Cruise ship viruses are making carriage owners rather sick.

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A new area of friction has opened up between passenger and carriage 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 passengers to the same claims arrangements that apply to cargoships.

The P&I clubs currently apply a per-voyage definition of an insurable event to passenger lines when passengers 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 carriage owners more likely to have to contribute to cruise-illness claims from the free reserves of the P&I clubs.

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

Carcasship owners already worry as things stand about being insured by the same P&I club as passengers. They fear that gains in personal liability for passengers’ death or injury under a revised Athens Convention could sink the P&I system for huge claims. Once again on the passenger illness issue they see themselves as losing out to the cargo lines.

They want the same per-voyage definition of an insurable event applied to passengers. 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 the chance to 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 cover $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 cruise-ship 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 carriage 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 1969) and the 1,700-gt Legacy (built 1959). Even the recently delivered, 150,000-gt Queen Mary 2 (built 2003) had 86 passengers and crew ill on a short voyage in March.

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

The share of premium under collective reinsurance arrangements increased for passenger ships but fell for cargoships 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 turning that regardless of wider concerns over the total exposure they are unlikely to be able to provide cover.

Free reserves of the Britannia Steam Ship Insurance Association have soared to $246m following a notably successful year. The result confirms a general increase in the industry but Britannia is still below industry averages.

The target was to restore reserves within five years but the funds of the club and its associated reinsurance vehicle, Broadic, are now within about $50m of the target level.

Britannia has overtaken the UK Club as the second-biggest of the P&I mutuels in terms of its free reserve, although it is still about $80m behind Norway’s Gard.

Britannia is one of the more established blue-chip underwriters and the favourable result means the capitalisation of the club is well and vessels are busy.

There are also reports that an underwriter of the ex-SBJ team at Willis, Sir Mark Garwiste, is winding down in preparation for retirement.

Market sources point to the transfer of allegiance of top Athens-based broker Andreas Karaindros from Marsh to Willis as a factor that may have encouraged Jim Mulrenan and Whaley to move to JLT.

JLT is already one of the leading insurance brokers to Greek shipowners as a result of its acquisition of Colbourn French & Kneen.