

Cruise owners' cover to soar

Passengership owners are in for a massive hike in insurance premiums.

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Owners of cruiseships and passenger ferries face a 70% increase in protection-and-indemnity (P&I) reinsurance premiums as part of a reallocation of costs that is nearing agreement.

The leading P&I clubs plan to raise the reinsurance contribution of passengerships from \$0.3782 per gt to around \$0.65 per gt in a powerful message to owners that the cost of cover has to rise ahead of the implementation of a revised Athens Convention.

The move will mean that passengerships will be paying higher P&I reinsurance rates than crude-oil tankers for the first time ever, a signal that human life is becoming more expensive than oil-fouled guillemots.

No final agreement has yet been reached but TradeWinds understands that P&I club managers have agreed to load passenger-ship reinsurance costs at this year's 20 February renewal, while applying significantly lower increases to tankers and dry-cargo ships.

Indications are that the cost of P&I reinsurance for a crude-oil

tanker will rise from \$0.4859 to over \$0.60, clean tankers from \$0.2364 to above \$0.30, with dry-cargo ships such as bulkers and containerships rising from \$0.1984 to around \$0.27.

The International Group P&I cartel claims no decision has yet been made about the allocation of reinsurance costs for the new P&I year but individual club managers tell TradeWinds that agreement on the rates is almost finalised.

TradeWinds reported last week that the premium payable for the huge reinsurance contract covering a band of risk running from \$30m to \$2.03bn collectively bought by the P&I clubs was set to rise by more than 35% from \$180m to over \$240m.

With much of the reinsurance now safely signed up, the debate this week has been about how to allocate the cost among different categories of shipowner.

Under a protocol to the Athens Convention covering passenger liabilities, agreed at a diplomatic conference in London two months ago, the maximum compensation paid out for death or injury rises to special drawing rights (SDR) 400,000 (\$530,000)

per passenger, with claimants potentially able to take direct action against a P&I club up to a limit of SDR 250,000.

Although it will be a few years before the protocol enters into force, the P&I clubs remain uncertain about how they should respond to a compensation regime

that would produce claims of more than \$1.65bn if there was a catastrophe that claimed all lives on the world's biggest cruiseship, Royal Caribbean's 137,000-gt *Voyager of the Seas* (built 1999), which carries 3,114 guests.

Options include making passengership owners pay the full



DEAR COVER: cruiseship Photo: Glenn Ostling

cost of this exposure, although making a fair underwriting assessment of such an unlikely but high-cost claim is immensely difficult, or excluding in some way owners of such high-risk ships from cargoship P&I clubs.