



International Group of P&I Clubs

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Dear Erik,

The regular meeting of Club Managers took place last Tuesday and, perhaps not surprisingly, Athens issues dominated the discussions. The aspect that most concerns some Club Boards, and therefore some Club managers, is the possible impact of guaranteed claims brought under Athens on the overspill liability of their members. You will recall that individual Clubs bear the first \$6m of each claim, that claims in excess of \$6m are first pooled up to \$50m and then reinsured up to \$2bn in excess of which they are again pooled. The concern is that in a major incident involving, say, crew claims and pollution claims as well as passenger claims, the limit of the reinsurance could be exceeded and non-passenger vessels asked to contribute to passenger claims at a very high level. There are fears in some quarters that this position could be exacerbated if passenger claims are guaranteed as a consequence of the certification required under Athens.

There are different views on the impact which the Convention has on exposure to overspill calls but it is sufficient to recognise that the arguments set out above form the background to consideration of the terrorism issue and may incline Boards to take a negative view of the solutions put forward. In order to counter this tendency Club managers need to be in a position to make an informed presentation to Boards. This is not possible at the moment in the absence of further detail regarding the Marsh proposal and in the absence of any reaction from States to the proposal which the International Group put forward some weeks ago.

This delay would not matter normally but in this case we are all working to a very tight schedule. The Legal Committee which will meet in October will be expected to reach a conclusion and will expect to be informed whether the Clubs will be prepared to provide cover and certification in respect of Athens liabilities. Any submission on this issue would have to be finalized by the middle of September. We are now at the end of June

and the holiday season is looming and making consultation difficult. We, States and industry, therefore face the prospect of being unable to reach a decision in October.

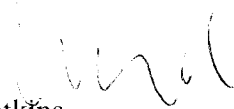
This position could perhaps be avoided if Club managers could be put in a position to give proper advice to Boards on three matters:

- details of the Marsh scheme and the legislative framework for it
- whether States represented in the Correspondence Group are content with the Marsh scheme
- The reaction of States to the proposal put forward in our recent communications

Without further information on these matters it is not possible for Club Boards to determine whether a satisfactory solution has been found to the terrorism issue. As a consequence it may not be possible to provide timely advice to the October session on the general issue of cover and certification.

I would be grateful if you would be kind enough to circulate this message to the Correspondence Group

Yours sincerely,



Lloyd Watkins