P&I clubs hope for cruise relief

Insurers are optimistic that a special IMO declaration could help eliminate risk problems with insuring cruiseships.

Jim Mulrenan
London

The International Maritime Organisation (IMO) will be asked to declare that terrorism is an act of war in a bid to make the world cruise fleet insurable.

The protection-and-indemnity (P&I) clubs, which have been building up potential liabilities created by a revised Athens convention, believe an IMO resolution will help overcome key worries.

The proposed resolution would also acknowledge that insurance cover for terrorism is either limited or maybe even unavailable.

The idea of a special IMO resolution has emerged as the most realistic solution to a number of thorny issues arising from the revised convention. It means that more complicated proposals are off the agenda, such as creating a war-risks pool or special-purpose insurance vehicles like those set up to enable shipowners to get certificates of financial responsibility (COFRS) for US pollution risks.

The revised Athens convention raises compensation limits to as much as SDR 400,000 ($580,000) per passenger, meaning the pay-out facing a P&I club if a large, 3,000-passenger cruise ship were to be lost with its full complement would be SDR 1.2bn ($1.8bn) — and some vessels are rather larger than this.

A particular concern about a terrorist attack on a cruise ship is that the convention only provides for a defence if damage is wholly caused by such an attack, as there would no doubt be arguments that failings by the shipowner like inadequate security provisions were a contributory factor.

The P&I clubs currently provide only $500m of war-risks cover above a maximum of $100m of regular bull war-risks insurance, although cover for most other risks runs up to $4.25bn.

A capital shortfall for the war-risks reinsurance market is not much more than this figure and in the wake of the 11 September attacks, there have been more restrictive terms excluding biological and chemical risks from cover.

Governments are believed to be generally opposed to changing the text of the Athens convention protocol, which was agreed in 2002, but a suitable IMO resolution could achieve much the same effect.

Individual states could incorporate the IMO wording in national legislation, giving effect to the revised convention and courts would also consider the declaration in interpreting Athens-convention disputes.

Charles Taylor chairman back in double role

Jim Mulrenan
London

The chairman of insurance club manager Charles Taylor is to resume the role of chief executive just a couple of years after the job was split.

John Rowe cut back on day-to-day management in 2003 to focus on strategic development of London-listed Charles Taylor following the appointment of Steve Clarke, a former finance chief of Direct Line — a highly successful telesales-based motor and household insurer — as chief executive.

However, Rowe, 53, is now returning to the front line as Clarke, 56, has had to relinquish the chief-executive role because of personal circumstances, although he intends to remain on the board until the end of this year.

Combining the role of chairman and chief executive is generally frowned on by regulators and institutional investors but Rowe says he will shoulder both jobs for no more than two years.

The change at the top was announced as Charles Taylor, manager of the Standard Steamship Owners’ Protection and Indemnity Association, announced a record profit, continuing a pattern of uninterrupted growth since the company went public in 1996.

2004’s pre-tax profit of £10.7m ($20m) was 22% up on the previous year, while turnover was 12% ahead, at £62.8m.

Charles Taylor is an increasingly diversified insurance group but its core marine-management operation, which includes running the Standard Club, Signal Mutual which covers US longshore risks, and Richards Hogg Lindley, the largest of the average adjusters, accounts for £36.7m of the turnover.

Damian Ely, who is second in command to Rowe at Signal Mutual and the other American operations of Charles Taylor, is to return to London as chief operating officer as part of the management changes. Ely, who has been in the US for a decade, has been with Charles Taylor for 16 years.

Rowe, meanwhile, is working on adding perhaps another half-dozen ventures to Charles Taylor’s portfolio.

Although Charles Taylor’s earnings per share and dividends are at record levels, the share price is performing less spectacularly, at something over £2.50. This puts a value on the company of about £105m, down from the £160m achieved when the shares were fetching £4.50 a couple of years ago.

“Charles Taylor toyed with the idea of a bid for top shipbroker Clarkson in the late 1990s but abandoned the project when it became clear it would be opposed,”

The Britannia Club management operation is owned by an offshoot of the giant Allianz insurance group of Germany but it remains to be seen if any other P&I club managers will be tempted by a stock listing.

The only realistic contenders in terms of size and business spread are Thomas Miller, manager of the UK Club, and Gard, which now owns a marine hull-and-energy insurance business.

Fincantieri to pay dividend on fine figures

Italian shipbuilder Fincantieri has notched up another fine year. Net profits in 2004 rose to EUR 99.5m ($129.9m), as compared with EUR 90.7m in 2003.

The shipbuilder, which is 95.3% controlled by state holding company Fintecna, is celebrating issuing a share dividend for the first time in its history.

The dividend amounts to EUR 10.1m, equal to 1% of the shipbuilder’s share capital.

Managing director Giuseppe Boni says the results will enable the shipbuilder to strengthen its core business and improve profits.

Speaking after a board meeting in Rome this week, he also referred to the “strategic alliances” being considered by the yard in emerging markets linked to cruise-refurbishment, mega-yachts and marine systems.

Fincantieri has a backlog of orders worth EUR 8.5bn when vessels under construction and in shipyards are included, or EUR 6bn of work yet to be initiated.

The Fincantieri group, which includes marine-research subsidiary Cetena and diesel-engine manufacturer and shipbuilder Motori, logged net profits of EUR 101.1m.

Fincantieri notched up orders for 18 newbuildings in its cruise- and merchant shipbuilding and military areas worth EUR 4bn in 2004 and the first three months of 2005.

It invested EUR 52m in research and development to launch four cruiserships and the aircraft carrier Gavour.

The group also hopes to have a 50% market share in cruiserships and large ferries.

Attracco set to wind down

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Attracco set to wind down

Former tanker owner Attracco is being wound down, say sources close to the company.

The move has long been anticipated. After two recent sales, the Baltimore-based private owners behind the company are understood to be taking the proceeds out of the shipping industry.

Last summer, Attracco sold off its last remaining 245,000-dwt Galena Bay (built 1982) and Pagot Sound (built 1983), now in the Overseas Shipping Group fleet, for around $28m each.

That followed the earlier sale of the Delaware Trader (built 1982) to Keystone of Pennsylvania, which had managed the vessels.

Then in the autumn, Norwegian shipowner Einar Rasmussen bought some 15% of shares in Denmark’s Torm from Attracco, which collected a gross DKK 872.3m ($115m) if a pre-taxation dividend is taken into account.

The company had long roots in the US as the former shipowning arm of Mobil. The controlling family is understood to have formerly been a 5% shareholder in the oil major.