Liability ruling within a year

Tony Gray reports from London on the second day of the Lloyd's Shipping Economist Ship Finance Conference 2002, organised by Lloyd's List events
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THE controversial new seagoing passenger liability regime adopted by the International Maritime Organi- sation could enter into force in little more than a year, a leading insurance expert warned.

Graham Barnes, executive director, BankServe Insurance Services, said the new protocol to the Athens Convention could be ratified by the required 10 countries by Christmas, rather than the years that some members of the P&I club community are expecting.

It would become law in those states 12 months later.

Mr Barnes said the Prestigetanker catastrophe had got the EU "hopping mad" and this would have an influence on the Athens Convention protocol, under which there is a five-fold increase in strict liabilities per passenger.

The protocol has incensed the clubs who have warned that an unrealistically high concentration of risk could lead them to cap their exposure.

Mr Barnes said the consensus was for the P&I clubs to limit passenger liability cover to $1bn, as applies for oil pollution.

Some of the clubs' shipowner members believe passenger liabilities should be excluded altogether because a ferry or cruiseship carrying more than 3,000 passengers could result in a claim exceeding $2bn.

Other shipowners were right to be concerned, he said, particularly as cruising is dominated by the US where there was effectively unlimited liability.

The clubs were "underwriting and subsidising" the North American cruise market," Mr Barnes said. The cruise companies should be made to "pay the premium the commercial insurers would make them pay."

He said that establishing a specialist P&I club for passenger shipping was possible but ran counter to the concept of spreading risk and would be costly.

Instead of pouring their cashflow into bigger ships, the cruise companies should be "forming captive insurers to cover this risk".

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