Insurers wake up to potential cruise tragedy

The solution devised to keep ships trading to the US following the Oil Pollution Act may be adopted to cover the huge liabilities facing passenger-vessel owners under a revised Athens Convention.

**JIM MULRENA
London**

The marine-insurance market is rapidly waking up to the fact that it faces major challenges if a cruise-ship tragedy should occur. Costs could run to billions of dollars.

Liability for loss of life or injury to each passenger is set to rise up to tenfold following a diplomatic conference called by the International Maritime Organisation (IMO) for October, making a solution quite urgent.

The revised Athens Convention is expected to set liability limits of at least $13m — special drawing rights ($13m) — and possibly $1m, 500m ($630m) and additionally allow direct action against the protection-and-indemnity (PAI) clubs.

The potential passenger claims from the disastrous loss of a giant cruise ship such as the 3,700-passenger Voyager of the Seas could therefore run to more than $2.3bn, with larger ships in the future maybe hitting the $4.25bn limit of PAI cover.

The PAI clubs want to co-operate with IMO but are seriously concerned about the high level of exposure as well as the threat that passengers and their families will be able to take direct action against them rather than having to seek compensation via shipowners. Although the revision of the Athens Convention has not yet sparked the stand-off seen in the early 1990s when the PAI clubs fought the introduction of Certificates of Financial Responsibility (COFRs) to cover pollution liabilities, trouble is simmering beneath the surface. An idea gaining support is to use the same sort of special-purpose financial guarantors set up to meet the COFR requirement as a cut-out between the clubs and passengers.

The Shipowners’ Insurance and Guarantee Co (Sigo) — a Bermuda-based operation set up by the UK, Gard and Steamship Mutual clubs to provide cover — would extend its remit to provide passenger guarantees.

The maximum liability of Sigo, however, currently runs to $396m if the Britannia Club failed to respond to a massive US spill caused by the $64,000-dwt Aj Vei Viking, which falls just within the $400m of rein¬

surance cover it purchases.

There are doubts that reinsurers would or could provide over $2bn of cover for a passenge¬

rship tragedy even though they are not insuring the loss of the ship but the more remote risk of a catastrophe occurring in circumstances where a PAI club would not pay.

TradeWinds is told that a COFR-like solution is looking increasingly attractive as the PAI clubs try to overcome their worries about the new protocol in the Athens convention. A draft protocol that revises the 1974 Athens Convention exists but SAR values are currently left blank. Informal consultations are under way this week at IMO to try to fill in the limitation fig¬
ures and address the key issue of how the cover will be provided.

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vention are a derisory $13m, 46,666 ($55,000) per passenger, although many countries have set much higher values under national legislation.

Top insurance brokers such as Marsh, Aon, Willis & Jardine Lloyd Thompson have been consulted as well as niche players such as BankServe — an expert on the interplay be¬

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Fred Olsen sues DNV over a robot surveyor

**VERITAS HQ: hoping for a settlement out of court**

Classification and insurance broker Det Norske Veritas (DNV) is being sued by Fred Olsen-controlled Ganger Rolf and Bonheur plus shipmanager Red Band for alleged patent infringement amid charges the class society is increasingly com¬

peting with its own customers.

DNV is accused of trying to sell a robot-delivered hull-thickness surveying service that Ganger Rolf and Bonheur claim copes technology that they own and market. Red Band is suing as the operator involved.

Both claim DNV is stealing their Measure Mate, an unmanned underwater device that crawls along a ship’s bottom and measures the thickness of its plates by using means of exter¬

nal soundings.

The Olsen companies are demanding a multiple-digit figure in millions of Norwegian kroner, says Measure Mate project leader Jan Terje Andersen.

But more important than cash is protection from DNV, “The main issue for us is that they are violating our patent,” Andersen said. “We have to protect it.”

Red Band’s lawsuit will be heard from 22 May.

Thor Wintner of DNV’s legal department confirms that DNV marketing boss Herbertus RTH — a joint venture with Ocea¬

neering International — are being sued. In 2001, DNV and Oceanee¬

ring International formed Sta¬

nager-based Aigua to carry out unmanned subma¬

rine hull-thickness surveys based on technology licenses from the class society.

The class society declines to comment further while the case is pending. However, DNV director of communications Tore Høifodt tells TradeWinds there is an “ongoing dialogue” with Red Band to settle out of court. Those talks the products are distinct.

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bilities. The-Oceanee’s emphasis on commer¬

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ing, results in “odd” end results since it has a broad portfolio of consultancy engagements. As a result, they are not focused on the industry. By Bob Rust from Oslo

Karaïndros move to Willis sparks a battle

**Fred Olsen sues DNV over a robot surveyor**

A BATTLE for the insurance business of Greek shipowners has been sparked by a dispute over the Athens Convention and the stand-off seen in the early 1990s when the PAI clubs fought the introduction of COFRs to cover pollution liabilities. The PAI clubs want to co-operate with IMO but are seriously concerned about the high level of exposure as well as the threat that passengers and their families will be able to take direct action against them rather than having to seek compensation via shipowners.

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The class society declines to comment further while the case is pending. However, DNV director of communications Tore Høifodt tells TradeWinds there is an “ongoing dialogue” with Red Band to settle out of court. Those talks the products are distinct.

Some observers have criticised DNV’s apparent neglect of its ships’ cruising capabilities. The Oceanee’s emphasis on commercially oriented projects, saying, results in “odd” end results since it has a broad portfolio of consultancy engagements. As a result, they are not focused on the industry. By Bob Rust from Oslo

IF THE UNTHINKABLE SHOULD HAPPEN: loss of life and property would be overwhelming if, for instance, the “Voyager of the Seas” were to meet with disaster Photo: PRNewsFoto