

INSURANCE

P&I clubs hope for cruise relief

Insurers are optimistic that a special IMO declaration could help eliminate risk problems with insuring cruiseships.

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The International Maritime Organisation (IMO) will be asked to declare that terrorism is an act of war in a bid to make the world cruiseship fleet insurable.

The protection-and-indemnity (P&I) clubs, which have been baulking at the onerous liabilities created by a revised Athens convention, believe an IMO resolution will help overcome key worries.

The proposed resolution would also acknowledge that insurance cover for terrorism is either limited or maybe even unavailable.

The idea of a special IMO resolution has emerged as the most realistic solution to a number of thorny issues arising from the revised convention. It means that more complicated proposals are off the agenda, such as creating a war-risks pool or special-purpose insurance vehicles like those set up to enable shipowners to get certificates of financial responsibility (COFRS) for US pollution risks.

The revised Athens convention raises compensation limits to as much as SDR 400,000 (\$580,000) per passenger, meaning the payout facing a P&I club if a large, 3,000-passenger cruiseship were to be lost with its full complement would be SDR 1.2bn

(\$1.8bn) — and some vessels are rather larger than this.

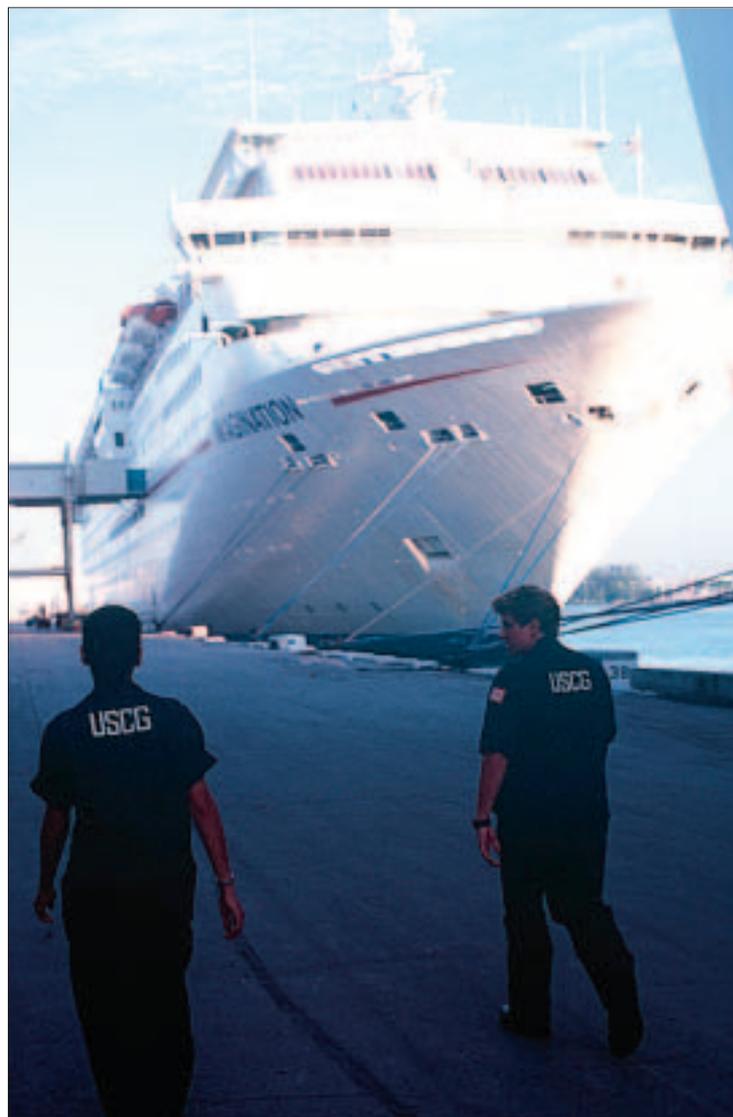
A particular concern about a terrorist attack on a cruiseship is that the convention only provides a defence if damage is “wholly caused” by such an attack, as there would no doubt be arguments that failings by the shipowner like inadequate security provisions were a contributory factor.

The P&I clubs currently provide only \$500m of war-risks cover above a maximum of \$100m of regular hull war-risks insurance, although cover for most other risks runs up to \$4.25bn.

The capacity of the war-risks reinsurance market is not much more than this figure and in the wake of the 11 September attacks, there have been more restrictive terms excluding biological and chemical risks from cover.

Governments are believed to be generally opposed to changing the text of the Athens convention protocol, which was agreed in 2002, but a suitable IMO resolution could achieve much the same effect.

Individual states could incorporate the IMO wording in national legislation, giving effect to the revised convention and courts would also consider the declaration in interpreting Athens-convention disputes.



TERROR TARGET?: US Coast Guard officers have increased their inspections at the Port of Miami cruiseship terminal since the terrorist attacks in New York and Washington on 11 September 2001. The cruiseship shown here is Carnival's 2,052-passenger "Imagination" (built 1995).