



# CHINA SHIPOWNERS MUTUAL ASSURANCE ASSOCIATION

CPI Underwriting 2016 No.1

Date: 18<sup>th</sup> March 2016

To all members,

## **Iran Sanctions - "fall-back" Reinsurance Update**

Dear Sirs:

The Club has issued a number of updates and circulars on the implications of sanctions on cover. The continuing application of US primary sanctions to US domiciled reinsurers participating in the Group's reinsurance arrangements means that Members remain exposed under Club sanctions' rules to the risk of a partial reinsurance shortfall in respect of non-certified liabilities towards or incurred by Iranian interests.

The International Group is working on a "fall-back" reinsurance protection to cover this default risk, for which it has now obtained the approval of the US authorities, and the Group's brokers are currently in the process of placing corresponding reinsurance cover outside the US markets.

Due to compliance implications, it is taking some time to put this cover in place, but it is hoped that this will be completed shortly. Once this cover is in place, clubs will then be able to confirm cover for non-certificated as well as certificated liabilities towards, or incurred by, Iranian interests (other than SDN's or liabilities arising out of prohibited trades).

The cover is however subject to a much lower limit, with one paid reinstatement only and more restricted terms, than the main Group GXL placement. For these reasons, it is not considered to amount to an adequate long-term solution to the problems presented to the Group's reinsurance arrangements by continuing US Primary sanctions and the Group will continue to engage with the US authorities for the purpose of securing a comprehensive insurance solution to meet all shipowners' needs.

Yours faithfully

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Managing Director

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