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MLC 2006/2014

International Group of P&I Clubs

www.igpandi.org

Current principal underwriting International Group Members



The London P&I Club



SHIPOWNERS



The International Group

Comprises 13 mutual marine insurance associations which between them insure and pool third party liabilities relating to the use and operation of ships

- 90% of world ocean-going tonnage
- 95% of ocean-going tankers
- c.1.16 bn. GT
- c.60,000 vessels

Regulation 2.5 , Repatriation

Regulation 2.5 Repatriation:

Purpose: to ensure that seafarers are able to return home

This is achieved by -

Standard A2.5.1	Repatriation (2006 MLC)
Standard A2.5.2	Financial security (2014 amendments)
Guideline B2.5	Repatriation

Background to Regulation 2.5 insurance arrangements

- Cover for contractual salary arrears was a new head of risk for insurers
- Club boards agreed to cover MLC 2006 liabilities in time for the Convention's entry into force in August 2013
- IG and social partners worked collaboratively in advance of the April 2014 STC & continue to do so
- Reinsurance arrangements (next slide) ensure Clubs can issue certificates to owners
- Certificates issued in the name of insured person i.e. Registered Owner
- The current arrangements seem to be working

MLC – Standard 2.5.2 insurance and reinsurance

Unique International Group insurance and reinsurance cover arrangements for liabilities arising under Standard 2.5.2 structured as follows -

- P&I Club pays first USD 10 million of an abandonment claim

Followed by

- Ring-fenced IG MLC reinsurance for claims arising under Standard 2.5.2
 - Club retention USD 10 million
 - IG reinsurance USD 200 million
 - Total per abandonment event USD 210 million

Certification under the 2014 amendments

- In June 2016, IG established a consultation group to consider issues relating to Standard 2.5.2 and Standard 4.2 financial security certification.
- IG thanks those States that participated in correspondence
- Wording of certificates agreed; one for Standard 2.5.2, one for Standard 4.2, as per the 2014 amendments
- Some discussion on party named as “shipowner”.
- Certificates verifiable on Club websites updated in real time

Certification under the 2014 amendments cont/

- 1. Registered owner is included in the definition of Shipowner (MLC Art. II.1(j)) and liability for financial default will always roll back to the registered owner
- 2. Registered owner is the insured person named on the contract of P&I insurance
- 3. Parties named on the DMLC part I and part II (for operational reasons) may not be parties to the insurance contract

Certification under the 2014 amendments cont/

- The name of the shipowner is not relevant for Standard 2.5.2 claims . When a claim is made the shipowner is in default and repatriation and payment of wages etc will be effected by the issuer of the financial security certificate
- ❖ Some issues still arising where PSC has issued deficiency notice to ships that do not name the party on the DMLC – need to update PSC guidelines to reflect widely accepted practice to ensure system works uniformly in all MLC Member States

HANDLING CLAIMS BY SEAFARERS

FIRST STEPS

- Club contact details on Certificate
- Check whether MLC certificate is valid
 - are the 2014 amendments in force?
 - is this an MLC claim?
- Contact shipowners
- Establish line of communication
 - local correspondents
 - seafarer's representatives

HANDLING CLAIMS BY SEAFARERS

FOLLOW UP ISSUES

- Are the shipowners going to pay?
- Do the seafarers want to be repatriated?
- Quantifying the claims and arranging payment
- Practical arrangements for repatriation
- Collaboration with seafarers' representatives
- Identifying local issues

EXPERIENCE SO FAR – IG DATA

- 15 months since entry into force
- cases handled - 19
reported in
2017 10
2018 9
- 198 seafarers repatriated
- USD 1.9 million wages paid

EXPERIENCE SO FAR

Owners promise to pay

- factors in their decision
 - wish to continue to operate the vessels
 - if Club pays, they are obliged to reimburse the Club

❖ Club has direct liability to seafarers under financial security

- Crew may not want to be repatriated
 - wages entitlement dependent on repatriation
- Delays due to local factors

EXPERIENCE SO FAR

Scope for more liaison between flag and port states when abandonment occurs as this could facilitate repatriation of abandoned crew more quickly

MLC, Standard 2.5.1 Repatriation

2.5.1.7 Each Member shall facilitate the repatriation of seafarers serving on ships which call at its ports or pass through its territorial or internal waters, as well as their replacement on board.

2.5.1.8 In particular, a Member shall not refuse the right of repatriation to any seafarer because of the financial circumstances of a shipowner or because of the shipowner's inability or unwillingness to replace a seafarer.

- Several examples of delays in repatriation due to demands for replacement crew
- Request Member States to respect the above obligations in order to facilitate the prompt repatriation of seafarers following abandonment

MLC – ABANDONMENT - SUMMING UP

Positives

- Certification
- Communication with seafarers' organisations
- Claims handling
 - still in learning phase

Challenges

- Port state deficiencies
 - ❖ PSC Guidelines to address 2014 amendments
- Port state obstacles to repatriation
- Local variations – lack of uniformity

Thank you!