

Marsh warns about unavailable terrorism cover

Jim Mulrenan

London

Top insurance broker Marsh has added its voice to warnings that terrorism cover required under a revised Athens Convention is unlikely to be available.

It is suggesting that a protocol to the Athens Convention agreed at a diplomatic conference in November 2002 may need to be revised to reflect underwriters' reluctance to provide cover for biological or chemical attacks on cruiseships or ferries.

There is currently a stand-off between governments and the clubs in the International Group protection-and-indemnity (P&I) cartel about various issues relat-

ing to the protocol, which boosts the limit of compensation payable to SDR 400,000 (\$583,000) per passenger, amounting to a total of \$1.75bn for the largest cruiseships.

The particular issue that Marsh is highlighting is that most war-risk insurances and reinsurances have a clause excluding loss, damage, liability or expense directly or indirectly caused by any chemical, bio-chemical or electromagnetic weapon. It is not particularly clear what nightmarish device the latter could be.

But the Athens protocol contains no such exclusion, leaving the P&I clubs unreinsured if there were such a terrorist attack.

Marsh, by far the world's largest insurance broker, suggests the P&I clubs might be able to persuade some reinsurers to drop the exclusion but warns that capacity would still be "very limited and costly".

Marsh suggests that article four of the protocol covering terrorism be revised to reflect market realities. However, the broker has not made it clear how practical such a step would be.

Maritime authorities are generally reluctant to allow conventions or legislation to be driven by warnings from insurers. They prefer to take the view that commercial organisations should bend to political will.

"Although it may be possible to interest some of the more speculative insurance capacity in this area of risk, our assessment of the overall availability of capacity, even combined with such net lines as there may be, is that it is highly unlikely to be in any way adequate to embrace the requirements set out by the protocol for the passenger-shipping industry as a whole," said Marsh in a market advisory note.

"It is not just that the International Group clubs cannot certify that cover for this risk is in place, the fact is that the wider insurance markets will not provide the cover the protocol presently requires."