

CIRCULAR

SETTING THE STANDARD FOR SERVICE AND SECURITY

TO ALL MEMBERS

9 July 2010

Dear Sirs

Sanctions against Iran and impact on club cover

We refer to our circular dated 1 February 2010 when we advised members of the potential issues for the association arising out of US sanctions against Iran. Earlier this year the association's rules were changed so that the board could introduce a specific substantive rule change mid-year to prevent the association being adversely affected by the proposed sanctions legislation. The USA has now finalised the legislation. President Obama signed the *Comprehensive Iran Sanctions, Accountability, and Divestment Act* on 1 July 2010. That Act is now in force.

The Act exposes not only shipowners performing voyages with refined petroleum products to Iran but also their insurers (P&I and H&M) to the risk of sanction. The Act prohibits a company from knowingly, directly and significantly providing goods, services, technology, information or support, above specified values, that:

- (a) facilitate Iran's domestic production of refined petroleum products, or
- (b) contributes to Iran's ability to import refined petroleum products.

These prohibitions also apply to the provision of shipping and insurance services. The penalties that may be imposed include the prohibition of US banking or property transactions, significant fines and/or imprisonment.

Appropriate rule changes as set out below have now been made by the board, to take effect from Monday 12 July 2010 at 12.00 noon GMT.

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The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited

www.standard-club.com

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The rule changes are set out below:

1. Insert in rule 17.2 a new sub-rule 17.2(5) as follows:

[17.2 A member shall cease to be insured by the club in respect of any ship entered by him if:]

17.2(5) "the ship is employed by the member in a carriage, trade or on a voyage which will thereby in any way howsoever expose 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, unless the managers shall otherwise determine".

2. Insert a new rule 6.22 with a side heading "Sanctions" as follows:-

"The member shall in no circumstances be entitled to recover from the club that part of any liabilities, costs and expenses which is not recovered by the club under any reinsurance(s) arranged by the club 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 rule 6.22 "shortfall" includes any failure or delay in recovery by the club by reason of the reinsurers making payment into a designated account in compliance with the requirements of any state or international organisation".

Equivalent rule changes were also made by the board to the Standard Offshore rules, re-numbering the above "sanctions" rule to become rule 6.16.

There are a number of issues arising out of the Act and members are encouraged to consult their lawyers if they believe that they may be involved in trades which put them in breach of the Act. The managers will provide further information or clarification as it becomes available.

Yours faithfully

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