

Sanctions clause

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The worldwide insurance industry has applied sanctions clauses (in various forms) to cargo and other insurance policies [from 2005, when the major western countries had differences over Iran's nuclear program](#). Sanctions clauses are always exclusion clauses, denying claims payments to sanctioned countries, companies and/or individuals.

Since then, countries' sanctions regimes have grown in importance in international trade. A more recent example has been the reaction to Russian aggression over Crimea in 2014 and again in eastern Ukraine in 2022. Until February 2022, New Zealand followed only United Nations sanctions, but introduced our [Russia Sanctions Act in 2022](#). This was because Russia is a permanent member of the UN Security Council and as such could veto any attempt at the UN to impose sanctions. Otherwise, New Zealand implements sanctions authorised by the UN Security Council under NZ's United Nations Act 1946. Whilst sanctions target foreign governments, companies, and individuals, it's NZ companies and citizens that must comply.

NZ's Ministry of Foreign Affairs and Trade maintains a sanctions register here:
[Russia Sanctions Register | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#)

Guidance is found here:
[Guidance-Russia-Sanctions-Act-and-Regulations-Due-diligence.pdf \(mfat.govt.nz\)](#)

There is considerable additional material and commentary provided by the NZ government on its various ministries' websites.

New Zealand and Australian insurers buy reinsurance to insure themselves for catastrophic losses. Our reinsurers are principally domiciled in Europe, the UK, and the USA, with some in Asia. As such we are also subject to the sanctions that apply to them as well. Hence our current Sanctions Clause is the London Market's JC2010-005 clause, adapted to local conditions:

Sanction Limitation and Exclusion Clause

No insurer shall be deemed to provide cover and no insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom, United States of America, Australia or New Zealand.

Note that this exclusion clause encompasses these six sanctions regimes:

- United Nations
- European Union
- United Kingdom (separate since post-Brexit)
- United States of America
- Australia
- New Zealand

This is an updated explanatory note. Sanction exclusion clauses are nothing new to Vero Marine's cargo policies. We have been including them in our policies since 2011. Other NZ insurers also do likewise. This is an area where compliance is mandatory, and it's not an area on which insurers compete, as we do on pricing and contractual terms. Whilst New Zealand-based insurance may not be involved in an insurance claim overseas, for example on a FCA export from NZ (FCA - Free Carrier - Incoterms 2020), the exporter is still subject to NZ's laws concerning export duties, taxes, and Customs clearance.

The sanctions clause above is exclusionary and does not just imply a mere delay or suspension of rights to claim.



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