



**BILLION-DOLLAR BILL:** insurers and owners are worried about billion-dollar claims if a giant cruiseship like the 3,100-passenger "Voyager of the Seas" (above) were to suffer a fatal disaster

# Owners to debate cruise disaster risk

**The risk that a cruiseship catastrophe could wreck the marine insurance club system has been put on the agenda of the International Group protection and indemnity (P&I) cartel to be considered by managers and shipowners over the coming months.**

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The move results from growing worries by tanker and bulker owners that both their pockets and insurance cover are at risk from a cruise disaster that could cost billions of dollars.

Cruise lines are also becoming uneasy that their P&I cover is under threat just months ahead of a diplomatic conference that may well raise passenger compensation limits tenfold.

The International Group's move to begin formal consideration of how cruiseship and passenger liabilities should be covered was triggered by a request from one of its member clubs.

A revised Athens Convention likely to be agreed in October will raise passenger compen-

sation for death or injury from the current SDR 46,666 (\$61,600) to at least SDR 350,000 (\$462,000) and maybe SDR 500,000 (\$660,000). This would produce a claim of over \$2.4bn if all passengers on a giant cruiseship such as the *Voyager of the Seas* perished.

The revision of the Athens Convention is proving to be a catalyst with a number of Greek and other tramp owners calling for new thinking about how risks are shared through the P&I club system.

The most extreme position is that cruiseships and maybe all large passenger ships should be excluded from the P&I clubs, forcing them to set up their own mutual or make whatever alternative arrangements they can in a hostile insurance market.

A more likely outcome is that

some limit of liability below the \$4.25bn normally provided by the International Group clubs will be introduced.

Oil pollution cover is already limited to \$1bn, with additional premiums payable for US trading. This could provide some sort of model for how the P&I clubs could respond to cargo-ship owners' worries.

The International Council of Cruise Lines (ICCL) — headed by Royal Caribbean chief Richard Fain, with other industry luminaries such as Carnival's Micky Arison, P&O Princess' Peter Ratcliffe and Norwegian Cruise Line's Colin Veitch on its executive — wants the P&I clubs to remain inclusive and sees them as the only identifiable market for the type and extent of cover needed.

ICCL president Michael Crye tells TradeWinds that retaining P&I club cover is an extremely important issue as the clubs have a long-term interest in the shipping industry.

Particular worries include the insurability of wilful misconduct risks outside the P&I

clubs, as well as whether there will be any difference in the way cruise vessels and ferries are treated.

International Group chairman Stephen James says that if any change is to be made to P&I cover for the underwriting year that begins in February it would have to be agreed by November. This deadline would be hard to meet given the complex and controversial issues involved.

James says the tradition of the clubs is that they want to be inclusive, but if the shipowner directors want change, cap exposure under the claims-pooling system rather than excluding cruiseships is the more likely option.

Meanwhile, the US Federal Maritime Commission plans to insist that only approved P&I clubs can provide voyage-performance guarantees but the P&I clubs say they are not prepared to increase their exposure to this type of risk.

Carnival favours self insurance remaining an option but the maximum guarantee of \$15m being lifted.