Clubs reverse position on terrorist cover

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Cover for the risk of a terrorist attack on a cruise ship or ferry is likely to be offered by the protection-and-indemnity (P&I) clubs in a dramatic reversal of their previous position.

Clubs in the International Group P&I cartel are leaning toward providing the $500m of terrorism cover required under a revised Athens convention, which greatly increases compensation payable to passengers following a shipping disaster.

The International Group has previously ruled out providing this cover, prompting top insurance broker Marsh to put together a scheme to fill the gap. However, the clubs are quietly consulting reinsurers and their shipowner directors about the merits of bringing what was previously seen as an unacceptable risk into their collective claims pool and be covered by the International Group’s huge collective reinsurance programme.

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The Marsh concept was broadly similar to the Certificates of Financial Responsibility (Cfors) system set to cover risks imposed under US oil-pollution legislation that the clubs were not willing to accept. The Cfors system takes premium out of the market and the clubs did not want to see this principle extending into other areas where there was perceived difficulty in providing cover.

Passengership owners faced a dramatic increase in their P&I reinsurance costs at the February renewal and are paying over $1.37 per gross tonne, as against under $0.68 per gt for crude tankers, which pay the next highest rates.

Cover for passengership liabilities was restricted at the same renewal to $2bn, with a further $1bn of crew cover on top, but there are still concerns by cargo-ship owners that the P&I system is at risk for the sake of what is perceived to be a non-core sector that accounts for only a few percent of the tonnage afloat.