

## Club clarifies competition law stand-off with Brussels

North of England boss sets out position of International Group block exemption, writes Denzil Stuart

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THE 10-year 'stand-off' between the International Group of P&I Clubs and European Union competition law relating to claims pooling has been clarified by a major club.

Contrary to speculative comments that have been made, the International Group's block exemption from the European Commission's competition laws will not need to be reapplied for beyond 2009, the end of the 10-year period of grace granted by the commission in 1999.

Speaking to Lloyd's List, Rodney Eccleston, managing director of the A-rated North of England P&I Club, said this meant that "we don't have to go through the procedure again and reapply for exemption every 10 years."

However, there is a caveat in that the claims pooling agreement managed by the IG for its 13 members can continue after 2009 provided there is no proposal for fundamental change in operating the International Group Agreement and the pooling arrangements.

In other words, after 2009 those responsible for all such pooling agreements have to carry out their own self-assessment and decide for themselves if they comply with EU law.

Mr Eccleston was adding to comments he made in New York last Thursday at a marine insurance seminar arranged by the marine and energy division of Marsh, when he warned that ill-informed gossip could jeopardise the continuation of the clubs' pooling agreement.

He said: "Changes made in 2004 to the procedure by which such agreements are notified to [Brussels] means that the reasoning which underpinned the original decision to grant the exemption will remain valid for much longer than 10 years."

But speculative remarks or commentaries which called into question whether or not the clubs would continue to benefit after 2009 were at best a distraction and at worst would cause senior club managers to spend a large amount of time explaining the true position.

He said: "The last thing the industry wants or needs is an ill-conceived challenge to the agreement before the courts of an EU member state.

"It is bound to fail but will divert IG members from what they should be doing, which is managing claims, defending shipowners' and seafarers' rights and opposing the shift from fault-based compensation to strict liability."

Mr Eccleston said the significance of the commission's 1999 decision should not be underestimated. It followed a rigorous and focused audit by one of the world's most sophisticated competition authorities.

And it could not have been achieved without the wholehearted support of the IG's collective membership. "This really showed what the shipping industry can achieve in its relations with legislators when it puts its mind to it."

Claiming that the pooling agreement had provided shipowners and society with the best value insurance for over a century, he pointed out that the predecessor of the IG — the London Group of P&I Clubs — was founded in 1899, with the IG being formally constituted in 1979 based on the same model of mutual insurance and collective purchasing of reinsurance.

The IG remains committed to delivering value for money for its members and to ensuring that their and their customers' needs to have adequate insurance cover was not unduly exploited by the commercial insurance market.

As a final comment, Mr Eccleston said the IG in its current form has been around for over 100 years and would be impossible to replace.

As a background note to these remarks, it has been said repeatedly that reliance on the pool and the IG reinsurance programme is of fundamental importance to the clubs.

Any drastic changes would mean that the clubs would not be able to offer the level of protection they currently provide for their members.

All clubs are battling against a rising tide of claims at present, and it is thought that general premium increases of up to 10% are likely at next February's renewal, with further increases in 2008 and 2009.

And as vessel sizes, particularly of containerships and passenger vessels, leap up, so do the exposures of individual clubs. This is especially the case for the liability exposures presented by the growing number of passengers packed into cruiseships.

Another factor of acute concern is the 2002 protocol amending the Athens Convention 1974, due to start biting next year, which could bring a greater degree of risk to individual clubs and pressure on the pooling agreement in general.

- Under the International Group Agreement, the clubs agree not to compete with each other on price and to place their major claims into a central pool so as to obtain a better deal from the international reinsurance market.