

Sanctions - update

Dear Sirs,

Iran sanctions - update

The purpose of this Circular is to update the Members of Gard P. & I. (Bermuda) Ltd and Assuranceforeningen Gard - gjensidig - (hereafter individually called the "Association" and collectively the "Associations") of recent developments with regard to Iran sanctions.

US sanctions

As a reaction to the recent report from the International Atomic Energy Agency ("IAEA"), indicating that Iran has carried out tests related to the development of a nuclear explosive device, the US has introduced new and further tightened sanctions against Iran.

Executive Order 13382

The purpose of Executive Order 13382 of 28 June 2005 is to freeze the assets of proliferators of weapons of mass destruction ("WMD"). With effect from 21 November 2011 a number of additional companies and individuals were added to the Office of Foreign Assets Control ("OFAC") Specially Designated Nationals List.

Executive Order 13590

The new sanctions target non-U.S. entities engaged in activities that could directly and significantly contribute to Iran's ability to develop its Energy and petrochemical sectors. Compared to the sanctions already in place the new measures extend the range of activities and persons upon which sanctions can be imposed.

i) Petroleum resources

The new sanctions target goods and services being provided to Iran, however the export of crude oil from Iran by ship is not specifically targeted. The measures gives the U.S. State Department the authority to sanction any entity that knowingly sells, leases or provides goods, services, technology or support that has a fair market of USD 1,000,000 or more or that, during a 12-month period, has an aggregate fair market value of USD 5,000,000 or more, that could directly and significantly contribute to the maintenance or enhancement of Iran's ability to develop petroleum resources located in Iran. The USD 20,000,000 limit under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (the "Act") has accordingly been significantly lowered and as mentioned above the types of activities within the scope of the sanctions is widened. For more information on the Act please see Gard Circular No. 7/2010.

ii) Petrochemical Products

The new measures further provide authority to sanction any entity that knowingly sells, leases or provides goods, services, technology or support worth USD 250.000 or more (or that during a 12-month period has an aggregate value of USD 1.000.000 or more) and that could directly and significantly contribute to the maintenance or expansion of Iran's domestic production of petrochemical products.

Further information can be found on: <http://www.whitehouse.gov/the-press-office/2011/11/21/executive-order-iran-sanctions>

Identification of Iran as a Jurisdiction of “Primary Money Laundering Concern”

The U.S. Department of Treasury has designated Iran as being a jurisdiction of “Primary Anti-Money Laundering Concern”. The Treasury Department has identified the entire Iranian financial sector, including private banks and its subsidiaries and branches operating outside Iran as posing illicit finance risks for the global finance system.

The designation requires U.S. financial institutions to implement additional due diligence measures in order to reduce the risk of money laundering and to prevent any improper indirect access by or on behalf of Iranian banking institutions to U.S. correspondent accounts.

Further information on the U.S. sanctions can be found on: <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/iran.aspx>

UK Sanctions

Due to the IAEA report and the UK Government’s “...*serious and ongoing concern in relation to Iran’s nuclear activities...*” HM Treasury imposed on the 21 November 2011 new financial restrictions against Iran. Pursuant to the Financial Restrictions (Iran) Order 2011 (“the Order”) all credit and financial institutions operating in the UK financial sector must not enter into, continue or participate in any transaction or business relationship with the Central Bank of Iran or any other Iranian bank including their subsidiaries and branches.

All persons operating in the UK financial sector are therefore effectively prohibited from entering into or to continue to participate in any transactions or business relationship with the above mentioned entities, unless licensed by the HM Treasury. Both criminal and civil penalties may be imposed on those failing to comply with the Order. In certain circumstances the HM Treasury can issue licences to exempt transactions or business relationships from the requirements of the Order. If however a transaction is authorised under a general licence the notification and authorisation requirements under Article 21 of the Council Regulation (EU) no. 961/2010 still apply.

The purpose of the UK restrictions is to make it more difficult for Iranian banks to utilize the international financial system in support of the proliferation of sensitive activities. The Order will protect the UK financial sector from the risk of unwittingly being used to facilitate activities supporting Iran’s nuclear program.

The order is available at: http://www.hm-treasury.gov.uk/d/fin_restrictions_iran_order2011.pdf

EU Sanctions

The European Union will impose new additional measures. Some of the conclusions adopted at the 3130th Foreign Affairs Council Meeting in Brussels on 1 December 2011 were as follows:

- i) The Council has on 1 December designated 180 entities and individuals to be subject to restrictive measures.
- ii) In accordance with the European Council Declaration of 23 October 2011, the Council further agreed that the EU should extend the scope of its restrictive measures against Iran.
- iii) The Council has agreed to broaden existing sanctions by examining additional measures aimed at severely affecting the Iranian financial system, the transport sector, the energy sector, measures against the Iranian Revolutionary Guard Corps as well as in other areas. The Council tasked preparatory Council bodies to further elaborate these measures for adoption, no later than by the next Foreign Affairs Council meeting.

More information can be found on:

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/126493.pdf

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:319:0011:0031:EN:PDF>

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With respect to the Club's position on cover Members are recommended to review Gard Circulars no 1/2010 and 24/2010 (available at www.gard.no), which describes various Rule changes deemed necessary to ensure that the Associations do not become subject to Iran sanctions. The Rules changes outlined in Circular 1/2010 were effective as from 23rd April 2010. Please note in particular the information concerning the new Rule 24.3 - Termination of entry, and the new Rule 25.4 - Cesser (corresponding Rules for Mobile Offshore Units being Rule 15.3 and 16.4). The Rule changes outlined in Circular 24/2010 were effective as from 20 February 2011. Attention should in particular be drawn to Rule 77 - Administrative costs, insolvency and sanctions etc. (corresponding Rule for MOUs being Rule 30). Reference is also made to Section 26 of the Terms and Conditions for Gard Additional Covers.

Finally we would also like to refer to our Circular 7/2010 in which attention was drawn to the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 as well as Resolution 1929 by the United Nations Security Council.

Yours faithfully,
GARD AS



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