

Iran Trading - P&I cover clarifications

Members are referred to our previous Circular dated [22nd February 2016](#). We have today issued a further Circular, [Iran Trading - P&I Cover Update](#), which updates Members on the risk of sanctions related reinsurance shortfalls with respect to the International Group General Excess of Loss programme ("the Group GXL") and the Hydra reinsurance programme.

Along with all of the other International Group Clubs, pursuant to Rule 32, Members' right of recovery for claims is limited to the extent there is any shortfall in any of the Club's reinsurance arrangements as a result of sanctions. Members will recall that when it comes to claims with an Iranian connection, the continuation of US primary sanctions means that US Reinsurers may be impacted in their ability to pay. Hence, there is a potential exposure for Members to a shortfall in their recovery of liabilities from the Club.

Our [Circular](#) today is relevant to our mutual membership, namely Members with traditional Rules based P&I insurance. Our Circular relates specifically to potential US reinsurance shortfalls for mutual liabilities falling within the Group GXL and Hydra reinsurance programme. Members will note from the Circular that the International Group continues its discussions with the US Administration with a view to securing a formal license to allow the participation of US domiciled reinsurers. In the meantime, the International Group has been successful in arranging temporary "fall-back" reinsurance which is designed to respond to shortfalls resulting from the inability of US Reinsurers to make payments, due to the continuing application of US sanctions. Whilst the "fall-back" reinsurance has a number of advantages, Members should be aware that it also has important limitations. Details of the "fall-back" reinsurance are set out at pages 2 and 3 of our Circular.

If our mutual Members would like any further general information on the effect of Sanctions on the Club's reinsurance arrangements for liabilities other than those falling within the Group GXL and the Hydra reinsurance programme, they are invited to get in touch with their usual contact at the Club and we will be pleased to try to assist. Similarly, please contact us if you would like any general information on the effect of Sanctions on any of our specialist products, namely our *non* Rules based P&I covers. We have separate reinsurance arrangements with respect to these policies. Hence the position with potential shortfalls differs somewhat compared to traditional Rules based P&I policies.