

- (c) Liability for loss of or damage to cargo;
- (d) Liability to third parties for property damage;
- (e) Liability for removal of wreck, et cetera.

It should be particularly noted that the Associations cover also any legal liability resulting from oil pollution.

LIABILITY IN CASE OF FAULT AND LIMITATION OF LIABILITY

In the usual case, the shipowner is liable only when fault is either proved or is self-evident and therefore admitted, and in all but the exceptional case, the shipowner is entitled to limit the amount of any such liability in respect of these claims.

The fact that international maritime law in general contains these two elements, namely, fault as the basis of liability, and the right to limit such liability in the absence of privity, is one of the main considerations upon which the assessment of P. & I. premiums is based.

As has already been indicated, all the members of a P. & I. association included in the London and Scandinavian group share mutually in the payment of claims incurred by one of their fellow members. As a group, the associations protect themselves by excess loss reinsurance coverage on the world insurance markets to the maximum amount obtainable; my colleague, Mr. Miller, will explain the details of these arrangements. Should a claim exceed the amount of this reinsurance protection, then it would fall back on the group for payment; but the group covers members of the participating associations against liabilities even beyond the reinsurance obtainable, only because of the extreme remoteness of the possibility of such an event, since to exceed the reinsurance protection, the claims would have to exceed the amount to which a shipowner could normally limit the amount of his liability under the existing laws of the world's maritime nations.

It is precisely because the law of every maritime country provides for a reasonable figure to which a shipowner can normally limit his liability, and because liability is generally based on the concept of negligence or fault on the part of the shipowner, that the cost to the shipowner—and ultimately, therefore, to the consumer of the goods carried by the shipowner—of the insurance of his liabilities can be kept to a reasonable figure, and that the traditional insurers of this liability, the P. & I. associations, can offer unlimited insurance coverage for the exceptional cases where it is needed.

It is because section 19(e) of H.R. 1400 violates these two fundamental principles of shipowners' liability insurance negligence as the basis of liability and the right to limit any such liability in the absence of the owners' privity—that we earnestly ask you to reconsider certain aspects of this legislation.

UNLIMITED LIABILITY UNINSURABLE

If unlimited liability were imposed on the shipowner by such legislation, it would be uninsurable as such.

I do not believe that the directors of the P. & I. associations forming the London group would accept such unlimited liability. They would surely consider that the risk would be too great, and that, furthermore,