

in the last year, where we have been faced with a possibility of an oil pollution, we have actually paid two governments to get rid of the offending ships.

In both of these cases, the ships exploded in midocean, but there was a potential danger. In the first one, the French Navy sank the vessel, and in the second case, the British Navy sent out the nuclear submarine to get rid of it and we paid the cost of that amount to the government as a substitute expense in mitigation of possible damages.

There is no question that the association would not only assume, as they do now, the liability to pay the third parties in third-party claims, but also any liability toward the government which might be enacted in national or international legislation, provided the ship-owners had some limit of liability.

Mr. WRIGHT. You heard the testimony earlier this afternoon?

Mr. SHEARER. And my colleagues mentioned something here, provided it is based on fault. There must be a fault on the offending party to make someone absolutely liable against the concept of ship-owners' liability.

Mr. WRIGHT. You have heard the testimony given the committee earlier today by Mr. Checket, speaking in behalf of the petroleum industry. Were you in the committee room?

Mr. SHEARER. Yes.

MANDATORY INSURANCE

Mr. WRIGHT. In your judgment as an insurer, do you regard a program such as recommended in that testimony to be workable and feasible and practical?

Mr. SHEARER. What Mr. Checket is, in fact, saying in his testimony, he has recommended to you a committee system of compulsory insurance. It is certainly possible to have a system of compulsory insurance as exists, I think, as you, yourself, mentioned, with motor cars. You cannot drive, certainly in Europe, without compulsory insurance, and you might be able to have a similar system trading to and from the United States.

Mr. WRIGHT. You feel that this would be a workable program that the insurers would have no problem providing insurance under such a system?

Mr. SHEARER. Mr. Chairman, I have pointed out in my evidence that an insurance policy as such, or a certificate of liability is only a policy of insurance, and there are always available to the insurer certain defenses, and they are very rarely invoked. But one of the most obvious ones I would draw to your attention would be wilful misconduct.

If I have a cargo on board, shall we say, and I deliberately throw it overboard, I am not covered. If, for instance, I have a ship and I deliberately sink it for the purpose of getting my insurance money, I am not covered. But, in all normal foreseeable cases, a certificate of insurance would be satisfactory evidence. It is only the rare case, such as envisioned now, where it would not work feasibly.

Mr. BLATNIK. (presiding). I do want to say this, Mr. Shearer, that it has been most helpful, not only helpful but a most interesting statement.