US insurers baulk at Athens revision

THE US marine-insurance industry has come out strongly against controversial proposals to dramatically increase compensation for passenger-ship disasters while reducing the defences available to shipowners and underwriters.

The American Institute of Marine Underwriters (AIMU) says plans to revise the Athens Convention are so flawed that it will recommend that the US refuse to ratify the proposed protocol.

"We find the protocol to be potentially more harmful than good...and it could undermine well-established insurance mechanisms currently in place, putting vessel owners and the public at greater risk," AIMU told the US Coast Guard.

A diplomatic conferenc to take place in London in October is expected to raise Athens Convention compensation limits to perhaps SDR 500,000 ($660,000) per passenger, an amount that would produce claims of $2bn or more if there was a catastrophe in which the entire complement of one of the largest cruiseships were lost. AIMU supports the need to raise compensation limits but warns that no single insurance entity apart from the clubs of the International Group protection-and-indemnity cartel could offer cover on the scale proposed.

Companies banding together to jointly offer the cover run the risk that one or more would be held fully liable to meet all claims.

AIMU warns that if there were any possibility of an individual company being held jointly and severally liable for the total claim, insurers would refuse to offer cover.

AIMU is also concerned that a revised Athens convention will make passenger cover compulsory and permit direct action against the insurer but not define the level of an insurer's financial security.

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