



MARINE
PROTECT

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Coronavirus impacts on cargo insurance

The coronavirus outbreak has begun affecting global trade and supply chains.

Although it recovered relatively quickly after the SARS epidemic during the early to mid-2000s, current thinking and actual developments suggest that coronavirus (COVID-19) will impact China's economy significantly. And a downturn in China will inevitably affect global trade.

China is Australia's largest trading partner, so our economy will definitely feel the virus's effects. Personnel shortages, mandatory quarantines and travel restrictions will all take their toll as the virus spreads.

The size of any economic impact on Australia (and the rest of the world) depends on the time it takes to contain the infection and return to day-to-day activities. While we cannot predict the full impact, likely effects include:



ECONOMIC ACTIVITY

China is fully enmeshed in the global economy as a major manufacturing base and resource consumer.

Further, the Chinese appetite for overseas travel and education opportunities is growing. COVID-19 has affected and will continue to affect international travel and trade.

The ongoing US-China trade dispute further compromises China's economic position, which may limit its ability to develop an economic stimulus package to aid recovery.



TRANSPORT AND SHIPPING

Major disruptions and significantly reduced trade activity for both imports and exports are likely due to:

- Additional biosecurity measures at borders, ports and airports.
- Cancelled transport services (road, rail, sea and air).
- Deviated, restricted or delayed shipments.
- Travel or entry bans.
- Personnel shortages.

As blank sailings increase, container congestion will also rise.

FOOD PRODUCTS

An ongoing slump in demand is expected as temperature-controlled trade chains become increasingly disrupted.

Shipping and handling temperature-controlled goods will become increasingly difficult as China's inland transport connections are disrupted.

Interim cold storage and reefer container 'plug-in' facilities will reach capacity, and import transportation methods will cease or be diverted.



MANUFACTURING AND INDUSTRIAL PRODUCTION

Forced shutdowns, travel bans, quarantine and shipment disruptions will cause widespread impacts to industrial production globally. This will affect the import and export of raw materials and processed or manufactured goods (semi- and fully manufactured).

Shipments of industrial and manufacturing-related exports from Australia to China including ores, concentrates, petroleum products and bulk foodstuffs may be delayed or postponed, or have their supply contracts cancelled.

Retailers are also re-examining their business models and supply chains to find alternatives to China as a manufacturing source, instead diverting production and investment to countries such as India and Southeast Asia.



Check your shipments now

Insured parties should check with their trade partners and transport providers that they can undertake shipments to and from China without undue delay or disruption.

This is particularly important for temperature-controlled or time-sensitive goods.

Institute Cargo Clauses cover physical loss of, or damage to, the insured goods. Certain risks are specifically excluded or do not fall within the cover parameters.

These can include:

Delay

Delay is specifically excluded from virtually all Institute Cargo Clause wordings. Some temperature-controlled clauses may include a delay provision.

Fear of Loss

Fear of loss is not covered within the Institute Cargo Clauses.

Surcharges and Additional Shipping Costs

Additional charges applied to shipments due to COVID-19 diversions or delays are not covered by Institute Cargo Clauses, except in circumstances where they form costs associated with a claim for loss or damage to the cargo from a peril already covered by the policy.



TERMINATION OF THE CONTRACT OF CARRIAGE AND CHANGE OF VOYAGE

Most Institute Cargo Clauses will provide some form of continuity of cover in the current chaotic trade and shipment circumstances.

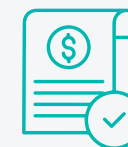
As an example, here are some of the provisions of the Institute Cargo Clauses (A) 1.1.09:

Transit (Clause 8.3)

- Provides the maintenance of cover during delay, (beyond the control of the Assured), any deviation, forced discharge, reshipment or transshipment for shipments already departed and where this action is undertaken by the carrier (ship, airline, etc.) under a liberty granted to them in the contract of carriage.
- Usual transit and termination of cover provisions remain where the forced change is not part of the liberty granted to the carrier.
- Where the Carrier terminates the shipping contract at an intermediate port or place, in circumstances beyond the control of the Assured, Clause 9 (Termination of the Contract of Carriage) comes into force.

Termination of the Contract of Carriage (Clause 9)

- It is important to note that insurers require notice to continue cover in these circumstances, i.e. termination of the shipping contract (beyond Assured control) at a port or place other than the intended destination.



- NTI Cargo Protect will accept “notice” as having been given for all Non-Temperature Controlled shipments directly impacted by Covid-19 where Termination of the Contract of Carriage has been activated.
- Furthermore, the time limits provided under Clause 9 for sale of goods (at intermediate port or place) or on-forwarding to another destination are increased for Non-Temperature Controlled Goods from 60 to 120 days without additional premium. We may provide further extensions of time at additional cost.

Change of Voyage (Clause 10)

- Similar to Clause 9 above, notice must be given to insurers to allow a review of the new exposure contemplated by a different voyage. NTI will again accept “notice” as having been given for all shipments directly impacted by Covid-19 where the Change of Voyage is activated.

The above detail has a general application to many cargo contracts and insured party circumstances.

We strongly recommend undertaking specific inquiry and review to identify and act on insured party circumstances and requirements.

For more information, or to speak to a Marine Protect expert, head to our [website](#) to contact your nearest NTI office.