

INSURANCE

ISPS wording may unlock terror cover

A new security code may provide the answer to a standoff between governments and protection-and-indemnity (P&I) clubs over potentially uninsurable liabilities created by a revised Athens Convention.

The International Ship & Port Security (ISPS) code could be the fix necessary to overcome the P&I clubs' reluctance to provide the terrorism cover for cruiseships or ferries required under a protocol to the Athens Convention.

The protocol was agreed at a diplomatic conference in late 2002 but the clubs are concerned about two key issues: the lack of any exclusion for terrorist attacks on a cruiseship or ferry and the high limit of compensation of SDR 400,000 (\$583,000) per person, or a total of about \$1.75bn for the largest passengerships.

Various solutions have been proposed including redrafting the protocol or setting up government-backed compensation pools but these are not seen as realistic.

However, with a little creative thinking, ISPS could be the mechanism for resolving the standoff

**ON THE WATCH**

Photo: USCG

as the wording of the protocol only makes the shipowner, and by extension the P&I club, liable if a loss is "wholly caused" by terrorism.

The idea is that if a shipowner has fully complied with ISPS and an attack still happens, it will not be "wholly caused" by terrorism but be partly down to the failure of a government or port to fulfil its obligations under the code.

A correspondence group of maritime administrators, lawyers and insurers is to explore the ISPS option in advance of the next meeting of the IMO legal committee.