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 passengerships 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 passenger-compensation regime.

The International Group clubs decided to consult their directors at a revised Athens Convention brings in a limit of SDR 400,000 ($570,000) per passenger, raising the question of a $1.75bn limit claim if the biggest of the current generation of passengerships 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 Sfrn — or some unspecified lower figure, such as the $1bn limit of oil-pollution cover.

Lack of a consensus is a setback as the lock 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 passengership 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 debate 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 established P&I system at risk led to cover being initially restricted to Sfr2bn. 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.

Dynacom payout may lead to tighter rules for claims

Jim Mulrenan  London

Controversy over large discretionary claims paid to Greek tanker owner Dynacom may lead to a tightening of protection-and-indemnity (P&I) club rules.

The International Group P&I cartel has set up a working party to look into the different ways the 13 member clubs are handling discretionary claims.

The move has been prompted by concern over a North of England Club payout of up to Sfr1bn to Dynacom, which is controlled by club chairman, George Procopiou.

Discretionary claims are those in the gray area on the fringe of P&I cover. The question of whether such claims are paid is decided by the shipowner directors of a club, with issues such as the reputation of the owner as big a factor as the incident that gave rise to the loss.

The working party will look at club rules on discretionary claims and the way they are handled by the different group mutuals to try to align procedures.

There has been no criticism of Procopiou for submitting claims arising from losses he faced on four tankers caught up in the failure of the Metro bunkering operation in the Middle East Gulf in 1998 but other clubs have indicated they probably would not have paid such claims.

Other shipowners have also been refused claims arising from delivery of cargo without the production of bills of lading in the past.

The different treatment of discretionary claims is an issue as International Group mutuals pool claims over $5bn. So clubs that would have declined to pay a bill-of-lading claim to one of their own members are nevertheless contributing to the Procopiou payout.

“We all assumed every club did the same thing but in the nature of such matters every club is doing things differently,” a club source told TradeWinds.

The aim of the working party will be to ensure uniform treatment of discretionary claims but at the same time avoid inhibiting the absolute discretion of the shipowner directors of the clubs to be the final arbiters of whether a claim should be paid.

A similar working party set up following controversy about a joint venture between the Standard Club and the big Japanese insurance company, Tokio Marine & Fire, led to the International Group last year ruling out further deals unless there was a clear majority of clubs in favour.

Concern over the Standard-Tokio deal centred on its creation of a hybrid system for insuring Japanese ships that provided fixed-premium cover while still allowing access to the high limits of cover available through the claims-pooling and reinsurance arrangement of the International Group.

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