

It is time to fasten life jackets as Athens protocol whips up a storm

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CLEARLY there is no room for passengers in the run-up to the current P&I renewal season, writes Jon Guy.

General increases have been overshadowed by the row over reinsurance cover and the burden of cost which is set to be placed on the cruiseship and ferry owners.

Although yet to be ratified, the Athens protocol is already stirring up a storm.

The insistence from some governments that terrorism cover should also include nuclear and biological risks leaves shipowners facing risks that cannot be readily transferred into the P&I clubs or the commercial insurance market for that matter.

The International Group is taking a tough stance and the decision to limit claims on passengerships to \$3bn has not been met with much joy from the clubs with passenger-heavy memberships.

Brokers believe the path has been laid for the International Club to start looking at how it can make better use of its captive Hydra, which currently accounts for 25% of its first reinsurance level.

It is a point not lost on some clubs, which have expressed concern that the International Group's programme is now almost at breaking point. They also said that another major loss could see reinsurance capacity heading for other classes and the group unable to fill its programme commercial capacity.

The decision to take another \$1bn overspill layer of reinsurance and put much of the cost onto the passenger tonnage has divided some in the market. But there is a groundswell of clubs which believe the hike in passenger tonnage is threatening the group and the P&I system's very existence.

Elsewhere, all clubs have posted general increases and the renewals season has been a later one than normal. Many owners, particularly those in the tanker and passenger sectors, have been waiting to see their reinsurance tariff before committing to their club deals.

However, the clubs have been pushing a hard line this year and — while the increases are the most uniform in terms of percentages for some time — few if any of the clubs are prepared to negotiate on the rises or rates, however good the claims record.

Therein lies the problem. While the number of claims has fallen, the values of those claims that have occurred in 2006 have soared and are eating into the clubs' pooling arrangements.

Clubs are hoping that last year's hefty claims figures are just a hiccup and not the sign of a new trend which could leave many working out the levels they need to meet their liabilities and maintain their solvency levels.

Clubs have been forced to take a strong line this year. And, while general increases have been in the 5% to 10% mark, they are still nervous about the year ahead and any repeat of the claims of 2006.

Brokers have been working to limit the impact on their tonnage and many have found the renewal season hard going, especially when it comes to reconciling the needs of the clubs with the wants of their clients.

The movement between clubs has continued. The churn effect of modern tonnage coming onto the books — at

lower premiums than the older vessels they have replaced in the fleet — has been a necessary evil for some of the clubs.

Throw into the mix the concerns over the lack of qualified crew and the year ahead will be one which is viewed with a mixture of optimism and serious concern over the future of the mutual sector.

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