries already made without recourse to any further procedures.

Article 41

The voluntary interest rate to be agreed upon under any loan agreement secured by a mortgage over a ship shall not be secured by a mortgage over a ship shall not be more than 12%.

Article 42

If any mortgaged ship is voluntarily sold by the owner outside the State of Bahrain, so that the sale results in the loss of the ship's Bahraini Nationality, the sale shall be null and void and may not be registered.

In this case, the vendor shall be liable to imprisonment for a period of no more than two years and a fine not exceeding BD 1,000 or either penalty.

CHAPTER THREE: Detention of the Ship

Section 1 Detention

Article 43

A ship may be detained upon legal grounds by virtue of an order from the Execution Court judge and such detention may only take place for satisfaction of a maritime debt.

A maritime debt is defined as a right arising from any of the following reasons:

- (a) Damages caused by the ship as a result of a collision or otherwise.
- (b) Loss of life or physical injuries caused by the ship or arising from the operation thereof
- (c) Costs of salvage and rescue.
- (d) Contracts relating to the operation of the ship or charter thereof under a charter agreement or otherwise.
- (e) Contracts relating to freight under charter agreement, bills of lading or otherwise.
- (f) Damage to or loss of goods or luggage carried by the ship.
- (g) General average losses.
- (h) Towing and pilotage of the ship.
- (i) Supply of products or items required for operation or maintenance of the ship at any destination where the supply has taken place.
- (j) Building, repair and operation of the ship and costs of docking thereof.
- (k) Wages payable to the master, officers and seamen.
- (l) Outgoing made by the master, shippers, charterer or agents at the expense of the ship or owner thereof.
- (m) Disputes over title to the ship.
- (n) Disputes over joint ownership of the ship, holding or operation thereof or disputes concerning rights of co-owners to amounts arising from operation thereof.

Article 44

Any person having a claim to any of the debts set forth in the preceding Article may seek an order for the detention of the ship to which the debt relates.

Article 45

If a ship chartered to an operator who is solely responsible for a maritime debt relating thereto, a creditor may seek the detention of the said ship and any other ship owned by the same charterer. No other ship held by the chartering ship owner may be detailed on account of such maritime debt.

The rules contained in the foregoing paragraph shall apply in all cases where any person other than the ship owner is under obligation to satisfy the maritime debt.

Article 46

A ship berthed in any Bahrain port or in transit therein may not be detained if it is bound for departure unless the detention relates to the voyage for which it is departing. A ship shall be deemed bound to depart if the master has obtained the required permit.

Article 47

The detention of the ship shall be cancelled if the distrainee provides a surety or any other guarantee which is sufficient for repayment of the debt.

However, no order may be issued for cancelling the detention if it is enforced by reason of maritime debts set forth in clauses (m) and (n) of the second paragraph of Article 43. In this case, the court judge may authorize the holder of the ship to undertake the operation thereof upon providing an adequate guarantee or undertaking the operation of the ship during the detention period in the manner prescribed by the said judge.

Article 48

A copy of the detention statement shall be surrendered to the master of the ship or to the person acting on his behalf. Another copy shall be delivered to the Registration Office at the port where the detention has occurred to bar the ship from departure.

If the ship is sailing under the Bahrain flag, the aforesaid Office shall note the detention in the Ship's Register.

Article 49

If proceedings in respect of establishing a claim have not previously been commenced, the mortgagee shall commence such proceedings establishing the said claim and validity of the detention before the High Court within 8 days from the date of effecting the detention, otherwise the said detention shall be null and void.

Article 50

In case the judgment is passed proving the claim and validity of the detention, the court judgment shall fix a sitting for appearing before the Execution Court Judge for a hearing of the Court order for sale, its terms and conditions, sale price and date for holding the sale.

Section 2

Attachment

Article 51

The Execution Court Judge may not order the placing of an attachment upon the ship except after the elapse of at least 24 hours from the date of a notice requesting payment, which notice shall be served in the manner laid down for serving legal instruments.

The aforesaid notice shall be delivered to the ship owner personally or at his domicile. If the matter relates to a maritime debt over the ship, the notice may be delivered to the master or to the person acting on behalf thereof.

No attachment may be placed upon any ship berthed at a Bahrain port or in transit therein after the master has obtained departure permission unless the attachment is placed for a debt relating to the voyage for which the ship is sailing.

Article 52

A copy of the attachment statement shall be surrendered to the master of the ship or to the person acting on his behalf. Another copy shall be delivered to the Registration Office to bar the ship from departure, and if the ship is sailing under the Bahrain flag the said Office shall make a note of the attachment in the Ship's Register.

Article 53

The order of the Execution Court Judge with request to placing an attachment upon the ship shall contain instructions for appearing before the said Judge to hear the verdict relating to the sale of the ship.

The Court hearing may not be fixed before the fifteenth day or after the 30th day from the date of the attachment.

Article 54

If the Court issues a sale order, it shall determine the starting price, terms and conditions of the sale and date set for holding the auction.

The sale notice shall be published in one of the widely circulated daily or weekly newspapers and in the Official Gazette. Terms and condition of the sale shall be displayed on the notice board of the Ship's Registration Office or at any other place designated by the Court.

The notice concerning the sale shall include the name and domicile of the applicant for the attachment, details of the writ of attachment, amount for which the attachment is placed, domicile of the applicant for attachment within the jurisdiction of the Court where the ship is located, ship owner's name and domicile, name and domicile of the debtor against whom attachment is placed, description of the ship, master's name, place where the ship is located, starting price and conditions of the sale, date, place and time for holding the sale.

The sale may not take place before the elapse of 15 days from the date of publishing the sale notice.

If the creditor fails to complete publication procedures within 60 days from the date of the sale order, the Court may upon the debtor's request decide that the attachment shall be deemed null and void.

Article 55

The sale shall be effected after holding three different auctions each separated by a seven-day interval. The highest bid at the first auction shall be provisionally accepted to serve as a basis for starting the second auction. The same shall apply to the third auction when the ship will be sold to the highest bidder in the three auctions.

Article 56

If no offer is made on the date appointed for the sale, the Court shall fix a new lower starting price and shall set the dates for holding the auctions.

Procedures relating to announcing the sale as set forth in Article 54 shall be followed.

Article 57

The successful bidder shall pay the sale price and expenses to the Court Treasury not later than the following day after the sale, otherwise the ship shall be resold at his own risk.

Article 58

The Court order recognizing the sale by public auction may not be protested against except for invalidity of the relevant procedures. A protest may be made within 15 days from the date of the Court order.

Article 59

Proceedings instituted in respect of claims to the ship and invalidation of the attachment shall be duly filed and notified to the Clerks Department of the law court undertaking the sale thereof. The plaintiff shall within 3 days from the date of instituting proceedings submit the relevant evidence and necessary documents and any person challenging the plaintiff's claims shall produce his evidence within the ensuing three days.

The Court shall pass judgment in respect of the case on an urgent basis and such judgment may be appealed against within 15 days from the date thereof.

Article 60

Any claims made subsequent to the auction shall be deemed as an objection to surrendering the proceeds of the sale.

Article 61

The rules set forth in the Civil and Commercial Procedures Act shall apply with respect to dividing the proceeds of sale.

CHAPTER FOUR

State-owned Ships

Article 62

Liabilities and obligations provision applicable to private ships, cargo and assignments shall apply to the following:

- (a) State-owned or operated commercial vessels.
- (b) State-owned cargo.
- (c) Cargo and passengers transported by State-owned ships.
- (d) The state which owns or operates such ships or which owns the aforesaid cargo.

The above-mentioned provisions shall apply to claims relating to the operation of the said ships or transport of such cargo.

Article 63

The liabilities and obligations referred to in the foregoing Article shall be subject to the provisions with respect to jurisdiction, proceedings and legal procedures applicable to privately owned commercial ships and cargo and to owners of such ships and cargo.

Article 64

The provisions of the foregoing, two Articles shall not apply to warships. State-owned yachts, coastguard vessels, hospital ships, support ships and supply ships intended for serving the above-mentioned vessels and other State-owned or operated ships which are intended upon the creation of the debt for nonprofit making Government service.

The said ships shall not be subject to any attachment, detention, seizure or to any other legal proceedings if it is proved that they are Government-controlled and are non-commercial as at the date of effecting any of the aforesaid procedures.

The provisions of the foregoing two paragraphs shall apply to ships chartered by the State for non-commercial purposes for a specific period or voyage and to the cargo carried by such ships.

Nevertheless, the relevant parties may file their claims with the competent law courts in the state which owns or operates such ships, in which case such state may not invoke any immunity in respect of (a) claims arising from collision and other marine accidents, (b) claims arising from salvage and rescue operations and from general average losses, and (e) claims arising from repairs, supplies and other contracts relating to the ship.

The aforesaid rules shall be applicable to cargo owned by the state concerned and carried on board the said ships.

The cargo owned by the State and carried on board commercial ships but intended for government and non-commercial purposes shall not be subject to any attachment, detention, seizure or such other legal procedures.

However, claims arising from collision, other marine accidents, salvage and rescue operations and general average losses as well as claims arising from contracts in respect of the said cargo may be filed with the competent court of law in accordance with the foregoing Article.

Article 65

The State shall have the right to invoke all provisions of pleading, prescription and liability which may be invoked by the parties concerned with respect to privately owned ships.

Article 66

In case of any doubt as to the government control or non-commercial nature of the ships or cargo, the court of law may upon enforcing Article 64 ask litigants to produce a certificate given by the diplomatic representative of the state which owns the ship or cargo to establish such nature. The said certificate shall only be enforceable in connection with the lifting of attachment, detention or seizure.

The validity of this provision shall be conditional upon reciprocal treatment.

PART II

PARTIES TO MARITIME NAVIGATION

CHAPTER ONE: Ship owner and Operator

Article 67

The operator is the person in possession of the ship and he is the person undertaking the operation thereof for his own account in his capacity as owner or charterer thereof. The ship owner shall be deemed to be the operator of the ship unless proved otherwise.

The law shall regulate technical matters relating to the operation of the ship, constitution of its crew and safety equipment in compliance with the provisions of international convention and maritime custom and usage.

Article 68

The ship owner shall be held liable for the acts of the master, seamen, pilot and any other person employed by the ship in so far as such acts are perpetrated in the course of performing their duties or by reason thereof. He shall also be liable for the master's obligations arising from the contracts he concludes within his legal powers.

Article 69

The ship owner may limit his liability to the extent set forth in Article 72 in connection with the obligation arising from any of the following causes:

- (a) Death or injury of any person present on board with the purpose of transport thereof as well as destruction or damage of any property aboard the ship.
- (b) Death or injury of any other person on land or at sea as well as destruction or damage of any other property or any infringement upon any right should the damage arise from an act perpetrated by any person for whom the ship owner is responsible, whether such person is on the ship or not. In this latter case, the act of omission shall relate to navigation, operation of the ship, freight of cargo, loading or unloading thereof, or embarkation, transportation or disembarkation of passengers.
- (c) Any obligation set down by law in respect of lifting wrecks, re-floating, salvage or destruction of a sunken, abandoned or grounded ship together with everything on board. In addition, every other obligation arising from damages caused by the ship to port installations, docks and navigation channels.

The ship owner shall have the right to determine his responsibility for the obligations set forth in the foregoing paragraphs even though the creation of such liability does not require proving his failure or that of persons for whom he is liable. The requirement to determine liability shall not be deemed as recognition thereof.

Article 70

If a debt is created towards any creditor in favor of the ship owner in connection with the aforesaid occurrence, the determination of liability shall only apply with respect to the outstanding amount after off-setting the two debts.

Article 71

The ship owner may not determine its liability in any of the following events:

- (a) If the incident creating the liability has arisen by reason of the ship owner's personal failure
- (b) Any obligations arising from rescue and salvage operations and participation in general average losses.
- (c) The rights of the master, crew and any other person employed by the ship owner aboard the ship under a contract of employment or in respect of his employment thereon as well as the rights of heirs and successors thereof.

Article 72

The ship owner's liability shall be determined in the following manner:

- (a) An amount of BD25 per ton of the ship's tonnage if only material damage shall arise from the accident.
- (b) An amount of BD50 per ton of the ship's tonnage if only bodily injury shall arise from the accident.
- (c) An amount of BD75 per ton of the ship's tonnage if both material and bodily damages shall arise from the accident. Of the aforesaid amount of BD50 per ton shall be set aside to compensate for bodily injuries and the remaining BD25 per ton shall be allocated to compensate for material damages. If the amount set aside for bodily injuries is insufficient for full payment thereof, the balance shall be added to debts for material damages in the amounts set aside for compensations pertinent to the latter damages.

Distribution with respect to each of the different categories set forth in the foregoing paragraphs shall be made in proportion to each disputed debt.

If the ship owner has, before distributing the amount set aside for compensation, settled any of the debts specified in Article 69, he may replace the creditor in respect of distribution in proportion to the amount which has already been settled.

The Court of law may temporarily keep in custody a portion of the amounts set aside for compensation for settlement of debts which have not yet been claimed.

Article 73

For the purposes of the preceding Article, the ship's tonnage shall be calculated in the case of any motor-operated ship on the basis of the ship's net tonnage in addition to the space occupied by the machinery and engines.

As regards sailing ships, tonnage shall be calculated on the basis of the net tonnage.

In determining the ship owner's liability in pursuance of the provisions of the preceding Article, the minimum net tonnage of any ship shall be deemed 300 tons even if the ship's tonnage is less.

Article 74

Amounts determined for compensation of bodily injuries and material damages arising from a single accident shall contrite an independent fund which shall be used exclusively for compensation payable in respect of such accident irrespective of debts arising or which may arise from another accident.

A creditor may not take any action against the ship owner's property, if the latter has actually kept at the creditor's disposal the amount maintained for compensation.

Article 75

The determination of liability provisions shall apply to the ship's operator, charterer, managing operator, master and seamen, and shall also apply to other persons employed by the ship owner, charterer and managing operator in connection with the performance of their duties and under the same conditions applicable to the ship owner, provided that the liability of the owner and that of the other aforesaid persons in respect of a single accident shall not exceed the limits laid down in Article 72.

If any action is brought against the master or crew, they may demand determination of their liability even if the accident which caused the damage is attributed to their personal failure. Nevertheless, if the master or crew are at the same time the ship owner, part owner of the ship, operator, charterer or managing operator, this rule shall not apply unless it is responsible for such failure in its capacity as master or crew member.

CHAPTER TWO

MASTER

Article 76

The ship operator shall appoint and dismiss the master so appointed, and the master who is removed from his position shall have the right to claim indemnity in accordance with the general rules.

The provisions of the law and international conventions shall be observed in respect of the conditions to be fulfilled by the master.

Article 77

The master shall be exclusively responsible for controlling the ship and shall be in command during the voyage. The officer directly succeeding him in rank shall stand in for him the event of his death, absence or any other disability.

Upon commanding the ship the master shall observe the technical principles of maritime navigation, international conventions, maritime custom and usage and the rules and regulations enforced in the ports of the country where the ship is docked.

He shall maintain the seaworthiness of the ship and shall ensure that adequate supplies are kept throughout the duration of the voyage.

Article 78

The master may not relinquish his command of the ship from the commencement of the voyage until the arrival of the ship on a safe harbor of port.

He may not abandon the ship or order desertion thereof except for a grave danger and after consulting with its officers, which consultations shall be evidenced by a statement signed by the said officers. In this event, he shall be required to salvage monies, the ship's documents and valuable goods, if practicable.

Article 79

The master shall personally take command of the ship upon entry into ports, harbors or rivers or upon departure therefore, and in general at all times when serious difficulties are encountered in the course of navigation, even though the assistance of a pilot is to be sought.

Article 80

The master shall have the power of attestation on board the ship. In addition, he shall have all the authority given thereof by customs and conventions of maritime navigation towards all the person on board the ship.

He shall be responsible for maintaining law and order on board the ship and he may take any necessary disciplinary action.

Article 81

The master shall have the duty of registering births and deaths taking place on board the ship, and he shall evidence such events in the ship's long book and give notice thereof to the consul of Bahrain at the first port wherein the ship shall be berthed , and notify the competent administrative authorities in Bahrain upon the return of the ship.

In case of the death of any person on board the ship the master shall, in conjunction with one of the ship's officers, carry out an inventory of the deceased's luggage and keep it in safe custody and deliver such luggage to the appropriate administrative authorities at the first Bahrain port wherein the ship shall be berthed.

Where any person on board suffers any illness, the master may order his disembarkation at the nearest place where he may be afforded medical treatment.

Article 82

In any offence is committed on board the ship, the master shall have the authority to investigate it and shall make the preliminary enquiries until the arrival of the competent authorities. Besides, he shall undertake the necessary measures which may not be delayed. If necessary, he may order the arrest of the defendant, search of passengers and crew and shall take the necessary steps to safeguard items which may be useful as evidence in connection with the offence.

The master shall prepare a report on all the measures which have been taken and such report together with the investigation statement and apprehended items shall be surrendered to the investigation authority at the first Bahrain port.

Article 83

The master shall be considered as the operator's legal representative and shall represent him before law courts. He shall exercise the powers vested in him by law towards any party having an interest in the ship or cargo. Any limitation of this legal representation shall not be deemed valid towards any third party acting in good faith.

The master shall not have the capacity of the operator's legal representative except in places where the operator or an agent thereof is not present. The presence of the operator or his agent shall not be recognized by any third party unless such third party is made particularly aware of this fact.

Power of representative shall include the necessary duties on the ship and for the voyage. The master, however, may perform the normal duties connected with commanding the ship, minor repairs, and employment and dismissal of crew members at the place where the operator or an agent thereof is present.

Article 84

As regards his commercial duties, the master shall comply with the operator's directive and shall keep him duly informed according to custom and usage, of all matters relating to the ship or cargo.

Article 85

The master shall maintain on board the ship during the voyage all the documents required by law to be kept with respect to the ship, crew, passengers and cargo.

Article 86

The master shall maintain the ship's log book whose pages shall carry serial numbers and such pages shall be signed by the appropriate maritime department and stamped with its official seal.

The ship's log book shall contain an account of any accidents which occur and decisions taken during the voyage in addition the daily observations concerning weather and sea conditions. The log book shall include an account of income and expenditure, a statement of the offences which may have been committed by crew members or passengers, and disciplinary action taken against them as well as attestations, births and deaths that have taken place on board the ship.

A master of any motor-operated ship shall maintain a special engine book in which shall be recorded the amount of fuel supplied upon departure, daily consumption and all the details relating to the engines.

Article 87

The master shall, within 24 hours of the arrival of the ship in the port of destination or in the place where it has voluntarily or compulsorily berthed, present the ship's log book to the appropriate maritime department for approval thereof. Approval of the log book outside Bahrain shall be undertaken by the consul of Bahrain, or if unavailable, by the appropriate local authority.

Article 88

If any extraordinary incidents occur during the voyage with respect to the ship, cargo or persons aboard, the masters shall prepare a report in this respect and the said report shall be signed by the master and be ratified by the ship's first officers and senior engineer or by the persons acting on their behalf.

The master shall submit the report together with a facsimile from the ship's log book with respect to the facts dealt with in the report to the appropriate maritime department within 24 hours from the arrival of the ship at the port or the dock. If the ship is abroad, the report shall be submitted to the consul of Bahrain or, if unavailable, to the appropriate local authority.

In all cases, any claims contrary to the contents of the report shall be substantiated.

Except in extreme emergencies, the ship may not be unloaded prior to the submission of the aforesaid report.

Article 89

If any emergencies occur during the voyage, the master may borrow funds needed by the ship and transport charges. However, if such security is found to be insufficient, he may borrow on security of the ship's cargo. In all cases, the master may only borrow monies with permission from the appropriate court of law if the ship is in Bahrain, and from the Consul of Bahrain or, if unavailable, from the local judiciary if the ship is abroad.

If the master is unable to borrow monies, he may after obtaining permission, sell a part of the cargo to the extent of the amount required. In this event, the master or operator shall make a settlement with the owners of the cargo sold on the basis of the current price of goods of the same type or quality at the port of destination on the expected arrival date.

The shippers, their successors or agents may protest against pledging or selling the cargo and may demand the unloading thereof upon payment of the full transport charges.

Article 90

The master may not sell the ship without special authority from the shipowner unless the ship is proved unseaworthy, otherwise the sale shall be null and void except when there is an agreement between the master and the shipowner to the contrary.

The unseaworthiness of the ship shall be established by a statement executed by sworn experts to be appointed by the President of the law court if the ship is berthed in a Bahrain port, or by the consul of Bahrain or, if unavailable, by the local judicial authority if the ship is abroad.

Any ship which is proved to be unseaworthy shall be sold by public auction.

Article 91

If the master is obliged to repair the ship during the voyage, the charterer or shipper shall have the option either to wait until completion of the repairs or to unload the cargo from the ship after full payment of freight charges and general average losses, if relevant.

In all cases, the charterer or shipper shall not incur any extra freight in respect of the repair period. If the repair of the ship is not possible, the master shall charter one ship or more at his own expense to ship the cargo to the intended destination without being entitled to carry any additional freight. If the above is not practicable, freight shall only be payable to the extent of the completed amount of the voyage. In this

event, the master shall be responsible for shipping the cargo belonging to each of the shippers and the master shall notify the latter of the cargo's condition. Moreover, the latter shall take the necessary steps to preserve the cargo unless there is any agreement to the contrary.

Article 92

The master shall take the necessary steps to protect the interests of the shipowner, operator, crew, passengers and other parties having any interest in r in connection with the cargo according to custom and usage.

He may not ship the cargo on deck unless permitted by maritime practices or approved by the shipper. The shipper/s receipt of the bill of loading which show that the cargo is shipped on deck shall be an acknowledgment of his approval thereof. These rules shall not apply to coastal navigation.

In case of necessity, the master may take any urgent measures required to safeguard live and to preserve the ship and cargo. However, he shall be required to communicate with the operator before deciding to take any extraordinary measure if conditions so permit.

The master shall be held liable for his errors however minor they may be.

CHAPTER THREE: Members of the Crew and Employment on Board Ships

Section 1 **General Provisions**

Article 93

Every person employed on board the ship under a contract of employment shall be considered a member of the crew. The master shall be considered a member of the crew with respect to the contract of employment entered in to between him and the operator.

Article 94

Applicable laws, regulations, international conventions and maritime custom and usage shall define the master, maritime engineers and number of crew members who shall be employed on board the ship and the qualifications to be fulfilled by them, as well as the maritime passport to be obtained by each Bahraini national employed on the ship.

Section 2 **Maritime Contract of Employment**

Article 95

A maritime contract of employment is an agreement whereby a person undertakes to be employed in consideration of a wage on board a sea-going vessel. Such contract shall be subject to general provisions in respect of the matters which are not specifically dealt with in this code.

Nevertheless, the provisions of the maritime contract of employment set forth in this code shall only be applicable to persons employed on board ships whose gross tonnage is not less than 50 tons.

Article 96

A maritime contract of employment may only be made in writing. However, if the contract is not made in writing, the crew member shall have the exclusive right of providing it by all means.

Article 97

A maritime contract of employment shall be made in three original counterparts of which one shall be delivered to the employer, another shall be kept at the appropriate maritime department and the third shall be given to the crew member unless such contract takes the form of a collective contract in which case the employer shall maintain the same and the relevant crew member may obtain a facsimile thereof containing the necessary details.

The contract shall contain the date and place of concluding it, crew member's name, age, nationality, country of origin, occupation, wage and method of payment, number, date and date of issue of the maritime passport, departure date, port from which the voyage commences and the port of destination.

Article 98

A crew member shall comply with his senior's instructions in connection with his employment on board the ship, which he may not leave without permission. In the event of nay danger he shall seek to rescue the ship, persons on board and the cargo. IN this case, the crew member shall be remunerated for each extra hour worked provided that the remuneration shall not be less than the hours spent in performing such work.

Article 99

Neither the master not any crew member may undertake the shipping of any goods on the ship for his own account without the operator's permission. Any breach of this rule shall result in rendering the violating crew member liable for payment of compensation in addition to freight at a rate higher than that charged at the time and place of shipping. The master may order that the goods be thrown overboard should they be found to jeopardize the safety of the ship, persons on board or cargo if they are found to result in incurring additional costs or fines.

Article 100

The operator shall be responsible for payment of the crew members wages at the time and place specified in the contract of employment or in accordance with maritime usages.

Wages and other remunerations due to nay crew member shall be paid in the national currency. If such remunerations become due when the ship is outside territorial waters, they may be paid in a foreign currency provided that the crew member's written approval shall be obtained. Amounts payable shall be converted into the foreign currency on the basis of the official exchange rate.

Article 101

If the wage is fixed on the basis of the each voyage, it may not be reduced in the event of the voyage being curtailed at the decision of the master or operator. Where the said act has the effect of extending the voyage or postponement thereof, wages shall be increased in proportion to the extended period of time. This latter rule shall not be applicable to the master where the postponement or extension of the voyage arises from his own failure.

Article 102

If a crew member is employed of the outward – bound voyage, he shall be entitled to receive this full wages should he die after the commencement of the voyage, if he is employed for the two way journey, he shall be entitled to half his wages should he die at the port of arrival and to the full wage should he die on the return journey.

Article 103

No attachment may be placed upon a crew member's wages save to the extent laid down in the labor laws.

Article 104

The operator shall be responsible during the voyage for providing every crew member with meals and accommodation free of charge. Such matters shall be regulated by an order to be issued by the relevant minister.

Article 105

The operator shall be responsible for offering free medical treatment to any crew member who is injured or becomes ill during his employment on the ship or during the voyage. If the injury or disease has been

caused by any mutiny, drunkenness or other misconduct, the operator shall pay the costs of medical treatment which shall be deducted from the crew member's wages.

The employer's obligation to provide medical treatment to a crew member shall cease if it has been established that the injury or disease is incurable

Article 106

Any crew member, who sustains any injury during his employment on the ship or suffers any illness during the voyage, shall be entitled to his full wages during the voyages. His entitlement to wages upon the completion of the voyage shall be subject not be entitled to any wages in the aforesaid injury or illness has been caused by involvement in a mutiny, drunkenness or any such miscount.

Article 107

If a crew member dies during his employment on the ship, the employer shall incur the costs of burial whatever the cause of death may be.

The employer shall deposit cash wages and other amounts payable to the deceased crew member with the treasury of the appropriate maritime department.

Article 108

The operator shall be required to repatriate any Bahraini crew member to Bahrain should any event occur during the voyage necessitating his disembarkation unless this is due to an order from any foreign authority, or by reason of any injury or illness not arising from his employment on the ship which may not be treated on board thereof, or upon an agreement between the operator and crew member.

If the crew member has been employed at a Bahrain port, he shall be repatriated to that particular port unless it is agreed under the contract of employment that repatriation shall be to another Bahrain port. If the crew member has been employed at a foreign port, he shall have the option to be repatriated to that specific port or to the principal port in Bahrain.

The obligation with respect to a crew member's repatriation shall cover payment of the costs of his meals, accommodation and transportation.

Article 109

A maritime contract of employment shall be terminated for any of the following reasons:

- (a) Expiry of the contractor's duration
- (b) At the wish of either party if the contract is for an unlimited period.
- (c) Completing the voyage or voluntary cancellation thereof in the contract is made on a voyage basis.
- (d) Issue of a court judgment for revoking the contract.
- (e) Any legitimate reason for terminating the contract.
- (f) Death of the crew member.

Article 110

If a contract of employment is made for a definite period which has expired during the voyage, such contract shall be extended by virtue of the law until the arrival of the ship in the immediate Bahrain port.

Article 111

In any crew member dies by reason of defending the ship, cargo or passengers, his heirs shall be entitled to receive an amount equal to three months wages, and if he is only employed for one voyage his heirs shall be entitled to the voyage's wage in addition to such indemnity and compensation as prescribed by this code and the Labor Law.

Article 112

In any force majeure prevents the commencements of the voyage or discontinuation thereof, a crew member employed on a voyage basis shall be entitled to receive his wage for the days actually spent in the ship's service. However, a crew member shall be entitled to receive a proportionate payment of the insurance amounts or compensation obtained by the shipowner or operator to the extent of the remainder of his wages.

In the case referred to in the foregoing paragraph, a crew member shall not have the right to demand any indemnity or damages.

Article 113

If the ship has sunk, has been sized, lost or become unseaworthy, the law courts may exempt the operator from payment of all or some of the crew members wages if it is established that the damages suffered by the ship have been caused by their negligence or failure to save the ship, its wreck, passengers or cargo.

The operator may in the event set out in the proceeding paragraph, terminate the maritime contract of employment without any prior notice. A crew member may not claim any indemnity or compensation unless the shipowner or operator obtains an amount for the damages suffered by the ship.

Article 114

All claims arising from a maritime contract of employment shall lapse after one year from the contract's expiry date.

PART III

EMPLOYMENT OF THE SHIP

CHAPTER ONE: Charter – parties by Demise

Article 115

A charter-party by demise is a contract whereby the shipowner undertakes to enable the charterer to benefit from the ship without providing it with supplies, equipment or crew. The said charter-party shall be made by an instrument in writing and be subject to the provisions of lease agreements laid down in the civil law and to the provisions hereunder-mentioned.

Article 116

The chartering party shall undertake to deliver the ship in a seaworthy condition together with all the documents relating thereto. He shall be responsible for repairing all damages arising from force majeure and damages arising from normal use of the ship for the purposes agreed upon.

The chartering party shall be liable for the damages resulting from delivering the ship in an unseaworthy condition unless it is proved that this has arisen from a latent defect which could not be revealed by ordinary tests.

Article 117

The charterer shall be required to use the ship for the purposes agreed upon in compliance with its technical specifications which are indicated in the navigation licenses.

The charterer may not sub-charter or assign the rights arising from the charter-party unless he is authorized to do so.

The charterer shall undertake to restore the ship upon the expiry of the charter-party to the port where the ship has been handed over in its original condition at the time of delivering it thereto with due regard for depreciation caused by normal use. In case of any delay in returning the ship for any reason attributable to the charterer, the latter shall be liable for payment of double the hire for the delay period.

Article 118

A ship's charter-party shall not be presumed renewable after the expiry of its term.

Article 119

Rights arising from charter-party by demise shall lapse after one year from the date of returning the ship to the chartering party or from the date of its deletion from the ship's Register in the event of its destruction.

CHAPTER TWO: Charter-parties not by Demise

Article 120

A charter-party not by demise is a contract under which a chartering party undertakes to put the ship or any part of the ship under the charterer's disposal for a certain voyage or voyage during the period mutually agreed upon in the charter-party and under the terms and conditions contained therein or laid down by custom and usage.

Where the ship is fully leased, the charter shall not cover the cabins and areas assigned for the master and crew members.

Article 121

A ship shall be chartered by an instrument in writing called "a charter-party" which shall contain such details as name of the shipowner, charterer, their domiciles, name of ship, nationality, tonnage, chartered part thereof, master name, type of cargo and quantity, description, place and period mutually agreed upon for loading and unloading, hire and manner of calculation, contract term and details of the voyages agreed upon.

Article 122

If the two parties fail to agree on a certain interval for loading or unloading the cargo, reference shall be made to custom and usage.

Where loading and unloading has not been completed within the original period specified in the agreement or determined by custom usage, an additional interval not exceeding the original one shall be given for which the shipowner shall be entitled to a daily allowance to be decided by mutual agreement or by custom and usage. If loading or unloading has not been completed within the additional interval not exceeding the original one shall be given for which the shipowner shall be entitled to a daily allowance equivalent to 150% of the daily allowance decided for the first additional allowance without prejudice to any further accrued damages.

The daily allowance payable in respect of the additional intervals given shall be deemed as an element of the hire and shall be subject to the provisions thereof.

Article 123

The original loading and unloading interval shall commence from the date following the master's notification to the parties concerned of the ship's fitness to load or unload the cargo.

If the loading has been completed before the expiry of the period designated for this purpose, the remaining day of such period shall not be added to the unloading interval unless there is an agreement to the contrary. Agreement may be made to grant the charterer a bonus for speeding up completion of loading and unloading.

The original interval shall not include public holidays or any other holidays prescribed by custom and usage unless they have actually been spent in loading and unloading. The validity of the said interval shall cease in the event of any force majeure.

Nevertheless public holidays shall be included in additional intervals whose validity shall not cease by reason of any force majeure. In addition, a judgment may be passed for reduction of the allowance in respect of the first additional interval only in the event of the continuation of the hindrance.

Article 124

Upon the expiry of the period allowed for unloading, the master shall have the right to unload the cargo at the charterer's expense and at its risk. In this case, the master shall take the necessary steps to preserve the goods.

Article 125

The chartering shipowner shall keep the ship at the charterer's disposal at the time and place mutually agreed upon; otherwise the charterer may deem the charter-party to have been terminated on the condition that it shall give notice in writing thereof to the chartering shipowner. In this case, the charterer may claim damages without the need for any explanation unless the chartering shipowner proves that non-performance of the obligation is not attributed to its action.

In the event of chartering of the ship for a certain period, the chartering shipowner shall not be bound to allow the ship on a voyage that may expose the ship or crew members to any extraordinary risk if such risk occurs or is known after chartering the ship and was not previously anticipated.

Article 126

The chartering shipowner shall ensure prior to departure that the ship is in a seaworthy condition and shall provide it with the necessary supplies, materials and crew members and prepare for use the areas of the ship kept for preservation and loading of cargo.

The chartering shipowner shall be liable for any damage arising from the unseaworthiness of the ship unless it is established that such damage has not arisen from its failure to perform the obligations contained in the preceding paragraph or has arisen from a latent defect which could not be detected by normal tests. The onus of proving performance of the aforesaid obligations shall rest with the charterer or with whoever invokes the exemption set forth in this paragraph.

In case of a time charter, the charterer shall supply the ship with bunkers, oil and lubricants and shall pay port, pilotage and other fees as well as any overtime wages for work undertaken by the crew member at his request unless there is any agreement to the contrary.

Article 127

The chartering shipowner may not carry on board the chartered ship or the chartered part thereof any goods which do not belong to the charterer without obtaining permission there from.

Article 128

The charterer may not sub-charter the ship or assign any rights arising from the charter-party unless he is authorized in this respect. In this case, the original charterer shall remain liable to the chartering shipowner for the obligations arising from the charter-party.

Article 129

The charter shall be liable for the damages sustained by the ship or cargo where such damages have arisen from the acts of the charterer, its servants or agents or from a deficiency in the goods.

Article 130

Freight shall not be payable if the goods carried by the ship are not delivered to the consignee or not put at its disposal at the port of arrival unless it is stipulated that freight is payable in all cases.

However, freight shall be payable if non-delivery is not attributed to the charterer's fault, or if the goods are destroyed due to a latent defect therein, or owing to their very nature, or if the master is compelled

to sell them during the voyage because of their expiry, hazardous nature or restriction on their carriage although the charterer was unaware of such facts upon loading them on board the ship.

Freight shall also be payable for live animals which perish during the voyage or any reason which is not attributed to the carrier's act.

If a ship is chartered for a two-way voyage but is prevented after departure by any force majeure from arriving at the port of destination, the charterer shall only be entitled to freight for the outward voyage unless there is any provision to the contrary.

In all cases, any freight which is fully or partly paid in advance and is not lawfully payable shall be refunded.

Article 131

A Charter-party shall remain effective without any compensation or hire increase if the ship stops temporarily during the voyage for any reason which is not attributed to the acts of the shipowner or master. In this case, the charterer may seek the unloading of the cargo at his expense, and he may seek the reloading of such goods on board the ship at his expense or pay the full hire.

The charterer may at all times request the delivery of the goods before arrival thereof at the designated destination provided that the hire shall be fully paid.

Article 132

In case of time charter, the charterer shall pay the full hire for the period during which the ship shall be at its disposal even if it ceases to be operational because of navigational accidents. However, the hire shall not be payable if the ship is destroyed or it ceases to operate because of any force majeure or due to the ship owner's act.

If the ship is not heard from and if it is proved that it has been destroyed, hire shall be payable in full until the date of the most recent report received there from. Additionally, hire shall be payable for half the period scheduled for completing the voyage.

Article 133

The chartering shipowner shall regain its right to dispose of its ship chartered on a time charter unless it receives the hire payable thereto after giving notice thereof to the charterer. Nevertheless, the shipowner shall be responsible for carrying the goods to the port of arrival against payment of freight without prejudice to its right to claim damages.

Article 134

If the charterer fails to load all the goods agreed upon, it shall be liable for payment of the hire together with the expenses incurred by the ship or loading all the cargo. The charterer shall be entitled to obtain amounts representing the expenses saved by the ship in addition to 75% of the freight payable for other cargo.

Article 135

The charterer shall not be exonerated from payment of the hire by abandoning the cargo even if it is damaged or suffered a shortfall in its value or quantity.

Article 136

The master shall receive instructions relating to the commercial management of the ship from the chartering shipowner.

However, the charter-party may stipulate that the ship's commercial management be undertaken by the charterer. In this case, the charterer shall be liable for the claims arising from the cargo shipped on board the ship or arising from the master's actions made on behalf of and for the account of the

charterer. The above shall be without prejudice to the terms and conditions agreed upon under the charter-party with respect to the relationship between the chartering shipowner and the charterer.

Article 137

If the ship is unable to reach the port agreed upon for delivery of goods, the charterer shall steer the ship to the nearest point to the said port. In this case, the chartering shipowner shall incur the costs of carrying the goods to the port of arrival. Where the inability to reach the port of arrival arises from a force majeure, the charterer shall be liable for payment of the said expenses.

If the charterer reserves the right to elect the port of arrival after commencement of the voyage, but decides to proceed to a port which the ship is unable to reach without being exposed to risk, the charterer shall be liable for the consequences resulting there from.

Article 138

Sale of the ship shall not have the effect of terminating the charter-party concluded by the vendor in advance of the sale.

The purchaser, however, may seek termination if he proves that was not aware of the existence of the charter-party at the time of sale and that the continuation of the charter to the end of its term is harmful thereto.

Article 139

In case of a time charter, the charterer shall undertake upon the expiry of the charter-party to return the ship to the port where the ship was handed over thereto.

If the term of the charter expires during the voyage, the charter-party shall be extended by virtue of the law until the end of the voyage and the shipowner shall be paid the hire provided for in the charter-party in respect of the additional days.

The hire may not be reduced if the ship is returned prior to the date mutually agreed upon.

Article 140

If the charterer undertakes to load the cargo on board the ship but fails to initiate the loading operation on the agreed date, the chartering ship owner may consider the charter-party to have been terminated provided that a notice in writing shall be given to the charterer to this effect. If the period agreed upon for loading expires before the elapse of the original interval permitted by custom and usage, such period shall be extended to the end of the said interval.

The chartering ship owner may in the case set out in the preceding paragraph claim damages without the need for any explanation unless the charterer proves that non-performance of its obligation arises from a force majeure.

Article 141

The chartering ship owner shall have the right to impound the cargo at the port of arrival as security for payment of the hire unless he is provided with a guarantee, the amount of which shall be determined by the competent court of law. The court may order the sale of cargo to the extent of the amount which equals the hire in pursuance of the procedure laid down in respect of commercial mortgages.

Article 142

The chartering ship owner shall have a lien over the cargo on board the ship. This lien shall secure the payment of hire and elements thereof. The said lien shall remain in force for a period of fifteen days from the date of delivering the goods unless a right in kind has been created in favor of a bona fide third party. The lien shall continue in effect even if the cargo is combined with other goods of the same type.

Article 143

Claims arising from a charter-party not by demise shall lapse with the passage of a period of one year.

This period shall be effective in respect of claims arising from delivering the cargo and liability arising from its damage, destruction or delay in arrival from the date of delivery or from the expected date of delivery.

As regards other obligations, the said period shall be effective from the date of completing the voyage where the ship is chartered for one voyage, from the date of completing each voyage where the ship is chartered for several voyages or from the charter-party's expiry date where the ship is chartered for a definite term. In this latter case, such period shall commence from the date of completing the most recent voyage if it is extended in compliance with article 139. If the voyage commences or if it has commenced but not been extended the relevant period shall be effective from the date of the occurrence of the event which has rendered the enforcement or continued enforcement of the charter-party impossible. The said period shall be effective, in the event of assuming the destruction of the ship, from the date of its deletion from the Ship's Register.

In the event of a refund of any payment illegally made, the relevant period shall be effective from the date of creation of the right to a refund.

CHAPTER THREE **Contract of Carriage by Sea**

Article 144

Contract of carriage by sea is a contract made under which the carrier whether he is the ship owner, operator or charterer undertakes to ship the goods to a particular port in consideration of a certain charge.

Article 145

A contract of carriage by sea shall be evidenced by an instrument known as "a bill of Lading".

A bill of lading shall be dated and signed by the carrier or by the person acting on its behalf. A bill of lading shall contain such details as the names of the carrier, shipper and consignee, domicile of each, description of the goods particularly the number of consignments or pieces, quantity or weight as the case may be in accordance with the details furnished by the shippers, trade marks, condition, external appearance, port of departure, port of arrival, name of ship, tonnage, nationality, master's name, freight and manner of calculation thereof, place of issuing the bill of lading, date of issue and number of copies made thereof.

The marks put on the goods by the shipper shall be adequate for identification thereof and shall be placed in such a manner as to remain legible until the end of the voyage.

Article 146

A bill of lading shall be made in two original copies of which one shall be delivered to the shipper and the other to the carrier.

The shipper or the person authorized on its behalf shall sign the original copy kept by the carrier and the said copy shall be marked "Non-negotiable". The carrier or the person authorized on its behalf shall sign the original copy delivered to the shipper, which copy shall vest with its legal holder the right to take delivery of the goods and to dispose thereof. The shipper's transfer or endorsement of the copy delivered thereto or delivered to any third party or presented for delivery of the goods shall be a valid substitute for its signature of the copy delivered to the master.

A number of similar copies may be made of the original bill of lading which is delivered to the shipper. Each copy shall be numbered and signed by the master or by the person acting on his behalf and it shall carry an indication as to the number of copies made thereof. Each copy shall be validly used in place of the other copies. The use of any copy shall render the other copies null and void towards the carrier.

Article 147

A bill of lading shall be made in the name of a particular person, or to the order thereof or to the bearer.

A straight bill of lading may be assigned by pursuing the procedures laid down by the Civil Law in respect of transferring rights. In this case, the carrier shall deliver the cargo to the last assignee.

An order bill of lading shall be negotiable by way of endorsement.

A bearer bill of lading shall be negotiable by way of presentation. This rule shall apply to an order bill of lading endorsed in blank.

In the event of negotiating an order bill of lading, an agreement may be made on the limitation of security to the presence of the goods and validity of the carriage contract at the time of endorsement. It may also be agreed that the signatories to the bill of lading shall not assume joint liability.

Nevertheless, a provision may be included in the bill of lading that it shall not be assignable or negotiable.

Article 148

The shipper shall complete all details pertinent to the cargo before loading thereof and such details shall be recorded in the bill of lading. The carrier or any person acting on its behalf may abstain from recording the details relating to the goods trade marks, number, quantity or weight or if there are justifiable grounds for suspecting the authenticity of such details or if the carrier does not have the necessary means of proving validity of the said details.

The shipper shall be liable to the carrier for payment of damages arising from invalidity of details provided in respect of the goods. The carrier shall not invoke the invalidity contained in the bill of lading towards any person other than the shipper if the latter has made reservations concerning these details in the bill of lading.

Article 149

Without prejudice to the right to claim damages, if the master finds on board the ship any goods which do not tally with the details contained in the bill of lading or if the details are incorrect, he may unload such goods at the loading point or alternatively keep the goods on board and charge the highest freight rates applicable at the aforesaid point.

If the said goods are only discovered during the voyage, the master may order those goods to be thrown overboard should they cause damage to the ship or its cargo or if their carriage involves payment of fines or incurring expenses exceeding the value thereof or if their sale or export is prohibited by law.

Article 150

Where dangerous, inflammable or explosive goods are loaded on board the ship, the carrier may at any time cause those goods to be thrown overboard or dispose of such goods or eliminate the hazards arising there from without payment of any compensation if it is proved that he would not have accepted the shipping thereof had he been aware of the kind of nature thereof. Additionally, the shipper shall be liable for damages arising from the presence of the said goods on board the ship and for the costs of unloading even if it is not responsible for any fault.

If such dangerous goods are loaded with the carrier's knowledge and approval but found that they constitute a menace to the ship and to its cargo, the carrier may order the goods to be unloaded, destroyed or remove their danger and shall not be held liable except with respect to general average losses.

Article 151

The carrier shall issue the shipper with a receipt for delivery of goods before loading thereof on board the ship. Such receipt shall be replaced, upon the shipper's request, by a bill of lading when the goods are loaded on board the ship. The receipt shall be as valid and authentic as the bill of lading if it contains the details set forth in Article 145 and if the word "shipped" is indicated thereupon.

Article 152

A bill of lading shall be prima facie evidence of the terms and conditions contained therein between the carrier and shipper and towards third parties.

In the relationship between the carrier and shipper, any information which is contrary to the details in the bill of lading may be proved. Towards third parties, the carrier may not prove any information contrary to the details contained therein. However, third parties may do so subject always to the provisions of Article 146.

Article 153

If there is any discrepancy between the charter-party and the bill of lading, the relationship between the ship owner and charterer shall be governed by the terms and conditions of the charter-party. The conditions of the bill of lading shall apply to the relationship between the charterer and the shipper unless it is agreed that the provisions of the charter-party shall prevail.

Article 154

The master shall deliver the cargo to the legal holder of the bill of lading.

If several persons holding copies of a negotiable bill of lading seek to take delivery of the cargo, preference shall be given to the holder of the copy whose first endorsement shall be of a previous date to endorsements of the other copies.

Where the goods have been delivered to a bona fide holder of a copy of a negotiable bill of lading, he shall be given preference over holders of other copies even if their endorsement carries a previous date.

Article 155

Every person entitled to take delivery of the goods under a bill of lading may request the carrier's note to take delivery of certain quantities thereof provided that this is authorized under the bill of lading. The delivery notes shall be issued in the name of a specified person or to his order or to the bearer. These notes shall be signed by the carrier and by the person requesting them.

If a bill of lading is negotiable, the carrier shall indicate therein the delivery notes issued and the goods stated therein. If the cargo is divided between several delivery notes, the carrier shall be required to recover the bill of lading, the delivery note shall confer upon its rightful holder the right to take delivery of the goods stated in the note.

Article 156

If the person having title to the goods fails to take delivery thereof, or if he refuses to take delivery of the goods, the master or person acting on his behalf may seek permission from the competent court for the safekeeping of the goods with a receiver to be appointed by the court, in which case the costs shall be charged to the consignee without prejudice to the agreement in this respect in the bill of lading.

Article 157

The provisions of Articles, 122, 123, 123, 125, 126 paragraphs 1 and 2, 127, 130, 131, 134, 135, 138, 140, 141 and 142 of this Code shall be applicable to bills of lading.

Article 158

A carrier shall not be liable for the losses or damage of cargo arising from unseaworthiness caused by want of due diligence on the part of the carrier to make the ship seaworthy prior the commencement of the voyage or to ensure that the ship is properly manned, equipped and supplied, and to make the holds, refrigeration and cool chambers and all other parts of the ship in which goods are carried fit and safe for their reception carriage and preservation. In all events where destruction or damage arises from unseaworthiness, the onus of proof in respect of the exercise of due diligence shall rest with the carrier or with any other person invoking the exemption set forth in this Article.

Article 159

Any carrier or ship shall not be held responsible for the loss or damage of goods arising from:

- (a) Act, neglect or default of the master, mariners, pilots or the servants of the carrier in the navigation or in the management of the ship.**
- (b) Fire unless caused by the actual fault or privity of the carrier.**
- (c) Risks dangers and accidents of the sea or other navigable waters.**
- (d) Acts of God.**
- (e) Acts of war.**
- (f) Acts of public enemies.**
- (g) Arrest or restraint of governments, authorities or people, or seizure under legal process.**
- (h) Quarantine restrictions.**
- (i) Act or omission of the shipper or owner of the goods, its agent or representative.**
- (j) Strikes, lock-outs, stoppages or restraint of labour from whatever cause, whether partial or general.**
- (k) Riots and civil commotions.**
- (l) Rescue or attempting to rescue life or property at sea.**
- (m) Wastage in bulk or weight or any other loss or damage arising from a latent defect, quality of or deficiency in the goods.**
- (n) Insufficiency of packing.**
- (o) Latent defects not discoverable by due diligence.**
- (p) Any other cause arising without the actual fault or privity of the carrier, or without the fault or neglect of the agents or servants of the carrier, but the onus of proof shall rest with the person claiming that neither the actual faults or privities of such persons contributed to the loss or damage.**

Article 160

A carrier or a ship shall not be held liable under any circumstances whatsoever by reason of the loss or damage of goods or in connection therewith for any amount exceeding BD 100 in respect of each package or unit unless the shipper has produced a statement before loading with respect to the nature and value of the goods and has indicated such details in the bill of lading. The aforesaid statement shall be prima facie evidence of the validity of value determined by the shipper for the goods. In the meantime, the carrier may prove the contrary.

By agreement between the shipper and carrier or any person acting on its behalf, another maximum, amount of the carrier's liability than that specified in the foregoing paragraph may be fixed, provided that such maximum shall not be less than the aforesaid amount.

The carrier shall not be responsible in any event for loss or damage to or in connection with the goods if the nature or value thereof has been knowingly mis-stated by the shipper in the bill of lading.

Article 161

Any clause in the bill of lading or any other similar instrument, other than the charter-party, relieving the carrier from liability for loss or damage of the goods arising from negligence, omission or failure in performance of the obligations set forth in this Chapter or implying lessening the liability to an extent lower than that specified in the preceding Article shall be null void.

Any clause containing an assignment to the carrier of the benefits of insurance or any similar clause shall be deemed to be a clause relieving the carrier from liability.

Article 162

A carrier shall have the discretion to assign all or some of its rights and immunities or to increase any of its responsibilities and liability set forth in this Chapter, provided such assignment or increase is expressly stipulated in the bill of lading issued to the shipper.

Any carrier may record in the bill of lading or in any other instrument conditions, reservations or exemptions as to the carrier's responsibility and liability for the loss or damage to or in connection with custody and care of goods prior to the loading on and subsequent to the discharge from the ship on which the goods are carried by sea.

A bill of lading may contain terms and conditions with respect to general average losses so long as such terms and conditions are not in conflict with general average provisions.

Article 163

A bill of lading may contain an agreement contrary to the liability provisions set forth in the preceding Articles with respect to coastal navigation and other types of navigation of the nature or condition of the goods in question or the circumstances involved in the shipping thereof, or if there are any extraordinary circumstances which require a special agreement to be entered into, provided that a bill of lading shall not be issued and the terms agreed upon shall be recorded in a receipt which shall be a non-negotiable instrument that shall be marked to this effect.

Article 164

In the event of destruction or damage of the good, the person entitled to take delivery thereof shall give notice in writing to the carrier or the person acting on its behalf at the port of discharge before or at the time of unloading of the destruction or damage of the goods and extent of such destruction or damage, otherwise the goods shall be presumed to have been delivered thereto in the condition stated in the bill of lading unless the recipient provides evidence to the contrary. If the destruction or damage is not visible, the aforesaid written notice shall be given within three days from the date of delivery and if such date falls on a public holiday, the notice period shall be extended to the following day.

The said written notices shall not be effective if the goods were examined in the recipient's presence upon taking delivery thereof.

Article 165

The liability provisions contained in this chapter shall be applicable to carriage of goods by sea under the bill of lading during the period from the loading of goods until the unloading thereof from the ship.

The above provisions shall not apply to the carriage of goods under a charter-party unless a bill of lading has been issued along with the said charter-party from the time when the bill of lading governs the relationship between the bearer thereof and the carrier.

These provisions shall not apply to the carriage live animals and cargo which by contract of carriage are stated as being carried on deck and are so carried.

Article 166

The carrier shall be held liable for delay in delivering the cargo unless it is proved that the delay is attributed to any of the reasons set forth in Article 159.

Article 167

The carrier shall issue a direct bill of lading under which he shall undertake to carry the goods from a particular port in successive stages. In this event, the carrier shall be liable for all the obligations arising from the bill of lading until the carriage has been completed. He shall also be liable for acts of subsequent carrier who take delivery of the goods.

Article 168

In all cases, all rights arising from the carriage of goods contract shall lapse after one year from the date of delivering the goods or from the scheduled date of delivery.

In case of recovering any payment which has been made illegally, such period shall commence from the date on which the right of recovery arose.

CHAPTER FOUR: Carriage of Passengers contract

Article 169

A carriage of passenger's contract shall be evidence by a ticket or by any other instrument.

The ticket shall contain in particular such details as the date of issue, name of ship, type of ship, port of departure, date of departure, port of arrival, fare and conditions of accommodation on board the ship.

The ticket shall confer upon the passenger the right to carry this personal luggage to the extent determined by mutual agreement or by custom and usage.

Article 170

Where the passenger's name is stated specifically on the ticket or on the instrument evidencing the contract, the passenger may not assign his right to any third party without obtaining the consent of the carrier or the person acting on its behalf.

Article 171

The fare shall include the costs of the passenger's meals and medical treatment. Nevertheless, an agreement may be made providing that the passenger's subsistence and treatment be at his own expense. In this case, the master shall be bound to provide the passenger with the necessary supplies and treatment on request against payment of a reasonable charge.

Article 172

Any passenger who does not have a ticket shall notify the master or the person acting on his behalf immediately, otherwise he shall be liable for payment of an amount equivalent to double the fare to the port of destination or port of disembarkation without prejudice to the compensation that may be claimed by the carrier or to the penalties laid down in this respect.

Article 173

If the passenger does not wish to travel he may (prior to departure) give reasonable notice seeking the termination for the contract. In this case, he shall pay to the carrier 50 percent of the fare and if the passenger is unable to travel for reasons beyond his control, the contract shall be terminated in which case the carried shall be entitled to one quarter of the fare unless the passengers change of mind is attributed to the eruption of war conditions rendering the ship exposed to the risk of seizure by the enemy or such other war risks.

Article 174

The full fare shall be payable if the passenger fails to board the ship on time prior to departure thereof.

Article 175

If the ship is prevented from departure for any reason beyond the carrier's control, the contract may be terminated without payment of any compensation and in this event the carrier shall have to make a refund.

If the ship fails to begin the voyage on the date set for its departure because of any act by the carrier, any person acting on its behalf or of its savants, the passenger may demand termination of the contract and claim damages, if necessary.

Article 176

A passenger may seek termination of the contract if the carrier cancels or discontinues the voyage without providing another ship belonging to the said carrier or to another carrier and satisfying all conditions of the ship whose voyage has been cancelled or discontinued.

A passenger may seek termination of the contract if the carrier introduces to the route any alternations that may be detrimental to the said passenger.

In all cases, a passenger may claim damages. However, the damages may not exceed double the fare if cancellations of the voyage or route changes arise from an acceptable cause.

Article 177

If the voyage is discontinued because of nay force majeure, the fare shall only be payable for the distance actually traveled by the ship. Nevertheless, the fare shall be payable in full if the carrier is able within a reasonable period to provide a similar ship to complete the voyage at its expense provided that the said carrier shall pay the costs of the passenger's meals and accommodation if such costs are included in the fare.

Article 178

If the master is compelled during the voyage to make repairs to the ship, the passenger shall have to wait until such repairs are fully completed or leave the ship providing that the fare shall be fully paid. The passenger's accommodation and meals during the waiting period shall be at the carrier's expense unless the master proposes that the passenger continues the voyage on board another ship similar to the original ship.

Article 179

If a passenger discontinues the voyage for any reason beyond his control, the fare shall be payable to the destination where he disembarked. The fare shall be payable in full if discontinuation of the voyage arises from an act perpetrated by the passenger.

Article 180

The carrier shall be liable for any damage to the passenger arising from the ship's delayed arrival in the agreed port or from failure the perform the obligations arising from the contract unless the carrier proves that this has been due to nay reason beyond its control.

The carrier shall be liable for the passenger's death or injury during the voyage unless the carrier proves that the death or injury have occurred because of any reason beyond its control. Any agreement exempting the carrier from such liability or determining it by a random sum shall be null and void.

Article 181

The passenger's luggage shall be subject to all the provisions with respect to carriage of goods if a freight receipt has been issued.

If the luggage remains in the passenger's custody without issuing a freight receipt in respect thereof, the carrier shall not be held responsible for its damage or destruction unless the passenger proves that the damage or destruction has been caused by the act of the carrier, its servant or any person acting on its behalf. Any agreement to the contrary shall be null and void.

Article 182

The carrier shall have the right to seize the passenger's luggage kept on board the ship and to place a lien over the proceeds resulting there from as security for its rights arising form the carriage contract.

Article 183

Claims arising from contracts act carriage of passenger's and their luggage for which receipts have not been issued shall lapse with the passage of a one-year period. However, if the claim arises from an act which has a criminal nature, it shall only lapse with the expiry of criminal proceedings.

Such period shall commence from the date of the contract or from the date of the occurrence of the act from which arises the relevant right.

Article 184

Provisions of Articles 180, 181 and 183 shall apply to the carriage of persons by sea for a non-cash consideration.

In the event of free of charge carriage, the carrier shall not be liable unless the passenger proves that damage have arisen from an act of fraud or gross error committed by the carrier, any person acting on its behalf or one of its servants.

CHAPTER FIVE: Towage and Pilotage

Section 1 Towage

Article 185

Both the ship undertaking the towage operation and the vessel which is being towed shall be jointly liable for damages sustained by third parties by reason of the towage operation unless the engines of the towed ship are out of order in which case it shall not be held liable.

Should the towed ship be held responsible, then liability shall be divided between it and the towing ship in proportion to the magnitude of the fault committed by either.

Article 186

The towing ship shall be liable for damages sustained by the towed ship unless the former proves that such damages have arisen from any force majeure, sudden accident, latent defect in the towed ship or any fault committed by its master.

The towed ship shall not be liable for any damage sustained by the towing ship unless the former is responsible for causing such damage.

Section 2 Pilotage

Article 187

Pilotage is compulsory in the state ports prescribed by law.

Pilogage, areas of operation, basis and additional fees charged in respect thereof and penal action shall be governed by the relevant laws, Amiri Decress and ministerial orders.

PART IV

MARINE ACCIDENTS

CHAPTER ONE: Collision

Article 188:

If any collision takes place between seagoing ships, compensation payable in respect of damages suffered by ships, cargo and persons on board shall be settled in accordance with the provisions of this chapter.

The aforesaid provisions shall be applicable, even if no actual collision has taken place, to compensate for damages caused by one ship to another, cargo or persons on board such ship where the said damages are caused by the ship's movement or its failure to make such movement or by any breach of the rules and regulations set down by international conventions or by national statutes governing sea navigation.

Article 189

If any collision has been caused by a force majeure or if there is any doubt as to the reasons therefore of if such reasons have not been established, then each ship shall be responsible for her own damages. This rule shall be applicable if both ships and either ship is berthed at the time of the collision.

Article 190

If the collision arises from the fault of a particular ship, it shall be liable for payment of compensation for the damage resulting from the collision.

Article 191

If two ships are jointly responsible for the collision, the liability of each shall be assessed in proportion to the fault of each.

However, if circumstances prevent the determination of the extent of the fault committed by each ship or if it has been established that they are equally responsible for such accident, liability shall be equally divided between them.

The ships shall be held responsible to the extent of the proportion set forth in the preceding paragraph and shall be severally liable toward third parties for the damages suffered by the ships, cargo, luggage or other property belonging to seamen, passengers or other persons on board the ship.

Liability shall be joint if the damages have arisen from death or injury of persons on board the ship. The ship, which pays more than its proportionate share, shall have recourse to the other ships in respect of the difference each to the extent of its particular share.

Article 192

The liability set forth in this chapter shall arise if the collision takes place as a result of the pilot's fault even if pilotage is compulsory.

Article 193

Default shall not be presumed in respect of liability arising from collision.

Article 194

The master of each ship involved in a collision shall come to the assistance of the other ship, its seamen and passengers as far as possible without putting his ship, seamen and passengers into any grave danger. He shall as far as possible notify the other vessel of the name of his ship, port of registration, port of departure and destination.

Neither the ship-owner nor the operator shall be held liable for any breach of any of the foregoing provisions.

Article 195

A plaintiff may commence action in respect of collision before any of the following events:

- (a) The court of laws in the defendant's domicile or the court having jurisdiction in the locality where the centre of employing the ship is situated.
- (b) The competent court in the port where the defendant's ship is registered.
- (c) The court of the place wherein the attachment has been placed on the defendant's ship which has caused the damages, or on another vessel owned thereby if such attachment is admissible, or the court of the place where the attachment should have been placed but instead the defendant has provided a surety or another guarantee.
- (d) The court of the place wherein the collision has taken place, should it occur in ports, harbors or territorial waters.

If the plaintiff elects any of the above mentioned courts, it may not file another court action based on the same facts before another court, unless the earlier action is abandoned.

Litigants may agree to file action before any court not listed in the first paragraph, or alternatively to refer the dispute to arbitration.

The defendant may file its counter claims arising from the same collision before the court hearing the original action.

In case there are several litigants of whom one has filed action before any court having jurisdiction, the other litigants may file claims against the said litigant in respect of the same collision before this court.

Article 196

Claims for compensation arising from collision shall lapse with the passage of two years from the date of the accident.

However, the right to recourse referred to in article 191 shall lapse with the passage of one year from the date of payment.

The period set forth in the preceding two paragraphs shall not apply if it is not possible to impound the ship claimed against in Bahrain territorial waters. This prerogative shall be enjoyed exclusively by persons having Bahraini citizenship and having their domiciles therein.

Article 197

The provisions of this chapter shall not apply to warships or state-owned ships intended for non-commercial purposes.

CHAPTER TWO: Salvage and Rescue

Article 198

The provisions of this chapter shall be applicable to salvage and rescue of seagoing ships which may be in danger, persons and cargo carried on board and freight.

Article 199

Each act relating to salvage and rescue shall create the right to a fair remuneration if such act procures a fruitful result meanwhile, no remuneration shall be payable where salvage or rescue shall be of no effect.

In all cases, the said remuneration shall not be in excess of the cargo saved.

The remuneration shall be payable if salvage or rescue has taken place between ships owned by one person.

Article 200

Persons who have participated in salvage operations shall not be entitled to any remuneration, if the ship to which salvage has been offered has expressly prevented them from salvage thereof for a justifiable cause.

Article 201

In the event of towage or pilotage no remuneration shall be payable to the vessel undertaking such operations for the salvage of the ship being towed or piloted or the cargo on board unless the towing or pilot ship offers extraordinary services which are not normally part of towage or pilotage operations.

Article 202

The remuneration amount shall be reckoned by the two parties, otherwise it shall not be reckoned by the court law. The same method shall be used for determining the proportionate distribution of the remuneration among the ships which have taken part in salvage operations, and the same shall apply to the proportionate distribution amongst the owner of each ship, its master and seamen.

If the vessel which has undertaken the rescue or salvage operation is a foreign ship, the remuneration shall be proportionately paid to the ship owner, master and persons employed in the service thereof in accordance with the laws of the state whose flag is carried by the vessel.

Article 203

Remunerations shall be payable in respect of rescue of persons and be determined by the court of law. Likewise, the court may exempt the rescued person from paying any amount if justified by his financial conditions.

Persons who have undertaken rescue operations shall be entitled to a fair share of the remuneration payable to those who have salvaged the ship and cargo in connection with the same accident. Any person involved in any rescue operation may not combine the said share and the remuneration referred to in the preceding paragraph.

Article 204

The court of law may, upon the request of either party, invalidate or modify any salvage or rescue agreement entered into at the time of danger and under the influence thereof if it establishes that the terms of the agreement are unfair.

In all cases, the court of law may upon the request of the parties concerned invalidate or alter the aforesaid agreement if it is established that the consent of either party has involved an act of fraud or that the remuneration is not proportionate to the services rendered.

Article 205

In deciding the amount of remuneration, the court of law shall give due regard to the two principles hereunder mentioned in the following order:

First: The extent of the benefit gained from salvage or rescue, efforts of salvors and efficiency thereof, the danger which threatened the ship that has been saved, its passengers, seamen and cargo carried by the said ship, the danger which threatened the salvors and the ship undertaking the salvage and its passengers, seamen and cargo, time spent in such salvage operations, expenses and damages arising there from, liability and such other risks to which salvors were exposed, value of tools and equipment used with due regard for such ships which are intended for rescue and salvage, if necessary.

Second: Value of the cargo and items rescued.

Article 206

Upon the distribution of remunerations amongst salvors, in case they are several persons, the court of law shall take into account the two principles set out in the preceding article.

The court of law may decide to reduce or cancel the remunerations if it is established that the salvors have committed faults that necessitated salvage and rescue, or have committed thefts or concealed stolen articles or perpetrated any fraudulent acts.

Article 207

Every master shall as far as possible and without putting his ship, seamen or passengers at any serious risk offer assistance to every person at sea who is in danger threatening his life, even though he is and enemy.

This obligation shall be performed by any pilot if the rescue operation undertaken does not put his aircraft, crew or passengers at risk.

The master of a ship or pilot of any aircraft in default of offering the assistance referred to in the foregoing two paragraphs shall be liable for punishment with imprisonment for a period not exceeding two years and a fine not less than BD 100 and not exceeding BD 500, or either punishment. Neither the ship owner nor operator shall be held liable for any compensation adjudged in favor of any third party by reason of such offence.

Article 208

Claims for remunerations arising from salvage and rescue operations shall lapse after two years from the date of undertaking salvage and rescue operations.

The said period shall not apply if it is not possible to impound the ship to which salvage has been undertaken in Bahrain's territorial waters. This prerogative shall inure to the benefit of persons having Bahrain citizenship or having their domicile therein.

Article 209

The provisions of this chapter shall not apply to warships nor to state-owned vessels intended for non-commercial purposes.

CHAPTER THREE: General Average

Article 210

General average losses shall be subject to the terms and conditions agreed upon the parties concerned and in the absence of any such agreement the provisions set forth in this chapter and the principles laid down by maritime custom and usage, particularly the York-Antwerp rules, shall apply.

Article 211

There shall be considered as general average loss an extra ordinary sacrifice or expenditure which is intentionally and reasonably made or incurred for the common safety for the purpose of preserving from peril threatening the ship or cargo. General average losses shall include the following in particular:

- (a) Jettison of cargo and damage done to a ship or cargo by in consequence of such sacrifice.
- (b) Voluntary stranding of a ship for the common safety, damage to or loss of sails and damage to machinery and boilers of a ship which is in a position of peril in endeavoring to reflect and damage done to ship or cargo by reason thereof.
- (c) Damage to a ship and cargo, or either of them, by water or otherwise, including damage by beaching or scuttling a burning ship, in extinguishing a fire on board the ship, shall be made good as general average; except that no compensation shall be made for damage to such portions of the ship and bulk cargo, or to such separate packages of cargo, as have been of fire.

- (d) Expenses lightening a ship when grounded and the extra cost of lightening, lighter hire and re-shipping shall be admitted as general average.
- (e) Ship's materials and stores, or any of them, necessarily burnt for fuel for the common safety at a time of peril, shall be admitted as general average when and only when an ample supply of fuel had been provided.
- (f) When a ship which enters a port or place of refuge or returns to her port or place of loading in consequence of extraordinary circumstances, which render that necessary for common safety, the expenses of entering such port or place shall be admitted as general average. When a ship is at any port or place of refuge and is necessarily removed to another port or place because repairs cannot be carried out in the first port or place, the costs shall be admitted as general average.
- (g) The cost of handling on board discharging cargo, fuel or stores whether at a port or place of loading, call or refuge, shall be admitted as general average when the handling or discharge was necessary for the common safety or to enable damage to the ship caused by sacrifice or accident to be repaired, if the repairs were necessary for the safe continuation of the voyage. Whenever the above costs are admissible as general average, the cost of reloading and stowing such cargo, fuel or stores on board the ship together with all stowage charges including insurance on such cargo, fuel or stores shall likewise be so admitted.
- (h) Cost of repairs of a ship in a port or place of call.
- (i) Wages and maintenance of master, officers and crew reasonably incurred and fuel and stores consumed during the prolongation of the voyage occasioned by a ship entering a port or place of refuge or returning to her port or place of loading for repairs shall be admitted as general average, provided that the said repairs shall be made within a reasonable period to make the ship ready to proceed upon her voyage.
- (j) Loss of freight shall be made good as general average after deducting cost of collection when the loss is caused by a general average act unless it is agreed that freight shall be payable in all cases.
- (k) Costs of rescue and salvage undertaken for a ship
- (l) Expenses of settlement relating to general average losses.

Article 212

The onus of proof is upon the party claiming in general average to show that the loss claimed is properly allowable as general average; otherwise the loss shall be deemed as private.

Article 213

Rights to contribution in general average shall not be affected, though the event which gave rise to the sacrifice or expenditure may have been due to the fault of one of the parties to the voyage; but this shall not prejudice any remedies which may be open against that party for such fault.

The party responsible for the aforesaid fault may not put forward any claim that the loss or damage sustained is properly allowable as general average. However, the damage arises from the master's fault and relates to navigation, the operator may demand suffered be considered a general average loss.

Article 214

Only such losses, damages or expenses which are the direct consequences of the general average act shall be allowed as general average.

Loss or damage sustained by the ship through delay and any indirect loss whatsoever, such as loss of market or otherwise, shall not be admitted as general average.

Article 215

Any extra expense incurred in place of another expense which would have been allowable as general average shall be deemed to be general average and so allowed, but only up to the amount of the general average expense avoided.

Article 216

Cargo stowed on deck which is not in the usual or proper place of stowage shall give rise to a general average contribution, if saved. If the cargo is jettisoned, the owner of such cargo may claim a general average contribution if he proves that he disapproved of the manner of stowage.

This rule shall not apply to coastal navigation between Bahrain ports.

Article 217

Damage or loss caused to goods loaded without the knowledge of the master or to goods willfully miss described at the time of shipment shall not be allowable as general average.

Damage or loss caused to goods which have been wrongfully declared on shipment at a value which is lower than their real value shall be contributed for at the declared value.

However, if the goods, which are loaded without the knowledge of the master or which have been wrongfully declared or mis-described, are saved, such goods shall contribute to general average upon their actual value.

Article 218

Rights and contributions arising from general average losses shall fall under two categories: losses and contributions.

Article 219

Losses shall consist of the expenses and damages which are allowed as general average losses and shall be adjusted in the manner hereunder mentioned:

- (i) Loss suffered by the ship shall be determined by the amount of reasonable costs incurred towards repairs and replacement of damaged parts, subject to deduction in respect of "new for old" according to custom and usage and proceeds of selling damaged parts. When the ship is not repaired, reasonable depreciation shall be allowed. Where there is an actual or constructive total loss of the ship, the amount to be allowed as general average for damage or loss caused by a general average act shall be estimated sound value of the ship after deduction there from the estimated cost of repairing damage which is not general average and the proceeds of sale of the wreckage, if any.
- (ii) The amount to be made good as general average for damage or loss of goods shall be the loss sustained based on the market sound value of the goods. In case of damage, this amount shall be based upon the difference between the sound value and damaged value at the last day of discharge of the vessel at the intended port of arrival or at the termination of the voyage where this ends at a place other than the original destination. Where goods so damaged are sold, the loss to be made good in general average shall be the difference between the net proceeds of sale and the net sound value at the last day of discharge of the vessel or at the termination of the voyage where this ends at a place other than the original destination.

Article 220

A commission of 2 per cent of general average disbursements, other than the wages and maintenance of master officers and crew and fuel and stores not replaced during voyage, shall be allowed in general average.

In none of the parties concerned makes payment of the required general average contributions, expenses incurred towards the collection of such contributions, or the equivalent thereof, are allowed in general average.

Article 221

A contribution to a general average shall be made upon the actual net values the property at the termination of the adventure to which value shall be added the amount made good as general average for property sacrificed.

Deduction shall be made from the ship owner's freight and passage money at risk of such charges and crew's wages as would not have been incurred in earning the freight had the ship and cargo been totally lost at the date of the general average act. Deduction shall also be made from the value of the property of all charges incurred in respect thereof subsequently to the general average act, except such charges as are allowed in general average.

Article 222

Passenger's luggage and personal effects not shipped under not shipped under bill of lading shall not contribute in general average. However, if such luggage or personal effects are damaged or lost they shall contribute to general average losses to the extent of their estimated value.

Article 223

Interest shall be charged at the rate of 5 per cent per annum on the total amounts included in general average losses. This interest shall continue to be charged until the date of the general average statement, due allowance being made for any interim disbursement from the contributory interest prior to final settlement.

Article 224

Where cash deposits have been collected from cargo owners in respect of cargo's liability for general average, such deposits shall be paid without delay into a special account in the joint names of a representative nominated on behalf of the depositors in a bank to be approved by both. The sum so deposited, together with accrued interest shall be held as security for payment of the general average to the parties entitled thereto. Payments on account or refunds of deposits may be made if certified to in writing by the average adjuster. Such deposits and payments or refunds shall be without prejudice to the ultimate liability of the parties.

In case of any dispute, the relevant court of law shall nominate a representative of the cargo owners and the bank where such deposits shall be kept.

Article 225

General average losses shall be divided amongst all the parties concerned with the voyage.

Article 226

General average losses shall be adjusted by one adjuster or more to be appointed by the appropriate court in the event of disagreement between the parties concerned on the appointment thereof. The said adjusters may seek the assistance of others in the performance of their duties.

Article 227

Each party may be absolved from liability to contribute to general average losses by relinquishing its property which is included in the contribution prior to taking receipt thereof.

Article 228

If the adjustment is not acceptable to all the parties concerned, it shall be referred to the appropriate court of law upon the request of any of the said parties to judge this dispute.

Article 229

The master may abstain from delivering the cargo under liability for general average contributions unless the owner thereof provides adequate guarantees for payment of its share of such contributions. If the two parties disagree as to such guarantees, the master shall be referred to the president of the appropriate court for the appointment of an expert to make a provisional estimate of the contribution to the aforesaid losses and in view of such estimate the required guarantee amount shall be determined. The president of the appropriate law court may for the purpose of obtaining the aforesaid guarantee order the sale of all or some of the cargo. Such sale shall be subject to the provisions of the commercial sale of mortgaged articles.

Article 230

Debts arising from general average losses shall be considered as privileged debts.

These privileged debts shall arise in respect of the sums payable to the ship's operator for the goods which have been salvaged or proceeds of sale thereof.

As regards amounts due to cargo owners, they shall have a lien over the ship which has been saved, its freight and appurtenances. Provisions of privileged maritime rights shall apply to the said lien.

Expenses incurred towards adjustment of general average losses shall be satisfied prior to any other debts.

Article 231

The parties contributing to general average losses shall not be held jointly liable. However, if one of their number fails to contribute to such losses, the share of such party or the part which remains unpaid shall be divided amongst the other parties in proportion to their respective contributions to general average losses.

Article 232

A demand for participation in adjustment of general average losses sustained by the goods shall not be accepted unless the ship's operator or master are duly notified in writing within 30 days from the date of receiving the goods. If this demand is connected with the damages sustained by the ship, the cargo owners shall be notified thereof within the aforesaid period which commences from the date of termination of the voyage.

Article 233

Claims with respect to contributions to general average losses shall lapse after the passage of two years from the date of the ship's arrival at its destination or at the point of termination of the voyage.

In addition to the reasons set forth in the civil law, prescription shall cease upon the appointment of an adjuster in which case a new prescription period shall apply in respect of the same period commencing from the date of signing the adjustment of general average losses from the date of terminating the adjuster's employment.

PART V

MARINE INSURANCE

Article 234

The provisions of this part shall be applicable to any insurance contract whose subject matter is protection from perils relating to a certain voyage.

Agreement may be made to violate these provisions unless they are mandatory.

CHAPTER ONE:

General Provisions

Section 1 Insurance contracts

Article 235

An insurance contract is only valid if it is in writing.

An insurance policy containing the conditions of the contract may be either formal or informal. Any amendments to this policy shall be confirmed in writing. Moreover, any interim insurance policy issued by the insurer shall be binding upon both parties.

Article 236

An insurance policy shall be taken out in the name of the insured, to his order or to the bearer; an insurance contract may be executed in favor of an unspecified person.

The legal holder of the policy shall have the right the claim damages. The insurer may protest against him using such please as he may use towards the original contracting party even though the insurance policy is issued in favor of certain persons or to the bearer.

Article 237

An insurance policy shall contain such details as date of insurance contract giving the day and time, place of concluding the contract, insurer's name, insured's, nationality, capacity if the contract is made for the account of a third party, insured property, risks covered by insurance and those expected there from, area, sum insured and amount of premium.

The policy shall be signed by the insurer or by its representative.

Article 248

The insured shall be responsible for payment of premium, charges and fees at the place and on the date mutually agreed upon. The insured shall exert due diligence to protect the ship or cargo, and shall upon execution of the contract give a true account of the circumstances of which he may have enable the insurer to access the risks for which the insurance cover is taken out. The insured shall during the continuance of the contract keep the insurer informed of any increase in the extent of such risks to the extent of its knowledge thereof.

Article 249

An agreement may be made under which the insurer shall be exempted from indemnifying the damages to the extent laid down under the terms of the contract and the proportion of such exemption shall be reduced from the compensation amount unless it is mutually agreed that the compensation shall be payable in full where the damages exceed the extent of the exemption.

In all cases, the said exemption shall be reckoned after deducting the value of normal shortfall suffered by the insured property in the course of the voyage.

Article 250

If the insured fails to pay the premium when due, the insurer may order cessation of the insurance or termination of the contract. Cessation of the insurance or termination of the contract shall only be effective after the elapse of fifteen days from the date of serving notice to the insured demanding payment. The said notice may be given by a registered letter with a delivery note or by a telegraph.

The notice in respect of cessation of the insurance shall not bar the service of another notice in respect of terminating the contract in so far as the premium and other charges remain unpaid.

The insurance contract shall have effect in future after the elapse of twenty four hours form the payment of the premium and other charges.

Termination of the contract shall result in the refund by the insurer of the premium in proportion to the risks involved without prejudice to payment of any due compensation.

The cessation of insurance or termination of the contract shall be of no effect towards any bona fide third party to whom title to the insurance policy has been transferred before the occurrence of any accident and before giving notice with respect to cessation or termination.

In case of the occurrence of an accident, the insurer may demand in its relationship with third parties, a set-off to be made to the extent of the outstanding premium.

If the insurance contract is conditional upon a good or bad news clause, it shall not become null and void unless it is proved that the insured was personally aware of the destruction of the insured property, or that the insurer was aware of the arrival of the insured property.

Additionally, the insurance contract shall become null and void if the insured is made aware of the destruction of the insured property after giving its instructions that insurance be taken out and fails as soon as practicable to revoke such instructions before signing the insurance contract.

Article 251

The insurer may terminate the contract if the insured is declared bankrupt or insolvent prior to payment of an outstanding premium following the service or notice thereto. Such termination shall be of no effect towards any bona fide third party to whom title to the insurance policy has been transferred before the occurrence of any accident and before giving notice with respect to termination. This right shall be exercisable by the insured in case of declaring insurer's bankruptcy.

Article 252

An insurance contract shall become null and void if the insured provides, even without intention to defraud, false information that may significantly undermine the insured's assessment of the risks involved. The insurance contract shall become null and void if the insured knowingly withholds any necessary details relevant to insurance resulting in undermining the insurer's assessment of the risks involved.

Nullification shall take place even if the false information or the details withheld have no connection with the damage suffered by the insured property.

The insurer shall have the right to the full premium amount if it is proved that the insured acted in bad faith. However, the insurer shall have the right to 50% of the premium only if the act is not perpetrated in bad faith.

Article 253

The insured shall keep the insurer duly informed of any circumstances which may arise during the continuance of the contract and resulting in increasing the risks covered by the insurer.

This requirement shall be met by a notice in writing to be given within 3 days from the date of knowledge thereof with the exclusion of public holidays. The insurer may terminate the contract unless notice is given within the aforesaid period.

If notice is given within the period specified in the preceding paragraph and if it is proved that the increase in the risks involved have not arisen from the insured's acts, the insurance shall remain effective against payment of an additional premium. Where the excess risks arise from the insured's act, the insurer may terminate the contract directly whilst maintaining its right to the premium, or keep the contract in effect whilst claiming an additional premium for the excess risks.

Article 254

An insurance contract made after the destruction or arrival of insured property shall become null and void if it is proved that reports of destruction or arrival reached the insurer's domicile before issuing orders to provide insurance cover, or reached the place of signing the insurance contract before actually being signed by the insurer.

Article 255

An insurer may demand the invalidation of the insurance contract if the insurance sum is in excess of the valued of the insured property and if it is proved that the insured is liable for a fraudulent act. In this case, the insurer shall be entitled to the full premium. Where the fraudulent act is not proved, the insurance contract shall be deemed valid to the extend of the value of the insured property. Then the insurer shall be entitled to claim 50% of the premium in respect of the excess amount.

Where the insurance sum is less than the real value of the insured property, the insured shall be liable for part of the damages in proportion to the difference in such value.

Article 256

Save for fraudulent acts, if the risk is insured against by several contractors, whether entered into on the same date or on different dates, and if the total insurance sum prescribed in property, the insurance contracts shall be deemed valid and the insured my have recourse to the extent of damages sustained towards the said several insurers who shall have the same rand in respect of the insurance sum for which each shall be liable in proportion to the real value of the insured property.

An insured who demands that damages be made good shall declare the existence of other insurances of which it is aware, otherwise its claim shall be unacceptable.

Every insurer shall have recourse towards other insurers to claim against each its share of the damages in proportion to the amount incurred. If any of the insurers is insolvent, its share shall be divided proportionately amongst other insolvent insurers.

In case of proving the insured's fraudulent acts, each of the several insurance contracts shall be subject to nullification upon the insurer's request.

In all cases, the bona fide insurer shall be entitled to the full amount of the premium.

Article 257

An insured shall take all precautionary measured and exert reasonable diligence for the protection and salvage of the insured goods. In the meantime, an insured shall take all the necessary steps for maintenance of the right to recourse towards any liable third party. The insurer may take such steps and measures provided that the taking of such action by the insured or by the insurer shall not have any effect on rights and obligations arising from the insurance contract.

The insured shall be held liable to the extent of the damage suffered by the insurer in consequence of the negligence of the insured's employees and servants in performing the obligations set forth in the foregoing paragraph. The insured shall also be liable for any legal action which may prevent the insurer from exercising its right to have recourse to legal proceedings.

Section 2

Adjustment of Damages

Article 258

Damages shall be adjusted by means of compensation unless the insured opts to abandon the insured property in the event where a special agreement or the law admits the pursuit of such course of action.

Article 259

Abandonment may be neither partial nor conditional. Abandonment shall result in transfer of title to the insured property to the insurer and subsequently to obligation to pay the full insurance cover. Transfer of title shall be effective towards the two parties as from the date of the occurrence of the accident.

Article 260

Upon the giving of notice of its desire to abandon the insured property, the insured shall declare all insurance contracts which may have entered into or which it has knowledge of the existence thereof. If

the insured provides any false statements in bad faith, it shall forfeit its right to benefit from the insurance.

Article 261

The insured shall prove the commencement of the occurrence of the risk. The damages shall be presumed to have taken place at the time and place specified in the insurance contract unless the contrary is provided by the insurer.

If the insurer wishes to absolve itself from liability it shall prove that the risk is not included in such risks which are covered by the insurance contract. Nevertheless, if the insurance is applicable to certain risks only, the insured shall prove that the accident arose from any such risks. Where the insured exercises its right to abandonment, it shall also be required to prove that the damages and circumstances of the accident confer upon him the right to elect the manner of abandonment.

Article 262

An insurer shall not be under any obligation to repair or replace the insured property.

Article 263

An insurer shall make payment in respect of the contribution of the insured property to general average losses, whether the adjustment of such losses is provisional or final, in proportion to the value of the insured property after deduction therefrom any particular average losses to be borne by the insurer, if any.

Article 264

Legal proceedings may not be instituted against the insurer with respect to any claim for compensation before the elapse of 30 days from the date of filing an application for payment, which application shall be accompanied by the supporting documents and the abandonment deed, if necessary. The insurer shall be exonerated upon the elapse of the aforesaid period. If an adjustment is not made during the said period, the insurer shall return the documents it has received.

Article 265

All rights arising from the damages covered by the insurance contract shall devolve to the insurer to the extent of the compensation paid with effect from the date of payment.

Section 3

Prescription

Article 266

Each claim arising from a marine insurance contract shall lapse with the passage of a two-year period. This period shall commence as follows;

- (a) From date of the premium's maturity with regard to claims for payment thereof.
- (b) From the date of the accident from which arises the claim with regard to demands for compensation for damages sustained by the ship.
- (c) From the date of the arrival of the ship, or the date on which it should have arrived in respect of claims for compensation for damages sustained by the goods. If the accident is subsequent to either date, prescription shall come into effect from the date of such accident.
- (d) From the date of the accident with regard to claims for adjustment of damages by means of abandonment. In case the contract specified a certain period for instituting abandonment proceedings, prescription shall come into effect from the expiry date of such period.
- (e) From the date on which the insured makes payments in respect of claims for general average contributions or claims for outstanding salvage recommendations.

- (f) From the date when third parties institute proceedings against the insured or from the date when the insured makes payment in respect of its claim towards the insurer occasioned by an third party recourse.

Article 267

Any claims for a refund of amounts paid under any insurance contract shall lapse with the passage of a two-year period. This period shall commence from the date of creation of the right to refund.

Article 268

The prescription referred to in the preceding two articles shall cease to have effect by the giving of a notice by registered mail or by delivering the documents with respect to the relevant claim as well as such other reasons which are prescribed by law.

CHAPTER TWO: Provisions applicable to certain Types of insurance

Section 1 Ship Insurance

Article 269

Ship insurance shall be taken out for one voyage or for several successive voyage or for a definite period.

Insurance may be limited to the period of the ship's stay in any port, dock, dry dock or any other place. A ship may also e insured in the stage of construction.

Article 270

In the event of insurance for a voyage, the insurer's cover shall come into effect from the date of loading until the date of unloading the cargo, provided that the insurance cover shall not be applicable under any circumstance whatsoever for more that 15 days after the arrival of the ship at her destination or from the date on which the goods are loaded at such destination in propagation for a new voyage.

If the ship is not loaded, the insurer's cover shall come into effect from the date of departure until the date of berthing at the destination specified in the insurance policy.

If the insurance covers several successive voyages, the destination specified in the insurance policy for the termination of the last voyage shall be deemed as the place determined for termination of the insurance contract.

Article 271

If the insurance is taken for a definite period, the insurer's cover shall commence and be terminated on the dates laid down in the contract.

However, if the ship is on the effective date of the insurance cover under repair from damages covered by the insurance, or if she is on a voyage whilst suffering from damages covered by the insurer, the insurance cover shall only be effective from the date of completing the repairs or termination of the voyage. In this case, a refund of part of the premium shall be made in proportion to the period during which the contract was not in effect.

Where the insurance contract is terminated when the ship is under repair or is still on a voyage whilst suffering damages and should the said repairs or damages be covered by such insurance, the insurance contract shall be extended to the date of completing the repairs or voyage.

In this case, the premium shall be increased to the extent of the additional cover.

Article 272

During the continuance of the insurance contract a ship shall continue to be covered by insurance at any place where she is present and in connection with the type of navigation stated therein.

Article 273

An insurer shall not be liable for damages arising from defects in the ship unless they are latent defects. An insurer shall not be liable for damages arising from the master's premeditated acts.

Article 274

Save for damages suffered by persons, an insurer shall be under obligation to pay any compensation whatsoever arising against the insured towards third parties in the event of collision of the insured's ship with another vessel or in case she crashes against any fixed, moving or floating object.

Notwithstanding the insurer's opposition, an insured may take out supplementary insurances to cover its liability arising from damages that may be caused by the ship but aren't covered by the foregoing paragraph or that may exceed the amount stated in the insurance policy. Such supplementary insurances shall have no effect towards the insured damages except in the event of inadequacy of the amount stated in the ship's insurance policy.

Article 275

If the ship's insurance is taken out for one voyage or for several successive voyages, an insurer shall be entitled to the full premium as soon as the insured risks come into effect.

Where the ship's insurance is taken out for a particular voyage, an insurer shall be entitled to the premium for the entire insurance period if the ship is totally destroyed or if the insured decides to abandon her providing the insurer is to be held liable for destruction or abandonment.

However, if the insurer is not responsible for destruction or abandonment, the premium shall be payable to the extent which corresponds to the period from the effective date of the insured risks to the date of the accident which caused the destruction or abandonment of the ship.

Article 276

The insurer amount shall remain as a cover for every accident which occurs during the continuance of the insurance policy notwithstanding the plurality of such accidents, unless policy two parties mutually agree on the insurer's right to claim a supplementary premium in consequences of every accident.

A settlement shall be made in respect of the accidents that may occur during each voyage whether the insurance is taken out for one voyage, for several successive voyages or for a definite period.

A voyage as defined under the terms of the first and second paragraph of article 270 shall be deemed as one unit for the purpose of settlement of accidents occurring in the course thereof, whether the insurance is taken out for one voyage, for several voyages or for a definite period.

A separate settlement shall be made in respect of every individual accident occurring but not related to a particular voyage.

Article 277

In case of settlement of the insurance by means of compensation, and insurer shall incur the costs of replacing parts and necessary repairs required for rendering the ship seaworthy, but such insurer shall be under no obligation to pay other compensation arising from any depreciation of the ship's value, unemployment thereof or from any other cause.

The value of parts replaced shall be reduced to the extent of the difference in value between new and old parts unless otherwise agreed upon.

Article 278

An insured may abandon the ship in the following events:

- a) If no news is heard from the ship for three months from the date of receiving the last reports there from. The ship shall be presumed lost as from the date of receiving the said reports.
- b) If the ship is totally destroyed.
- c) If the ship sustains any damage beyond repair or if its repair is not feasible owing to unavailability of the necessary equipment at the place where the ship is docked unless she can be towed to another place where she may be repaired.
- d) If the costs of repairing the ship equal at least 75% of the value thereof.

Article 279

Where the insurance covered war risk, an insured may exercise its right to abandon the ship in the event of her capture, seizure or detention upon an order from public authorities if the ship is not recovered within four months from the date of notifying the insurer of the occurrence of the accident.

Article 280

Insurances taken out in respect of several ships belonging to one operator shall be settled as though each vessel belongs to an independent operator.

Cargo and other property of the operator on board the ship shall be considered by the insurer as if they are owned by third parties.

Article 281

If the ship's ownership is transferred, the insurance cover shall remain in effect by virtue of the law in favour of the new ship owner, provided that notice shall be given to the insurer within 15 days from the date of transfer of title thereto. Meanwhile, the new owner shall perform all the obligations for which the former insured owner was responsible under the terms of the insurance contract. For the purpose of determining the aforesaid period, public holidays shall not be reckoned as part of such period.

Article 282

The original insured shall remain liable towards the insurer for payment of premiums due as at the date of transfer. However, the insurer may terminate the contract within one month from the date of receiving notice concerning transfer of ownership, in which case the contract shall remain in effect for a 15-day period from the date of the month termination notice.

In the event failure to give notice with respect to transfer of ownership within the period prescribed in the first paragraph, the insurance cover shall be deemed suspended upon the expiry of the said period. Then the insurance contract shall come in to effect after the expiry of 24 hours from the date of serving the aforesaid notice. The insurer shall be responsible for refunding part of the premium in respect of suspending the insurance contract.

Article 283

If an insurance cover is taken out in respect of the ship's hire without stipulating that it shall be payable in all cases, the insurance cover shall only apply to 60% of the said insurance cover unless otherwise agreed upon.

In insuring the hire, the insurer shall only provide cover for the contribution of the said hire to general average losses and payment of hire due to the insured in the event of abandoning the ship by reason of an insurable risk that is to the extent of the insured sum, provided that the operator shall prove in the events set forth in the third and fourth paragraphs of article 278 that it was not able to transport the goods to the port of arrival.

Article 284

If the insurance covers the seamen's wages, costs of their repatriation and expected earnings, the insurer shall be liable for compensating for the damages arising from any insurable marine risk should the claimant prove that the damages relate to the substance of the insurance.

Section 2

Cargo insurance

Article 285

Cargo insurance shall be provided by means of one policy for one voyage or by a floating policy.

Article 286

Cargo shall be continuously covered by insurance at any place in the course of the voyage as determined by the two contracting parties. Nevertheless, an insurer may increase the premium in the goods remain in any port, or if their transit or reloading on board another vessel takes an unreasonable period, or if the ship undertaking the carriage thereof takes refuge in any port or deviates from its normal route subject always to the provisions of Article 253.

If the cargo is subject in the course of the voyage to any land, river or air transport, the rules of marine insurance shall be applicable thereto during the period of such transport unless otherwise agreed upon.

Article 287

The insurance cover may not be more than the normal value of the cargo at the place and date of loading to which shall be added expenses incurred towards carriage thereof to the port of arrival and expected profit margin.

Article 288

Losses which are sustained by the goods shall be estimated at the difference between damaged value and sound value at the same time and place. Any depreciation in value shall be applicable to the insurance cover.

Article 289

In insured may abandon the cargo to the insurer in the following events:

- a) If no news is heard from the ship for three months from the date of receiving the last reports there from. The ship shall be presumed missing on the date of receiving the said reports.
- b) If the ship becomes unseaworthy before commencing the carriage of goods in any manner to the agreed destination within 3 months from the date of unseaworthiness notice given by the insured to the insurer.
- c) If the goods are sold during the voyage because of sustaining material damages.
- d) If the cargo is lost, totally destroyed or damaged to an extent which equals at least three quarters of its value.

Where the insurance covers war risks, the insured may exercise its right to abandon the cargo in case the ship is captured, seized or impounded by order of public authorities unless the cargo is kept at the insured's disposal within four months from the date of giving notice to the insurer of the occurrence of the accident.

Article 290

If the insurance is taken out under a floating policy, it shall include the terms and conditions governing the obligations of the insured and insurer, the maximum amount payable for each consignment and the

premiums. Details relating to the insured cargo, voyages, ships and such other particulars shall be contained in schedules to be issued in respect of each separate consignment.

Article 291

Under a floating policy, the insured shall give notice to the insurer of the shipments hereunder mentioned for which the insurer undertakes to provide insurance cover:

- a) All shipments made for the insured's account, or for the execution of purchase or sale contracts under which the insured is required to arrange for insuring them. Insurance shall automatically cover the said shipments upon the occurrence of the insurable risks, provided that the insured shall give notice in respect thereof on the date provide for in the contract.
- b) All shipments made for the account of third parties when the insured is entrusted with providing insurance cover therefore providing that the said insured shall have and interest in the shipment in its capacity as a commission agent, agent taking custody of goods or such other capacity. These shipments shall not be covered by insurance except from the date on which notice is given to the insurer in respect thereof. A floating policy shall not be applicable if the insured's capacity is limited to the execution of instructions given by third parties for providing insurance cover.

Article 292

If the insured intentionally contravenes the obligations set forth in the foregoing two articles, the insurer may immediately terminate the contract and recover any payments made in respect of accidents relating to shipments made in consequences of the occurrence of the first contravention. The insurer shall by way of compensation claim payment of premiums in respect of shipments for which notice is not given.

Section 3

Liability insurance

Article 293

In case of liability insurance, the insurer shall not be under any obligation to pay any compensation for the accident stated in the insurance policy unless the injured third party files a personal or legal claim against the insurer.

Article 294

In several liability insurances are taken out, each insurer shall be held liable for each individual accident to the extent of the amount stated in the insurance policy notwithstanding plurality of accidents.

Article 295

Any person undertaking construction or repair of ships may take out a liability insurance to cover its liability for damages suffered by the ship or by third parties. Such insurance shall be subject to marine insurance provisions if mutually agreed upon.

Article 296

The Minister for Finance and National Economy shall issue the necessary orders for implementation of the provisions of this Code.

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