

IUMI Policy Agenda

14. Sanctions

Brief description

International sanctions are front and centre to the major economic powers' political strategies and objectives. Shipping as a key cog to the global economy is an obvious sector to be adversely impacted by rises in geopolitical tensions. While sanctions are nothing new, the targeting of financial services have demonstrated the need for marine insurers to keep up to date with new sanction regimes and how to comply with them.

In recent years the application of unilateral sanctions, i.e. without broad, international consensus, has escalated significantly, as has the potential over-reach by governments to try and control the actions of entities trading in their country or using their currency but not directly sanctioned by them – the 'secondary sanctions' phenomenon. The increasing use of 'tit-for-tat' sanctions between the major trading nations further raises the political temperature and difficulties for internationally focused industries such as shipping.

There has been an increasing focus by sanctions authorities on the maritime sector, with pressure on owners, operators and insurers to adopt ever more extensive due diligence and compliance checks in order to manage evolving and complex risks. The May 2020 guidance Sanctions Advisory by OFAC, the Department of State and the U.S. Coast Guard is probably the most important sanctions development for marine insurers in recent years. Its intent is to reshape all aspects of maritime industry behaviour and touches upon fundamental issues for our community – for instance, AIS manipulation, know your customer, supply chain risk, information sharing with counterparties and the recommended use of insurance policy provisions. In July 2020, the UK sanctions regulator, OFSI, followed suit.

It is beyond the scope of this document to analyse specific sanctions measures or regimes except to make the wider point that sanctions measures are updated on an almost daily basis across multiple jurisdictions, which require continued due diligence by those in the shipping sector. Moreover, in some cases, sanctions requirements are either ambiguous or conflict across jurisdictions.

Insurers maintain exhaustive checks and systems to avoid insuring sanctioned entities in the first place, or paying claims where sanctions are introduced mid-policy term. Insurance policies will generally include as standard a sanctions exclusion clause, in addition to provisions, both implied and expressed, around illegal activity by the insured. But the speed of sanctions developments and differences in approaches and legislation

across jurisdictions is a challenge. Furthermore, secondary sanctions can leave both insurers and their clients in the difficult situation of having competing sanctions measures in place, particularly so where there is the ‘threat’ of potential sanctions should the parties pursue what may be an otherwise valid commercial contract. Moreover, as the sanctions threat evolves so does the increasing technology employed by bad actors to circumvent measures – AIS manipulation being the best example but also including physical manipulation of the vessel, GNSS spoofing and falsification of documents.

The list below, while not exhaustive, indicates where information can be found from four key sanction regimes.

Key sanction regimes – information links

- **United Nations:**
 - [Security Council - General Information about Sanctions](#)

- **United States of America:**
 - [U.S. Office of Foreign Assets Control \(OFAC\) Sanctions List Search](#)
 - [U.S. Treasury OFAC Sanctions Programs](#)
 - [U.S. Treasury OFAC Recent Actions](#)
 - [OFAC Specially Designated Nationals \(SDN\) List](#)
 - [OFAC Guidance to address illicit shipping and sanctions evasion practices \(14 May 2020\)](#)

- **European Union:**
 - [EU Consolidated list of sanctions](#)
 - [EU Sanctions Map](#)
 - [12th package of restrictive measures against Russia](#)

- **United Kingdom:**
 - [HM Treasury – Financial sanctions targets by regime](#)
 - [UK Office of Financial Sanctions Implementation](#)



- OFSI Financial sanctions guidance for entities and individuals operating within the maritime shipping sector (December 2020)
- Lloyd's Marine sanctions guidance – Enhanced Due Diligence measures
- **IUMI:**
 - OFAC webinar 10 June 2020
 - Sanctions update webinar (HFW and Windward), 8 December 2021.
- **BIMCO:** Sanctions clause for container vessel time charter parties 2021.
- **China:** Anti-foreign sanctions law necessary to fight hegemonism, power politics: official.