

Shipping lines wary of possible huge cruise claims

Some call for lowered cap on the payout liabilities of P&I Clubs

By Beth Jinks

[SINGAPORE] Singapore's shipping community has warned against ratifying the 2002 changes to the Athens Convention, due to the "disproportionate exposure" of cargo vessel owners to potentially enormous claims by the cruise ship industry.

Some in the local shipping community have gone further, calling for a significantly lowered cap on the payout liabilities of P&I Clubs.

Cargo vessel owners — including tankers, container ships and bulk carriers — make up 95 per cent of the tonnage covered by P&I Clubs, while cruise vessels only account for 5 per cent.

But the high liability limits included in the 2002 Protocol to the Athens Convention have alarmed the predominantly cargo ship owning community in Singapore, which will effectively be forced to subsidise expensive passenger ship claims through their shared

club and re-insurance premiums, should the amendments be ratified.

The Singapore Shipping Association's (SSA) Legal Committee declared the limits "far too high" and said they "risk being entirely counter-productive" imposing "a huge financial burden for the shipping industry and the P&I Clubs which

A spokesman for the SSA Legal Committee told *Shipping Times* it was drawing attention to the anomaly, and called for a lowering of the limits. Such amendments would require yet another Diplomatic Conference.

"The best solution is that countries don't actually ratify the convention itself, so

mous claims which are far greater than anything at the moment.

"It's a pity that the protocol has such high limits. It would be good if the issue could be re-addressed. If countries do ratify the protocol, shipowners need to be aware of the additional exposure on their P&I Clubs, and then it's a matter for the

While there has never been a claim above US\$1 billion before, the spectre of a mega cruise ship disaster, carrying up to 5,000 passengers and crew, now looms, and would prove staggering, a major Singapore ship owner representative told *Shipping Times*.

"Our fear is that if there's no limit, and there is a claim that goes through it will affect all shipowners significantly," she said.

"There needs to be a cap... we see this as too high risk. A cut-off at US\$1 billion could be one of the solutions."

While the SSA Legal Committee has proposed no dollar limit, the spokesman said a cap was one solution.

"There is concern that if the risk is not managed, the non-passenger ships will be exposed to passenger claims which are removed from mainstream levels of claims," he said.

"The fear is additional exposure to the clubs and their reinsurers, will ultimately increase the cost to shipowners who are not involved in passenger ships, who make up the majority of P&I Clubs and the vast majority of the Singapore shipping industry."

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support it".

"Under the 2002 Protocol, liabilities arising from passenger vessels would be completely disproportionate to the liabilities arising from the other 95 per cent of insured tonnage," SSA said at a maritime law conference held here this week. The committee argued that as they stand, the limits risk "never attracting sufficient support" to come into force, rendering it "meaningless".

that we don't have the problem with these limits," he said, effectively allowing the amendments to "wither on the vine".

"Singapore is a major cruise port, so Singapore does want to see a healthy cruise industry, and doesn't want to see an overburdened cruise industry."

But "their exposure under the protocol is very significant. The very big cruise ships could result in enor-

P&I Clubs to determine how they deal with that — bearing in mind that 95 per cent of their membership is not cruise operators."

For example, the first US\$5m of a claim is borne by the individual P&I Club, then up to US\$30m is pooled among the clubs, beyond that up to US\$2 billion is re-insured in the market, and then anything above that and up to US\$4.25 billion, the clubs are again liable.