



JANUARY 02, 2015

CIRCULAR NO. 01/15

TO MEMBERS OF THE ASSOCIATION

Dear Member:

CHANGES TO THE RULES OF THE ASSOCIATION FOR THE 2015 POLICY YEAR

Please note that your Board of Directors has approved the following changes to the Club's Rules to take effect from February 20, 2015.

They derive from a continuing review of the language of the existing Rules and a desire to maintain good housekeeping in the interests of the clarity and efficacy of the terms on which Members are insured by the Club. As will be seen, they also take into account the developing landscape in regard to sanctionable activity within the maritime and insurance domains.

The changes are set out in the order in which current Rules appear in the Rule Book.

Class I – Protection and Indemnity Insurance

General Insurance Provisions (Class I, Rule 1, Section 4)

New wordings of Sub-Sections 54 and 55 will apply as follows, the changes and/or additions being underlined below.

Economic Sanctions

54 *Notwithstanding and without prejudice to any other provision of these Rules or the Association's Charter or By-Laws or a Member's Certificate of Entry into the Association relating to the amendment of these Rules, these Rules may, on such notice as the Directors may in their absolute discretion decide, be amended at any time (including with effect from any time during the course of any current or future Insurance Year) in such fashion and to such extent as the Directors may in their absolute discretion determine is necessary as a result of the implementation of, or potential or proposed implementation of, any applicable change in legislation, regulation, prohibition, restriction, or requirement to obtain any license, consent, or authorization; or the potential or actual imposition of economic sanctions or penalties against the Association by any State, government, official body, regulatory or competent authority, international organization, or the like.*

55 *Whenever coverage extended by the Association would be in violation of any law applicable to the Association including, but not limited to, the prohibitions and requirements of any economic, financial, or trade sanctions administered by any State or international or supranational organization, or would expose the Association to the risk of being or becoming subject to any sanction, prohibition, penalty or other adverse action in any form whatsoever by any State or international or supranational*

organization, such coverage shall be null, void and of no effect. Any coverage hereunder provided by the Association shall not include or, as the case may be, shall by operation of law or pursuant to this sub-section, cease or shall have ceased to include, coverage for, or with respect to, any prohibited or unlawful entity, cargo, subject matter, vessel, or activity under laws applicable to the Association, a Member, or an entered vessel, or any activity which could lead to the imposition of sanctions or penalties against the Association, a Member, or an entered vessel. Whenever coverage extended by the Association would be for any carriage, trade, voyage, or other activity that would violate economic sanctions laws applicable to the Member or an entered vessel, or that could lead to the imposition of sanctions or other penalties against a Member or an entered vessel under economic, financial or trade sanctions administered by any State or international or supranational organization, coverage shall not extend to or shall cease to extend to such carriage, trade, voyage or other activity and be null, void and of no effect. (See also, Class I, Rule 3, Section 1, subsection 4). In cases involving trade with or voyages to, from or within countries or territories subject to economic sanctions, to the extent permitted by applicable law(s) and these Rules, the Managers may, in their discretion, confirm the availability of cover only after disclosure by the Member to the Managers of all relevant facts and information concerning the subject carriage, trade, voyage, or other activity.

Risks and Losses Excluded (Class I, Rule 3, Section 1)

That current wording of Rule 3, Section 1, Sub-Section 4 will be amended/deleted in its entirety and amplified/replaced with the following language, the amended/replacement wording being underlined below.

Preclusion of/exclusion from cover of certain voyages involving Iran and other countries subject to US economic sanctions

- 4 Notwithstanding anything to the contrary contained in these Rules or in the Association's Charter or By-Laws or in a Member's Certificate of Entry into the Association, and until and unless authorized by the Directors through any subsequent amendment of the Association's Rules, coverage hereunder shall not include or, as the case may be, shall terminate and cease to include, any voyage or service to, from or within Iran and other countries or territories subject to economic sanctions, including in the territorial waters of Iran and other countries subject to sanctions, of any vessel otherwise insured hereunder if such voyage and/or service is an activity by the Member that violates or could violate applicable US economic sanctions laws or is a trade, carriage or activity that could cause the imposition of US sanctions against the Member or an entered vessel. (See also, Class 1, Rule 1, Section 4, subsection 55, which, inter alia, excludes cover where extension of cover would be prohibited by economic sanctions laws applicable to the Association) In cases involving trade with or voyages to, from or within Iran and other countries or territories subject to US economic sanctions, to the extent permitted by applicable law(s) and these Rules, the Managers may, in their discretion, confirm the availability of cover only after disclosure by the Member to the Managers of all relevant facts and information concerning the subject carriage, trade, voyage, or other activity.



In addition, the wording of Rule 3, Section 2, Sub-Section 5 will be amended as follows, the additional language being underlined below.

Preclusion/exclusion of cover where reinsurers are subject to economic sanctions, prohibitions or the imposition of sanctions

- 5 Notwithstanding anything to the contrary contained in these Rules or in the Association's Charter or By-Laws or in a Member's Certificate of Entry into the Association, there shall be no cover for any liability, cost or expense to the extent that such liability, cost or expense is not recoverable from the Association's reinsurers (such term to include, but not be limited to, any association party to the Pooling Agreement, or any reinsurer subscribing to the Group Excess Loss Contract, or any other of the Association's reinsurers whatsoever) by reason of the fact that the provision of cover, the payment of any claim or the provision of any benefit in respect of such liability, cost and expense is prohibited by applicable economic sanctions laws or the same would expose the said reinsurer to economic, financial or trade sanctions administered by any State, or international or supranational organization having jurisdiction over the said reinsurer.**

Class II: Freight, Demurrage and Defense Insurance

The amendments set out above will also be formally incorporated into, and form an integral part of, the Rules of Class II to the extent that they are consistent with the subject and context of the said Rules of Class II.

Class III: Insurance for Charterers' Risks

The amendments set out above will also be formally incorporated into, and form an integral part of, the Rules of Class III to the extent that they are consistent with the subject and context of the said Rules of Class III.

It is hoped that the foregoing changes are clear, but if any Member requires any further explanation or comment, the Managers will be happy to respond.

Yours faithfully,


Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB