



Circular

Ref: 4/12

FEBRUARY 2012

OUTLINE

- Members who can trade lawfully with sanctioned countries are reminded that financial sanctions may restrict the Club's ability to protect them in the event of a P&I incident
- Members are recommended to review Rule 5V (Sanctions risks) reproduced below
- In addition to following Club advisories on its website, Members should take their own measures to establish whether intended voyages are lawful and insurable

TO THE MEMBERS

Dear Sirs

SANCTIONS REGIMES

Members should be aware that sanctions regimes can impact their businesses and can impact the ability of the Club to provide practical assistance or cover if voyages are undertaken that involve an applicable prohibition on carriage, insurance or financial transactions.

There have in particular been a number of recent updates to sanctions regimes regarding Iran and Syria, reported in previous UK Club bulletins and recorded on the UK Club website through the following link page.

<http://www.ukpandi.com/knowledge-developments/industry-developments/international-sanctions/#c27002>

Members are advised to ensure they have read the advice contained in the linked pages and to consult with their lawyers if uncertain as to whether they may lawfully perform an intended voyage or trade. These pages include the recent International Group FAQ document concerning the EU Council Decision 2012/35 dated 23rd January 2012 relating to Iran sanctions.

The Managers are conscious that Members are impacted by sanctions regimes in different ways, depending on where they are based and which regimes are applicable to them. Those who are able to trade lawfully to States targeted by sanctions regimes - because the regimes are not applicable to them or because they permit the trade in question - should nevertheless be aware that restrictions on financial transactions, on dealings with designated parties, and on provision of insurance, may potentially restrict the ability of the Club to help and protect them in the event of a P&I incident.

Club Rules

Members are reminded that the Club's Rule 5V addresses sanctions risks. The Rule was updated in 2011 and the current sanctions Rule for the 2012/12 policy year is set out in full below. All clubs in the International Group rely upon Pooling and reinsurance provided by entities that are subject to European or US sanctions laws, and all clubs have provisions in their Rules to exclude cover to the extent that a club is not permitted to insure or cannot recover from the Pool or reinsurers.

Rule 5V Sanctions risks

- i The Association shall not indemnify an Owner against any liabilities, costs or expenses where the provision of cover, the payment of any claim or the provision of any benefit in respect of those liabilities, costs or expenses may expose the Association to any sanction, prohibition, restriction or adverse action by any competent authority or government.
- ii The Owner shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs or expenses which is not recovered by the Association from any party to the Pooling Agreement and/or from any reinsurer because of a shortfall in recovery from such party or reinsurer by reason of any sanction, prohibition or adverse action by a competent authority or government or the risk thereof if payment were to be made by such party or reinsurer. For the purposes of this paragraph, "shortfall" includes, but is not limited to, any failure or delay in recovery by the Association by reason of the said party or reinsurer delaying payment or making payment into a designated account in compliance with the requirements of any competent authority or government.
- iii Notwithstanding, and without prejudice to, any other provisions of these Rules, the Directors may terminate the insurance of an Owner in respect of any and all ships entered by him where, in the opinion of the Directors, the Owner has exposed or will expose the Association to a material risk of being or becoming subject to a sanction, prohibition, restriction or other adverse action by a competent authority or government, which may materially affect the Association.

The Managers continue to monitor the sanctions regimes, will regularly update the UK Club website, and endeavour to provide clarification and advice to Members where possible. Members should, however, take their own measures to satisfy themselves that their intended voyages are lawful and insurable and should consult with their lawyers in case of any doubt.

Yours faithfully

THOMAS MILLER (BERMUDA) LTD.

CONTACT

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