

# Maritime Labour Convention 2006 (MLC 2006) as amended: Financial security requirements

The Maritime Labour Convention, 2006 (MLC) which was adopted in 2006 by the International Labour Conference (ILC) of the International Labour Organisation (ILO). It entered into force in 2013. In a nutshell the MLC 2006 is an international agreed provision and maritime regulation which sets out the rights of seafarers to decent working and helps to create conditions of fair competition for shipowners.

Since the adoption of the Convention in 2006 Amendments have been made. In 2014, the ILO agreed implementing Amendments to the MLC 2006 relating to financial security of seafarers in cases of abandonment (Reg 2.5), and contractual claims for compensation in the event of a seafarer's death or long-term disability due to an operational injury, illness or hazard (Reg 4.2). There are 2016 Amendments and 2018 Amendments as well. Since both the 2016 and 2018 Amendments are still under consideration, we will provide further information in respect of these Amendments later in 2019.

The 2014 Amendments came into force on 18th January 2017. The aim of this circular is to inform you about the 2014 Amendments to the Convention and what the impact is for you.

## MANDATORY MLC REQUIREMENTS UNDER THE 2014 AMENDMENTS

As explained above the 2014 Amendments to the Convention came into force on 18th January 2017. It must be said that the Amendments did not enter into force yet in all signatory states and not all states have finalized their implementing legislation. Because of the 2014 Amendments all registered commercial ships of 500 GT and above and subjecting to the MLC, must carry onboard an MLC (financial security) Certificate. This Certificate must be issued by an insurer or other financial security provider confirming that insurance or other financial security is in place, confirming compliance with the new provisions for liabilities. The mentioned financial security shall cover:

- shipowners' liabilities for repatriation of crew, essential needs such as food, accommodation and medical care and up to four months' outstanding contractual wages and entitlements in the event of abandonment (Regulation 2.5, Standard A2.5.2 and Guideline B2.5)
- contractual payments for death or long-term disability due to an occupational injury, illness or hazard set out in the employment agreement or collective agreement (Regulation 4.2., Standard A4.2. and Guideline B4.2)

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### **WHICH SHIPS WILL REQUIRE AN MLC (FINANCIAL SECURITY) CERTIFICATE?**

All registered commercial ships of 500 GT and above will require an MLC (financial security) Certificates if they are:

- registered with a flag state that has ratified MLC/ registered in a State where MLC is in force; or
- calling at a port which the flag state has ratified MLC/ calling at a port in a jurisdiction where MLC is in force

However, ships will not require the MLC Certificates if they are registered with a flag state that has not ratified MLC and are not calling a port which flag state has ratified MLC.

### **WHERE CAN I FIND WHICH STATES HAVE RATIFIED THE MLC 2006?**

The IMO website provides overviews of ratifications of each Convention. The ratifications of the MLC 2006 can be found here:

[https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11300:0::NO::P11300\\_INSTRUMENT\\_ID:312331](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11300:0::NO::P11300_INSTRUMENT_ID:312331)

It is advisable to regularly check for updates as over time it is expected that more states will ratify the Convention.

### **ARE ALL THE REQUIREMENTS OF THE MLC 2006 IN RESPECT OF FINANCIAL SECURITY COMPLIED WITH?**

EF Marine will provide MLC Certificates confirming that there is an insurance in place covering MLC 2006 liabilities and as stipulated by the MLC 2006. Some of the liabilities arising under the Certificates fall within the standard P&I cover for Crew. EF Marine's Shipowners' P&I insurance provides cover for crew liabilities under section 4 - Crew of our policy wording. A copy of the policy wording can be found here:

[https://efmarinegroup.com/sites/default/files/2018-12/EFM-SO-TERMSANDCONDITIONS2019-V1.0\\_0.pdf](https://efmarinegroup.com/sites/default/files/2018-12/EFM-SO-TERMSANDCONDITIONS2019-V1.0_0.pdf)

Summarizing:

1) Scope under the standard terms and conditions of the P&I coverage for crew:

- Wages, repatriation and incidental expenses/ maintenance ashore arising as result of illness, injury or death or a shipwreck or major casualty rendering the vessel unseaworthy and necessitates signing-off of the crew
- Compensation for death or long-term disability as result of the illness or injury onboard:

The standard terms and conditions of the P&I coverage for crew will satisfy the requirements of the provisions set out in Regulation 4.2, Standard A4.2 and Guideline B4.2 of the MLC, as amended.

2) Liability outside the scope of the standard terms and conditions P&I coverage for crew:

- Wages, repatriation and incidental expenses/ maintenance ashore arising from the abandonment provisions set out in Regulation 2.5, Standard A2.5.2 and Guideline B2.5 of the MLC, as amended.

3) MLC Extension Clause:

In order to meet those liabilities and satisfy the requirements of the provisions set out in Regulation 2.5 of the MLC, as amended, EF Marine will provide MLC Certificates on the basis set out in the MLC Extension Clause. It should be noted that there will also be liabilities which will fall outside the scope of P&I cover, particularly repatriation costs and wages arising from the abandonment provisions set out in the Standard 2.5.2 of the MLC, as amended. The MLC Extension Clause provides that EF Marine will pay claims advanced by seafarers which fall within the scope of the Regulations and Standards specified in the Certificates. The Clause also provides that if such payments fall outside the scope of standard cover, Assureds will be obliged to reimburse EF Marine.

Some shipowners may have outsourced crew management to a crew manager. Nevertheless, if a crew manager becomes insolvent, or for other reasons does not pay the seafarers' wages, the shipowner remains responsible for paying the crew.

### **How is abandonment defined in the MLC 2006?**

According to MLC Regulation 2.5, a seafarer is deemed to have been abandoned where the shipowner:

- fails to cover the cost of the seafarer's repatriation; or
- has left the seafarer without the necessary maintenance and support; or
- has otherwise unilaterally severed their ties with the seafarer, including failure to pay contractual wages for a period of at least two months

Should you have questions or if you need further information on this topic then please do not hesitate to contact us.