Carnival opts to raise deductible

TW 2 Mar 07

The world's top cruiseship owner is taking measures to cap a massive hike in its insurance spend.

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Carnival Corp has reacted to a hefty increase in protection-and-indemnity (P&I) reinsurance costs by opting for a much higher deductible.

Carnival is to raise its P&I deductible from $500,000 to at least $1m and maybe $2m per incident in a bid to cap a multimillion-dollar hike in its insurance spend.

The move echoes a similar development on its hull cover in December, when Carnival agreed substantial individual vessel deductibles such as $2.5m for its 150,000-gt *Queen Mary 2* (built 2003) flagship, with an aggregate annual deductible of $25m across the 80-vessel fleet on top.

Carnival was facing the biggest premium increase of any shipping group at the 20 February renewals following a decision by the clubs in the International Group P&I cartel to raise the reinsurance tariff for cruiseships and passenger ferries by $0.57 per gt, a swingeing increase of 71%.

The higher rates, which reflected concern about the much higher limits of liability for passenger death or injury being introduced under a protocol to the Athens convention, raised the reinsurance premium of the *Queen Mary 2* from $120,000 to $205,000 per year and of a typical 80,000-gt cruise vessel from $64,000 to $110,000.

Carnival has an unusual quota-share agreement with the UK, West of England and Steamship Mutual clubs sharing risk on individual vessels, in contrast to the usual P&I market practice of 100% of the risk on individual vessels being placed with a single mutual.

It is also a large wealthy group with a $25bn fleet and a substantial insurance department able to take on claims that most other owners would be ill equipped to handle.

Exact details of the deal Carnival is striking with the three clubs have yet to emerge but it appears that it may be more complicated than an agreement on a single across-the-board deductible.

Market sources suggest that the deductible may be higher for commercial risks rather than those of a navigational nature that the clubs are more familiar and relaxed about.

So a higher deductible might apply for example to the supply of cruise credits for future vacations to passengers whose voyage had been disrupted by widespread illness on a ship, in contrast to claims for injury and disruption following a grounding or collision.

Carnival rarely discloses much information about its insurance cover, which is brokered by the Aon group, as claims, although relatively common, are a sensitive aspect of the cruise business.

CARNIVAL: A waterslide on a Carnival cruise-ship.

Photo: Carnival Corp