A leading broker has devised an affordable scheme for passengerships.

Jim Mulrenan

A new insurance scheme that should provide crucial cover for passengerships is being discussed as so much less expensive than had been envisaged.

A deal between underwriters in the Lloyd’s of London insurance market, and the Marsh underwriting group is aimed at getting $50-per-head cover for terrorism attacks. It is for less than $0.10 per passenger. There have been efforts for years to get the cover for the terrorist threat to passengerships available, even if it would be unaffordable. Such an effort had been to try to get a protocol to the Athens Convention introducing much higher levels of compensation for passengers who are killed or injured in shipping casualties.

P&I insurance schemes are the main source of terrorism cover have been up to at $2.50 per passenger day as the scheme that Marsh is to set up at a fraction of the cost to the industry. The outcome that has now emerged is a compromise but it remains to be seen if it will work. The terrorism-cover scheme has been put together by Nick Taylor of Marsh, who has spent months and months battling scepticism to develop a so-called Marsh scheme. He has worked for months on the new scheme while at the same time battling industry scepticism.

The compromise has won the support of key players such as the UK National Council of Cruise Lines. It will be discussed and probably endorsed at the basis that the liabilities are high. There is a precedent for this as the Athens Protocol introduced a decade ago to provide the Certificate of Financial Responsibility (Cfr) which is the most likely outcome.

P&I clubs have taken a hesitant stance to the new protocol on terrorism. the guarantees could come from the P&I clubs or possibly a reinsurance pool, should one be set up. Less than $10 a passenger per passenger day does not seem a lot in relation to the total cost to passengerships which is a very small percentage of the total cost to the shipping industry. It is estimated that about 2,000 cruiseships and ferries will need Athens protocol.

A new protocol to the Athens Convention is being developed, which is expected to state that shipowners could have millions of dollars a year. This is alongside a $50-per-head tax on passengerships for less than $0.10 per passenger day. The cost of terrorism cover for the terror threat to passengerships was available, even if it would be unaffordable. Such an effort had been to try to get a protocol to the Athens Convention introducing much higher levels of compensation for passengers who are killed or injured in shipping casualties.

Marsh awaits input from governments

Marsh is not finalising the mechanism to guarantee that terrorist attacks on passengerships will be covered until governments define exactly what is required. However, it is ready to facilitate the establishment of a special purpose company, which is the most likely outcome.

The P&I clubs have been discussing the Athens Protocol with partners such as Shipowners’ Insurance & Guaranty Co Ltd and The Brunswick Group, which was established in Bermuda as part of the Certificate of Financial Responsibility (Cfr) guarantee under the Athens Protocol claim not involving negligence.

Such concerns threatening to scupper the scheme have been addressed. The problem is that a full Athens protocol could rise to over $2bn with the passage of $1bn or $2bn. But whatever happens, Marsh has given an undertaking that it can deliver on the terrorism-cover stick. It can do this.

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