

## INSURANCE

# Owners get sick of cruise claims

Cruiseship viruses are making cargo owners rather sick.

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A new area of friction has opened up between passenger and cargo owners over the insurance claims cruise lines are submitting based on gastrointestinal illness.

The protection-and-indemnity (P&I) clubs are considering whether their rules need to be reformed to subject passengerships to the same claims arrangements that apply to cargo vessels.

The P&I clubs currently apply a per-voyage definition of an insurable event to cargo ships whereas passengerships can submit a single claim even when an illness such as the Norwalk virus hits them on successive voyages.

This has major financial implications in terms of the shipowner's deductible. It also makes cargo owners more likely to have to contribute to cruise-illness liabilities under the claims-pooling system of the P&I clubs.

The International Group P&I cartel is discussing changes to the system. But clubs that insure the big cruise fleets are reluctant to revise the rules of the inter-club pooling agreement.

Cargo owners already have worries about being insured by the same P&I system as passengerships. They fear that greatly increased liability for passenger death or injury under a revised Athens Convention could sink the P&I system under huge claims. Once again on the passenger illness issue they see themselves as losing out to the cruise lines.

They want the same per-voyage definition of an insurable event



**MICKEY MOUSE CLAIMS:** Disney Cruise boss Matthew Ouimet answers questions about a virus outbreak on his company's "Disney Magic".

Photo: Reuters

applied to passengerships. The effect is that the cruise lines would have to make a bigger contribution to their own illness claims because a higher proportion of the cost would fall within their deductibles.

Counting each voyage with an outbreak as a separate insurable event would also give the clubs that insure the big cruise fleets — UK, Gard, Steamship Mutual and West of England — a bigger share of the bill. This is because fewer claims would top \$5m, the point at which claims pooling begins.

So far this year the US Centers for Disease Control and Prevention has recorded a total of 22 cases of cruiseship illness outbreaks. This compares to 30 cases through the whole of 2003, 24 in 2002 and fewer than 10 in any earlier year.

The increase does not necessarily mean ships are becoming less hygienic. Monitoring of Norwalk-type virus cases may be improving and passengers may be becoming more litigious.

However, some cargo owners suspect that cruise lines may be contributing to the rising number of claims by a reluctance to take vessels out of service after virus outbreaks. A thorough cleaning and disinfection is expensive not least because of the interruption of business.

Four outbreaks of gastrointestinal illness have hit the 34,000-gt *Norwegian Crown* (built 1988) this year and two each involving the 70,000-gt *Queen Elizabeth 2* (built 1968) and the 1,700-gt *Legacy* (built 1959). Even the recently delivered, 150,000-gt *Queen Mary 2* (built 2003) had 88

passengers and crew ill on a short voyage in March.

The cruise clubs are defending the status quo and point out that the big cruise fleets already pay high P&I premiums relative to those paid by cargo owners.

The share of premium under collective reinsurance arrangements increased for passengerships but fell for cargo ships at the February renewal. But tweaking the contribution of the cruise industry may not be enough.

The tension over cruise P&I cover is also increasing because of an impasse over Athens Convention cover. The new protocol has no war-risk or terrorism-risk exclusion so the P&I clubs are warning that regardless of wider concerns over the total exposure they are unlikely to be able to provide cover.