

MARKET BULLETIN

REF: Y4409

Title	Iran – Market Direction
Purpose	To direct the Market regarding Iranian refined petroleum business
Type	Event
From	Sean McGovern, Director North America & General Counsel
Date	8 July 2010
Deadline	Effective Immediately
Related links	

With effect from 9 July 2010, all managing agents are required to ensure that no contract of insurance or reinsurance for Iranian refined petroleum is entered into or renewed as detailed in the Direction below. Compliance Officers must ensure that all underwriting staff are notified of this Direction and adhere to its requirements.

Background

As explained in recent alerts to the market, Lloyd's has been closely monitoring international sanctions developments regarding Iran arising from concerns regarding its nuclear intentions.

The Market will be aware that on 9 June 2010 the United Nations Security Council adopted Resolution 1929 imposing additional sanctions against Iran, substantially strengthening existing measures. These measures are expected to be increased later this month when the EU implements the Resolution with further substantive sanctions.

The EU has said that its measures should "... focus on the areas of trade, especially dual use goods and further restrictions on trade insurance; the financial sector, including freeze of additional Iranian banks and restrictions on banking and insurance; the Iranian transport sector, in particular the Islamic Republic of Iran Shipping Line (IRISL) and its subsidiaries and air cargo; key sectors of the gas and oil industry with prohibition of new investment, technical assistance and transfers of technologies, equipment and services related to these areas, in particular related to refining, liquefaction and LNG technology; and new visa bans and asset freezes especially on the Islamic Revolutionary Guard Corps (IRGC)".

In addition, on 1 July 2010, President Obama signed into law the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010. This legislation allows US sanctions against entities (including foreign entities) that, *inter alia*, insure or reinsure shipments of refined petroleum products to Iran. The Direction that follows is in line with this new US legislation.

These developments demonstrate the depth of international concerns regarding Iran and the need for the Lloyd's Market to continue to carefully and diligently monitor compliance with all existing and future sanctions against Iran.

This is a developing situation. We will be considering what further steps to take when the scope of the new EU sanctions is known later this month. In the meantime, Managing Agents should continue to review their exposures in order to be in a position to react promptly if required.

Direction

As from 9 July 2010 and until further notice

1. Each managing agent shall ensure that no contract of insurance or reinsurance is entered into (or existing contracts amended (endorsed)) on behalf of the members of a syndicate managed by it where it has actual knowledge or should have known that an Iranian Refined Petroleum Risk would be insured or reinsured under that contract.

This will involve appropriate and proportionate due diligence and review of all information disclosed in the ordinary way. In the case of treaty reinsurance it will generally be disproportionate to consider every underlying contract that may be reinsured unless, from the review, there is reason to believe that they will include Iranian Refined Petroleum Risks. In that case, consideration should be given to the use of appropriate warranties and exclusion clauses to restrict coverage.

An Iranian Refined Petroleum Risk is one where the interest or property to be insured or reinsured under the contract of insurance or reinsurance covers the shipment of refined petroleum to Iran at any time during the period of the contract.

2. Each managing agent must implement in writing appropriate systems and controls to ensure compliance with the above Direction including –
 - (a) those necessary to ensure that every person with the managing agent's authority to enter into contracts of insurance and reinsurance (including coverholders and service company coverholders) is aware of the directions and undertakes appropriate and proportionate due diligence in the course of their underwriting to comply with it;
 - (b) that appropriate warranty or exclusion clauses to restrict coverage are used, when necessary.

For the avoidance of any doubt, the responsibility of managing agents to ensure all their contracts comply with applicable international sanctions legislation remains unchanged.

Contact Details

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