

CIRCULAR

To the Members

Sanctions and P&I cover

This circular is to remind you of the interaction between sanctions and P&I cover.

Sanctions are imposed on certain countries by the United Nations, the European Union, the United States and some other countries, and some sanctions which have direct or indirect impact on the shipping industry have been strengthened in recent years.

Members are strongly advised to undertake due diligence before fixing transactions involving sanctioned countries or persons, or before fixing their vessels for trading to or from sanctioned countries.

Members should be aware of the relevant provisions of club's rules in respect of sanctions, i.e. Rule 11, Rule 36 (as quoted below) and the Special Clause For Voyages Affected By Sanctions, whereby cover could be prejudiced. All other IG clubs have similar rules.

RULE 11 CESSATION OF INSURANCE CONTRACT

- 3 The Association may cancel the contract of insurance in any events mentioned in any item set out in subparagraphs (1) to (3) below in addition to other provisions set out in the rules. In the event that having cancelled the contract of insurance pursuant to the provisions of this paragraph, the Association shall not be liable to cover any damage or expenses incurred after the events mentioned in each item set out in subparagraphs (1) to (3) below has occurred.
- (3) If a Member 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.

RULE 36 RISKS SPECIFICALLY EXCLUDED

The Association shall not indemnify whatsoever such liabilities, costs and expenses which arise out of the following events or circumstances (save for the additional costs, expenses and losses set out in Rule 32 (3)):

- (9) Liabilities, costs and expenses to the extent that such liabilities, costs and expenses are not recovered by the Association from reinsurers to any reinsurance contracts (including but not limited to the Pooling Agreement, the Group Excess Loss Reinsurance Contract and other reinsurance contracts specially arranged by the Association) because the provision of cover, the payment of any claim or the provision of any benefit in respect of those liabilities, costs and expenses would expose the reinsurers thereunder to any sanction, prohibition, restriction or other adverse action against them by a competent authority or government.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association