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Sanctions

Sanctions are being increasingly used by a number of states and supranational bodies, in particular the United Nations, the European Union and the United States, to influence the political behaviour of other states. By their nature many of these sanctions impact upon shipping and international trade and hence upon the Club and its Members. A number of these sanctions directly affect Members' Club cover.

Main areas of sanctions activity

Based on the number of enquiries it receives from Members and upon the amount of trade and scope of sanctions imposed, the Club has identified the following states as the main areas of sanctions activity or as areas where the sanctions risk for Members and the Club may be particularly high:

Iran
Russia and Ukraine
Syria
North Korea
Cuba
Sudan
Somalia

The Club has published a significant amount of information on these states (see linked pages) but Members are advised to contact the Managers for advice before fixing their vessels for trading to or from any of these states.

Other sanctioned states

The following states are also subject to sanctions, but the scope of the sanctions is generally more limited and in a number of cases the sanctions may be largely residual following political change in the state concerned. Members seeking information about the sanctions risks in respect of trade to these states are invited to contact the Managers for further guidance:

Afghanistan; Belarus; Burma/Myanmar; Democratic Republic of Congo; Egypt; Eritrea; Iraq; Lebanon; Liberia; Libya; Republic of Guinea; Tunisia; Venezuela; Yemen; Zimbabwe.

Club cover

The relevant provisions of the Club's Rules in respect of sanctions are Rule 19(2) of Class 1 which reads:

"Unless the Committee otherwise determine there is no cover in respect of an insured vessel being employed by the Member in a carriage, trade or on a voyage which thereby in any way howsoever exposes the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation or other competent authority."

Also, the Club is not liable to reimburse Members for any sums which are not recoverable by the Club from the IG Pool and/or reinsurers because of sanctions. The relevant provisions of the Club's Rules are Rule 8(4) of Class 1 which reads:

"The Association shall in no circumstances have a liability to a Member in respect of that part of any liabilities, costs and expenses which is not recovered by the Association from parties to the Pooling Agreement, and/or under the Group Excess Loss Reinsurance Contract or any other reinsurer because of a shortfall in recovery from such parties or reinsurers thereunder by reason of a sanction, prohibition or adverse action against them by a state or international organisation or other competent authority or the risk thereof if payment were to be made by such parties or reinsurers. For the purposes of this Rule 8 "shortfall" includes but is not limited to any failure or delay in recovery by the Association by reason of such parties or reinsurers making payment into a designated account iUseful linksn compliance with the requirements of any state or international organisation or other competent authority."

Class 2 cover is in any event discretionary and the discretion to provide cover will take account of any exposure of the Club to the risk of sanctions.

Useful links

https://sdnsearch.ofac.treas.gov/ is a US government search engine in respect of certain (but not all) entities subject to sanctions

https://www.gov.uk/government/publications/financial-sanctions-iran-nuclear-proliferation is the UK government website dealing with EU and UK sanctions in respect of Iran.

https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets is the list of sanctioned targets held by the UK and includes individuals and entities listed as targets by the European Union.

Members are strongly advised to undertake due diligence before fixing any business to or from a sanctioned country in order to ensure that neither the prospective cargo nor the parties to the planned venture are sanctioned. The Club is willing to assist Members where possible but they may nevertheless wish to take independent legal advice.

Source of Information: West of England P&I Club