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| To: Hull and Cargo practitioners  | **LMA2024-032-AR** 7th June 2024 |

**Revision of LMA Hull and Cargo Oil Price Cap Clauses**

Practitioners will be familiar with the established oil cap mechanism

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Some confusion has arisen because of a number of changes to the legislation which has resulted in rapid amendments to the clauses. To limit that confusion and to ensure consistency in clauses being used going forward, it has become necessary to revise the hull and cargo clauses as now attached with their three accompanying appendices.

The narrative section has been deleted as all contracts should now have the clause from inception so the explanation is not required. These wordings (**LMA5650** and **LMA5651**) will be posted to the Lloyd’s repository and all previous versions of the hull and cargo clauses removed for clarity.

We recommend that members ensure that their underwriters are informed that previous versions of the clauses should not be used going forward. No changes are needed to existing contracts where previous versions have been used.

It will be recalled that the members of the G7, the European Union and Australia (together, the "Price Cap Coalition") have agreed to implement a prohibition on the maritime transportation of certain oil (HS code 2709 / CN code 2709 00 / HTS code 2709.00) and oil products (HS code 2710 / CN code 2710 / HTS code 2710), originating in or consigned from Russia, from a place in Russia to a third country or from one third country to another. The prohibition extends to the provision of financial services, including (re)insurance, in pursuance of or in connection with an arrangement whose object or effect is the maritime transportation of Russian oil and oil products.

In order to ensure the continued flow of oil and oil products onto the global market, price cap exceptions have been implemented by the Price Cap Coalition at the same time. The price cap exceptions permit the supply or delivery by ship of Russian oil and oil products as well as provision of associated services only where such oil and oil products have been purchased or sold at or below the set price (“the price cap exception”).

Underwriters are, therefore, prohibited from insuring and otherwise providing any insurance service in connection with the supply or delivery by ship of Russian oil products from Russia to a third country or from one third country to another unless such supply or delivery complies with the terms of the relevant price cap exception as implemented by the states in the Price Cap Coalition. That is the case regardless of whether the prohibition on such supply or delivery applies to the insured in any way or not.

Underwriters are under a legal obligation to take appropriate measures vis-à-vis their insureds to ensure that any carriage of Russian oil and oil products falls within the scope of the relevant price cap exception. The Price Cap Coalition measures now include a requirement to obtain "per-voyage" attestations to that effect and, in certain circumstances, also itemised ancillary costs information associated with each voyage involving carriage of Russian oil and oil products. In the event any such attestation and/or information is not provided in a timely manner, Underwriters will have to notify the relevant authorities of that fact and withdraw the insurance cover as soon as reasonably practicable.

In the circumstances, it is necessary for Underwriters to introduce specific terms to the wording of the policy to address the legislative changes outlined above. These terms are as follows:

Insofar as such clauses are used in the context of a lineslip or an open cover, they must be incorporated into any contract of insurance formed pursuant to or in connection with the lineslip/open cover.

Insofar as such clauses are introduced by way of an endorsement in the context of any existing lineslip, open cover or contract of insurance, the reference to "*inception of the policy*" in Clause 1(a) is to be read as a reference to "*the present endorsement being agreed by both Underwriters and the insured*".

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