

“COVID-19” Guidance Paper

Impact on the marine insurance industry

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In spite of the COVID-19 crisis, **the marine insurance industry continues to fulfill its contractual obligations**. Marine insurers are helping to ensure the solvency of their clients by paying insured claims promptly, they are providing expertise and experience in additional risk assessment and they are continuing to focus on their clients’ needs and demands during this challenging situation.

This paper gives an **overview** of the impact of the COVID-19 virus on international marine insurance, on marine insurers and on their clients’ business. Information and developments were accurate at the date of publication.

To complement this paper IUMI has created a **specific information platform on the IUMI website** where topical and up-to-date information on COVID-19 is given.
<https://iumi.com/news/COVID-19-news>.

This paper focuses primarily on the economic aspects arising from COVID-19. However, IUMI is fully aware that the virus is first and foremost a **human tragedy** putting the health and lives of many people - not only the elderly and infirm - worldwide in serious danger. The health, wellbeing and protection of human life is paramount and, of course, takes precedence over anything stated in this paper.

1. The situation

The COVID-19 virus first appeared in December 2019 in Wuhan / China. It quickly spread widely in China and other Asian countries (January and February 2020). It then arrived in Europe (February 2020), North America (March 2020) and also started to spread rapidly in Africa and Latin America. Recent developments can be monitored (for example) on the WHO website¹ or the Johns Hopkins University Center for Systems Science and Engineering (CSSE) tracking device².

To contain the virus and to avoid its further spread, many countries and regions have introduced lockdowns, border controls and travel restrictions. Accordingly, industry production has slowed or has halted, either partially or completely. Shops and restaurants are closed and, as a result, consumer consumption has reduced significantly. Consequently - and also due to more complex regulations to contain the virus - world trade, shipping and logistics are likely to be squeezed.

¹ <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports>

² <https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>

2. Macroeconomic impact

It is still too early to assess the mid and long-term macroeconomic impact of the COVID-19 disease. It depends entirely on the further development and spread of the virus over the coming weeks and months. A range of outcomes are currently being modelled based on different scenarios: Estimates for a potential shrinkage of global GDP vary between about 2 percent if the virus is fought successfully in spring 2020 or up to 20 percent if the virus continues to spread until autumn 2020.

Links to briefing papers are listed in the COVID-19 section of IUMI’s website, e.g. from Stephen Gordon of Clarksons Research³ or from UNCTAD⁴. Lloyd’s List Intelligence expert Christopher Pålsson gave an update on economic issues as of 30 March 2020 in a freely available IUMI webinar which is also listed in the IUMI COVID-19 section⁵. It has to be stressed that all these scenarios are assumptions based on likely scenarios and developments known at this time.

3. Specific impact to marine and logistics

COVID-19 has impacted on the marine and logistics sector in a number of ways including (but not limited to):

- a. Issues related to the **safety and health of vessel crews and passengers**. Crew exchange has become increasingly difficult and on-board COVID-19 cases have to be managed. The International Chamber of Shipping (ICS) has issued a guidance paper for ship operators for the protection of the health of seafarers⁶. BIMCO has issued a number of guidance papers on its website⁷.
- b. **Disruptions in the supply chain** due to border restrictions, additional checks and testing or actual COVID-19 cases reported on vessels, in port areas or warehouse locations.
- c. **Extension of certificates**: Ongoing statutory class work and vessel inspections cannot, to a large degree, be carried out. Classification societies acting as Recognized Organizations (ROs) are endeavoring to carry out remote surveys and to arrange site visits wherever possible. However, certificates may expire before any prolongation is granted. Several flag states are granting extensions of certificates and vessel instructions for several months without further application or approval. While this approach indicates the necessity to be flexible under the current circumstances, it is essential that safety is not being compromised.

³ https://iumi.com/news/covid-19-news/covid-19-shipping-market-impact-assessment_1585320920

⁴ <https://iumi.com/news/covid-19-news/unctad-information-about-the-corona-virus>

⁵ <https://iumi.com/news/covid-19-news/iumi-webinar-covid-19-implications-for-the-maritime-industry>

⁶ [https://www.ics-shipping.org/docs/default-source/resources/coronavirus-\(covid-19\)-guidance-for-ship-operators-for-the-protection-of-the-health-of-seafarers.pdf?sfvrsn=6](https://www.ics-shipping.org/docs/default-source/resources/coronavirus-(covid-19)-guidance-for-ship-operators-for-the-protection-of-the-health-of-seafarers.pdf?sfvrsn=6)

⁷ <https://www.bimco.org/covid19>

- d. **Port calls** for vessels are complicated by severe restrictions which may cause additional administrative burden and potential delays. Port State Control mechanisms such as Paris MoU, Tokyo MoU, US Coast Guard and Indian Ocean MoU have issued guidance which is available on IUMI’s website section⁸.
- e. In the event of a major claim or a casualty, **surveyors, salvage and other experts from abroad** may not be able to attend. This means that local and coastal administrations will have to be flexible and realistic with regard to legal and policy stipulations and to check appropriate exemptions from the strict quarantine or other border restriction rules.

These factors have a potential to influence the safety of the insured assets and may potentially lead to claims scenarios.

The **International Maritime Organization IMO** is monitoring the situation closely and has issued advice for IMO Member States, seafarers and shipping in a number of circular letters (Circular Letter No. 4204 and Addendums) and updates this information regularly in a dedicated section of the IMO website⁹. The circular letters contain, among other details, information on the preliminary list of recommendations for Governments and relevant national authorities on the facilitation of maritime trade during the COVID-19 pandemic; guidance relating to the certification of seafarers; guidance for ship operators for the protection of the health of seafarers, operational considerations for managing COVID-19 cases/outbreak on board ships and guidance concerning unforeseen delays in the delivery of ships. Measures taken by individual flag states are also listed in this section.

The **European Commission’s** response to the COVID-19 pandemic includes maintaining the essential transport of goods such as medical supplies. Many EU Member States have announced restrictions to transport. DG Mobility and Transport published a list of such measures arranged by country and provided further information on exceptional measures related to transport to deal with COVID-19 and the inability to comply with certain provisions of EU legislation¹⁰.

4. Impact on the marine insurance industry / insurance solutions

The marine insurance industry is a service industry. Marine insurers are **fully committed to supporting their clients with their expertise and experience** in these exceptional times. They are endeavoring to be as flexible as possible to help their clients address the ongoing challenges.

COVID-19 is **likely to impact the business of marine cargo, hull and offshore energy insurance** in both the short and longer term. In the short-term, COVID-19 related client procedures and specific regulation has an increased claims potential that marine insurers have to deal with. Further, in the mid and long-term, the macroeconomic impacts and lessons-learned may cause adaptation in the marine insurance industry; less business and less premium volume may be a consequence; there may also be

⁸ <https://iumi.com/news/covid-19-news/port-state-control-psc-guidance-on-covid-19>

⁹ <http://www.imo.org/en/MediaCentre/HotTopics/Pages/Coronavirus.aspx>

¹⁰ <https://iumi.com/news/covid-19-news/eu-commission-transport-measures-in-view-of-covid-19>

requests for new or adapted wordings and coverage. [Potential claims scenarios](#) might arise, for example, in the following areas:

- For [hull](#), there are likely to be delays, and problems with availability of personnel, both on-board vessels and in ports, either through illness or regulation. The availability of spare parts may also cause problems. Vessel lay-ups may occur and will have to be taken into account.
- For [cargo](#), a decline in trade and transportation volumes generally means less business. Uncertainty and interruptions in the supply chain may lead to delay and business interruption. Warehouse overflow and congestion in port areas may cause additional losses.
- In many businesses such as the cruise industry, special [business interruption](#) policies or clauses may be affected.
- In some countries such as the US and the UK, policy makers have seemingly focused on business interruption claims and the fact that many of those insurance policies either contain pandemic exclusions and/or have not been specifically extended to provide COVID-19 related cover. There are some initial [calls for mandatory retroactive cover](#) despite specific exclusions. Such an approach would cause severe solvency issues and be potentially ruinous to the insurance market.

Given the COVID-19 related economic environment for their clients, insurers may consider taking a [flexible approach](#) on case-by-case decisions.

With regard to [future coverage and wordings](#), insurers as well as national associations within their capacities may carefully and individually consider how to deal with clients' needs, potential requests from regulators and lessons learned from the COVID-19 scenario in order to adapt appropriately.

5. IUMI standpoint

- a. In spite of the COVID-19 crisis, [the marine insurance industry continues to fulfill its contractual obligations](#) by paying insured claims promptly and focusing on their clients' needs and demands specifically related to COVID-19.
- b. The marine insurance industry will [support its clients as best as possible](#) in the current situation with its technical and claims expertise and its long-lasting experience in managing arising claims, overall business challenges and uncertainties.
- c. The [range of coverage and wordings](#) will continue to be negotiated between insurers and clients on a case-by-case basis so that policies are adapted - as far as is possible – to cover their clients' exposure caused by pandemic risks.
- d. Local authorities may need to demonstrate [flexibility where experts](#) (possibly from abroad) [are unable to attend a major claim or casualty](#) due to quarantine or other border restrictions.



About IUMI:

The International Union of Marine Insurance (IUMI) represents 44 national and marine market insurance and reinsurance associations. Operating at the forefront of marine risk, it gives a unified voice to the global marine insurance market through effective representation and lobbying activities. As a forum for the exchange of ideas and best practice, IUMI works to raise standards across the industry and provides opportunities for education and the collection and publication of industry statistics. IUMI is headquartered in Hamburg and traces its roots back to 1874.

More information can be found at www.iumi.com