

Insurers slam Brussels for ship expulsion threat under new law

European parliament member claims vessels face blacklist if owners fail to meet insurance directive, but the International Group of P&I Clubs says this interpretation is wrong

Justin Stares
Brussels

BRUSSELS institutions and the International Group of P&I Clubs have fallen out over the meaning of the latest European Union shipowners' insurance directive.

The European Commission and the European Parliament say the law, which passed its final legislative hurdle yesterday, means ships need higher levels of insurance to call at EU ports. The International Group of P&I Clubs claims this interpretation is "simply incorrect".

Gilles Savary, the French Member of the European Parliament who helped draw up the directive, weighed into the debate with his own warning that ships face expulsion and blacklisting if they did not have insurance equivalent to levels set under the 1996 protocol to the Convention on the Limitation of Liability for Maritime Claims.

The Brussels directive, officially called the Directive on the Insurance of Shipowners for Maritime Claims, lifted both insurance requirements and shipowner liability in EU waters to the 1996 protocol level, he said. Several of Europe's coastal states have today only ratified a 1976 version of the convention, which implies much lower liability limits.

"If they don't have insurance to the 1996 level they can be expelled and if they are expelled they will be put on a blacklist and not allowed back in any EU country until they have the right insurance," Mr Savary told Lloyd's List. "While some states have still not ratified the 1996 protocol, this directive essentially brings it into force."

His warning followed claims by the commission that up to 80% of ships trading worldwide today do not have sufficient insurance to call at EU ports once the directive takes effect on January 1, 2012.

"Insurance must be established at the most recent level [of LLMC]," said a commission official, speaking at an off-the-record briefing in Brussels last week. "Seventy-five to 80% of the world fleet is not bound by the latest level." Mr Savary said the commission's position was "well founded".

The International Group, whose clubs insure over 90% of oceangoing tonnage, wrote to both the MEP, who is the directive's rapporteur, and the commission following this warning to complain that previous attempts to explain the workings of the P&I industry had "either not been taken on board or has been misinterpreted".

Executive officer Andrew Bardot wrote: "The cover provided by the clubs responds to the shipowners' legal liability as applicable/established in the relevant jurisdiction. Thus there will always be insurance to meet the appropriate level of liability, whether this be based on LLMC 1976 or 1996 limits. The suggestion reported that ships risk detention or expulsion upon calling in an EU port on grounds of insufficient insurance cover and that shipowners will need to take out additional cover will not be true in the case of shipowners entered with International Group clubs since there will always be sufficient insurance cover in place to cover the relevant liability limit in any EU member state port."

Mr Savary said: "If the International Group believes nothing will change, then why did they oppose the directive? The P&I industry is wrong to think that everything will stay the same."

The final draft of the directive was watered down following lobbying by the International Group. It initially contained more severe provisions which the group said threatened its reinsurance contracts. These were dropped.

The falling out was a sour note to the conclusion of ten years of work on the so-called Erika packages of maritime safety laws. The latest package comprises the insurance directive and six others. All were approved yesterday and are now headed for the statute books. At the pre-vote debate on Tuesday MEPs congratulated themselves on having pushed through the package despite resistance from national governments. "We used subterfuge," said Mr Savary.

"Certain operators will no longer be welcome in our waters," said EU Transport Commissioner Antonio Tajani. "This sends out a strong political signal."

This article is copyright Informa plc. and is reproduced with permission. Reproduction, retrieval, copying or transmission of this article is not permitted without the publisher's prior consent. Informa plc. does not guarantee the accuracy of the information contained in this article nor does it accept responsibility for errors or omissions or their consequences.