


Navigating Oil Price Cap legislation: LMA issues revised Cargo and Hull wordings

29 July 2024  Molly Jeffs

In June, the Lloyd's Market Association (the LMA) issued a revision to its Cargo (LMA5650) and Hull (LMA5651) Oil Price Cap wordings.

The wordings were introduced following changes to Oil Price Cap legislation, reflecting changes made to the sanctions regime on Russian oil; aiming to provide clarity and address confusion amongst practitioners following this legislative change.

Price Cap Coalition legislative changes

The Price Cap Coalition agreed to prohibit maritime transportation of certain oil and oil products which originate in or are consigned from Russia, from a place in Russia to a third country or from one third country to another. They also agreed to prohibit the provision of financial services relating to such maritime transportation.

Some exceptions apply, including the supply or delivery and provision of associated services only where the oil and oil products have been purchased or sold at, or below, the set price (the price cap exception).

This means that underwriters may only insure or provide insurance services for such supply or delivery where it complies with the relevant price cap exception (regardless of whether the prohibition applies to the insured in any way or not). Insurers are also obliged to take appropriate measures to ensure compliance by their insureds.

The new legislative changes now include a requirement to obtain "per-voyage" attestations on adherence to the price cap exception and in some instances requirements to provide itemised ancillary costs information associated with each voyage. If such information is not provided in a timely manner, underwriters are required to notify the relevant authorities and withdraw insurance cover as soon as possible.

Implications for underwriters

Underwriters must introduce specific terms to policy wordings to address these changes. In the guidance the LMA summarises (full LMA guidance and endorsements):

- Clauses used in the context of a lineslip or an open cover must be incorporated into any contract of insurance formed pursuant to or in connection with the lineslip or open cover.
- For clauses included by endorsement in the context of any existing lineslip, open cover or contract of insurance, the reference to 'inception of the policy' at 1(a) (in the endorsements provided by the LMA in the link above) is to be read as a reference to 'the present endorsement being agreed by both underwriters and the insured'.

The LMA has advised that previous versions of the clauses should not be used in new contracts, but that no changes are required for existing contracts which already use the previous versions.

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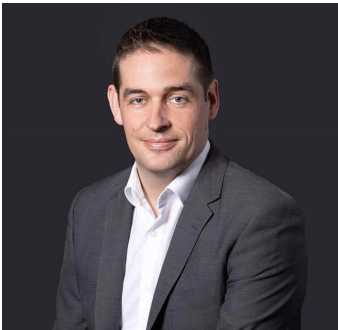
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