



Circular

Ref: 11/10

JULY 2010

OUTLINE

- Rule 5(J)(ii) introduced at February 2010 gives the Directors power to terminate a Member's insurance if his activities expose the Club to sanction
- Club circular (Ref no. 10/10) advised Members of the enactment on 1st July 2010 of CISADA a new US law revising US economic sanctions against Iran
- Under the terms of CISADA, the export of refined petroleum products (RPP) to Iran (amongst other activities) is subject to the imposition of sanctions by the US
- The Club Board considers that the risk to the Association of a sanction under CISADA is material within the terms of Rule 5(J)(ii)

TO THE MEMBERS

Dear Sirs

U.S. COMPREHENSIVE IRAN SANCTIONS, ACCOUNTABILITY AND DIVESTMENT ACT OF 2010 (CISADA)

At their meeting on 12th July 2010, the Directors considered the implications for the Association of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, which was enacted in the United States on 1st July.

Under this Act, which was drawn to the attention of Members in the Club's circular 10/10 posted on the website on 2nd July, the exportation of Refined Petroleum Products (RPP) to Iran, amongst other activities, is identified specifically as a sanctionable activity and any person who knowingly sells or provides RPP to Iran or sells, leases, or provides to Iran goods, services, technology, information, or support that could directly and significantly contribute to the enhancement of Iran's ability to import RPP is subject to the imposition of sanctions by the United States. In this connection, underwriting or entering into a contract providing insurance or reinsurance for the provision of such goods or services, as well as providing ships or shipping services to deliver RPP to Iran are specifically identified as sanctionable activities.¹ RPP is defined as "diesel, gasoline, jet fuel (including naphtha-type and kerosene-type jet fuel) and aviation gasoline".

¹ The relevant section (Section 5(a)(3)(B) of the Iran Sanctions Act, as amended) reads: "Goods, services, technology, information, or support described in this subparagraph are goods, services, technology, information, or support that could directly and significantly contribute to the enhancement of Iran's ability to import refined petroleum products, including - (i) except as provided in subparagraph (C), underwriting or entering into a contract to provide insurance or reinsurance for the sale, lease, or provision of such goods, services, technology, information or support; (ii) financing or brokering such sale, lease, or provision; or (iii) providing ships or shipping services to deliver refined petroleum products to Iran."

The Board reviewed the terms of Rule 5(J)(ii), which was introduced for the 2010 policy year and reads as follows:

"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 Board considered that the risk of the Association being or becoming subject to a sanction under the CISADA legislation was a material risk in the context of this Rule and that any such sanction would have a material effect on the Association.

Although any such case will be considered by the Directors on its individual circumstances, the Board wishes to draw the attention of Members to the power the Directors have under this Rule to terminate the insurance of a Member in respect of any ships where the Member has exposed or will expose the Club to a material risk of sanction under the terms of CISADA 2010.

Yours faithfully

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CONTACT

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