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Covid-19: Managing maritime risks

APRIL 23 2020 by Yvonne Lau

Market View Marine Legal/Regulatory Underwriting Global

As the Covid-19 outbreak causes unprecedented disruptions to supply chains worldwide, those in the business of maritime transport have been reevaluating their risks and continuity measures.

InsuranceAsia News (IAN) spoke with three market experts to discuss relevant coverage for maritime firms, legal and regulatory developments to look out for and the upcoming risks faced and the outlook for shipowners and operators.



Contributions came from Lisa Jenkins, claims executive, Standard Club; Edward Liu, legal director, Hong Kong, Hill Dickinson; and Colin Fordham, director, Asia marine liability, Market.

IAN: What sorts of coverage is offered for shipowners and operators? What are the greatest risks faced by the market during the time of Covid-19?

Lisa Jenkins, Standard Club: Whilst P&I policies vary slightly club to club, there are no express Covid-19 exclusions to cover in place. Crew cover would therefore respond in the usual manner, which could include cover for members' liabilities arising from illness and death due to pandemics such as Covid-19.



Lisa Jenkins

Standalone business interruption costs aren't usually covered from a P&I perspective. Members are therefore recommended to address these additional risks by including appropriate clauses in any charter party or contract and/or seeking insurance coverage, if possible.

"The shipping sector will no doubt face a period of financial challenge once the immediate impact of the pandemic subsides."

In the short term, the greatest risks and difficulties faced by ship owners and operators as a result of Covid-19 are in consequence of the practical restrictions now in place globally to fight the pandemic. These restrictions, which change daily, impact every aspect of the global shipping operation, from the movement of crew and their welfare, to obtaining the requisite provisions, stores and bunkers, to accessing ports and the service and support offered by stevedores, pilots and surveyors.

Longer term, the shipping sector will no doubt face a period of financial challenge once the immediate impact of the pandemic subsides. Whilst the weaker economic sentiment will pose initial limitations, recovery will be possible as global demand for

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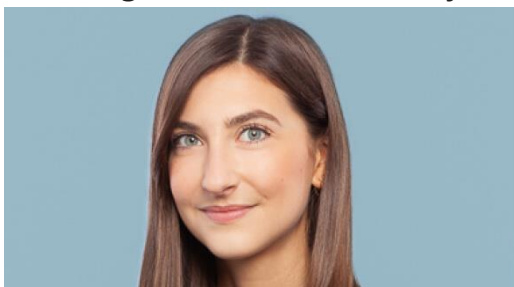


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Longer term, the shipping sector will no doubt face a period of financial challenge once the immediate impact of the pandemic subsides. Whilst the weaker economic sentiment will pose initial limitations, recovery will be possible as global demand for goods and products resumes, with support from the various government stimulus packages, policies and tariff reduction.

IAN: What are key developments related to maritime regulation that insurers need to look out for?



Edward Liu

Edward Liu, Hill Dickinson: At the beginning of the Covid-19 outbreak, the global shipping market was reminded to get prepared for potential preventive and control measures, which would affect the port operations and the global supply chain, and the examples referred to were MERS and Ebola. It's now

proved that the precautionary reminder was necessary but any preparation was far from sufficient to deal with the unprecedented impact of Covid-19.

[Having] benefited from serving as the principal representative of the International Chamber of Shipping (China) Liaison Office, I understand that the shipping industry is mostly concerned on the prolonged service of seafarers at sea caused by the immigration restrictions on the change of seafarers imposed by the port authorities. The safety and health (physical and mental) of seafarers have therefore to be carefully dealt with. From a legal perspective, employers have a duty of care towards seafarers and a breach of such duty may lead to risk of various claims.

“The safety and health (physical and mental) of seafarers have therefore to be carefully dealt with.”

It's still too early to predict any substantial change on shipping regulations. However, it seems to be very necessary for the authorities to adopt a more flexible approach when they are implementing the relevant regulations, such as granting extension of the validity of the certificates on board, approving exemptions from the quarantine etc. It would result in the corresponding flexible approach adopted by marine insurers to assist their assureds in tackling with any claims arising from these exceptional situations in the future.

IAN: What is the impact on marine liability underwriting during Covid-19?



Colin Fordham

Colin Fordham, Markel Asia: Unlike its predecessors (SARS in 2003 and MERS in 2012), Covid-19 has become a pandemic with a global impact of previously unseen proportions in modern times.

It is indisputable that the global economy, whilst damaged and dented, will go on. To achieve that, we need ships, ports, trucks, railways, warehouses and

people to distribute all the things we like and need to consume. While there will be inevitable short-term reductions in shipping volume and capacity, and some of those changes may even become long-term or permanent, some level of normalcy must inevitably return. As such, marine insurance plays a vital role in supporting maritime operations, which are considered as essential services by all countries in times of disruptions.

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The Hong Kong insurance market remains ideally situated to provide the solutions, skills, capacity, and response needed to tackle the current and future needs of the Asian marine insurance demands. It has well-established insurance professionals who continue to service and support their clients, communities and economies. Come what may, the Asian maritime market is well-supported to weather through this crisis and emerge stronger than before.

Markel is committed to supporting Asia’s maritime sector during this challenging time and aiding the recovery phase in the region. As part of our expansion plan in Asia, we strengthened our team in Hong Kong last month with a new marine underwriter. Beyond that, notwithstanding the challenges we all face, Markel continues to remain open – we are conducting business and paying claims amid these challenging times.