

firm about two to three months to negotiate and complete, since we have to place the risk in London in the provincial markets of the United Kingdom, the European and American markets, those of the Far East and any others available and willing to accept part of the risk. I am thus able to be definite when I say that my firm obtains the maximum amount of coverage possible.

The figure at the present time is approximately \$50,000,000, each vessel, any one accident. The Contract is placed in excess of a retention by the Group; this retention varies, but basically the Group takes all claims other than those in the major catastrophe class. Thus, by the cooperation between the Group and the Insurance markets of the world which it is my job to arrange, the shipowner is protected to the maximum possible degree.

UNLIMITED LIABILITY UNINSURABLE

It is not possible for commercial Underwriters to write policies of insurance for this type of risk without a limit on their total coverage. I must therefore say on behalf of underwriters that the proposal of H.R. 14000 to introduce unlimited liability presents them with an impossible situation. Unlimited liability for oil pollution, is as such, uninsurable.

NEGLIGENCE AS BASIS OF LIABILITY

In order to elaborate on the protection which *would* be available, I must for one moment turn to a subject mentioned by Mr. Shearer, namely the importance of the concept of negligence as the basis of liability. Underwriters in many countries are very often unwilling to write Shipowner Liability insurance for several reasons. For example: (1) the underwriters whom I ask to underwrite the liabilities, are already committed as underwriters of the physical hull and cargo. They may therefore be unwilling to expose themselves to further financial commitments on the same venture; (2) they also dislike the long period of delay before settlement of liability claims is reached. Working as they do on an annual or triennial basis, the possibility of claims being outstanding for as long as ten years has a bearing on the "line" they are prepared to write on such risks.

When it is possible to persuade underwriters to accept part of the reinsurance contract, the most important considerations in their minds in assessing the cost are the amount to which a shipowner can, in normal circumstances, limit his liability under the existing law, and the fact that such liability is based on fault or negligence.

REASONS FOR MAXIMUM LIMIT

It was these two facts which were uppermost in Underwriters' minds when, as instructed by the London Group, I approached them to discuss the matter of oil pollution in the last few months. Two points emerged; any alteration in the existing laws on limitation, or liability based on negligence would severely restrict the amount of coverage obtainable and would severely increase its cost. I have most carefully discussed the matter with the leading underwriters of this type of risk, and while only a placing can show the exact position, it was their unanimous opinion that the maximum limit would be in the region of \$10-\$15 million each accident each vessel. Let me summarize the reasons again:

(i) The sweeping away of the normal underwriting criteria for such risks, namely, negligence as the basis for liability and the right to limit such liability to a reasonable figure in the absence of privity.

(ii) The heavy involvement in the other interests affected by a major casualty, namely the ship and cargo.

(iii) The heavy involvement by way of the reinsurance I already place on other liabilities stemming from the same casualty, e.g. removal of wrecks, etc.

(iv) The fact that their commitment is calculated on an "each vessel, each accident" basis. Thus they could have a large loss on the policy many times over in each year.

What I have already said, puts fairly, I hope, the objections of underwriters to the proposed legislation. I cannot presume to suggest alternatives beyond what Mr. Shearer has said, which is supported in principle by underwriters.

FINANCIAL RESPONSIBILITY

Finally, I turn to financial responsibility; here the attitude of the British Market (where 90% of liability risks are underwritten) is the same as that of the Protection and Indemnity Associations. They are quite prepared that policies