

# Passengership operators: we are denied mutual benefits

Monday 4 February 2008

RISING levels of liability being imposed by regulators has been identified as the biggest single driver of fundamental change in the P&I market in the coming months.

While much has been said about the claims levels of the past two years, for many owners the threats looming on the horizon are of more concern. It has also polarised the shipping industry between those who operate passengerships and the rest of the market. There is growing unrest on both sides.

Passengership operators believe they have been denied the mutual benefits which are enjoyed by their non-passenger peers. They have seen reinsurance rates for vessels increase from \$0.2762 per gross tonne in 2001 to \$1.3714 per gross tonne in 2007— with a 70% rise for last year alone.

It has been driven in some respects by the changes to the Athens Convention, which have ramped up liability levels for passengerships. But owners believe that, away from regulatory changes, the increases are based purely on the clubs' fears over the potential future exposure rather than any claims history.

There is a growing feeling of injustice that has not been quelled by the imposition last year of \$2bn sub limits on passengership claims, which would rise to \$3bn if combined with crew liability limits.

Many owners of the new super-size passenger vessels are clearly aware that, under the Athens Protocol, the limit will not cover liabilities where negligence may well be proved to be a factor. Given the fact that the shipyards have passengerships with capacities in excess of 5,000 under construction on their slipways, negligence need no longer be a factor in terms of claims which would break those group sub limits.

The clubs, for their part, have long held the demise of a large passengership as one of their worst case scenarios. In an era when claims seem to be at a new high and the ever more crowded global shipping lanes show no signs of abating, there may be a few clubs that would not weep if their passengership tonnage headed elsewhere — and neither would some of their members.

Brokers have publicly aired the issue of a new dawn in which the passengership owners walk away from the current club system to find a new mutual solution to their specific issues. Indeed, they will point to their loss records as proof that, while the potential liabilities may be significant, the reality has for some time been a wholly different story.

Some in the sector say that talks between the passengership owners are already under way. Other have said a move of such magnitude, despite the small percentage of tonnage that passengerships provide to the clubs, is just too complex to contemplate and deliver in a short space of time.

However, brokers admit passengership owners remain upset with the way they perceive they are being treated by their clubs and many believe it is now a case of 'watch this space'.

Article from Lloyd's List:

[www.lloydslist.com/art/1201788765815](http://www.lloydslist.com/art/1201788765815)

Published: 4/02/2008 GMT

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