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## **THREATS AND RESPONSES: INSURANCE; Some Rates In the Gulf Have Doubled Overnight**

By JOSEPH B. TREASTER

As the Persian Gulf region prepared for a war yesterday, prices for insurance for ships, businesses, oil workers and journalists skyrocketed. Prices to cover ships and personnel, which had been creeping up since fall, jumped yesterday to twice what they had been the day before.

While prices in most of the world are usually calculated on an annual basis, coverage for tankers and cargo ships plying the gulf is being sold for seven-day voyages so that rates can be modified as conditions change.

Coverage is now being offered week to week for tens of thousands of expatriates still in Kuwait, Turkey and, in a few cases, Iraq.

While most commercial ships are sailing out of the area, those remaining are paying dearly. The cost of war insurance for an oil tanker in Kuwait that is valued at \$40 million rose yesterday to \$200,000 a day, up from \$100,000 the previous day, said Martin R. D. Reith, the chief executive of Ascot Underwriting, a unit of Lloyd's of London.

That is in addition to the \$600,000 to \$1.2 million for standard coverages to replace the ship and the cargo.

For \$1 million in coverage for death or disability for an oil worker, a journalist or anyone else in Kuwait, Iraq and Turkey, the premium jumped yesterday to \$20,000 a week from \$10,000 the previous day, said Jonathan Sale, a director of Miller Insurance Services, a broker in London. As recently as January, the cost had been \$5,000 a week.

Prices are up, insurers and brokers said, because, as they see it, the risk is soaring.

"In January, there was no certainty that there was going to be a war," Mr. Sale said. "Two weeks ago there was more of a risk, but it was not absolutely certain. Now, the feeling is that war is an absolute certainty."

Prices are rising daily, and Mr. Sale said the price of the insurance on individuals -- which does not cover sickness or pay for death or injury caused by a nuclear, biological or chemical attack -- "could easily rise to \$50,000 for \$1 million in coverage" in the next few days.

International insurers in London said on Tuesday that they planned to cancel coverage for cargo carried in ships and aircraft 48 hours after the shooting starts in Iraq with the understanding that the coverage could be reinstated, but at higher prices.

So far, insurers that specialize in war insurance for commercial aircraft have taken no action on pricing. Their standard contracts provide for cancellation with a seven-day notice after a war breaks out. But that coverage, the insurers say, is intended for "unexpected acts of war." When war is expected or has begun, they say, they must be able to raise prices to match the new level of risk.

**Robert E. Karl, an aviation specialist in Houston for AON, the big insurance broker, said that United States airlines would probably not be affected by any cancellation of war coverage because their insurance is being provided by Washington. And the government insurance, which is heavily subsidized, has no provision for cancellation because of war.**

**Several aviation insurance experts said yesterday that they did not expect a worldwide cancellation of war coverage on airliners like the one that was imposed after the attacks on the World Trade Center and the Pentagon.**

**Rather, they said, coverage will probably have to be negotiated flight by flight for aircraft that continue to operate in the Middle East, particularly those in the countries closest to Iraq. The insurers used that approach during the gulf war in 1991.**

**Mr. Karl said that wide-body jets paid a surcharge of \$25,000 a flight for war coverage in the conflict in 1991 and that the cost this time might be the same or higher.**

During the gulf war, Mr. Reith said, coverage for tankers rose to a peak of \$1.2 million for a seven-day voyage. In that conflict, commercial and air traffic slowed sharply.

Mr. Reith said three tankers insured by his company had been ordered out of the gulf on Tuesday by military officials and had been unable to take on oil. But he said he was in negotiations to provide coverage for another ship that hoped to make its way to Kuwait in the next few days. For that ship, he said, prices were likely to be higher than anything yet quoted.