

CIRCULAR REF: 2012/022

**CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS
ATTENTION INSURANCE DEPARTMENT**

**30 MAY 2012
SSR/MA**

CLASS 3 WAR RISKS – SANCTIONS LIMITATION AND EXCLUSION CLAUSE

Further to our Circular of 17 August 2010 (reference 2010/020), Members are advised that a further change to the conditions on which their ships are entered is required.

Members will recall that this change, along with a number of Rule changes to Classes 1 and 2, were introduced in 2010 to protect North and its Members from the effects of measures introduced by states or supranational bodies such as the European Union or the United Nations. The new Rules were necessary because of the increasing tendency of such bodies to impose sanctions against the insurers of vessels transporting cargoes to or from States that were subject to trade sanctions.

Since 2010 new sanctions have entered into force. The Managers have now had the opportunity to consider the application of the Rules in light of relevant legislation including the US Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (“CISADA”), Council Regulation (EU) No. 267/2012 of 23 March 2012 (“Reg. 267”) and Council Regulation (EU) No. 36/2012 of 18 January 2012. Having done so, the Managers concluded that the Member cesser provisions in all three Classes (which apply to all vessels in a Member’s entry, not just to an individual vessel which becomes subject to sanctions) are not required for North to comply fully with existing sanctions legislation. The Managers were also concerned that the application of the Member (as opposed to the ship) Cesser provisions would prejudice the legitimate interests of third party claimants and States in circumstances where those parties had suffered a loss caused by a ship engaged on a lawful trade but the P&I insurance of that ship had been cancelled because another ship in the same ownership or management had been traded in breach of sanctions.

Therefore, at their meeting of Friday 18 May 2012, the Board of Directors passed a resolution amending the Rules of the P&I and FD&D Classes and Terms of Entry of Class 3 the effect of which was to remove from all Classes the automatic cesser of insurances for all ships entered by a Member which has traded an entered ship in a carriage, trade or voyage which, or the provision of insurance for which, may in any way whatsoever expose North to the risk of being or becoming subject to any sanction, prohibition or adverse action by a state or international organisation.

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**NORTH OF ENGLAND P&I ASSOCIATION LIMITED 100 The Quayside, Newcastle upon Tyne, UK, NE1 3DU
Telephone: +44 (0) 191 2325221 Fax: +44 (0) 191 2610540 www.nepia.com**

The North of England Protecting and Indemnity Association Limited. Registered in England No. 505456. Registered Office above
Hong Kong: Room 2503, COSCO Tower, 183 Queen’s Road, Central, Hong Kong Telephone: +852 25446813 Fax: +852 25424424
Greece: 5-7 Aghiou Nikolaou, GR 185 37 Piraeus, Greece Telephone: +30 210 4283038 Fax: +30 210 4280920.
Singapore: 80 Anson Road, #26-04 Fuji Xerox Towers, Singapore 079907 Telephone: +65 64110160 Fax: +65 62240160.
Tokyo: Akiyoshi Kyobashi Building, 8th Floor, 1-17-2 Kyobashi, Chuo-ku, Tokyo, Japan 104-0031 Tel: +81 (3) 5159 5373 Fax: +81 (3) 5250 0003
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It remains the case that the entry in the Association of any entered ship engaged in a carriage, trade or voyage which may expose North to the risk of being or becoming subject to any sanction, prohibition or adverse action by a state or international organisation will terminate as soon as the carriage trade or voyage commences.

In accordance with the provisions of Rule 4.D.8, North gives notice of cancellation of cover for all ships entered in this Class. This notice is effective commencing midnight GMT 18 May 2012, and, on the expiry of seven days thereafter, cover will be cancelled from midnight GMT 25 May 2012.

Cover will be considered as automatically reinstated upon expiry of the notice period, commencing midnight GMT 25 May 2012 subject to the following changes to conditions which will be appended to all Members' entries from that date:

The following Clause is deleted:

“CESSER OF INSURANCE

An Insured Owner shall cease to be insured by the Association in respect of any and all ships entered by him or on his behalf in the event that the Entered Ship is employed by the Insured Owner in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Association 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, unless the Managers shall otherwise determine.

The Insured Owner shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs and expenses which is not recovered by the Association under any reinsurance(s) arranged by the Association because of a shortfall in recovery from reinsurers thereunder by reason of any sanction, prohibition or adverse action against them by a state or international organisation or the risk thereof if payment were to be made by such reinsurers. For the purposes of this clause, “shortfall” includes any failure or delay in recovery by the Association by reason of the reinsurers making payment in to a designated account in compliance with the requirements of any state or international organisation.”

and will be replaced by the following Clause:

“CESSER OF INSURANCE

An Insured Owner shall cease to be insured by the Association in respect of any Ship entered by him or on his behalf in the event that the Entered Ship is employed by the Insured Owner in a carriage, trade or on a voyage which will thereby in any way howsoever expose the Association 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, unless the Managers shall otherwise determine.

The Insured Owner shall in no circumstances be entitled to recover from the Association that part of any liabilities, costs and expenses which is not recovered by the Association under any reinsurance(s) arranged by the Association because of a shortfall in recovery from reinsurers thereunder by reason of any sanction, prohibition or adverse action against them by a state or international organisation or the risk thereof if payment were to be made by such reinsurers. For the purposes of this clause, “shortfall” includes any failure or delay in recovery by the Association by reason of the reinsurers making payment in to a designated account in compliance with the requirements of any state or international organisation.”

SS REBAIR

ASSOCIATE DIRECTOR - North Insurance Management Limited

As Managers on behalf of the North of England P&I Association Limited