



EAGLE OCEAN MARINE CIRCULAR

MAY 28, 2013

CIRCULAR NO. 01/13

TO ALL INSUREDS

Dear Insured:

LEGAL COMPLIANCE - ECONOMIC AND TRADE SANCTIONS

Economic Sanctions

Economic sanctions, sometimes known as embargoes or blockades, prohibit dealings and transactions with or involving certain countries/territories, organizations, entities, individuals, groups, and vessels (collectively, "Sanctions Targets"). These prohibitions may extend to certain transportation or carriage and to the insurance of such transportation or relevant vessels.

Policy Exclusion: No Coverage for Sanctions Targets or for Prohibited or Sanctionable Activity

As a matter of corporate policy as well as legal obligation, the American Club and Eagle Ocean Marine ("EOM") must comply with all applicable laws and regulations, including those governing economic sanctions. In this regard, EOM must ensure that it does not provide coverage or perform under coverage where it would be prohibited from doing so due to economic sanctions.

Neither the American Club nor EOM can provide cover for the benefit of Sanctions Targets, or for any voyage involving Sanctions Targets or for any voyage that constitutes sanctionable activity.

The American Club and EOM are US entities and thus must comply with applicable economic sanctions maintained by the United States. Additionally, the American Club and EOM, as a matter of legal obligation and internal corporate policy, also comply with economic sanctions administered by other countries (or group of countries) such as the European Union.

As well as applying to prohibit American Club and EOM coverage, US sanctions (penalties) may also apply to and be imposed directly on vessels, and ship owners and operators engaged in certain activity with or involving Sanctions Targets.

For example, under the US sanctions against Iran, coverage would not extend to deliveries of refined petroleum to Iran nor to the lifting of crude oil from Iran, and a vessel or shipowner

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engaging in such activity could itself face US sanctions due to their participation in that sanctionable activity.

In addition to the restriction of transportation of crude oil, petroleum products and petrochemicals from Iran or of Iranian origin, the US sanctions also apply to the transportation of goods to Iran which can be used to augment its oil and petrochemical industry.

There shall be no coverage or performance under coverage where that would expose the American Club/EOM to a risk of penalties and sanctions for violating or contravening the prohibitions, requirements and proscriptions of economic sanctions.

Not all Transactions and Activities Involving Sanctions Targets are Prohibited

It is important to note that not all activity with or involving Sanctions Targets is prohibited, and that prohibited activity may also be authorized in some cases and that exceptions may also apply.

General Awareness and Knowledge of Economic Sanctions Prohibitions and of the Areas and Subject Matter that Pose a Risk of Implicating Sanctions Prohibitions: Identifying Risk

The American Club's legal compliance obligations as well as EOM's general terms and conditions provide that there shall be no recovery for trade that is unlawful (or which would violate or pose a risk of violating economic sanctions prohibitions). Therefore, it is important for parties insured by EOM to know or at least be aware of the circumstances and voyages for which coverage is not available due to economic sanctions prohibitions and/or the American Club's and EOM's general terms and conditions.

This Circular is intended to provide Insureds with awareness of the limitations placed on coverage provided through EOM, and to assist to educate Insureds with respect to the identification of Sanctions Targets. It also aims to assist Insureds to identify the kinds of voyages and other activities that are not covered by policies provided by EOM due to economic sanctions, and to alert them to voyages and activities where there is a risk that economic sanctions may apply and for which there would be no coverage.

In this Circular, we briefly summarize US and EU economic sanctions. US economic sanctions are the most comprehensive and are strictly enforced.

The attention of Insureds is drawn to the fact that existing economic sanctions may be lifted or suspended and that new sanctions may be imposed. The discussion below describes economic sanctions as they currently are.





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US Economic Sanctions

There may be no coverage from the American Club/EOM and shipowners and operators themselves could be prohibited from engaging in activity and trade if the coverage, activity or trade involves US Sanctions Targets. For purposes of this circular and to simplify understanding, US Sanctions Targets or sanctions programs may be divided into two general categories:

A) sanctions that apply directly to US persons and to transactions within or which have a nexus to the United States or to a US person (“Category A Sanctions”); and

B) sanctions applicable to situations and transactions where there is no US person involvement/actor and otherwise no US territorial or other nexus (“Category B Sanctions”). Laws under Category B sanctions are designed to deter non-US persons (individuals and entities) and transactions outside of traditional US jurisdiction from certain dealings with Sanctions Targets.

Category A Sanctions are further divided into three sub-categories of sanctions types consisting of:

1. country or territory-based sanctions,
2. list-based sanctions *i.e.*, persons (entities and individuals) appearing on the US sanctions target list or US blacklist, which is the List of Specially Designated Nationals (“SDNs”) and Blocked Persons maintained by the US Treasury’s Office of Foreign Assets Control (“OFAC”), and
3. activity-based sanctions such as those designed to counter narcotics trafficking, terrorism, nuclear proliferation, and illicit diamond trading.

Category A Sanctions

- 1) Country or territory-based sanctions

Country or territory-based sanctions include those against the following countries (including the government/regime of, any entity based in, controlled from, or acting for the following countries, or for any entity or individual in the following countries):

High risk of implicating sanctions: Iran, Syria, Sudan, South Sudan, Cuba, and North Korea.

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Possible but low risk of implicating sanctions: Burma (Myanmar), Belarus, Cote d'Ivoire, D. R. of Congo, Somalia, and Yemen.

2) List-based sanctions

Persons (entities and individuals) whose names appear on OFAC's List of SDNs and Blocked Persons. The OFAC List of SDNs and Blocked Persons can be found on the Internet at: <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>. The OFAC SDN and Blocked Persons List can also be searched on line by visiting: <http://sdnsearch.ofac.treas.gov/>

3) Activity-based sanctions

Activity-based sanctions prohibit activities such as or related to narcotics trafficking, terrorism, nuclear proliferation, and illicit diamond trading.

Category B Sanctions

Under Category B sanctions, sanctions (penalties) may be imposed on a non-US person that engages in certain activity involving a Sanctions Target. For example, just by way of limited illustration, in the case of US sanctions against Iran, the following, in the area of maritime transportation and insurance, could constitute sanctionable activity:

- transporting and delivering refined petroleum to Iran;
- transporting and delivering goods and services that could enhance and maintain Iran's ability to produce petrochemicals;
- engaging in a significant transaction for the purchase and acquisition of petroleum products or petrochemicals from Iran;
- transporting crude oil or petrochemicals from Iran;
- chartering a vessel to or from IRISL or NITC;
- providing insurance to IRISL or to NITC vessels;
- transporting project cargo to Iran consisting of equipment for a refinery.

EU Economic Sanctions

The European Union maintains economic sanctions that fall into three categories.

- 1) Countries, territories, and governments (subject to varying degrees of EU economic sanctions and/or arms embargoes); and activities with or involving countries or their



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governments and entities which pose a risk of implicating sanctions prohibitions presently include the following:

High risk of implicating sanctions: Iran, Syria, Sudan, and North Korea.

Possible but low risk of implicating sanctions: Afghanistan, Belarus, Burma (Myanmar) (suspended), China (to very limited extent), Democratic Republic of Congo, Côte d'Ivoire, Egypt, Eritrea, Federal Republic of Yugoslavia (Serbia and Montenegro), Republic of Guinea, Republic of Guinea Bissau, Iraq, Lebanon, Libya, Liberia, Moldova, Somalia, South Sudan, Tunisia, and Zimbabwe.

Note! The above-mentioned sanctions do not necessarily mean that the entire country or every entity therein is subject to sanctions.

2) List-based sanctions

The EU also maintains a list of sanctions targets. A list of sanctions targets under EU sanctions implemented by the United Kingdom can be found at http://www.hm-treasury.gov.uk/fin_sanctions_index.htm. The sanctions targets list of the EU is available at: http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm

3) Activity-based sanctions

The EU also maintains sanctions against terrorism and terrorist financing, and in this regard, targets groups like Al-Qaida and others. This means that most transactions subject to the jurisdiction of the EU or any of its member states which involve Al-Qaida or terrorism are strictly prohibited.

The texts of the respective EU sanctions, *i.e.*, Regulations etc., can be found at: http://eeas.europa.eu/cfsp/sanctions/docs/asures_en.pdf

EU Laws Designed to Counteract the Application of Certain Sanctions Laws within the Territory of the EU

It should be noted that the EU also has legislation designed to counteract the application of certain sanctions laws (such as some of those of the United States) within the territory of the EU. Therefore, readers are cautioned and advised that there may be instances of a conflict of laws where compliance with US sanctions laws may violate EU (anti-blocking/sanctions legislation) laws. Such situations usually arise in the context of the unilateral US embargo of



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Cuba which extends US jurisdiction to EU companies owned or controlled by US companies. It also applies to some extent with respect to the US sanctions against Iran. If you feel that compliance with any specific US sanction requirement outlined in this circular might prejudice your own position regarding compliance with EU “anti-blocking” regulations, you are advised to refer to the managers for further advice.

Questions, Definitive Determinations and Guidance

This overview and guidance assists Insureds to identify cases and instances where there is a risk of sanctions prohibitions being implicated, and consequently, instance of where there may be no coverage. Definitive determinations as to whether a country, an activity, voyage or transaction is impacted by economic sanctions are best made on a case-by-case basis. There are certain exceptions to otherwise broad prohibitions. In as much as the laws are numerous, complex and sometimes ambiguous, definitive judgments and determinations are very fact-intensive and must be made on a case-by-case basis. When there is any indication of the involvement of a Sanctions Target, until and unless, Insureds receive guidance to the contrary from EOM and the American Club, the presumption must be (and prudence dictates) that the activity is prohibited, no coverage is available, and/or that the transportation or voyage in question constitutes sanctionable activity.

Requests/inquiries for definitive guidance as to whether economic sanctions prejudice coverage, or whether coverage is available (or excluded), in any given case should be made/referred to the American Club’s and EOM’s Compliance Center. In the event that coverage is prohibited, the American Club’s and EOM’s Compliance Center will also provide guidance as to what further steps, if any, need to be taken to ensure compliance with relevant compliance procedures and the law.

Under limited authorization from the US government, the American Club and EOM on behalf of the American Club may provide cover and engage in related transactions for certain types of voyages and transactions involving Sanctions Targets that are otherwise prohibited. Insureds are advised to check with the American Club/EOM’s compliance center for confirmation that certain coverage and transactions qualify for the foregoing authorization.

For guidance and any questions regarding any aspect of the subject of this circular, please contact Mr. Charles J. Cuccia at EOM’s Compliance Center:

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Yours faithfully,

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