

Marine Industry—Responding to Coronavirus (COVID-19)

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For marine businesses that are highly dependent on the entertainment or transportation of passengers, COVID-19 has created an unprecedented scenario. Cruise ships have been denied port, leaving them to anchor off the coast of countries indefinitely. Other cruises have docked with quarantined passengers aboard. Local ferry companies and other vessel owners will also undoubtedly be impacted by the pandemic.



Some of the top risk exposures that maritime companies may face in connection with COVID-19 are:

- Quarantine expenses
- Fines and penalties
- Deviation costs
- Crew maintenance and cure obligations
- Personal injury or death claims
- Loss of revenue

While every claim should be evaluated fully on its own merit based on the facts presented, in conjunction with all applicable club rules or policy conditions, a typical marine insurance program may respond as follows:

MARINE INSURANCE POLICIES THAT MAY RESPOND TO INFECTIOUS DISEASE

Protection and Indemnity (P&I Club) Coverage

Of all the insurances a vessel owner purchases, P&I Club insurance may provide the most amount of coverage for Coronavirus-related losses. The intent of this coverage provided by P&I Clubs is to provide indemnity coverage for claims that arise in direct connection with the operation of the enrolled vessel, whether the vessel be owned, operated or chartered. Because this insurance is based on the principle of indemnity, the club's obligation to pay is on an indemnification basis. Typically, the member must have paid the obligation in question before the club's liability to the member is triggered.

Quarantine Expenses

Generally speaking, quarantine expenses may be recoverable from P&I Clubs if incurred because of the outbreak of an infectious disease on board, including an order that the ship be disinfected.

These expenses would be limited to net expenses. For example, those expenses remaining after deductions for the costs that would have been incurred by the vessel anyway, despite the quarantine. The costs and expenses usually contemplated are bunkers, insurance, wages, stores, provisions, victualling and port charges that are incurred as the result of the quarantine.

Most P&I Clubs will also reimburse the additional costs incurred when a vessel is forced to comply with a quarantine order by the local health authority even though there may be no ill person on board.

Fines and Penalties

P&I Clubs will also consider claims for fines and penalties imposed on the vessel by governments and their health authorities, except where there is recklessness by the owner or if the vessel made intentional illegal calls at a quarantined port.

Deviation Costs

If a vessel is forced to deviate from its intended voyage to provide medical treatment to a crew member, passenger or other person aboard the vessel, a P&I Club will typically reimburse an owner for these expenses, similar to reimbursements for additional quarantine expenses. Lost revenue or ticket cancellations, however, will not be reimbursed by the P&I Clubs.

Crew Maintenance and Cure

Crew members who become ill with COVID-19 during their employment aboard vessels will continue to be entitled to maintenance and cure from the vessel owner. Maintenance and cure benefits are due for illnesses or injuries, irrespective of any negligence or other fault on the part of the employer. P&I Clubs will likely respond and pay for these claims. Interestingly, the maintenance and cure remedy includes illnesses which first manifest themselves during the employment, so injuries occurring ashore or even prior injuries or illnesses that reoccur during employment may be included.



Personal Injury or Death Claims

Cruise and ferry owners who deal with passengers may be liable for medical charges incurred by those passengers, including any precautionary examination, hospitalization or prescriptions. These claims would typically be reimbursed by P&I Clubs, along with any wrongful death claims should they arise.

Loss of Revenue

P&I Clubs in general do not indemnify an owner for loss of time or loss of hire. The coverage offered by the P&I Clubs cuts off at additional expenses, not lost revenue or profits.

This is an evolving risk that Gallagher continues to monitor through the CDC and the WHO. Please visit ajg.com/us/pandemic-preparedness for the latest information, or contact:



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