A leading broker has devised an affordable scheme for passengerships.

Jim Mulrenan

A new insurance scheme that should ease the pain for passengerships is on the horizon, but it will only make sense if the law is changed, says Jim Mulrenan.

A deal between underwriters in the Lloyd’s of London insurance market and the Marsh underwriting group is understood to be set to deliver $10m of cover for terrorist attacks on passengerships. Its main purposes will be to provide the Athens Convention — the International Convention for the Safety of Life at Sea — with a counter so the threshold for terrorist attacks on passengerships can be raised. The cover has been devised by the Marsh underwriting group and the Lloyd’s underwriters over the last year.

Where there have been delays for the new regime is on the location of the new guarantee on passengerships. The new requirement requires a new scheme to be made available by the International Maritime Organization (IMO) next month at a significant step forward.

The new scheme has been put together by Nick Taylor of Marsh and comes in the aftermath of the bitter battles to develop a no-fault regime that is acceptable to insurers. The aim is to bring the regime closer to the level of protection found in the European Union’s Terrorism Insurance Act and potential insurers are sympathetic to these owner schemes.

So insurance and lawyers will come to get the basic cover it would be in the interests of passengerships to provide, as the law will have to provide, under the Athens Convention.

The new regime will be discussed and probably endorsed at the IMO meeting in London, with Dublin the first call-back should it fail to pass. The German and Luxembourg governments will have a lead on the matter that is of the utmost importance to the insurance market.

Terrorism: • A per-passenger limit of SDR 250,000 ($371,000) for claims arising from no-fault shipping incidents with compulsory insurance requirements.
• Direct action on passengers or their dependants can use the protection and indemnity (P&I) clubs and other insurers.

The clubs will probably need to support the new regime on this scale. For Royal Caribbean’s recently delivered 3,634-passenger Freedom of the Seas, a half-Athens protocol claim cost $3m and crew claims another $3m. Another $1bn or $2bn.

Overspill of terrorist cover has been a significant step forward for the new regime. The Athens Convention introduces much higher levels of compensation for passengerships than had been possible to date and fades into insignificance to the cost of a cruise or a ferry ticket. So there is little to relate to the cost of a cruise or a ferry ticket. So there is little to relate to the cost of a cruise or a ferry ticket. So there is little to relate to the cost of a cruise or a ferry ticket. So there is little to relate to the cost of a cruise or a ferry ticket.

Mr Marsh is not finalising the mechanism to guarantee that terrorist attacks on passengerships will be covered until governments decide exactly what is required. However, it appears that it is likely to be one of a number of proposals that are being considered for the Convention. Whether the Convention will be adopted is unknown, although there are doubt this will be acceptable to the P&I clubs.

One scheme that has already been discussed for passengerships is the Marsh scheme or possibly a rival scheme by the International Marine Underwriters Association, which is the driving force behind the Athens protocol, might well prove the future to be shared, but with Marsh’s latest scheme a rival stance to the new protocol on passengerships will be maintained, not least over the limits.

Marsh awaits input from governments

Marsh is awaiting input from governments on whether it is possible to put together an international pandemic insurance market. He is looking at the insurance market for passengerships and the attitude of governments to putting in place a scheme to cover passengerships.

Marsh argues that once this happened, premium levels would fall as underwriters respond to the lower risk of meltdown in their insurance market. It could be argued that the question of whether the European Commission should revisit the competition on passengerships that is currently in place could be changed.

Ultimately, no one knows what the outcome will be and whether the insurance market is much more resilient than many give it credit for, how much it could be argued that the insurance market is much more resilient than many give it credit for, or how much it could be argued that the insurance market is much more resilient than many give it credit for. However, it is believed that the insurance market is much more resilient than many give it credit for.

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It is estimated that about 2,000 cruiseships and ferries will need the Athens protocol. It was established in Bermuda a decade ago to provide the Certificate of Financial Responsibility (CFR) to ensure the insurance market is much more resilient than many give it credit for.

The war-risk market is, however, volatile and costs go up and down as underwriters respond to particular situations. Although a lot could happen to set the premiums for passengerships, it is believed that the limits will hold back to normal levels again.