

Reinsurers will pay for most of Suez Canal blockage bill; industry sources

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Reinsurers are likely to be on the hook for most of the insured losses accumulated as a result of the grounding of the **Ever Given** in the Suez Canal on March 23rd, which led to the channel being closed for six days.

More than 400 vessels were affected by the canal's temporary closure, with some vessels choosing to divert round the Cape Of Good Hope.

Alan Mackinnon, chief claims officer with UK Club, the Ever Given's P&I insurer, told *Reuters* that the Club expected a claim against the ship's owner from the canal authorities for possible damage to the canal and for loss of revenues, and separately claims for compensation from some of the owners of the delayed ships.

"I expect we will get a claim from the Egyptian authorities quite soon and the claims from the other shipowners will trickle in over the coming months," Mackinnon said. Suez Canal Authority chairman Ossama Rabie said last month that losses and damages from the Ever Given blockage could reach around \$1bn, but that the actual amount would be calculated after the investigations. It was not clear when this might be.

International Group Clubs cover the first \$10m of P&I losses, after which, from \$10m to \$100m, the loss accrues to the Group Pool – a pool that has suffered increasing losses in the past few years.

After that, reinsurers come into play, through the International Group's complex reinsurance structure. It was not thought at all likely that the losses would break through the \$2.1bn barrier, at which point a further structure would come into play.

Mackinnon said that "we are confident we are not in that territory at all", adding that "this is not an existential moment for the P&I sector. It may be a large claim but we are structured to deal with large claims."

Analysts at DBRS Morningstar said that total insured losses would remain “manageable”, given the relatively short period of time that the canal was blocked.

Last week Lloyd’s said the that incident would probably result in a loss for the commercial insurance and reinsurance market of at least \$100m. That would include hull and cargo claims, which are outside the purview of the mutual Clubs.

Yumi Shinohara, deputy manager of the fleet management department with Japan’s Shoei Kisen, the owner of Ever Given, said it had not yet received any compensation claims.

An insurance source in Tokyo, who declined to be named, told *Reuters* that the three Japanese H&M insurers would pay for salvage costs and any repair fees for the hull. Mitsui Sumitomo Insurance, the main Japanese hull insurer for the vessel, declined to comment. Depending on the level of the hull loss, the Japanese hull underwriters might be able to call on their reinsurance coverage to pay some of the bill.