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Professor Erik Rosaeg
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10th December 2004

Dear Erik,

Athens

Thank you once again for meeting in London on 19th November to discuss the implementation of Athens. As you know, in common with the wider insurance market we have considerable misgivings about the likely consequences of implementation. Chief among these, of course, is the possibility that the market will not be able to provide the means to comply with the requirements of the Convention in relation to financial responsibility.

As you know, we have agreed to postpone putting to Boards the question whether Clubs are able to provide cover and certification in respect of the liabilities arising under the Convention. We shall do this as soon as the terrorism issue has been resolved.

Our immediate concern is that States do not properly understand this problem and may assume that if the Convention is brought into force the market will find a way of responding, as happened in relation to the implementation of OPA90. In our view this would be a dangerous assumption since the position is wholly different. The problem is simply stated: the cover provided by the Clubs in respect of terrorism is limited because this is not part of our general cover but falls within our War Risk cover. The limit of our War Risk cover is too low to permit Clubs to provide certification under the Convention. Moreover, the structure of the War Risk cover (which turns on cancellation at short notice) makes it wholly unsuitable for certification on an annual basis. Some States have

indicated their belief that this problem could be solved, by analogy with OPA90, if other providers of COFRs could be found. It is our belief that other providers of COFRs will encounter the same difficulties as the Clubs in obtaining the requisite cover on a sustainable basis so that the analogy with OPA90 will not hold. We may be wrong in this assessment. However, if we are right the process of implementation could be discredited. We suggest therefore that it might be profitable for the Correspondence Group to call a meeting of interested parties to arrive at a common understanding in order to determine what can and cannot be done across the insurance market. For this purpose we would propose that if the Correspondence Group does decide to call such a meeting an invitation should be extended to representatives of shipowners, insurers, brokers and banks as well as of the International Group so that all parties may be better informed.

Since the Commission is also vitally interested in the question of implementation I am copying this letter to Fotis Karamitsos.

Yours sincerely,

D.J.L. Watkins

c.c. Mr. Fotis Karamitsos