



LLMC – Increases in the Shipowner's Liability Limits

On the 8th of June 2015 the increased Shipowner's limits of liability will enter into force.

Regulations on limitation of the Shipowner's total liability have existed since long. The Convention on Limitation of Liability for Maritime Claims 1976 (LLMC), also called The 1976 Limitation Convention, gives the Shipowners and Salvors a right to reduce their total liability for claims arising out of one single event, referred to as global limitation. The limits of liability were last increased under the 1976 Limitation Convention as amended by its Protocol of 1996 (The 1996 Protocol) which entered into force in 2004. The States to the Convention have in 2012 decided to increase the limits of liability of the Convention and these new limits will take effect internationally on the 8th of June 2015.

The Shipowner's right to limitation of liability in accordance with the Limitation Convention is adopted in Chapter 9 of the Maritime Code of both Finland and Sweden. This regulation is based on the 1996 Protocol. The content of the code is in

accordance with the corresponding rules of the convention and defines the limitation of a Shipowner's liability in connection to one particular maritime casualty.

The limitation of liability in respect of claims for personal injury, other than claims to passengers of the ship, and in respect of any other claim, mainly property claims, is calculated with reference to the gross tonnage (GT) of the ship. The limit of liability in respect of these types of claims will be increased by 51 %. The limitation of liability for passenger claims is decided in accordance with the maximum amount of passengers which the ship is authorized to carry according to the ship's certificate. This amount remains unchanged.

The table below shows how the limitation of liability is calculated according to the earlier and new regulation.

	Limitation of liability in accordance with the 1996 Protocol	Increased Limitation of Liability from 8.6.2015
Claims in respect of loss of life or personal injury to passengers of a ship :	175 000 SDR* x maximum number of passengers according to the ship's certificate	Unchanged
Other claims for loss of life or personal injury:		
For ships up to 2 000 GT	2 000 000 SDR	3 020 000 SDR
For a ship with a GT over 2 000 the limit of liability is in addition increased		
for each GT from 2 001 to 30 000 with	800 SDR	1 208 SDR
for each GT 30 001 to 70 000 with	600 SDR	906 SDR
for each GT over 70 000 with	400 SDR	604 SDR
Any other claim – property claims:		
For ships up to 2 000 GT	1 000 000 SDR	1 510 000 SDR
For ships with a GT over 2 000 the limit of liability is in addition increased		
for each GT from 2 001 to 30 000 with	400 SDR	604 SDR
for each GT 30 001 to 70 000 with	300 SDR	453 SDR
for each GT over 70 000 with	200 SDR	302 SDR

* The limitation amount is stated in special drawing rights (SDR), which is a so called basket of the major currencies of Euro, Japanese yen, pound sterling and U.S. dollar. Exchange rate SDR on the 17.4.2015: 1 SDR = 1,29 EUR och 12,01 SEK.

National legislation in Finland and Sweden

Finland has the intention to approve the changes and implement the increased liability limits in Chapter 9 section 5 of the Maritime Code. The changes in the Maritime Code have not yet been passed by the parliament, but the changes are proposed to be implemented as soon as possible after the convention has taken effect internationally on the 8.6.2015.

In Sweden the parliament has approved the new increased liability limits and the legislation in the Maritime Code has been updated in accordance therewith and will take effect on the 8.6.2015.

Consequences of the increases in the Shipowner's Liability Limits

The Shipowner's liability will increase as a result of the higher liability limits. The Shipowner's liability for expenses in connection to a maritime casualty increases, which also imply a risk for higher claims compensations, mainly with respect to the P&I

Insurance. The great majority of cases handled by P&I Insurers fall well within the liability limits. However the limits do play a role in a small number of casualties which give rise to high value claims and it is mainly in connection with these casualties the increase will be of significance.

The Alandia Marine P&I facility, Alandia P&I, is limited to an approved maximum limit of liability. The insurance shall cover the Shipowner's maximum liability in accordance with The Limitation Convention. As a result of the increased limits of liability Alandia will ensure that the vessels P&I insured by Alandia will have sufficient limits of liability to cover the Shipowner's increased total liability.

The table below gives more information about how the Shipowners may limit their liability in accordance with the Limitation Convention, as implemented in the Maritime Code of Finland and Sweden.

The LLMC rules in the Finnish and Swedish legislation:

Who are entitled to limitation of liability?

The following persons are entitled to limit their liability:

- 1) The Shipowner and salvors. The term "shipowner" shall mean the owner, charterer, manager and operator of a seagoing ship. Salvor shall mean any person rendering services in direct connection with salvage operations.
- 2) Any person for whose act, neglect or default the Shipowner, salvor or others mentioned in the first paragraph is responsible.
- 3) An insurer of liability for claims subject to limitation.

Which claims are subject to limitation of liability?

The following claims, whatever the basis of liability may be, shall be subject to limitation of liability:

- 1) claims in respect of loss of life or personal injury or loss of or damage to property, occurring on board or in direct connection with the operation of the ship or with salvage operations;
- 2) claims in respect of loss resulting from delay in the carriage by sea of cargo, passengers or their luggage;
- 3) claims other than those for personal injury, property damages and delay, insofar as the claim does not arise out of contract, occurring in direct connection with the operation of the ship or salvage operations;
- 4) claims in respect of the raising, removal, destruction or the rendering harmless of a ship which is sunk, wrecked, stranded or abandoned, including anything that is or has been on board such ship;

- 5) claims in respect of the removal, destruction or the rendering harmless of the cargo of the ship;
- 6) claims in respect of measures taken in order to avert or minimize losses for which liability would be limited, including losses caused by such measures.

Which claims are exempted from limitation of liability?

The right to limitation of liability shall not apply to the following claims:

- 1) claims for salvage reward, including, special compensation and contribution to general average;
- 2) claims for oil pollution caused by a vessel which is constructed or adapted to carry oil as bulk cargo,
- 3) claims subject to any international convention or national legislation governing or prohibiting limitation of liability for nuclear damage;
- 4) claims in respect of nuclear damage caused by a nuclear ship;
- 5) claims in respect of injury to a pilot or to an employee of someone who has the right to limit his liability and whose duties are connected with the ship or the salvage operations, and
- 6) claims for interest and legal costs.

A person liable shall not be entitled to limit his liability if it is proved that the loss resulted from his personal act or omission, committed with the intent to cause such loss, or recklessly and with knowledge that such loss would probably result.

