

TO ALL OWNERS AND MEMBERS

30 June 2016

Dear Sirs

Update on the Maritime Labour Convention

Owners and members are referred to our previous circulars and notices on the Maritime Labour Convention (MLC) 2006 which are available on our website.

The MLC entered into force on 20 August 2013. Prior to the MLC coming into force, the International Group (IG) clubs agreed to extend the scope of standard P&I cover to include repatriation in case of insolvency and in the other circumstances listed in the MLC where seafarers are entitled to repatriation.

In April 2014, the International Labour Organisation (ILO) agreed several amendments to the MLC, to implement the principles agreed back in 2009 by the joint IMO/ILO financial security working group, including payment of unpaid wages and entitlements following abandonment. These amendments will enter into force on 18 January 2017.

Ships that are subject to the MLC will, after this date, be required to display certificates issued by an insurer or other financial security provider confirming that insurance or other financial security is in place for the cost and expense of crew repatriation, as well as up to four months contractually entitled arrears of wages and entitlements following abandonment (MLC Regulation 2.5.2, as amended). A further certificate will be required for liabilities for contractual claims arising from seafarer personal injury, disability or death (MLC Standard A4.2, as amended).

Finding a sustainable financial security solution

In order to assist owners/members in complying with these additional financial security requirements, all thirteen IG clubs currently propose to:

- 1) Provide the necessary MLC certification by way of an extension clause to their P&I rules; and
- 2) Indemnify the seafarers directly should a requisite MLC event occur.

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However, on the basis that these new MLC liabilities will not fall within the IG's existing pooling arrangements there will be a right of indemnity from owners/members for unpaid wages and other entitlements.

All IG clubs have agreed to participate in a separate group reinsurance arrangement in the event a club becomes liable for its owners'/members' financial default resulting in seafarer abandonment. Placing this reinsurance is currently a work in progress, but discussions with the reinsurance market have been positive. The IG will continue to work on the detail of these security arrangements to ensure that when the MLC amendments do enter into force, in January 2017, IG club members will have the requisite certification in place and seafarers and States will have the comfort afforded by a Group-backed scheme.

The IG is also speaking with a number of key states in order to establish a common approach amongst the 77 States who have now ratified the Convention, on this issue of certification.

Further updates will be provided in due course.

All IG clubs will be issuing similar circulars.

Yours faithfully



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