

Rift in P&I clubs

Disagreement over how much cover passengerships should get is dividing the P&I industry.

Jim Mulrenan

London

The leading protection-and-indemnity (P&I) clubs are heading for a split over the question of continuing to provide full cover for cruiseships and ferries.

A major consultation exercise involving the shipowner directors of the 13 clubs in the International Group cartel is finding opinion fairly evenly divided.

A few clubs have yet to declare their position but it looks as if there will not be a conclusive outcome. This could prejudice preparations for the advent of a new passengership-compensation regime. The International Group clubs decided to consult their directors as a revised Athens Convention brings in a limit of SDR

400,000 (\$570,000) per passenger, raising the spectre of a \$1.75bn claim if the biggest of the current generation of cruiseships was lost with its full complement.

The shipowners on club boards are being asked to decide if passengerships should be subject to a lower limit of cover than the overall \$4.25bn provided by the P&I mutuals. Some clubs are opposed to passengerships being treated differently from cargo vessels, so are content for the status quo to continue. On the other side this is seen as a short-sighted view that puts the P&I system at risk if there was another *Titanic*.

The clubs that indicate a preference for a lower limit then have to answer the question of whether passengership cover should run to the limit of reinsurance cover — a little north of \$2bn — or some unspecified lower figure, such as the \$1bn limit of oil-pollution cover. Lack of a consensus is a setback as the clock is ticking on the new limits with the European Union proposing all member states become parties to the revised convention before the end of 2005.

Quite apart from the question of what overall limit of passenger-



COVER GOING UP: Tanker owners are among those most concerned they will have to contribute to the cost of a passengership tragedy.

Photo: www.graaskov.com

ship cover the P&I clubs are prepared to provide, they also want to limit the right of passengers to bring direct action against a club — as opposed to the shipowner — to SDR 100,000. The current de-

bate echoes the long-running controversy over an overall limit of cover that racked the P&I clubs through the 1990s. Pressure from Greek shipowners concerned that unlimited cover would put the es-

tablished P&I system at risk led to cover being initially restricted to \$20bn. A complaint to the European Commission then resulted in the limit coming down to its current \$4.25bn.

Owners of tankers and bulk carriers are among those most concerned that they could have to contribute to the cost of a passengership tragedy, with the debate polarised by the fact that the cruise fleets are mainly concentrated in just four clubs — the UK, Gard, Steamship Mutual and the West of England — although most clubs cover ferry operators.

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