



POTENTIAL WIPE-OUT: Will insuring a ship like the 3,114-passenger "Voyager of the Seas" (built 1999) be exorbitant?

Photo: Kvaerner-Masa

Conflict spirals over the Athens protocol

The biggest marine insurance stand-off since the conflict over the 1990 US Oil Pollution Act is in prospect over the world cruise and ferry fleet.

JIM MULRENAN
London

Representatives of more than 70 countries last week agreed on a protocol to the Athens Convention lifting compensation limits for death or injury to passengers far beyond the level that is acceptable to the protection-and-indemnity (P&I) clubs.

Leading P&I club managers are to meet next week but room for manoeuvre appears very limited, setting the stage for a new OPA 90-type row.

The diplomatic conference at the International Maritime Organisation (IMO) in London

agreed that passenger compensation limits would rise to SDR 400,000 (\$530,000) with compulsory cover and a right to directly sue an insurer for up to SDR 250,000 (\$331,000). The figures are far beyond the SDR 200,000 and compulsory limit of SDR 100,000 that the P&I clubs were prepared to contemplate, sending the cruise and ferry fleet heading for uncharted waters.

Managers of the International Group P&I clubs want to go on providing cover for passenger-ships but they doubt that a fix such as that devised to meet OPA 90's requirements on Certificates of Financial Responsibility (Cofrs) can be created this time round.

The time available to resolve the Athens-protocol conflict is also quite limited as the treaty provides that it will enter into force just 12 months after ratification by 10 states, so it could

be a legal requirement facing cruise and ferry lines within two or three years.

The shipowner directors of the P&I clubs are united in the view that a compensation regime that would produce a claim of more than \$1.65bn if all the passengers on the world's biggest cruiseship perished is unacceptable.

Royal Caribbean's 137,000-gt *Voyager of the Seas* (built 1999) carries 3,114 guests but future ships will be even bigger.

Diplomats and government officials take the view that the requirements of the protocol are not excessively onerous and that the P&I clubs and other insurers are prone to "cry wolf" over new challenges.

The P&I clubs, however, warn that even if they could provide the insurance, a single large loss could wipe out their reinsurance support, thus putting the liability cover of the world

cargo fleet at risk. The new protocol sets out compensation requirements for passengerships but does not force P&I clubs to continue to provide cover. The compensation could equally come from an insurance company or a financial institution such as a bank.

Life assurance organisations are an obvious potential source of cover but they would not be prepared for the aggregation of risk posed by a cruiseship or even a large ferry. If the life market were to become involved, some sort of pool would probably have to be created to spread risk.

The final word of the International Group to the diplomatic conference was that it hoped it could provide cover but doubted this would be possible. A 2002 protocol to the Athens Convention has been "agreed" but the real world debate is still far from over.