Marsh comes up with terror-cover solution

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A special-purpose insurance company to provide the $500m of terrorism cover that cruise ships and ferries will require under an updated Athens convention looks increasingly to be the most viable solution.

Top broker Marsh assured an International Maritime Organisation (IMO) legal committee last month that it could arrange the $500m of cover that the protection-and-indemnity (P&I) clubs were unwilling to provide but left open what mechanism it would use.

The broker is to discuss ways the cover could be provided with the International Council of Cruise Lines next week but it looks as if the favoured solution will be a special-purpose offshore insurance company similar to those established to provide Certificates of Financial Responsibility (Cofr) guarantees for US trading.

Marsh will set up a company to provide Athens protocol guarantees in Bermuda, or maybe Dublin or Guernsey, or if shipowner organisations prefer, set up the company on their behalf.

The P&I clubs, although unhappy that they might face a bill of as much as $2bn if there was huge loss of life on a large passengership, reluctantly accepted this liability but drew the line at providing cover for claims arising from terrorism.

So shipowners will end up with a blue card from the clubs covering P&I liabilities and another blue card from the new venture Marsh will set up that will charge a premium of less than $0.10 per passenger day.

The two cards will then be swapped for a single document providing evidence of insurance cover by flag states.

About 2,000 cruise ships and passenger ferries will need terrorism guarantees, with the Athens protocol coming into force 12 months after it has been ratified by 10 states.

Albania, Latvia, St Kitts & Nevis and Syria are the only countries to have so far ratified the protocol but Norway and the European Community member states are set to provide sufficient backing to trigger the process of it entering into force before long.

The new, higher limits of passenger compensation could be in force for at least parts of the cruise industry and internationally trading ferries by the start of 2008, with domestic ferries and even inland-waterway vessels being drawn into the system perhaps 12 and 24 months later, respectively.