



JAPAN P&I NEWS

To the Members

EU sanctions—clarification of questions of cover for the carriage of certain Russian cargoes including coal and fertiliser (additional explanation)

We would like to provide a follow-up to our Circular [No. 22-012-1](#) dated 21 September 2021 in order to answer some inquiries we have received on insurance coverage.

FAQs issued by EU

In the Circular, we set out how the EU had further amended its FAQs of August 2022 on 19 September 2022 to show that the transport of coal and certain specified goods in Annex XXI of Council Regulation 833/2014 (hereinafter referred to as "subject goods") and related insurance is in fact not prohibited when the goods are being carried to third countries. However, it is not possible for us to say with certainty that there is no obstacle to insurance coverage for the transportation of the "subject goods" from Russia to third countries other than EU.

Our insurance for ocean-going vessels owned by Members, and EU sanctions against Russia

Please see attached diagramme of International Group Reinsurance Programme for details of the insurance and reinsurance programme for ocean-going vessels owned by Members (it can also be found [here](#)).

Club retention

As at 18 October 2022, in principle, we will be able to provide insurance coverage for claims below USD10 million, the amount retained by each Club (i.e. each Club's own account), arising out of the transportation of "subject goods" from Russia to third countries. At the same time, we believe it is important to respect the objectives of sanctions against Russia by the EU, USA and other countries in light of the changed international situation. Our interpretation of the insurance coverage situation does not imply that we are encouraging members to transport "subject goods" from Russia to third countries.

Reinsurance

If our entered vessels cause claims in the range USD10 million to USD100 million, part of those losses/damages will be shared (reinsured) by the other 12 Clubs in the IG. Moreover, the IG arranges reinsurance in the commercial market for claims exceeding USD100 million. As each Club and reinsurer operates under different legal circumstances, including national regulations and authorities' guidelines, there remains uncertainty whether any other Club or reinsurer would be able to pay any reinsurance money to us, for losses or damage concerning the carriage of "subject goods" from Russia to third countries. In addition, we arrange our own reinsurance for losses below USD 10 million, and it is also uncertain whether any reinsurance money could be paid in respect of this programme.

If our entered vessels cause losses/damages arising out of the carriage of "subject goods" from Russia to third countries and there is a shortfall of reinsurance money payable from other Clubs and/or reinsurers due to sanctions,

in accordance with our Rule 36 (9), the members cannot recover this shortfall from the Club. This means that members themselves will have to bear the shortfall.

Sanctions

As Members are fully aware, the situation surrounding Russia and Ukraine is quite unstable. Also, sanctions imposed by the EU (and other entities) against Russia change quite frequently, depending on the passage of time and fluctuating international situation. Moreover, in addition to actual sanctions, also changeable are the variety of regulations of different nations, guidelines of relevant authorities and the policies of respective Clubs and reinsurers, so whether insurance coverage can be provided (or not) is also subject to change. Under such circumstances, we cannot affirm that any Club or reinsurer can provide coverage in the event of loss or damage concerning the carriage of "subject goods" from Russia to third countries.

Moreover, even if a Club and reinsurer thought they were able to provide insurance coverage, it is likely that a bank, with a different risk appetite, would refuse to process the transaction.

We thus urge Members to pay keen attention to all the uncertainties, including insurance coverage, caused by sanctions.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association

Attachment: Diagramme of International Group Reinsurance Programme for 2022-23 policy year

IG Pool and Reinsurance Programme (2022/23 Policy Year)

<Protection & Indemnity>								About US\$8.94b	
Pool (Overspill) (About US\$5.65b)								US\$3.1b	4
Collective Overspill Layer (US\$1.0b) Excess of underlying				< Passengers & Seafarers >				US\$3.0b	
								US\$2.1b	
4th Layer **** (US\$600m) Excess of underlying				< Passengers >				US\$2.0b	
								US\$1.5b	
3rd Layer **** (US\$750m) Excess of underlying				< Oil Pollution >				US\$1.0b	3
				3rd Layer **** (US\$250m) Excess of underlying				US\$750m	
*** 10% share	** 10% share	* 10% share	2nd Layer **** (US\$200m) 70% share	*** 10% share	** 10% share	* 10% share	2nd Layer **** (US\$200m) 70% share	US\$550m	
			1st Layer (US\$450m) 70% share with annual aggregate deductible of \$100m being covered by Hydra				1st Layer (US\$450m) 70% share with annual aggregate deductible of \$100m being covered by Hydra	US\$100m	
7.5% Claiming Individual Club Retention			Upper Pool (US\$50m-US\$100m reinsured by Hydra)					US\$50m	2
Lower Pool(US\$30m-US\$50m reinsured by Hydra)								US\$30m	
Lower Pool (US\$10m-US\$30m)								US\$10m	
Individual Club Retention								0	1

1. up to US\$10 million (Individual Club Retention)
Each Club retains the first US\$10 million per claim in excess of its member's deductible.
 2. from US\$10 million up to US\$100 million (Pool)
Claims in excess of each Club's retention are shared by the Pool up to a limit of US\$100 million. Within the Pool, claims from US\$30 million up to US\$100 million are reinsured by the IG's Bermuda-based captive insurer Hydra.
 3. from US\$100 million up to US\$2.1 billion (Market reinsurance programme)
The IG arranges market reinsurance to provide reinsurance for claims from US\$100 million up to US\$2.1 billion any one claim (US\$1.0 billion for oil pollution claims, see further below). This market reinsurance programme is divided into three layers and each layer is underwritten by different reinsurers.
* , ** & *** are Multi-Year Fixed Placement named "Private Placement".
1st layer: US\$450m in excess of US\$100m
2nd layer: US\$200m in excess of US\$550m
3rd layer: US\$750m in excess of US\$750m
4th layer: US\$600m in excess of US\$1.5b

**** Losses arising from Malicious Cyber, Covid-19 and other new Pandemics are subject to an annual aggregate limit totaling US\$2.15 billion.
2nd layer: US\$800m as annual aggregate limit (but the annual aggregate limit is separately applied to US\$400m for Oil Pollution claims and P&I claims)
3rd layer: US\$750m (but US\$250m for Oil Pollution) as annual aggregate limit
4th layer: US\$600m as annual aggregate limit
 4. from US\$2.1 billion up to about US\$8.94 billion (Overspill)
Claims which exceed the IG reinsurance limit (called "Overspill Claims") are shared by all IG Clubs. The Clubs levy calls (Overspill Calls) for contributions on their members for the purpose of providing funds to meet the Clubs' liability to contribute their Overspill Share to an Overspill Claim. Nonetheless, the IG arranges Overspill Protection for its members of US\$1.0 billion. Thus, claims from US\$2.1 billion up to US\$3.1 billion are reinsured by the market reinsurance cover.
- Reinsurance for oil pollution claims is purchased as a separate cover with a limit of US\$1.0 billion. Reinsurance for passengers and seafarers claims is subject to a limit of US\$2.0 billion for liability for passengers, or of US\$3.0 billion for liability for passengers and seafarers claims combined.