

## NEWSLETTER. 5 / 20

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### Coronavirus – Losses and P&I Cover

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Shipowners and operators are facing higher cost in responding to and mitigating the effects of the COVID-19 outbreak. Where there is an outbreak of the infection on board, these additional costs are likely to be covered by protection and indemnity (P&I) insurance policies.

As COVID-19 spreads around the globe, the International Maritime Organisation (IMO) and local authorities are regularly updating their guidance and rules for shipping and international transportation. The updates include the protection of the health of seafarers, port entry restrictions and procedures in case of an outbreak on board.

COVID-19 adds many practical risks and consequences to shipping and international transportation uncommon in other industries. Examples include:

1. Spreading of the virus itself:
  - This could either be from shore-side workers to the passengers, crew or vice versa
  - A further risk is that if it is unknowingly contracted, then the newly-infected crew / passengers who caught the virus at Port A may not experience symptoms until after having already called at Port B.
2. Being denied entry to ports due to changing border restrictions or imposed periods of isolation;
3. Delays / deviation causing loss or deterioration of cargoes; and,
4. Responsibility for monitoring, housing and providing medical assistance to crew and passengers during any quarantine, deviation or delay (due to congestion, for example).

## Potential losses:

The losses arising therefrom can be substantial. Not only are there the additional daily running costs of the ship itself, but also extraordinary liabilities incurred as a result.

Daily running costs (insurance premiums, crew wages, provisions/stores, bunkers and port charges) of the ships may be inflated by a delay and time lost as a result of quarantine and/or deviation, crew illness/death/repatriation following either an outbreak on board or an order for quarantine/isolation on board prior to entering or leaving a port.

Extraordinary expenses and liabilities could include:

- Loss of or damage to cargo as a result of quarantine/delay in delivery/customs restrictions/rejection by receiver;
- Lost fixtures/business interruption;
- Crew illness/death claims;
- Crew repatriation;
- Lost hire / demurrage; or,
- Additional insurance required for any deviation.

Despite offering the same products across the International Group (IG), slightly different definitions and interpretations of the respective insurance policies or P&I Club Rules mean that coverages may differ among insurers. The majority of P&I insurers are taking the position that:

- i) only additional costs incurred by the shipowner/operator over and above basic daily running / operating expenses can be recovered; and,
- ii) cover only applies in the event that there is an outbreak of an illness on board the ship itself.

In theory, this would exclude any additional costs incurred as a result of any threat of outbreak, any precautionary isolation or any order by an authority to quarantine or refusal to enter despite there being no confirmed outbreak on board. Furthermore, this interpretation also excludes payments which the shipowner must perform under existing contracts, such as the daily running costs of the ship, but for which the shipowner or operator receives no benefit.

P.L. Ferrari is liaising with individual P&I Clubs and the International Group as a whole and most have confirmed that they will take a 'sympathetic' approach. Of course, P.L. Ferrari and Lockton are doing and will continue to do everything possible to mitigate the impact that COVID-19 has on our clients.

This newsletter, and our information archive, can also be accessed at [www.plferrari.com](http://www.plferrari.com)

P.L. Ferrari & Co.