



JUNE 28, 2016

CIRCULAR NO. 24/16

TO MEMBERS OF THE ASSOCIATION

Dear Member:

THE MARITIME LABOUR CONVENTION – AN UPDATE

Members are referred to [Circular No. 14/13](#) of May 28, 2013 on the Maritime Labour Convention (MLC) 2006.

Background

The MLC entered into force on August 20, 2013. In April 2014 the International Labour Organisation (ILO) agreed several amendments to the MLC to implement the principles previously agreed in 2009 by the joint IMO/ILO financial security working group. These amendments will enter into force on January 18, 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 in complying with these additional financial security requirements, all thirteen International Group (IG) clubs currently propose to provide the necessary MLC certification by way of an extension clause to the P&I rules, and indemnify the seafarers directly should the requisite MLC event occur, but with a right of indemnity from Members and on the basis that these new MLC liabilities will not fall within the IG's existing pooling arrangements.

All IG clubs have agreed to participate in this separate, IG, reinsurance arrangement in the event a club becomes liable for its member's 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, owners will have the requisite certification in place, and seafarers and states will have the comfort afforded by an IG-backed scheme.



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

Further updates will be provided in due course.

Yours faithfully,

Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB

All International Group clubs have issued a similar circular.