



THE LONDON

STEAM-SHIP OWNERS'
MUTUAL INSURANCE ASSOCIATION LIMITED

All correspondence should be addressed to the Managers

A. BILBROUGH & CO. LTD
50 Lemn Street London E1 8HQ
Telephone: 020 7772 8000
Facsimile: 020 7772 8200
E-mail: london@a-bilbrough.com
www.lssso.com

20 February 2007

TO ALL MEMBERS

Dear Sirs

Limit on Cover for Claims in respect of Passengers and Seamen

From time to time Members have expressed concern to the Association over the treatment of the cost of certain types of claim that might impact the overspill layer of the Association's cover (claims in excess of US\$2.050 billion), with particular reference to the manner in which it would be allocated by means of Overspill Calls. The Association's Committee has shared those concerns and therefore regards it as very important indeed to keep the risk of overspill claims as remote as possible.

Readers of the Association's Annual Report will recall that for a considerable period now the Committee has had a particular concern about the growing risk of passenger ship claims impacting on the layer. The risk is perceived to have grown as a result of the trend towards very large awards of damages in cases of injury and loss of life resulting from catastrophic accidents and because of the concentration of risk in modern very large capacity ships.

Overspill layer cover is provided with the backing of the International Group Pool. Accordingly the Association has been campaigning within the Group for measures to be taken to address the concerns being expressed about the overspill risk and the matter has been under debate amongst the industry for several years. The prospect of entry into force before long of the 2002 Protocol to the Athens Convention has refocused attention on the carrying capacity of large modern passenger ships, not just in terms of the passengers themselves, but also crew numbers. That has intensified the need to resolve the issue of providing an important sector of the shipping industry with as much cover as possible, but consistent with maintaining a proper balance of mutuality between it and other sectors of shipping covered by the Clubs.

Earlier this month the International Group finalised new arrangements designed to achieve that objective. For the 2007/08 policy year P&I insurance will be subject to a limit on cover for liabilities to passengers and seamen of US\$3 billion. The Committee has been very concerned about the need to afford seamen some protection from the potential unfairness of the favour given to passengers under the direct action provisions of the 2002 Protocol, and that point has also effectively been addressed by the International Group, as a result of the concurrent introduction of a sub-limit in respect of passenger claims of US\$2 billion.



At the same time, the Association's (and therefore Members') exposure to overspill claims is to receive some protection by the collective purchase, by the International Group, of a reinsurance against any claim of up to US\$1 billion in excess of the US\$2.050 billion limit of the Group's Excess Loss Reinsurance Programme.

By these two measures, the risk of a passenger ship claim impacting on the overspill layer has very largely been eliminated, whilst the International Group has been able to make available to the passenger ship industry a considerable amount more cover than might otherwise have been the case.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)