

SHIPPING and insurance industry leaders are agonising over demands for them to provide terrorism cover for cruiseships under the 2002 protocol to the Athens Convention, which has yet to come into force, writes James Brewer.

The issue was caused division between the industry and governments, and within liability insurance circles.

It is holding up implementation of the protocol, which demands that passengership operators accept substantially higher levels of liability.

For the first time, the convention also requires a guarantee of insurance — which means that in the case of a large, modern ship carrying 3,000 or more passengers, the insurer's guarantee could be required for Special Drawing Rights 750m, equivalent to more than \$1bn.

The greatly increased limits of liability apply to claims from all causes, including terrorism.

Two of the P&I clubs which would face heavy demands on their capabilities have made clear their concerns in the past few days, in commentaries in their annual reports.

Both Steamship and Standard clubs are urging the parties concerned to hammer out a solution which recognises that the clubs as a matter of policy do not wholly insure terrorism, leaving the main responsibility for that highly specialised form of cover to the commercial insurance market.

Standard management points out that the clubs are unable to provide the certificates of financial responsibility required under the protocol because of their aversion to terrorist risk.

The International Group of P&I Clubs and other insurance and shipowner organisations have told governments there would be considerable problems because of the limited war risk and terrorism cover available in the commercial market, with limits far below those needed by owners operating larger ships.

In addition, war risks cover has its unique conditions, including seven-day cancellation, automatic termination clauses, geographical limits and exclusion of bio-chemical risks.

Governments appear to be standing firm on the parameters in the hope that a practical solution will emerge, but Standard at present sees the only answer as the exclusion of terrorism — had that been accepted at the diplomatic conference in 2002 which agreed the protocol, it might well have been in force by now, it says.

Steamship P&I managers in their report underline that where a shipowner's fault, for example a lapse in security, to any extent facilitates terrorist acts, the carrier will have no defence.

Some group clubs have suggested imposing a separate limit on passengership claims, but Steamship Mutual and others favour continuing unlimited cover.

Some underwriters remain uneasy about the whole concept of including cruiseships in P&I mutuality because of the special and costly nature of the risks they entail, while others are grateful for the huge tranche of premium the passenger sector contributes to the kitty.

All the clubs are working in the group to develop a solution which will ensure that passenger vessel operators can continue to trade — but they are unlikely to yield to the call for them to guarantee the extra terrorism cover.

[close](#)

This article is copyright Informa UK Limited and is reproduced with permission. Reproduction, retrieval, copying or transmission of this article is not permitted without the publisher's prior consent. Informa UK Ltd does not guarantee the accuracy of the information contained in this article nor does it accept responsibility for errors or omissions or their consequences.