

Owners risk breach of new European insurance law

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Brussels

FOUR out of every five ships trading today will not have sufficient insurance to call in the European Union after the latest Brussels directive comes into force, the European commission warned on Friday.

Between 75%-80% of today's fleet is not bound by the highest level of cover under the Convention on the Limitation of Liability for Maritime Claims, which is the minimum level required of ships under the new directive.

If shipowners and operators do not take out additional cover, they risk detention or expulsion upon calling in a EU port.

The commission revealed that while bound by the LLMC convention, the majority of ships are not covered by its 1996 protocol, which lifts ceilings of cover threefold.

Many ships are flying the flag of states that have approved a version of the convention dating back to the 1970s, while others, including those flying the flag of one EU coastal state, are still sailing under rules struck in the 1950s.

Around 5% of ships sail without any insurance at all, according to commission estimates, though few of these are thought to call at EU ports.

"Insurance must be established at the most recent level [of LLMC]," said a commission official at an off-the-record briefing in Brussels.

The directive, which is due to become EU law within weeks and will be applicable by 2012, would give a boost to the protection and indemnity industry as ships take out extra cover, the commission said.

"At the same time, P&I clubs will have to have a closer look at the ships they insure as there will be more corporate responsibility [in the event of an incident]," an official said.

An entry with a P&I club is the most common form of ship insurance.

The directive on civil liability for shipowners is due to pass its final hurdle this week. After approval by the European parliament in Strasbourg it will become law once published in the EU's official journal, a process expected to take two weeks.

It is scheduled to come into force on January 1, 2012. Ships' insurance certificates will be checked in port.

The commission had originally intended to create an EU insurance certificate which would have been required of all ships entering EU waters. This proposal was watered down after opposition from industry groups and upon realisation that it probably infringed the right of innocent passage enshrined in the UN Convention of the Law of the Sea.

Despite this, the commission claimed on Friday that it had achieved 90% of what it wanted.

The civil liability directive is part of a package of maritime safety legislation, commonly known as the Erika 3 package.

Also headed for the statute books are separate laws governing the permanent banning of substandard ships from EU waters and imposing audits on flag states, among others.

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