**Passenger limit foxes P&I clubs**

Insurance clubs are leaving the cruise and ferry issue for their directors to puzzle out.

Jim Mulrenan  
London

A confrontation over moves to raise compensation limits substantially for passengers is looming following a meeting of top protection-and-indemnity (P&I) club managers this week.

Clubs are to seek the views of their shipowner directors on the extent to which shipowners should be expected to contribute to huge cruise or ferry claims.

The likely outcome will be to cut the current P&I cover for passengers by more than a half, with a reduction to the $2bn limit of the clubs’ reinsurance or possibly a much lower figure.

A revised Athens Convention approved by a diplomatic conference in London last year raises the maximum compensation payable for death or injury to each passenger to SDR 400,000 ($563,000), which would yield a payout of $1.75bn if a huge cruise vessel such as Royal Caribbean’s 137,000-gt Voyager of the Seas (built 1999) were lost with its full complement of 3,114 guests.

There would also be considerable crew-related and other claims to pay. Nor is the loss of more than one vessel in a collision or other catastrophe inconceivable.

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The working party’s report is now with the International Group of P&I club managers this week.

**UK to probe insurance broker ‘soft commissions’**

Jim Mulrenan  
London

An investigation into “soft commissions” by UK financial regulators threatens to spill over into the marine-insurance sector.

There are widespread rumours the UK’s Financial Services Authority (FSA) is about to take a look at possible abuses of the brokerage system in the protection-and-indemnity (P&I) as well as the hull-insurance market.

The focus is said to be the payment of brokerage beyond the normal percentage paid on insurance premiums, particularly when such payments are not disclosed to the shipowner.

The FSA has announced an investigation into soft commissions in the investment-management business but so far it only says that scrutiny may be extended to the insurance sector if abuses come to light.

Some insurance-market figures, however, claim a probe into soft commissions in the marine sector is already quietly under way, sparking anxiety in some quarters about where it will end up.

Much of what goes on takes place goes on in the shadows but brokers claim that three of the 13 clubs in the International Group P&I cartel are prepared to pay commissions that go beyond regular brokerage and a fourth club is open to the payment of a one-off finder’s fee for the introduction of attractive business.

Most P&I clubs, however, take a rigorous line on commissions to the extent of quoting net terms to ensure their arrangements with brokers are transparent to shipowners.

The soft commissions that appear to be the focus of current regulatory interest are whole account commissions, production fees or profit commissions that payment “backwards” from underwriters to brokers that produce a certain volume or quality of business.

The concern is that these commissions are an incentive for brokers to favour certain underwriters even where this is not to the benefit of the shipowner.

In the P&I sector, soft commissions also potentially distort the officially sanctioned price-fixing arrangements of the International Group.