**US arrest ruling may give club windfall**

LONG overdue premiums could be flowing into the Liverpool & London Steamship Protection and Indemnity (P&I) Association following a key ship-arrest ruling by a US appeal court. The ruling upheld the right to arrest ships for outstanding premiums in the US even though there might be an associated loss under English law.

One instance concerned the Liverpool & London’s right to arrest the 23,900-dwt bulk carrier Atra (built 1987) for $829,509 of premium that Pirateus-based Kappap Shipping failed to pay. The vessel was arrested after being sold to Athen-based Interforce Shipping but an “in rem” claim was still valid as ships, unlike other property, have a legal existence independent of the owner or master.

TradeWinds reported only last week that the ship had again been sold for $2.5m by Turkish owner Ege Maritime and the Liverpool club’s ability to collect as it is holding a bank guarantee provided at the time of the February 2001 arrest to keep the ship trading.

“The maritime lien has now arisen as a result of the failure to pay a contractual debt it attaches to the ship and binds subsequent owners irrespective of interference,” the US Fifth Circuit Court of Appeal ruled.

In one other case concerns ChemOil’s 17,066-dwt chemical carrier Queen of Lenan (built 1975), which was sold in a New Orleans court-ordered auction for $512,000 in August 1999.

The Liverpool & London Club’s right to share in the auction proceeds was challenged by cargo owner Fuji Vegetable Oil and its insurer, Tokyo Marine and Fire.

Although there would be no maritime lien for unpaid insurance premiums under English law, the court accepted that there was under the US law.

As the two cases had similar features they were consolidated for appeal. The US court judges Smith, Benavides and Parker.

By Jim Mulrenan from London

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**Owners to debate cruise disaster risk**

The risk that a cruiseship catastrophe could wreck the marine insurance club system has been put on the agenda of the International Group protection and indemnity (P&I) cartel to be considered by managers and shipowners over the coming months.

**JIM MULRENAN**

London

The move results from growing worries by tanker and bulker owners that both their pockets and insurance cover are at risk from a cruise disaster that could cost billions of dollars.

Cruise lines are also becoming uneasy that their P&I cover is under threat just months ahead of a diplomatic conference that may well raise passenger compensation limits tenfold.

The International Group’s move to begin formal consideration of how cruise ships and passenger liabilities should be covered was triggered by a request from one of its member clubs.

A revised Athens Convention likely to be agreed in October will raise passenger compensation to at least $61,600 ($96,660) to at least SDR 350,000 ($462,000) and maybe SDR 500,000 ($660,000). This would produce a claim of over $2.4bn if all passengers on a giant cruise such as the Queen of the Seas perished.

The revision of the Athens Convention is growing to be a catalyst with a number of Greek and other tramp owners calling for new thinking about how risks are shared through the P&I club system.

The most extreme position is that cruise ships and maybe all large passenger ships should be excluded from the P&I clubs, forcing them to set up their own mutual or make whatever alternative arrangements they can in a hostile insurance market.

A more likely outcome is that some limit of liability below the $4.25bn formal offered by the International Group clubs will be introduced.

Oil pollution cover is already limited to $1bn, with additional premiums payable for US trade from Kappa Maritime, the same sort of model for how the P&I clubs could respond to cargo ship owners’ worries.

The International Council of Cruise Lines (ICCL) – headed by Royal Caribbean chief Richard Fain, with other industry luminaries such as Carnival’s Micky Arison, P&O Princess’ Peter Ratcliffe and Norwegian Cruise Line’s Colin Veitch on its executive – wants the P&I clubs to remain inclusive and see them as the only identifiable market for the type and extent of cover needed.

ICCL president Michael Crye tells TradeWinds that retaining P&I club cover is an extremely important issue as the clubs have a long-term interest in the shipping industry. Particular worries include the insurability of willful misconduct risks outside the P&I clubs, as well as whether there will be an onerenous charge in the way cruise vessels and ferries are treated.

International Group chairman Stephen James says that if any change is to be made to the P&I club system during the coming year, that begins in February, it would have to be agreed by November.

“This deadline would be hard to meet given the complex and controversial issues involved,” James says.

Meanwhile, the US Federal Maritime Commission plans to insist that only approved P&I clubs can provide voyage-performance guarantees but the US club says they are not prepared to increase their exposure to this type of risk.

Carnival favours self-insurance remaining an option but the maximum guarantee of $15m is being lifted.

**RCCL appears ready to postpone options**

ROYAL Caribbean (RCCL) must decide in the next three weeks whether to splash $700m exercising options at Meyer Werft on two more 2,400-passenger cruiships.

The deadline to declare options for the 90,000-gt Radiance-class vessels is 26 July but market speculation indicates that RCCL will delay a decision while its proposed merger with P&O Princess remains undecided.

RCCL ordered four sisterships.

Extending it to six would raise its total investment in the series to at least $2.1bn.

The options originally expired last June and have already been rolled forward to this July.

Last year Meyer Werft delivered the first in the series, Radiance of the Seas, and was scheduled to hand over the second, Brilliance of the Seas, today in Eemshaven, Netherlands.

The third and fourth, Serenade of the Seas and Jewel of the Seas, will be completed in 2003 and 2004. If the options are taken up now they would be for 2005 and 2006 delivery.

Meyer Werft source was unaware whether RCCL had made a decision but delivery of the Brilliance of the Seas in Europe provides an opportunity for the yard and owner to discuss the matter face to face.

RCCL rival Carnival Corp’s Micky Arison, however, recently said there was no compelling reason to order new cruise ships because the dollar’s weakness makes them expensive.

One industry source says that RCCL is well placed to have its options extended again. A decline in cruise orders is forcing yards to be flexible.

RCCL already has a fleet of 23 ships of nearly 50,000 berths. It will introduce five more vessels by the end of 2006 including the 140,000-gt Navigator of the Seas and Mariner of the Seas from Kvaerner Masa-Yards in Finland.

It will then have around 57,300 berths.

Meanwhile, Meyer Werft has played down reports that the Brilliance of the Seas hit a submerged object while on sea trials in the North Sea and may be dry-docked at Germany’s Lloyd Werft.

The yard says that something wrapped around the propeller, causing vibration. This was sorted out and the vessel later attained over 25 knots in a subsequent sea trial.

Delivery is to be three days early. The naming ceremony is planned for Harwich, England.

Meyer Werft recently secured an order from Brittany Ferries for a 40,000-gt ropax ferry costing £100m ($152.4m). The owner is believed to be interested in ordering a second ship.

By Geoff Garfield from London