Circular From SKULD
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Russia Sanctions – Update

The European Union and United States have adopted sanctions as a central part of their response to the political crisis in Ukraine. Members and assured with vessels calling at ports in Ukraine should ensure that no sanctioned individuals or entities are involved. The lists of parties sanctioned by the EU and US have been steadily expanding and it is essential to check the latest lists (see Links: https://sanctionssearch.ofac.treas.gov/).

The US authorities adopt the approach that designations extend to any entity owned or controlled by designated persons. Similarly, EU Regulations apply to funds and resources "controlled by" listed persons and prohibit making funds available to such persons "directly or indirectly".

Members and assureds should also pay attention to the restrictions on the import into the EU of goods originating in Crimea or Sevastopol. In addition sectoral sanctions have been introduced targeting inter alia the energy sector with restrictions affecting the supply of certain services relating to oil exploration and production.

In view of the increasingly tense political climate, it is likely that sanctions will continue to be extended and the situation remains fluid.

Insurance Cover

The Association's Rules contain a standard exclusion for liability for liabilities, costs or expenses where payment by the Association or the provision of cover may expose the Association to the risk of being subject to a sanction, prohibition or any adverse action (Rule 30.4.6). Liability is also excluded when there is a shortfall due to an inability to recover reinsurance or pool contributions from other insurers or P&I Clubs which are themselves unable to pay due to sanctions legislation (Rule 32.6). The Association is also able to terminate cover where a Member has exposed or may expose the Association to the risk of being or becoming subject to a sanction, prohibition, restriction or other adverse action by a state or international organisation or competent authority (Rule 3.3.2a). Similar provisions exist in the Terms & Conditions for non-mutual covers.

As noted above, the EU restrictions on import of goods originating in Crimea and Sevastopol include a prohibition on insurance and reinsurance. Accordingly importing such goods in contravention of these restrictions may trigger the insurance exclusion.

On 15 March, the EU imposed a fourth package of sanctions.

Council Regulation (EU) 2022/428 and Council Decision (CFSP) 2022/430 introducing a ban on new investments in the Russian energy sector as well as introducing a comprehensive export restriction on equipment, technology and services for the energy industry; a prohibition on providing credit rating services to any Russian person or entity; trade restrictions for Russian iron, steel and luxury goods; a prohibition on transactions with certain state-owned companies.

For more information, please click here https://www.skuld.com/topics/legal/sanctions/russia/insight-russia-sanctions/

Source of Information: The Skuld P&I Club