



WORLD WIDE CLAIMS SERVICES

Why marine Underwriters should avoid Static Storage Risks?

(By Mr. Sumon Ganguly)

Introduction

The marine Underwriters generally avoid storage cover during the course of voyage unless such storage is incidental to transit. Storage is conceived, if at all, only for limited periods even for such incidental storages.

The duration of cover under Clause no 8 of the Institute Cargo Clauses provides that the cover under the policy will come to an end if the Assured elects to use any warehouse or place of storage, whether prior to reaching final destination or at the destination

- 1) For storage other than in the ordinary course of transit
- 2) For allocation or re-distribution, or
- 3) When the Assured or their employees elect to use any carrying vehicle or other conveyance or any container for storage other than in the ordinary course of transit.

The reluctance of the Underwriters in granting storage cover is apparent from these constructions of the clause.

A typical instance of storage other than in ordinary course of transit is a situation where the movement of goods is deliberately stopped by an Assured at an intermediate warehouse because the original intended has no space to store the cargo.

A warehouse used for the allocation or distribution would be where a consignment is broken down into smaller units for further transfer to , say, retail units.



“Life smiles at you when you are happy; Life salutes you when you make others happy”

Cont...2



- *“SOLUTION FOR ALL YOUR CLAIMS”* -



WORLD WIDE CLAIMS SERVICES

The cover will also terminate if the consignment is kept with the road haulage company either in their storage facility or on board the truck that carried the cargo, for an unreasonable amount of time.

The term “unreasonable amount of time” though sounds somewhat vague and indeterminate on first reading, is not actually so. The practices of logistics are well established and a glance at the purpose of such storage or precedents of similar transit will exactly say what is reasonable in a particular case.

The cover, however, will not terminate if the cargo is detained -

- a) Due to customs examination or documentation. E.g. customs calling for copies of the Importer's purchase order and the Exporter's acceptance of such order.
- b) Due to customs calling for brochures, literatures, specifications etc. for import cargo.
- c) Due to natural calamity or port strike.
- d) Due to transport strike etc.

Instances where Underwriters retract from Storage cover

The Underwriters avoid Static Storage cover due to the following -

- (1) Accumulation of cargo at port increases the risk exposure of cargo due to perils like fire, theft, spontaneous combustion and water damage (for cargoes like Coal, Direct reduced iron, Sugar, Pulses, Machineries etc.) than they are exposed to when they are in transit. The burning cost based on which the rates were arrived at do not take into account this part of the risk. The storage risk (other than customary storage) under transit is at best taken as a contingency



“Solve the problem or Leave the problem ; Don't Live with the problem “

Cont...3



- *“SOLUTION FOR ALL YOUR CLAIMS”* -



WORLD WIDE CLAIMS SERVICES

- (2) Cargo awaiting bagging operation at port is exposed to elements of nature leading to water damages and blowing off cargo like Ammonia Nitrate, Fertilizers. Again these risks are definitely lower during transit and can not be sustained at the rates prevalent
- (3) Contamination- Agro products may be spoiled due to contact with unclean floorings and mud which is a possibility in ports and other such storage sites which are not specifically for the purpose

Reasons for avoidance

Bulk cargo like coal, coke, fertilizers, iron ore etc. stored in open after unloading from the vessel is prone to damage due to -

- torrential rain followed by violent storm,
- theft of cargo,
- spontaneous combustion etc. The treaty Underwriters do not extend their support to cover the intermediate storage within control of the Insured.

Moreover, it is difficult task to quantify the loss of bulk cargo during storage at port unless proper volumetric measurement of cargo is done at every stage of accumulation of cargo and after its disposal. In majority of the cases, the Insureds do not arrange for volumetric measurement and maintain stock register showing due allowance of embedded stock. Volumetric measurements with software like **total station survey** can be expensive and eat into the already thin margin.

The insured, after complete evacuation of entire plot submits their claim to the Underwriters on short receipt quantity. But the insured fails to obtain shortage certificate from the Port Authorities to substantiate the loss which enables the Insurer to consider short receipt of cargo only as inventory loss. Even after accepting that the shortages experienced by the insured is real, the same cannot be attributed to a real external accidental event, thus making the loss to be of “trade loss” in nature.



“Every Problem is like a Red signal ; If you remain patient, it will turn into Green ”



Cont...4

- “SOLUTION FOR ALL YOUR CLAIMS” -

WORLD WIDE CLAIMS SERVICES

Suggestion

It is therefore suggested that Insurers provide cover under Institute Cargo Clause –B during storage at port especially for bulk cargo, even if the storage is incidental to transit, with an express warranty to arrange for volumetric measurement of cargo scrupulously at every stage of accumulation of stock and maintaining stock register. When this is done along with a well-considered excess amount, the due allowance of embedded stock and other trade losses will not precipitate and make the policy hard to administer.

Continuing with the all risk clause for the storage section will make the storage loss difficult for the insured to establish (with no third party acceptance of the loss, say, a shortage certificate from the port authorities) and also for the Insurer to accept without the taking place of an identifiable event.

(Mr. Sumon Ganguly is a Marine consultant based in Calcutta , India)



- "SOLUTION FOR ALL YOUR CLAIMS" -