



STEAMSHIP MUTUAL

To the Members

January 2012

Dear Sirs,

E.U. COUNCIL DECISION 2012/35/CFSP – 23 JANUARY 2012 – FURTHER SANCTIONS IN RESPECT OF IRAN

By Council Decision 2012/35/CFSP of 23rd January 2012, the EU has taken steps to extend substantially the existing EU sanctions programme. This EU Decision is binding on the governments of Member States only and requires implementing legislation to bind individuals/entities within Member States. EU Regulations 54/2012 and 56/2012 dated 23 January 2012 implement the extended asset freeze measures set out in the Decision; the other measures in the EU Council Decision will be implemented by Regulation likely to follow in the near future.

EU Council Decision 2012/35/CFSP amends Council Decision 2010/413/CFSP and contains a range of measures, the most relevant to shipping being:

- an asset freeze on further entities and individuals, including the Central Bank of Iran and Bank Tejarat, as well as Tidewater Middle East Co (which operates 7 Iranian ports managing about 90pct of Iran's container operations) (implemented by EU Regulation 54/2012);
- a ban on the import, purchase, or transport of Iranian crude oil, petroleum products and petrochemical products (now Articles 3a 1 and 3a 2 of Decision 2010/413/CFSP);
- a ban on the provision directly or indirectly, of financing or financial assistance, as well as insurance and reinsurance, related to the import, purchase, or transport of Iranian crude oil, petroleum products and petrochemical products (Articles 3a 2 and 3b 2);

IMPACT ON CLUB COVER

In the light of these developments, entities should consider very carefully their position in respect of existing and proposed new contracts involving Iran's energy and petrochemical industry. The ban on the provision of insurance in the Decision will apply to the Club, which is subject to EU jurisdiction, even if any Member engaged in the transport of Iranian crude oil, petroleum products or petrochemical products, is not subject to EU jurisdiction. The Club will therefore not be in a position to provide insurance for liabilities arising from any prohibited trade or activity, in particular where a ship is employed by the Member in a carriage, trade or on a voyage which will in any way howsoever expose the Club to the risk of being or becoming subject to any sanction, prohibition or adverse action. Further, the Club Rules provide for the restriction and/or cessation of cover in such circumstances, see Rules 17ii, 24i, 32iv and 35 vi and vii. Details of restrictions on cover as a result of sanctions and the Rules changes approved by Members were notified in Circulars B 525, 521, 519, 510 and 508 (for Steamship Bermuda) and L 134, 131, 129, 119 and 115 (for Steamship London).

In addition the Decision also includes

- a ban on the sale, supply or transfer of key equipment and technology for the petrochemical industry in Iran, or to Iranian or Iranian-owned enterprises engaged in that industry outside Iran, by nationals of Member States, or from the territories of Member States, or using aircraft or vessels under the jurisdiction of Member States, whether or not originating in their territories (Article 4a 1);
- a ban on technical assistance or training and other services related to key equipment and technology, and financing or financial assistance for any sale, supply, transfer or export of key

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THE STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION (BERMUDA) LIMITED

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Authorised and Regulated by the Bermuda Monetary Authority and the United Kingdom Financial Services Authority
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equipment and technology provided to enterprises in Iran engaged in the Iranian petrochemical industry, or to Iranian or Iranian-owned enterprises engaged in that industry outside Iran (Article 4a 2);

- a ban on the direct or indirect sale, purchase, transportation or brokering of gold, precious metals and diamonds to, from or for the Government of Iran, its public bodies, corporations and agencies and the Central Bank of Iran (Article 4c);
- a ban on the delivery of newly printed or minted or unissued Iranian denominated banknotes and coinage to or for the benefit of the Central Bank of Iran (Article 4d);
- a ban on granting financial loans or credit to enterprises engaged in the petrochemical industry in Iran or to Iranian-owned enterprises engaged in that industry outside Iran (Article 6a (a));
- a ban on the acquisition or extension of a participation in enterprises in Iran that are engaged in the Iranian petrochemical industry, or to Iranian or Iranian-owned enterprises engaged in that industry outside Iran, including the acquisition in full of such enterprises and the acquisition of shares and securities of a participating nature (Article 6a (b));
- a ban on the creation of joint ventures with enterprises engaged in the petrochemical industry in Iran or subsidiaries or affiliates under their control (Article 6a (c)).

There are a few exemptions in relation to pre-existing contracts:

With regard to the prohibition on import, purchase or transport of Iranian crude oil and petroleum products, Article 3c 1 sets out an exemption which applies to the performance until 1 July 2012 of contracts (or ancillary contracts necessary for the execution of such contracts) concluded before 23 January 2012.

With regard to the prohibition on transport of Iranian petrochemical products, Article 3d 1 sets out an exemption which applies to the performance until 1 May 2012 of contracts (or ancillary contracts necessary for the execution of such contracts) concluded before 23 January 2012.

In the case of both prohibitions (crude oil and petroleum products under Article 3a and petrochemical products under Article 3b), the exemptions extend to the execution of obligations provided for in contracts concluded before 23 January 2012 or in ancillary contracts necessary for the execution of such obligations where the supply of Iranian crude oil, petroleum products, or petrochemical products, or the proceeds derived from their supply, are for the reimbursement of outstanding amounts with respect to contracts concluded before 23 January 2012 to persons or entities within the territories of Member States or under their jurisdiction, where those contracts specifically provide for such reimbursements.

Notwithstanding the above provisions, the Club must advise Members that with effect from the 23rd January 2012 (being the date of the Council Decision) there can be no assurance going forward that Club cover will respond for liabilities arising in the event that Members engage in the import, purchase or transport of Iranian crude oil, petroleum products, or petrochemical products.

Copies of Council Decision 2012/35/CFSP, EU Implementing Regulation 54/2012, and EU Regulation 56/2012, and an HMT Financial Sanctions Notice commenting on the latest EU measures can be viewed and downloaded from the Sanctions area of the Club's website <http://www.simsl.com/Liabilities-and-Claims/eu-iran-sanctions-update.htm>

Yours faithfully,

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