

2022 – A year in focus



TT Club Loss Prevention

TT Talk: **Warehouse** risks

An enforced events hiatus **reaches an end**

TT Talk: **Workplace fatalities** – height is the issue

Ports and terminals – we're seeing the same issues!

TT Talk: Time to take charge on **lithium batteries**

TT Talk: **Hazards** in full liability contracting

Loss prevention: a year in focus

This publication highlights a range of topics relating to loss prevention guidance produced by the TT Club in 2022. The Club produces an array of risk management guidance materials throughout the year, a key selection of which we have chosen to profile in this review. This document also highlights the global scope of TT Club's loss prevention activity. Various links are available throughout the document to access further information online. The entire library of TT's loss prevention guidance can be found at www.ttclub.com/loss-prevention/ and you are invited to email us at riskmanagement@ttclub.com or get in touch with your usual contact should you have any queries, ideas or suggestions.

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2022 – disruption shines a light on the importance of loss prevention



Mark Argentieri
COO

2022 has proven to be another turbulent and trying year for the transport and logistics industry. As the world started to recover from the COVID-19 pandemic, further economic, societal and geopolitical challenges sought to disrupt the smooth supply of goods and bring about new potential risks.

This past year, the transport industry has once again been greatly affected by global events: Russia's war against Ukraine, spiking inflation, cost of living crisis and the ongoing effects of pandemic. The impact of these events on the global supply chain has been painfully obvious with shortages and delays, higher prices for energy and food and long-term changes to the worldwide patterns of supply and demand. We are convinced that a thorough understanding of the practical risks is vital in mitigating the dangers to safety and security that are a consequence of these dynamic factors, and we have worked hard to ensure that guidance is readily available for TT's membership.

As a mutual insurer solely focussed on the transport and logistics industry, we are in a unique position to be guided by our Member's needs and to develop guidance in relation to their changing world and risk profile. We ensure that our Board is representative of the industry we serve, with the Board consisting of elected representatives from the Membership itself. In this way, we are connected to the industry and able to respond with agility to the issues it faces, something that has been evermore important through these trying times.

The Club's mission is to make the global transport and logistic industry safer and more secure and therefore more sustainable and we believe that supporting resilient operations should be a big part of this. We guide our Members in conducting safe and secure operations even when external factors are unstable and disruptive. At TT, we believe that only safe and secure operations can be considered sustainable, and this idea guided our Board to incorporate the idea of sustainability into the Club's mission.

We always look ahead to new potential challenges and risks to our Members' operations. Right now, we are dedicating more time than ever to two topics that we believe present serious challenges to our Members: the rapid digitalisation of our industry and the urgency

with which environmental, social and governance (ESG) issues have come to the forefront.

With regards to the digitalisation of the industry, we see both threats and opportunities here. On the one hand, there is an increased threat of fraud and cyber-attack, on the other there is the opportunity that digital innovation presents allowing the industry to streamline, become more efficient and use technology to better understand and mitigate risk. Our loss prevention team is integral to how we approach both the threats and opportunities with best practice guidance but also initiatives like the TT Club Innovation in Safety Award. We work closely with innovators to help drive the ideas and innovations that will make a real difference to safety and security for our Members from container tracking and secure seals, to AI prediction software and smart port mapping.

The increasing importance and urgency around the various ESG issues will affect not only our industry, but every single business within the global transport industry. Our loss prevention team is working tirelessly to understand the challenges that will come with implementing stricter ESG values to business decisions, and we appreciate that the change will not be simple or easy. A clear concern is the cost and complexity of implementing ESG-friendly operations, and we will support our Membership with good practice guidance on how to navigate these developments. Each Member of the TT Club benefits from the learnings of others; it is a key element of mutuality, and something that our loss prevention team draws on to ensure that the entire membership has equal opportunity when facing industry-wide challenges.

It's been another disruptive year, but another bumper year of industry-leading guidance, webinars, presentations and ensuring we're at the table for the big discussions that affect our Members now and in years to come.

“Each Member of the TT Club benefits from the learnings of others”





TT Talk: Workplace fatalities – height is the issue

In September's edition of TT Talk, we looked at working a height and the risk of injury or even fatality for those in the transport and logistics industry. While many operators recognise the risk of falling from height in the workplace, there is less clarity as to what constitutes “working at height”. At what height are additional precautions and safety equipment required and how does this vary across the globe? It's not as simple as you might think! Read on to understand more about the risks, regulations and steps to mitigate serious consequences of accidents taking place.

Working at height remains one of the biggest causes of fatality and major injury in the workplace. The common perception is that these relate to falls from ladders or through fragile surfaces, where workers are far from the surface below. This is not always the case however.

In the United Kingdom 'working at height' is defined in the Work at Height Regulations 2005 (WAHR) as work in any place where, if there were no precautions in place, a person could fall a distance liable to cause personal injury.

There is typically no specific minimum height from which the applicable regulations apply and each jurisdiction will have its own requirements. Similarly, the need for fall protection equipment varies.

In the United States, the Occupational Safety and Health Administration (OSHA) requires that fall protection be provided at elevations of four feet in general industry workplaces, five feet in shipyards, six feet in the construction industry and eight feet in longshoring operations.

Entities need, therefore, to be familiar with what local regulations prescribe in each location where they operate when assessing this risk.

A UK case study

It might come as a shock to hear that a man died falling 1.5 meters (just less than 5 feet) from within a standard shipping container sited on a road trailer.

The deceased worker was inside an open top container with the rear doors open, preparing access for an overhead crane to remove the cargo of steel girders. The worker fell from the container because the rear doors of the unit were open. An investigation by the Health and Safety Executive (HSE) found that, although the company had various generic risk assessments and safe working method statements, it had not put in place simple control measures to prevent or mitigate a fall from the rear of this container. It also failed to carry out a suitable or sufficient risk assessment for this specific work activity.

The magistrates Court fined the company £200,000 and awarded legal costs of £15,322 against the firm. The penalty could have been far greater and potentially unlimited.

The case highlights a key issue – many haulage firms and warehouse operations may not view work at the back of an open trailer or container on wheels as a 'working at height' activity.

Further, it draws attention to the need for thorough safety mitigation and planning for these risks.

Mitigation recommendations

- Protecting the workforce is a priority; taking actions such as the following also protect companies and directors.
- Avoid work at height where it's reasonably practicable to do so;
 - Where work at height cannot be easily avoided, take action to prevent falls, such as by using appropriate fixed or mobile structures with guard rails;
 - Where the risk cannot be eliminated, take steps to minimise the distance and consequences of a fall, for example, deploying fall arrest systems.
- The UK HSE have a helpful starting point.

Seven-steps to a safe system of work¹

- 1. Conduct a working at height risk assessment**
- As with any work activity, it is vital to conduct a thorough risk assessment.
- Ensure all risks are considered, going through the list of tasks that each worker completes in a typical week and consider the hazards faced during each one. Where possible, those undertaking the task should have an opportunity to read the risk assessment, and provide input prior to it being finalised.
- 2. Implement working at height training**
- Working safely at height requires workers to be properly trained and educated on the risks.
- Once initial training is complete, it is recommended that refresher training be conducted at least every five years. Anyone regularly undertaking the same task, is at risk of going into 'auto-pilot' mode. This can result in complacency and more risky decisions.
- To reduce complacency, workers should frequently be reminded of the risks faced by their routine tasks.
- 3. Invest in personal protective equipment (PPE) for working at height**
- The required PPE should be identified through the risk assessment process.
- Some forms of protective equipment to consider are:
- Collective protective equipment (CPE) such as scaffolds or fixed guardrails
 - Personal protective equipment (PPE), including safety harnesses and helmets
 - Smart PPE (or PPET), being technology designed to raise an alarm for help should a fall take place
- Once the necessary forms of safety equipment have been identified, it is essential to choose the right piece for each job, provide training in the use of the equipment, and monitor use and condition.

“ There is typically no specific minimum height from which the applicable regulations apply ”

- 4. Complete safety equipment maintenance**
- Once the correct hardware is in place, maintaining its condition is vital. Anyone checking the equipment must understand what they are looking for, be able to identify what is cause for concern and be aware of the remedial steps to take.
- By way of an example, a failure to maintain a crane's walkway access panel led to the fatality of an electrician. While repairing wiring on a large overhead gantry crane, an access panel gave way, causing him to fall eight meters to the ground below. The company was fined £1.5 million.
- 5. Implement a personal safety system**
- Working at height may be done alone, with the result that help could be hard to obtain and the worker may be unable to raise an alarm themselves. Having a personal safety device with a fall detection feature ensures that an alarm is raised automatically should a worker fall.
- 6. Update and review your procedures**
- Procedures should be reviewed and updated as necessary at least every 12 months or following an incident to reflect what has been learnt and the steps that are being taken to prevent it from recurring.
- 7. Record everything**
- It goes without saying that if an incident/accident occurs, being able to evidence all steps taken to plan for, manage and address risk is of paramount importance. Simply from a good practice stand-point, records of risk assessments, updates, training and meetings are essential.

We gratefully acknowledge the assistance in the preparation of this article of Tristan Harwood, Barrister, Thomas Miller Law.

1 Acknowledging sources such as <https://peoplesafe.co.uk/blogs/9-vital-tips-for-working-safely-at-height/>



Regional comment from Julien Horn – Senior Underwriter for the Middle East, Africa and the Eastern Mediterranean, London

“ Of course, we see examples of issues and claims connected to working at height across all our Member categories. It has to be recognised that working at height risks are inherent in almost all activities in the freight supply chain. However, proper equipment, adequate training and monitoring operational procedures, form effective mitigation strategies. It is when these are implemented in combination that we have seen the best examples of reduced risk of serious injury or fatality. ”

An enforced events hiatus reaches an end

While a lack of industry events can hardly be touted as the worst consequence of the recent COVID-19 pandemic, their absence has certainly been noticeable as we strived to maintain “business as usual”. Indeed, it has been this year that we have truly seen a return to industry events, with many extremely glad to dust off those name badges and meet up again with industry contacts.

For TT Club, being at the forefront of industry issues is paramount. While throughout the pandemic the move to online events and webinars kept conversations going, when it comes to discussing the key issues that plague our industry, there is nothing like “being in the room” to allow conversations to run freely.

Here we look at the key events of 2022 and their value in raising risk management issues across the globe.



Marcus John
IAPH World Ports Conference,
Vancouver, Canada
16 May 2022–18 May 2022



Dorota Jill
ESPO,
Valencia, Spain
2 June 2022–3 June 2022

TT Club Senior Underwriter for the Mediterranean and Central Europe, Dorota Jill, attended the European Sea Ports Organisation’s Annual Conference in Valencia, speaking about how to manage supply chain risks in a disruptive economic, societal and geopolitical environment.

Speaking at the conference, Dorota said, “We are suffering from a disappearing ability to absorb short-term shocks to the supply chain because of fundamental societal and geopolitical changes to the global equilibrium. Yes, Covid and the war are disruptive and are driving up prices but the longer-term trends of production cost increases in Asia and stricter demands of ESG mean that cheaper goods and transport services are features of a past global economy.”

We were grateful for the opportunity to support the conference and discuss such a pertinent issue during what has been a truly unstable year for the industry.



Kerime Huseyin
Marine Claims International,
Dublin, Ireland
27 Sept 2022–29 Sept 2022

At the end of September, Kerime Huseyin, Senior Claims Executive, made the short trip from London to Ireland to attend the Marine Claims International conference in Dublin. Kerime spoke on panel regarding salvage arbitration and its importance within the Lloyd’s market.



Peregrine Storrs-Fox
IPPC Meetings,
London, UK
19 Sept 2022–20 Sept 2022

In September 2022, Peregrine Storrs-Fox attended the International Plant Protection Convention’s workshop titled: “International Workshop on reducing the introduction of pests through the Sea Container Pathway”. Speaking of the event Peregrine said “The last year has seen heightened activity to understand the risks and identify what measures may be practicable to mitigate the transfer of invasive species, and this workshop was a key part of such efforts. Attendees included representatives of global National Plant Protection Organisations but also a range of container supply chain organisations, and various views were presented over the course of the event. (More about this on page 14)



Andrew Watson-Steward
Cool Logistics Global,
Barcelona, Spain
20 Sept 2022–22 Sept 2022

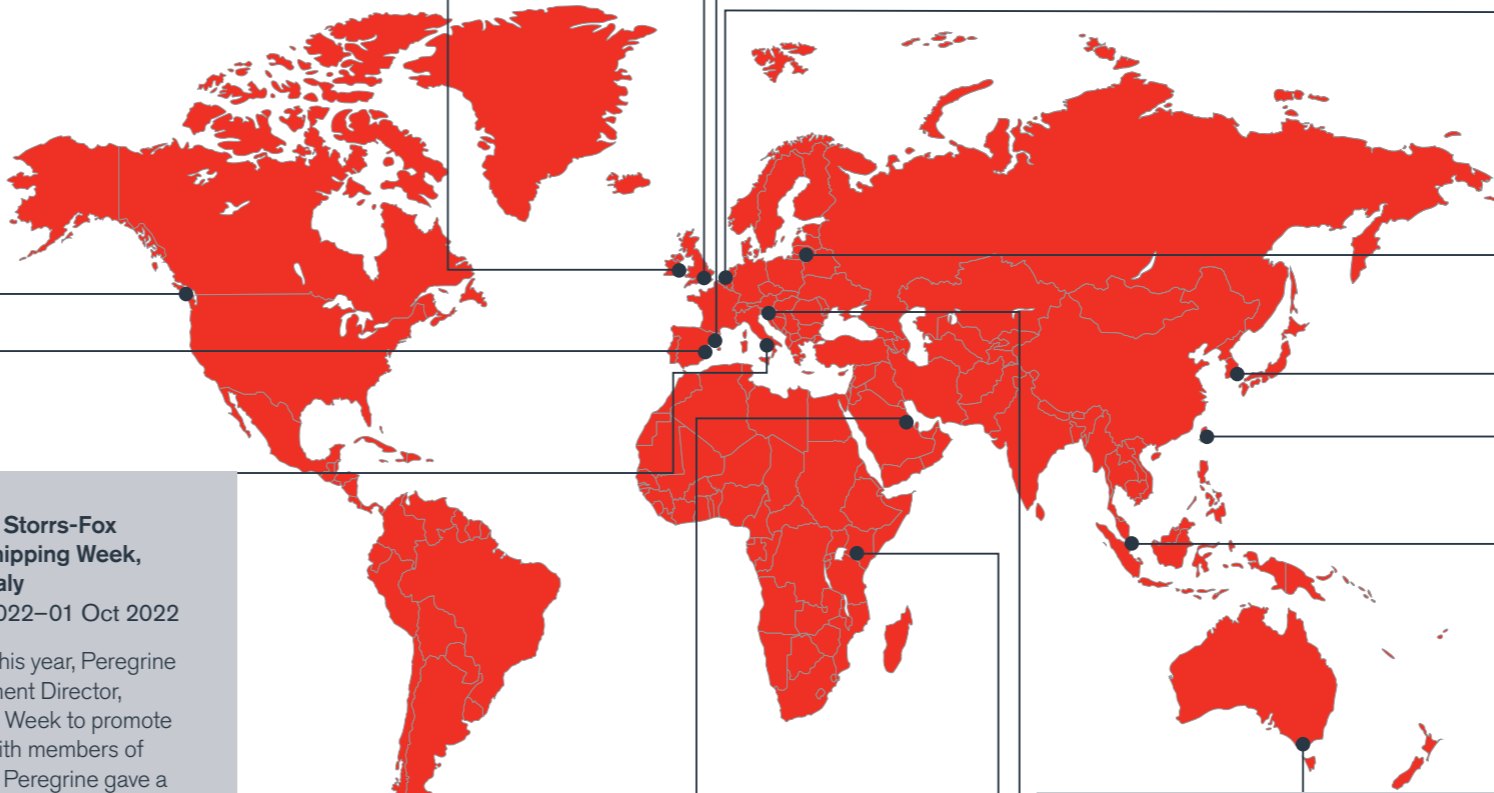
Andrew Watson-Steward, Senior Cargo Underwriter, attended the 14th Cool Logistics Global conference in September to present the risks of not purchasing cargo insurance, particularly where temperature-controlled cargo is concerned. Speaking about the conference, Andrew said “overall, it was a great event with an attentive audience, many of whom asked interesting questions regarding the need for cargo insurance on top of liability insurance. I spoke to many TT Members and non-members alike, many of whom were interested in further training on the subject, which of course, TT Club is happy to provide.”



Mike Yarwood
TOC Europe,
Rotterdam, Netherlands
14 June 2022–16 June 2022

TOC Europe saw the launch of the inaugural TT Club Safety Village, a stand that looked to understand the key industry issues that were “keeping us awake at night” and give a platform to innovative solutions. The Safety Village hosted nine presentations for those companies developing solutions to issues such as cargo theft, container conditions, pedestrian collisions and much more.

We hope to see the Safety Village initiative go from strength to strength at TOC events worldwide, giving innovators a launch pad, putting safety firmly on the map and promoting real improvements to operations throughout the global supply chain.



Peregrine Storrs-Fox
Naples Shipping Week,
Naples, Italy
26 Sept 2022–01 Oct 2022

At the end of September this year, Peregrine Storrs-Fox, Risk Management Director, attended Naples Shipping Week to promote usage of the CTU Code with members of the Cargo Integrity Group. Peregrine gave a presentation looking at key supply chain issues including fires, containers overboard, road and rail accidents and pest contamination, many of which can be attributed to poor packing practices. Speaking of compliance with the CTU Code, Peregrine explained “supply chain dynamics are extremely complex, all players must understand their responsibilities and the impact their actions can have on the catastrophic incidents we see all too often. Alongside the Cargo Integrity Group, we have sought to develop easily accessible resources that make the complex clear and foster better understanding of good packing practices across the entire supply chain. I was delighted to be able to share this guidance in person at Naples Shipping Week this year.”



Abdul Fahl
Saudi Maritime Congress,
Damman, Saudi Arabia
28 Sept 2022–29 Sept 2022

TTMS (Gulf) Director, Abdul Fahl, attended the Saudi Maritime Congress in September this year. Speaking of the trip, Abdul said “it was a positive week, meeting with our local Members and brokers before travelling to the two-day event in Damman. The event was well attended, and the topics discussed valuable for the development of the industry. I was lucky to speak on a strong panel and have the chance to highlight key safety issues such as container ship fires, non-compliance or indeed lack of awareness of the CTU Code and the importance of due diligence in the supply chain. Saudi Arabia is a key player in our industry, this event was a great chance to ensure that key safety and security issues are at the forefront.”



Rhys Richards
Australian Grains Industry
Conference 2022,
Melbourne, Australia
27 July 2022–28 July 2022



Ian Rose
Mediterranean Ports and
Shipping, Portoroz, Slovenia
24 May 2022–26 May 2022



Abdul Fahl
Intermodal Africa 2022,
Mombasa, Kenya
26 April 2022–28 April 2022



Julien Horn
Baltic and Black Sea Ports &
Shipping, Palanga, Lithuania
27 Sept 2022–29 Sept 2022



Mike Yarwood
FIATA World Congress,
Busan, South Korea
14 Sept 2022–16 Sept 2022

After a three-year break, the FIATA World Congress returned this year in Busan, South Korea. TT’s Managing Director for Loss Prevention, Mike Yarwood, attended the conference and spoke on supply chain security issues as well as announcing the winner of FIATA’s Young Logistics Professional award.

“While the award continued through the pandemic, what has always been a fantastic part of the process was giving young logistics professionals the chance to connect with one another in a new country, something that we’ve certainly lacked throughout the pandemic. The FIATA World Congress has always been not only an opportunity to encourage new talent in the industry, but a way to connect with freight forwarders across the globe and discuss the issues facing every corner of our industry.”



Peregrine Storrs-Fox
Member Risk Workshops,
Taipei, Taiwan
14 Nov 2022–15 Nov 2022
(More about this on page 32)



Laurence Jones
TOC Asia,
Singapore
29 Nov 2022–30 Nov 2022

[Read more](#)



TT Talk: Warehouse risks

In our March edition of TT Talk, we turned our attention to safety risks at cargo storage facilities and warehouses. Some of these can lead to catastrophic incidents, as we have seen in Beirut and Tianjin for example, but less startling events and near misses are even more common in a congested supply chain. When we consider these near misses together, they may have the potential to be just as damaging and disruptive to business operations. After publishing this TT Talk we created a suite of new TT Briefs that provide easy-to-follow guidance to bring these risks to the forefront

Following the successful inauguration of the TT Brief series of guidance documents in 2021, work continues to expand the range of resources available in this format. Targeted at the operational workforce, these documents seek to provide visually arresting, pithy messaging to support toolbox talks and good operational practices. The series explores various elements of warehousing risks.

Warehouses are a fundamental component of the global supply chain, whether it be short or long-term cargo storage, modal interchange or to facilitate more involved activities such as re-work or co-packing. Arguably, warehouses have become an increasingly important node, as supply chain actors reconsider just in time supply chain models, adopting a more conservative approach, near shoring and generally holding increased stock at the point of production or market.

Warehousing activities naturally bring a host of familiar operational components together in one location and are not without risk. Some actors in the supply chain will have been forced to demonstrate agility over the last two years, perhaps embarking on new or increased warehouse capacity requirements to meet evolving business needs. Those exploring warehousing operations however, should not be complacent and develop an understanding of the associated risks.

This series of TT Brief guidance documents identify key risks, providing succinct visually led guidance to mitigate identified risks, ranging from choosing a suitable warehouse to controlling flood and fire risks.

[Read more](#)

Considering differing perspectives in risk

Initial practical considerations for establishing a warehouse will inevitably relate to location, proximity to transport networks, size, availability of labour and rental prices and/or land costs. The first and most important decision will be whether to own or lease the property. There will likely be considerable differences in responsibilities – and therefore liabilities to maintain and repair the warehouse – resting on this decision. When entering any contract, it is critical to understand your obligations fully to mitigate risk.

A consideration of growing importance is that of climate change, risk of exposure to weather related losses and likelihood of flooding. A less obvious consideration might be the activities of other storage units or facilities adjacent to the intended operation. Are there contamination risks or risks associated with incompatible cargoes to take into account?

Once a location has been selected, security is going to be another pillar of risk to consider. According to TT Club and BSI's global cargo theft report for 2020, thefts from facilities and warehouses significantly increased over earlier years, accounting for around 25% of recorded thefts. This trend varies by country and region and is influenced by varying levels of both procedural and physical security measures.

While there are more obvious physical measures such as perimeter fences, CCTV and barriers, effective security measures also include procedural aspects such as ensuring due diligence when hiring personnel, issuing security badges, issuing company uniform and information security. There is no one size fits all solution to warehouse security and much will depend on the cargoes being stored and the frequency of cargo movements.

So much is about people

Industry statistics illustrate an uncomfortable number of bodily injuries sustained in the warehouse environment. There are many moving components in play and the advent of automation introduces complex safety challenges. Creating a safe environment can not only reduce the risk of injury to the workforce but also increase efficiencies and reduce incidence of cargo damage.

Control of personnel as well as visitors and contractors is a fundamental step to sustaining safety. Understanding who is on site, when and why, restricting access to areas where they do not need to be, and ensuring adequate induction training is provided, will all assist in mitigating risk. Segregating people and handling equipment effectively is another important challenge in operational zones.

Consider the array of risks

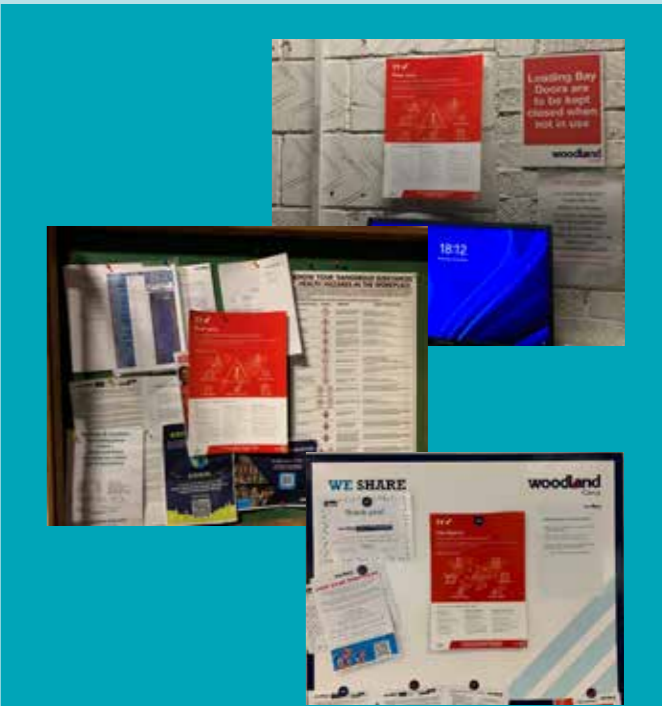
A further risk, brought sharply into focus in Beirut in August 2020, is that of abandoned or stagnated cargo in storage. Due diligence and careful management of cargo stored is a prudent strategy.

TT has highlighted previously the potential damaging effects of flooding incidents. The associated losses can be far reaching; water is unforgiving and has the ability to penetrate and damage just about any area or commodity. Flood water is inevitably dirty, which increases the likelihood of damage. Additionally, in many cases where local sewers have been flooded the water can be unsanitary which further elevates the seriousness of the damage and the risk to health.

While contracts might provide a degree of protection, one should be mindful of local weather trends and ensure risk assessments remain current and all practicable steps are taken to mitigate risk. Just because more rain fell in a short period than any other recorded, might not be a certain legal defence, if you cannot demonstrate a risk assessed approach to strategic decisions.

Finally, warehouse fires are amongst the more significant claims in terms of both cost and operational impact. The primary causes of warehouse fires include electrical failures or malfunction, hot works, maintenance related issues and poor enforcement of no smoking policies. Many incidents can be avoided entirely by periodic risk assessment, effective maintenance and training, enforcement of policy and good housekeeping. Due diligence relating to the cargo being stored and understanding the potential risks they present is vital.

Whether you own or lease your warehouse and the equipment used in and around them, due consideration should be given to fire risk. If you are leasing a warehouse, it should not be assumed that these responsibilities rest with the landlord. Indeed, in many instances, the maintenance and repair of a warehouse will be the responsibility of the lessee.



TT Brief posters

This year, we have also worked to adapt our existing TT Brief documents to create posters that can be displayed in warehouses, loading bays, receptions and communal areas. These are rolling off the production line now, the first of which is already hanging on the walls of one of our UK-based Members (see pic). All these will be freely available to download from our website in due course. TT Members can request professionally printed versions to be sent to them, or brought over on our next visit.

Quote from Alperen GÜLER General Manager UTIKAD.

"We at UTIKAD share articles and guides prepared by TT Club with our members. We make great use of them in our working group meetings. TT Club's publications are significant in terms of following up industry practices and they contribute to our members' awareness to a great extent. We follow TT Club's publications closely and the availability of their Turkish translations provide us convenience."

Regional comment from Duncan Mann – Underwriter for the Middle East, Africa and the Eastern Mediterranean, London



“ This year we have rolled out another mini-series of five TT Briefs that address perennial issues confronted by warehouse operators globally. The subjects covered include how to choose a storage warehouse, mitigating flood risks, preventing warehouse fires, advice around operating a safe warehouse and best practice for operating a secure warehouse. These were a welcome addition and complemented our earlier TT Briefs that provided guidance on a range of topics relating to preparing cargo for transit and protecting cargo both physically and contractually while it moves through the supply chain. We continue to translate the TT Brief documents into multiple languages and they have proven very popular on both social media and within our membership. Our Members have told us that they are using these documents as part of their in-house training of operational staff; it's fantastic to be able to support them in this way. ”

Five minutes with **Manos Karanikolas**: the risks around letters of indemnity

Manos is a Senior Claims Executive, joining TT Club in 2018. Prior to this, he worked for an Italian shipping law firm and in the legal department of a shipping line in Genoa. Manos is a Greek-qualified lawyer and holds an LLM in Maritime Law from the University of Southampton. In his role at TT, Manos works with the Club's Members in Central Europe, the Nordics and in the Mediterranean, working closely with the Club's underwriting teams for those regions. He has extensive experience handling both routine and complex claims for Transport Operators, Ship Operators, Marine Terminals and Port Authorities, and therefore has an in-depth understanding of the vast range of risks faced by TT Club Members.

One risk with which Manos is particularly familiar is the use of letters of indemnity in the global transport and logistics industry. While letters of indemnity (LOIs) are used quite frequently in the international shipping and trade practice, there are often concerns around the value and enforceability of such undertakings.

Here we discuss the workings and watch outs with Manos to understand better how to use LOIs effectively and mitigate the risks.

Manos Karanikolas
Senior Claims Executive,
London



“
The recipient needs
to be confident
that the issuer is
reliable, creditworthy
and able to meet
its contractual
undertakings
”

Manos, let us start at the very beginning, in its purest sense what is a letter of indemnity (LOI)?

LOIs are in principle contracts between two parties: the issuer and the recipient. If the issuer (the indemnifier) asks the recipient to do (or not to do) something, the recipient may request the issuer's indemnity or protection should they suffer any loss due to their compliance with the request. For example, the most common circumstances would include where a carrier is asked to deliver cargo without presentation of the original bill of lading, where a bill of lading has been lost, if switch or split bills of lading need to be used or perhaps where a dispute arises regarding the condition or quantity of goods.

Who is typically involved where LOI's are concerned?

In principle, there will be three parties involved, firstly the recipient (usually the carrier or other third-party beneficiaries), which is the party requesting the indemnity to complete the request. Secondly the issuer or indemnifier (in most circumstances cargo interests, such as the shipper or consignee), which would be the party granting the LOI in return for completing the request. Lastly a bank to back up the indemnifier.

Why are banks required to back up the indemnifier?

The recipient needs to be confident that the issuer is reliable, creditworthy and able to meet its contractual undertakings - these are often large sums of money at stake. For this reason, it is always preferable to ensure that the security is counter-signed by a parent company and/or by a first-class bank. Inevitably, for commercial reasons, an issuer may resist this additional level of guarantee and, wary of maintaining a good working relationship, recipients may not insist. However, remember that the LOI is only as good as the reliability and the creditworthiness of the party issuing it!

Whether receiving or issuing an LOI, what is most important to consider?

An LOI needs to be carefully worded and should always include a number of items. It should contain a detailed description of the reasons why indemnity is required and clarify exactly what the recipient should do or refrain from doing and the risks against which

“
LOIs are only as good
as the reliability and
creditworthiness of the
party issuing them
”

the recipient would be indemnified. The LOI should clearly identify all of the parties to the agreement. The issuer should stipulate a financial limit to the indemnity, noting that the recipient may prefer an unlimited indemnity. It should contain details of the undertaking to provide the funds or the security to defend a possible claim. Once agreed, the document should be signed by the issuer, and care taken to ensure that it is addressed to the correct party. Finally, it is prudent to ensure that a governing law and jurisdiction clause is included in the wording.

For the parties involved what are the primary risks of getting this wrong?

The primary risk here is connected to the ability to recover from the issuer in the event of a loss detailed under the terms of the LOI. As already mentioned, LOIs are only as good as the reliability and creditworthiness of the party issuing them. The recipient must carry out due diligence and ascertain that the issuer is trustworthy and sufficiently solvent to satisfy his undertakings in case the indemnity is called upon. Where there is likelihood of insolvency, the LOI request should be declined.

LOIs carry risk and the recipient may ultimately receive liability claims for breach of contract, mis-delivery or conversion. Furthermore, the LOI might be unenforceable for various reasons, such as the issuer's financial difficulty to comply with his undertakings, potential time bars or the LOI being found illegal.

It is recommendable to check with your liability insurer and obtain legal advice.

How can operators who are faced with LOI's mitigate these risks?

For recipients, it is prudent to ensure that the issuer grants indemnity against any losses, damages, costs and consequences that may arise out of the risks associated with their request. It is also important to be aware that the broader the scope of the indemnity, the better security may be afforded to the recipient.

In relation to the security provided, the recipient could seek for the indemnity to be issued jointly by the shipper and consignee, and counter-signed by a first class bank.

Where possible, it is advisable to ensure that there are no time limits on the LOI. Where this is not possible, the recipient should ensure that the validity of the indemnity is sufficient for the risk that they are accepting, even beyond a potential time bar under the contract of carriage.

Working with LOIs is complex, with many potential trip hazards! At TT, we would always advise obtaining legal advice before entering into an indemnity agreement.



Invasive pests – managing the sea container pathway



Peregrine Storrs-Fox
Risk Management
Director, London

Invasive pests have devastating consequences for agriculture and the natural environment in many parts of the world. The seaborne container pathway is under scrutiny and TT Club has previously highlighted that changes to law or practice may assault all actors in the global container supply chain.

Invasive pests have devastating consequences for agriculture and the natural environment in many parts of the world. The seaborne container pathway is under scrutiny and TT Club has previously highlighted that changes to law or practice may assault all actors in the global container supply chain.

The last year has seen heightened activity to understand the risks and identify what measures may be practicable to mitigate the transfer of invasive species. Early in 2022, the Sea Container Task Force (SCTF)¹, established to collect data and consider the issues, published its report, including a number of recommendations. Key amongst these was the convening of an International Plant Protection Convention (IPPC)² workshop, the 'International workshop on reducing the introduction of pests through the sea container pathway', which took place in London in September 2022.

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The collection and storage of critical data – such as relating to movements – should be done now
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London workshop, September 2022

The workshop inevitably attracted representatives of National Plant Protection Organisations from around the world, but was well attended by a range of container supply chain organisations (including those acting for shippers, freight forwarders, depot operators, ports and terminals, and container shipping lines), and other interested parties, such as the World Bank and TT itself.

The problem was clearly set out: there is currently a global diminution of harvest of 10-16% annually, compounded by some 40% loss to global food supply, due to invasive pest activity. This is stated to cost US\$222 billion. As if this was not shocking enough, the broader environmental impact of this food loss is also significant in relation to CO2 emissions and water use, where plants generally (fruits and vegetables, cereals, and roots and tubers) account for 58% and 78% respectively³.

Participants at the workshop clearly understood that there are a variety of 'pathways' by which invasive pests move around the globe⁴ and recognise that it remains difficult to quantify the scale of the problem for seaborne containerised movements. However, they correctly maintained that there is collective responsibility to consider where the risks arise and what steps can be taken to avoid contamination through the container pathway.

The containerised supply chain is, of course, complex. Movement of some 245 million units annually, including about 40% empties, to some extent conceals the vast array of border crossings, handovers of control, differing modes of transport and environmental conditions, let alone the multiplicity of actors concerned. Added to this, the containerised industry is predicated on speed and ease of movement, all while managing the 'millions of exceptions' as described by one delegate. It can seem insurmountable to identify and mitigate the risks relating to the transfer of invasive pests on top of this, both for cargo and box.

Time for action

Consequently, acute awareness by all is the first weapon in the armoury; while independently performed inspections play their part, each actor needs to discharge their responsibility. Further, in order to avoid unsustainable impact on trade and logistics, it was posited that there needs to be a layered approach, combining voluntary and mandatory steps leading to significant risk reduction. Concepts of treatment (whether by fumigation or heat) are generally thought not to be feasible, though emerging ideas around container design⁵ or coatings, as well as imaging technologies and opportunities from digitalisation may all play roles. While some may take time to be deployed at scale, the collection and storage of critical data – such as relating to movements – should be done now, enabling future 'hot spot' alerts or controls to be effective. Further, existing control mechanisms, such as container inspection criteria used by depots⁶, could easily be enhanced with simple phytosanitary checks, in a similar fashion to the revised IMO 'Guidelines for the Implementation of the Inspection of Cargo Transport Units (CTUs)'⁷.

The workshop included a number of presentations concerning targeted pilot activities in various parts of the world, usually building specific cooperation between governmental agencies and the industry. Many of these examples are to a degree designed around defining actions for responsible persons, developing an audit process and then proceeding to some form of trusted trader programme.

Where next?

The route towards improved control of invasive pest risks in relation to plants was projected as developing a Commission on Phytosanitary Measures (CPM) Recommendation for sea container cleanliness over the next couple of years. The work is now primarily in the hands of a CPM Focus Group on Sea Containers, charged with authoring the new recommendation. Membership of this group is comprised of certain National Plant Protection Organisations plus two industry representatives. The CPM Focus Group is assisted by a 'Container Cleanliness Industry Advisory Group' (CCIAG), being a subgroup of industry organisations.

It is intended that a draft recommendation will be considered at the 17th session of the IPPC's Commission on Phytosanitary Measures in March 2023. Assuming that it is agreed to proceed with the work, this will lead to further consultation, including a proposal to have a workshop in July 2023 in Brisbane, Australia. On this timeline, it would be anticipated that IPPC will be positioned to take key

decisions on proposed development of long-term guidance on sea containers in early 2024.

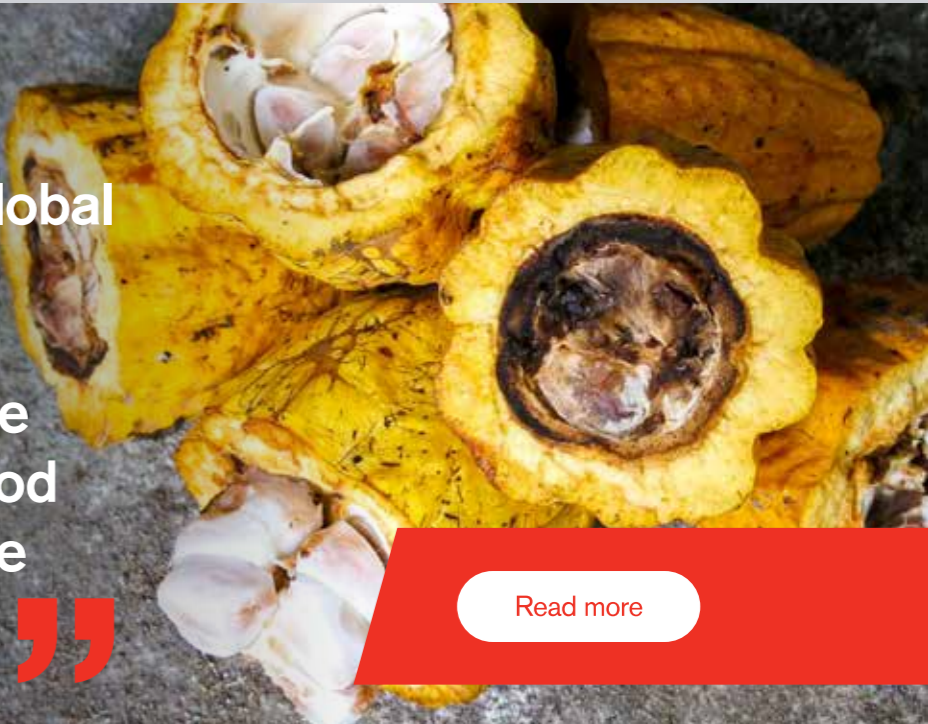
Concluding thoughts

TT Club recognises the vital importance of focusing on the threat of invasive pests to natural resources across the world, and of the urgency in crafting effective and proportionate risk reduction measures that address the situation. Industry players of all types need to engage in responsible efforts to mitigate the serious concerns over possible infestation via contaminated seaborne intermodal freight routes. Any targeted measures that come into force via international regulations need to be effective in dealing with the issue of pest contamination of both containers and their cargoes, but they should do so in a way that achieves risk reduction with minimal impact on container logistics.

While the workshop facilitated a robust exchange of perspectives – always fundamental to collaborative progress – it also revealed the potential or real misalignment with other risk areas. The topic of debate necessarily focused on plant risks, but there was little or no appreciation of the 'real world' linkage with, for example, agencies concerned with animal or food safety, let alone to narcotics and other illicit trades or more general industry and supply chain concerns relating to safety and security. It is perhaps telling that there is currently no UN agency or international body charged with drawing together all threads or 'silos'; in this lacuna, there is significant potential for disruptive and duplicative activity to develop.

- 1 See <https://www.ippc.int/en/core-activities/capacity-development/sea-containers/ic-sub-group-sea-container-task-force-sctf/>
- 2 The international convention, signed by over 180 countries and governed by the Commission on Phytosanitary Measures, part of the UN's Food & Agriculture Organisation (FAO).
- 3 See <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/reducing-food-loss-what-grocery-retailers-and-manufacturers-can-do>
- 4 Governmental media releases, such as from US Customs & Border Protection (<https://www.cbp.gov/>), evidence a broad range of pest pathways.
- 5 See 'Containers', Periodical Magazine, Bureau International des Containers, No 4/2022, p10
- 6 Such as the Unified Container Inspection & Repair Criteria
- 7 See IMO Circular MSC.1/Circ.1649

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There is currently a global diminution of harvest of 10-16% annually, compounded by some 40% loss to global food supply, due to invasive pest activity
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[Read more](#)

Ports and terminals – we’re seeing the same issues!



TT Club's Global Risk Assessment Director in Sydney, Laurence Jones, has been able to visit Member ports and terminals again to assist with risk assessments and risk management workshops. With 50 years of industry experience, here he talks about his hands-on approach to ensuring our Members have all the information required to conduct safe and secure operations.

With travel restrictions easing this year, since April I have been able to visit 19 Members for risk assessments and/or risk workshops in Europe, Middle East, Asia and Australasia. It has been great to be able to meet face-to-face with Members again and help them reduce claims, save money and more importantly, save lives.

Unfortunately, there are many common issues to be tackled. Pedestrians are still intermingling with forklifts in warehouses, quay crane boom to ship collisions are still occurring, and stack collisions on ships and in container yards continue to be major risks. These incidents cause injuries as well as damage to equipment and cargo. The frustrating reality is that they are in many cases preventable with widely available procedures, systems and technologies.

This year, I was impressed with one terminal that had invested wisely in quay crane boom anti-collision and stack collision technology. However, they still had a warehouse full of forklifts and pedestrians. I was surprised with a terminal in Europe that had modern quay cranes with no boom anti-collision, not even trip wire systems. When challenged, they informed me that the implemented electronic boom anti-collision sensor system had been disabled since it was considered unreliable. On investigation, it transpired that the installation had not been carried out by an entity trained and approved by the manufacturer. This same terminal had a customs warehouse also full of forklifts and pedestrians.

Firstly, let's focus on the biggest risk of bodily injuries: forklifts and pedestrians. While marked walkways can help, ideally the removal of pedestrians while forklifts are operating is the best solution. Where this cannot be achieved, there are various proximity systems available to identify the location of pedestrians and forklifts and provide warnings and alarms when in collision areas. It is highly recommended to utilise proximity systems where pedestrians and forklifts operate together.

Secondly, there needs to be a focus on stack collisions. As container ships get bigger and many ports and terminals experience ship cascading, nearly every terminal is receiving bigger ships. Quay cranes are getting bigger, containers stowed above deck are getting higher. The result appears to be more stack collisions where the quay crane spreader or a container under the spreader hits a container in a stack on the ship and knocks them into the water or onto the wharf apron. Unfortunately, equipment and people on the wharf apron can also be hit.

Stack collisions are also common in the container yard, with manual yard crane (RTG or RMG) operations. With pressure on increased productivity and a resulting increase in speed, knocking containers from the yard stack onto other containers, or onto a truck, is a major risk.

Stack collisions on the ship and in the yard can both be prevented with stack profiling software and technology. Automated yard cranes typically benefit from stack profiling to enable their safe operation. Similar stack profiling logic and sensors can be retrospectively installed on to quay cranes and manual yard cranes to prevent stack collisions. While retro-fitting cost is between US\$20,000 and US\$30,000 per crane, this is a recommended investment considering the potential for incidents and reputational damage.

The final continued risk that I witness is a quay crane boom colliding with a ship. These collisions vary from minor impacts with the bridge of the ship to, in one instance, an incident that caused around US\$2 million worth of damage. Furthermore, the crane was out of service for six months, contributing to approximately US\$6 million worth of business interruption. It is an issue that I have highlighted for many years and installing boom anti-collision electronic sensors on all quay cranes is still the mitigation I would recommend.

The technology to prevent this type of incident is well-established. It is sometimes puzzling that terminals have not universally protected their assets and eliminated this liability exposure. Unfortunately, the incentive generally only comes after an operator has experienced a collision – which of course is too late.

The most simple form of boom anti-collision is a trip wire system and it is often what the crane manufacturer will supply when the specification asks for boom anti-collision. They are the least expensive to implement. However, they are high maintenance due to the need to keep tension on the wire. Also, a collision will often have occurred before the device can stop the crane as, at full speed, a crane will typically take about 3.5 metres to stop and the wire is only activated about one metre or less from the boom. Although better than nothing, this trip wire system is far from effective and definitely not fail-safe. They are really a boom collision detection system rather than protection system.

Electronic sensors are now proven to be effective and can provide warning, slow down and stop signals to eliminate this type of accident. They should be retro-fitted to all existing cranes and specified for all new cranes. A laser sensor system from Sick Sensor Technologies (www.sick.com) is considered by most people in the industry to be the most proven and cost effective system. The latest sensors are simple to install and require minimum maintenance. For a cost in the region of US\$20,000 to US\$30,000 per crane, including installation, this is a very worthwhile investment.

However, the sensors must be installed and commissioned by a competent company. TT Club has identified many situations where the sensors were installed and/or commissioned incorrectly. Crane manufacturers, terminals themselves and/or contracted third parties have been found to be at fault.

One terminal I visited was about to remove all their Sick sensors because of nuisance 'trips'. The crane booms faced due east and the sensors gave false trips at 10am each morning due to the sun shining into them. A third party had installed the sensors and was not aware that there was a commissioning set-up to overcome this problem. The correct set-up was implemented and the system then worked reliably. Another terminal had the sensors installed on the crane front legs looking out along each side of the boom. When the boom was raised to travel over the ship's bridge the boom anti-collision needed to be disabled. One day, when the sensor was disabled, the boom was not raised fully and hit the ship. Again, incorrect installation and commissioning was to blame. It is now good to see that Sick Sensor Technologies is improving its installation and commissioning instructions and establishing a global network of approved installers.

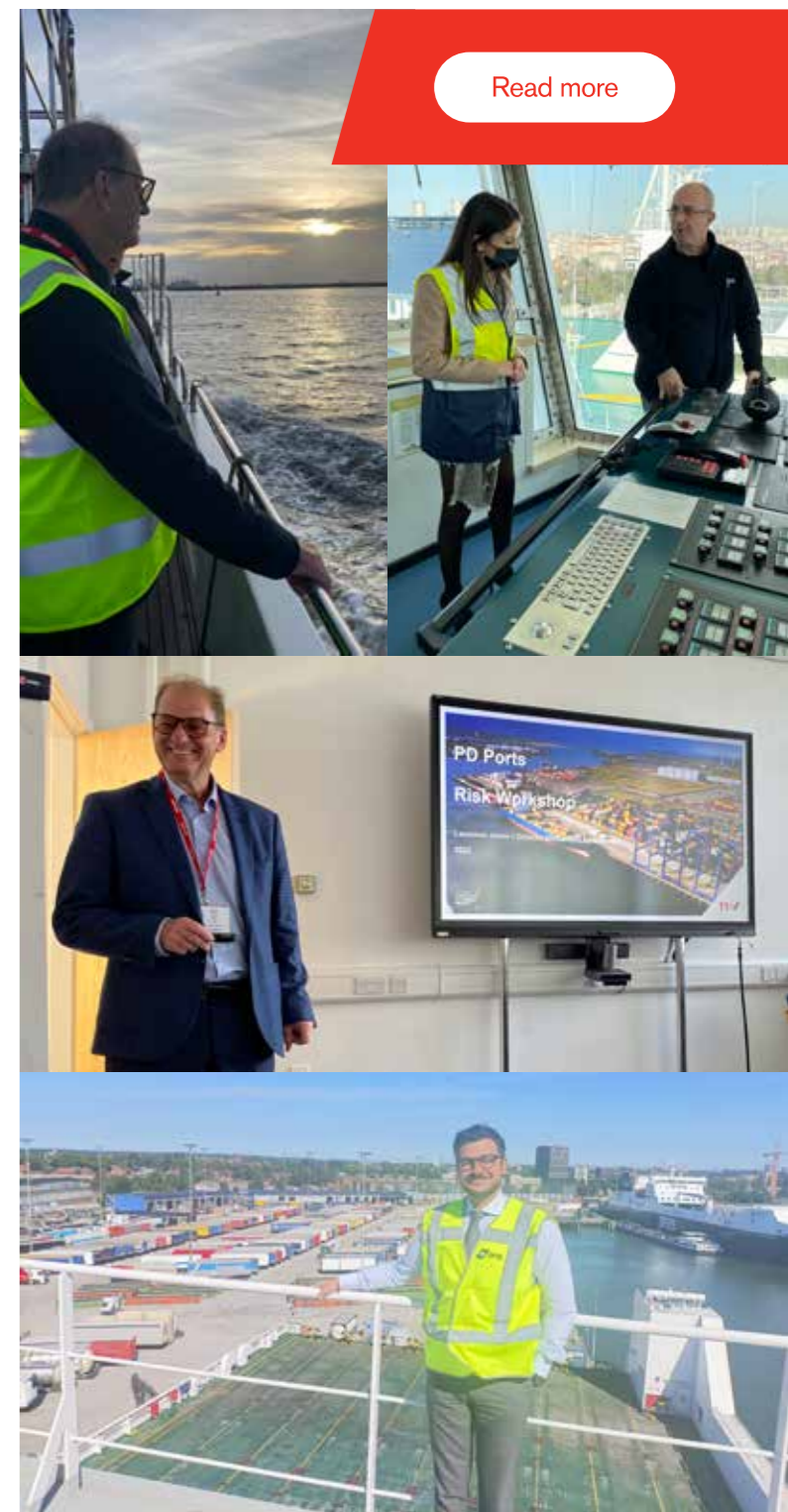
In summary, competent installation of proven electronic sensor devices to handling equipment could reduce the risk of personal injury and property damage, saving the port industry millions of dollars and operational downtime. I look forward to visiting more of our Member operations in future and reviewing the latest safety innovations as they come on to the market.



Comment from Kristin Poling – Claims Executive, New Jersey

“ There has been an uptick in claims from cargo handling facilities in the America's region. As the supply chain works overtime to catch up with the various delays, our container terminals and ports are busier than ever. This means more containers, equipment and personnel on site, and without careful risk management, unfortunately, more accidents. Indeed, our Members are experiencing an increase in stack collision incidents, giving rise to significant costs in cargo and equipment damage and, of course, the potential for bodily injury claims.

Where bodily injury cases are concerned, these risks are compounded where terminals are situated in states and locations with a propensity towards hefty jury verdicts. We look forward to raising further awareness and discussing these risks with our Members in 2023. ”



[Read more](#)

TT Talk: Time to take charge on lithium batteries



The hot topic of 2022 – lithium batteries! While we have since published a whitepaper that looks at the issues of packing and transporting lithium batteries, let's look back to April 2022 when we first picked up the topic

Lithium batteries are today used to power a variety of products, including handheld devices (such as phones or cameras), through larger items such as power tools, to electric vehicles (eBikes/scooters and other vehicles). The market is exponentially increasing through consumer demand and broader energy transition globally. Understanding the risks is crucial.

Lithium batteries, particularly lithium ion batteries have become a preferred energy source for many products given their high power density and light weight, as well as the ability to recharge. Depending on the frequency of use and re-charging a lithium battery may be expected to last several years.

Inevitably, lithium batteries have been moved by all modes of transport. However, following serious incidents, revised regulatory restrictions regarding the carriage of lithium batteries by air, taking effect from 1 April 2022, may result in greater volumes being transported by surface modes. Coupled with a number of recently recorded incidents, safety concerns around the shipping of lithium batteries rightly continue to grow amongst the maritime community.

Coupled with a number of recently recorded incidents, safety concerns around the shipping of lithium batteries rightly continue to grow amongst the maritime community.

What are lithium batteries?

Lithium batteries contain stored energy utilising two key different chemistries: lithium metal/alloy and lithium ion. Lithium metal or alloy batteries contain metal lithium and are primarily disposable so not rechargeable, whereas lithium ion batteries are rechargeable and have a different chemical composition.

The hazard that a given lithium battery presents is primarily related to the amount of contained reactive substances, including lithium and other reactive material. The sharp rise in demand has been accompanied by supply of cheaper, poorer quality and untested

batteries, including refurbished and even homemade power banks. E-commerce platforms have facilitated a global trade in these potentially lethal batteries, often circumventing global standards and regulations.

As with many successful technologies, market demand has outpaced the development of safety regulations. Since the mid-1980's lithium batteries have been classified under dangerous goods regulations for transport based on the weight of lithium contained in the cells or battery. As the technology has advanced, the amount of energy derived from the active material has increased by up to 50%, while the weight of cells has reduced greatly.

What are the safeguards for transporting lithium batteries?

Through the manufacturing stage and in preparation for transport, lithium batteries must have safeguards built in to ensure that they can withstand not only the rigours of transport, but also everyday use through their expected lifetime. Sub-section 38.3 of the UN Manual of Tests and Criteria (starting p419 in Rev.7, as revised from p33 of Rev.7/Amend.1) sets out the international standard that lithium batteries must meet to receive certification for safe transport.

Certification involves passing a rigorous series of tests performed by an approved independent testing laboratory, designed to ensure that batteries do not rupture, leak, disassemble or catch fire. Responsibility for testing and achieving certification rests with the shipper/manufacturer.

The rigours of transport should not be overlooked. Shock and impact damage may result in thermal stability issues, including short circuit. Defective lithium batteries have the potential to release all their stored energy instantly, resulting in thermal runaway and flammable gases. Proximity to external heat sources can also present challenges.

What are the risks of transporting lithium batteries?

Given their nature and use, newly manufactured lithium batteries can be transported by themselves as individual items, packaged with products (i.e. replaceable) or within products (not intended to be removed). However, actors need also to consider reverse logistics, including used, damaged and faulty products being returned, lithium batteries being shipped as waste and those being shipped to be recycled. In all instances, the state of charge of any battery is a relevant factor; less stored energy generally equates to less risk.

Apart from being transported as cargo, lithium batteries are used to power many of the technological devices deployed in the supply chain to monitor and deliver efficiencies, such as GPS locations, motion detection and security, including for smart containers. Deliberations remain underway at IMO in recognition of the potential hazards that these devices pose when placed in the hold of a containership, with both regulators and industry seeking to set minimum standards criteria in the IMDG Code for devices powered by such batteries.

Fire alert!

In summary, the risks presented through the intermodal supply chain primarily exist where newly manufactured lithium batteries are poorly manufactured, untested or are defective. These lithium batteries have a higher propensity to malfunction. It is also recognised that risks are higher during any period that the batteries are being charged. The supply chain risk – at any point of handling, storage and transport – is compounded by used, fully or partially charged batteries, and those destined for recycling or waste. Furthermore, some incidents have revealed the use of inadequate packaging, fundamentally compromising safety.

Lithium fuelled fires are very difficult to extinguish, prone to thermal runaway and potentially exploding. Due to the heat generated, re-ignition once a fire has been extinguished is an additional risk, together with the impact on adjacent cargo or equipment. Furthermore, hard lessons learned by land-based fire responders, particularly relating to Electric Vehicles, need to be assimilated to the unforgiving maritime environment, where the crew capability to fight fire is already woefully strained.

Fire is an unwelcome hazard at any point during transport, storage or handling. TT has discussed numerous times the challenges faced on board containerships and within port/terminal areas; during air transport the consequences are unthinkable.



Comment from Andrew Peers – Deputy Underwriting Director, London

“ We are receiving frequent enquiries from Members based in our Northern European sub-region, who are dealing with practical considerations around the storage, shipment and handling of lithium batteries. I would say there are three queries that we are most commonly receiving. Firstly, our Members are concerned about the use of forklift trucks and the risks around charging them, particularly where and when it is safest to do so. Secondly, the use of lithium batteries for storage of solar power, which is an entirely new risk as more operations seek greener sources of power. It's vital to consider best practice when making changes to energy infrastructure and to disclose new risks to your insurer. If your insurer is unaware of the risk, it may not be covered. Lastly, our Members are concerned about the risk of fires where electric vehicles are temporarily stored on the quay. The increased focus on lithium battery risks and recent whitepaper, are certainly welcome resources for our Members and we continue to support them as they manage this under-acknowledged risk. ”

[Read more](#)

Five minutes with Hernan Pistocchi, flying with batteries

Hernan is a Claims Executive based in Buenos Aires who joined TTMS (Argentina) in 2007 having previously worked in the insurance and legal department within a local port terminal. With over 15 years' experience handling claims for the TT Club, Hernan is no stranger to the diverse risks our Members face.

Here, he outlines a real incident that shines a light on the challenges concerning the shipment of lithium batteries by air.

Hernan Pistocchi

Claims Executive,
TTMS Argentina



In recent years, lithium-ion batteries have become more popular because they are lighter and last longer than regular alkaline batteries for example. The number of products that use lithium-ion batteries is growing and will continue to grow rapidly, especially since the market for electric vehicles is growing quickly. The problems we see today will only become more acute as our global need for lithium batteries grows.

When it comes to shipping, I recall dealing with a very difficult situation that involved the carriage of lithium-ion batteries directly by air. Since lithium-ion batteries are indeed classified as dangerous cargo, they must be handled and moved with great care, especially if they are to be moved by air. However, following serious incidents, revised regulatory restrictions¹ regarding the carriage of lithium batteries by air, that came into effect from 1 April 2022, may result in greater volumes being transported by surface modes.

In this case, the freight forwarder sold logistics services for the export of Li-ion batteries, from Miami, USA, to Iquique, Chile's northernmost city. The route included a stopover at Santiago de Chile International Airport (located in the country's center), followed by a transshipment to the final destination 1,757km away. The freight forwarder did not give this stopover much thought when planning the logistics services.

The freight forwarder filled out all of the paperwork for this shipment of dangerous goods labeled UN3480 CAO (cargo aircraft only). This included filling out certificates, issuing the airway bill and house airway bill, describing the dangerous goods, and putting mandatory warning labels on the packaging, in accordance with strict and stringent regulations.

When the cargo was ready to be exported, it was taken to Miami International Airport and loaded onto a Boeing Jumbo 747 Cargo Aircraft. The 303kg (or 688lb) of Li-ion battery cargo arrived at Santiago de Chile International Airport two days later, 1,757km from Iquique.

At this point, all the planning carried out for the correct dispatch of the cargo started to go awry in terms of legality and safety. At the time of offering and selling the freight and logistics service, the freight forwarder did not take into account the fact that due to availability the air service between Santiago de Chile and Iquique was a passenger aircraft, and not a cargo-only aircraft.

Against all odds and in violation of all safety and regulatory requirements, the shipment of the 303 kg (or 688 lb.) of lithium-ion batteries (2m³/70.6ft³) was loaded onto a full booked passenger flight, the Airbus A320. Flying with batteries inside the cargo hold, the A320 aircraft landed at Iquique International Airport 1.5 hours after takeoff.

It was not until the time of unloading the cargo that customs officers discovered that this particular merchandise was not allowed for carriage on board this type of aircraft. As a consequence, multiple fines were given to the airline, the cargo was seized and an investigation was started against everyone involved, including the freight forwarder.

What transpired at Santiago de Chile's International Airport was that none of the established safety procedures were followed or observed, which resulted in an illegal and extremely dangerous operation with the fortune of no consequences or damages. The reasons for such an occurrence remain a mystery. It is impossible to determine whether the cargo that was originally intended for cargo aircraft only wound up in the hold of a passenger flight due to deliberate action, negligence or inexperience.

For those involved in the freight sector, the value of the service offered goes beyond the costs of freight and renting space, and the logistics coordination. Nobody working in logistics should overlook the fact that due diligence is even more crucial than the cargo itself. Before starting any cargo logistics operation, it is of utmost importance that the operator looks carefully at all possible safety risks, the international laws that apply, mode of transportation (and availability for each leg), and real distances between the places that need to be linked.

International rules and regulations are created and implemented to prevent or minimize human and material losses. They should not be ignored, overlooked or partially complied with. They were created with the goal of making our logistics operations more accountable and effective.

Fortunately, in this case no human lives were lost, so we could consider it a happy conclusion, however things could have gone very differently.

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¹<https://www.iata.org/en/publications/store/lithium-battery-shipping-regulations/>

TT Club Innovation in Safety Award – supporting and celebrating global safety initiatives

Mike Yarwood
Managing Director
Loss Prevention,
London



As a mutual insurer, TT has always had a strong focus on loss prevention; identifying and understanding risks (current and emerging) and developing and disseminating practical guidance. We know that if we take those lessons learned from previous incidents and losses and use them to create best practice guidance we can assist other operators avoid a similar fate.

Safety, whether in ports and terminals or logistics operations, is passion of ours. There are typically many moving components in any given operation, all of which give rise to a host of different risk exposures for the workforce.

Recognising that there is always room for improvement, when a business has done all that it reasonably can to achieve a safe working environment and mitigate risk, where can it turn to in further reducing safety-related incidents?

Innovation in safety is a key component in safety risk management. There are many organisations invested in reducing risk and finding solutions to age-old industry challenges and they deserve due recognition. They will enable the industry to achieve ever greater levels of operational safety, protecting employees, contractors and where applicable, members of the public.

Kalmar Cargotec Sweden AB – Container Checker Function

This innovation sought to provide a safe means of accessing and inspecting the underside of empty containers. The technology was installed on empty container handlers and incorporated a series of safety features and fail safes to ensure that once picked up and locked in position, it was entirely safe for inspectors to work on the underside of the container without the risk of the container moving or falling.

Accessing the underside of a container has always proven to be problematic in the context of inspection, this innovative solution from Kalmar Cargotec enables safe access that will likely have a wider impact on operational safety.

Another potentially interesting element here is the commercial one, if containers are inspected more thoroughly and frequently then damage is likely to be identified earlier, with a greater chance to identify and recover from the liable party.

Finally, the inadvertent spread of invasive pests through the global supply chain is a topic TT has considered numerous times recently and one area of containers of course that could potentially harbour invasive pests is the underside. Access to clean and inspect a container is a key challenge in preventing the spread of invasive pests and Kalmar Cargotec's solution could prove to address this, which is greatly encouraging.



PSA International Pte Ltd – Harnessing the power of Video Analytics (VA) to solve common safety issues

Recognising the dynamic nature of container terminal operations, this solution sought to incorporate digital video camera capabilities with video analytics software creating a smart solution to identify and record unsafe behaviours in real time and all of the time. The solution would in part reduce reliance on human monitoring that obviously has limitations in terms of morale hazard, time and cost.

The human/machine interface within the port environment has always been a challenge. Obviously, interaction is minimised through careful risk assessment, management and enforcement of policy. However, whether for maintenance or otherwise there are often legitimate reasons for personnel to be present within operational zones. Collisions with heavy equipment are a risk and this technology coupled with video analytics sought to address those challenges.

The video analytics solution is not only flagging non-compliance, it is creating visual training resources to train new and current staff. While it is typically challenging to convey circumstances in a meaningful way, having actual footage of your own operation to demonstrate where improvements could be made is a very powerful tool.



Within the PSA operation, there was a recorded reduction of traffic infringements of 90%, which is a significant improvement to safety.



TT Club Innovation in Safety Award Winner 2022

VIKING Life-Saving Equipment A/S – with their HydroPen System

The HydroPen system is a fire-fighting device specifically designed to tackle container fires, particularly on board containerships. The system connects to the ship's existing water sources and clamps onto a container door, with the capability to drill through the door and then disperse water into the container to extinguish the fire.

As we know, fire events in containers can be extremely problematic, particularly when on board a ship: how to get to the container, how to protect the ship's crew, how to extinguish the fire once there and how to prevent the fire spreading to adjacent containers.

HydroPen is a solution that allows the ship's crew to remain a safe distance away from the affected container once the device is in place. One challenge that crews face in the event of a fire on board is accessing the source of the fire with the fire-fighting equipment available. Usually the available equipment is fixed in place or is heavy and difficult to manoeuvre if mobile, especially when wearing full respiratory equipment. The HydroPen solution admirably seeks to address this amongst other challenges by providing a piece of equipment that one crewmember can handle and place.

Viking's HydroPen was judged to be the deserved overall winner for the 2021 award. Since February when the award was announced, Viking has gone on to sign contracts to supply their solution to AP Moller-Maersk and more recently obtained a fleet-wide order from the CMA CGM Group.

In recognition of the valuable contribution made by all entrants, each year a digest promoting all of the ideas captured through the award process is published. The digest is freely available on both the ICHCA and TT Club website. I would very much encourage you to download and access this document.



Call to action!

In the context of improving safety across the industry, a great way for TT Club to add value is to ensure that effective solutions are promoted far and wide. Where you encounter them, encourage innovators to engage with the loss prevention team with a view to submitting their solution to future editions of the TT Club Innovation in Safety Award.

[Read more](#)

TT Talk: Hazards in full liability contracting

While keeping your clients happy often makes commercial sense, it is always important to consider the potential consequences and risk exposures should something go wrong. In June this year, Sandy Ip, Senior Claims Executive in TT's Hong Kong office helped clarify the risks around full liability contracting.

Commercial relationships being what they are, there will be instances where a freight forwarder or logistics operator may be presented with an opportunity to start or continue to provide services to a customer on condition that they accept full liability for the goods in question. Consider such requests carefully!

Under normal circumstances, when contracting to undertake shipments for a customer, a freight forwarder or logistics operator would expect to be able to agree to provide the required services on trading conditions of their own choice. It is, of course, critical to ensure that business is contracted on terms that are incorporated clearly. Where possible, operators should use standard trading conditions, including 'belt and brace' conditions covering any temporary storage or ancillary services, alongside the use of house bills of lading or house air waybills, as appropriate.

However, due to the commercial pressure to attract or retain business, there will be instances where the transport operator is required to agree to process shipments on a full liability basis. While quite typical for project contracts, this may happen for high value cargo, such as electronic products.

This type of contract or agreement quite simply imposes full liability on the transport operator, most typically meaning compensation up to the full value of the cargo being stored, handled or transported in relation to certain contracted risks, such as cargo loss and damage. When a transport operator is faced with such a request, it is important to consider effective risk assessment and mitigation in order to determine the commercial viability of accepting these more onerous terms.

Mitigation

Apart from discussing with your insurance broker and liability insurer, it may be possible to seek 'back-to-back' terms from counterparties involved in fulfilling the contractual obligations, such as delivery agents. Where this is achieved, it can be an effective mitigation.

An example illustrates this mitigation. The shipment involved air carriage from China to Germany, followed by local trucking to destination within Germany. The transport operator's delivery agent appointed a trucking company to complete the local trucking in Germany for 34 pallets of notebook computers. The truck was broken into when the driver left it unattended at a parking area overnight. As a result, 16 pallets were stolen, with a value of almost USD600,000. The cargo was insured, so the customer was indemnified by its all risks insurer, who then proceeded under subrogated rights against the transport operator for the insured amount, being 110% of cargo value. In the event, the transport operator was able to settle with the cargo insurer at USD330,000.

On the basis of the Logistics Services Agreement between the transport operator and the delivery agent in Germany, which bound the subcontractor to the contract terms accepted with the cargo interests, the delivery agent was also liable to the full cargo value and indemnified the transport operator in full.

Another instance, however, displays the potential weakness in passing higher exposure just to the delivery agent. A seller instructed a transport operator to organise an air movement from China to the Netherlands. An airline was contracted for the entire airport to airport movement, and arranged air carriage to Frankfurt

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Consider such requests carefully!

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in Germany, followed by road transport to Maastricht Airport in the Netherlands. Unfortunately, during the road carriage 24 pallets of notebook computers were stolen, valued at about USD875,000. Under the terms of the master air waybill, which are typical, the airline was permitted to substitute road carriage in place of air carriage, to which the CMR Convention would apply. As a result of the full liability agreement, the transport operator was obliged to compensate the customer at the full cargo value. In the event, however, it was only possible to recover from the airline a limited amount subject to CMR's terms. Since the theft occurred prior to the delivery agent taking custody of the consignment, it was impossible to secure any compensation at the full liability agreed with the agent.

Thus, while the circumstances were similar, the result for the transport operator first accepting the full liability terms was starkly different. It had been possible to impose the more onerous terms on the delivery agent, but other contractors in the supply chain were able to abide by terms that were standard.

Careful consideration required

In many instances, the transport operator's liability insurer will also only provide cover under agreed standard trading conditions, subject to the limits in international conventions. As a result, it is prudent for transport operators to consider carefully all the potential risk elements they might encounter before finalising an agreement with a customer on full liability terms.



Comment from Sandy Ip – Senior Claims Executive, Hong Kong

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Typically, under a full liability contract signed between the transport operator and its customer, no matter how the cargo is lost or damaged, the transport operator has to pay its customer for the full cargo value. Recently, a transport operator reported a case of a missing consignment of computer products in Europe due to deception by a third party. The cargo value was over EUR 500,000.

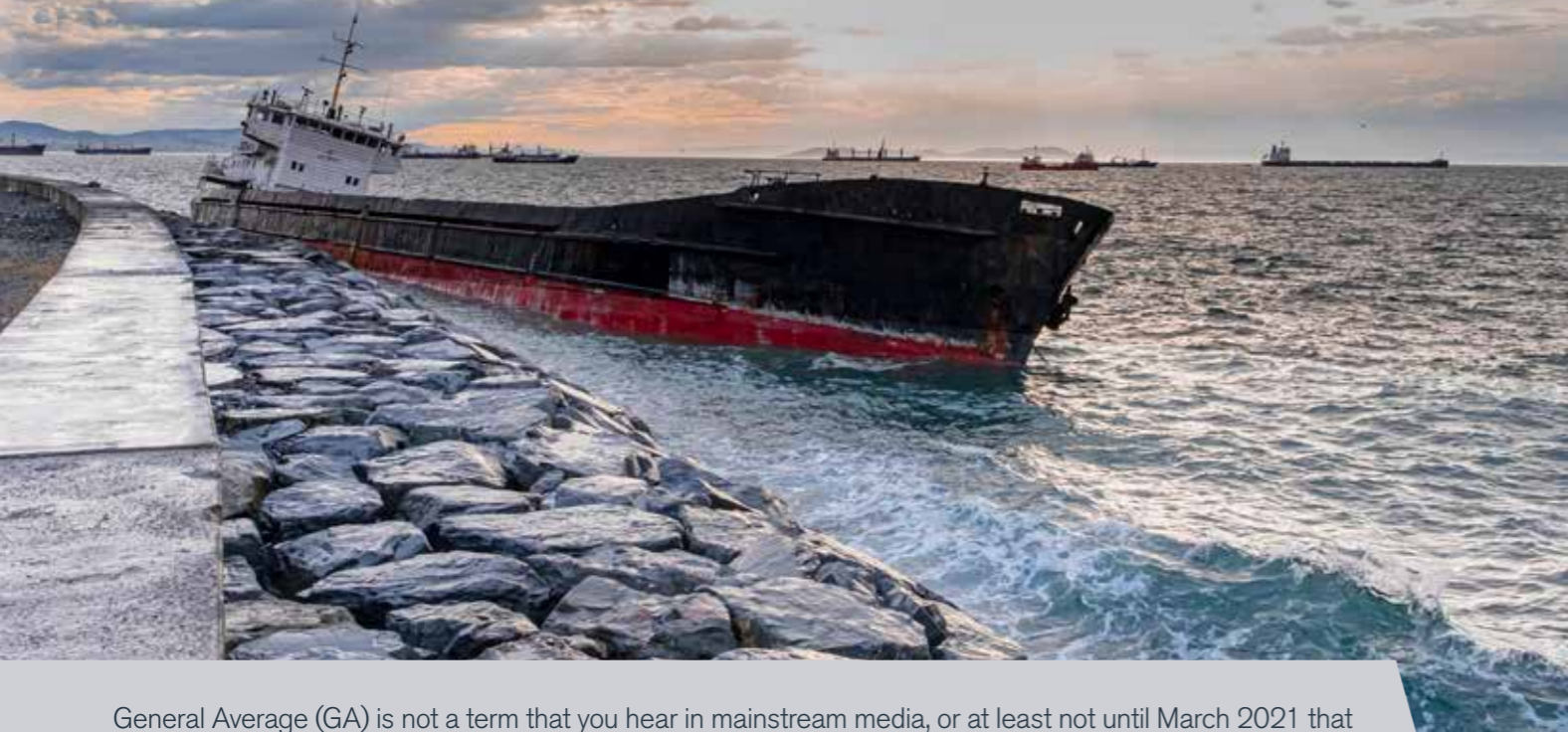
Due to a busy month in September, it was difficult for the transport operator to find a consistently used trucking company to perform the inland transport in Europe. Therefore, they sent a prospective e-mail to other trucking companies that they had worked with in the past to find an available trucker. They received an e-mail from a company that could perform the transportation, carried out a background check on this trucking company and found that all appeared in order.

A driver collected the cargo from the transport operator's warehouse but when they checked with the trucking company about the status of the shipment, the trucking company replied that they had never collected the cargo and had no knowledge of the shipment. Unfortunately, the truck driver was no longer contactable and the entire shipment of cargo had disappeared.

After the incident, the transport operator reviewed their email communication with the trucking company and found that the email address of a particular employee from the trucking company had been manipulated. This is another example of how transport operators must be aware of the different kinds of risks that can develop during their operation.

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TT Talk: Demystifying General Average



General Average (GA) is not a term that you hear in mainstream media, or at least not until March 2021 that witnessed events in the Suez Canal leading to what could be amongst the biggest GA claims in history. It's an important but complex legal principle of maritime law that is globally recognised, so it is prudent to ensure you are aware of General Average and when you might be impacted. We looked at this in more detail in November's edition of TT Talk.

While most directly involved in the freight supply chain will have an awareness of the principles of General Average, they might struggle to explain them to customers. TT's latest StopLoss briefing, produced in collaboration with [FIATA](#) and the [Global Shippers Forum](#), provides a straightforward summary of the topic, along with essential good practice advice.

General Average (GA) is a global legal principle of maritime law under which all interested parties to a 'maritime adventure' proportionally share any losses or expenses resulting from a voluntary and intentional act on the part of the ship or cargo in order to save the remainder in an emergency. The concept of 'maritime adventure' sounds quaint but describes the total group of stakeholders involved in the voyage.

Typically, GA losses are not high frequency, but have in recent years resulted in greater impact to beneficial cargo owners (BCO) and freight forwarders, in part because container ships have continued to increase in size. Hundreds of years ago, a cargo ship might have had 20 interested parties on board, today on the largest container ships; there could easily be tens of thousands of interested parties aboard a single ship.

GA is the system whereby a party to the adventure (most often the ship owner) can recover the extraordinary expenses/sacrifices that are necessarily incurred following some maritime incident, in protecting the cargo and/or preserving the ship. The parties who would typically contribute in a GA loss would be; the ship owner, the beneficial owner of the cargo on board, the owners of any bunkers

and stores aboard the ship and finally the owner of the containers and carrying equipment on board all in proportion to their values.

Recognising that GA losses are each having a greater impact (due to increased container ship capacity), coupled with a lack of understanding of the processes involved, TT Club has published a new StopLoss guidance document titled 'Demystifying General Average'. The StopLoss aims to outline the process in a logical chronological order. It provides a transparent review of the concept of GA, what it is, the purpose it serves, which parties are impacted and how.

Because GA losses are infrequent, a freight forwarder or BCO might never have to deal with one of these cases. The process is complex and, where [cargo insurance](#) is not in place, can be expensive for the BCO. If the concept and processes are not well understood, it could come as quite a surprise when a request for security is made.

In practice, the first that the BCO, freight forwarder or NVOC might learn of a GA event may often be the request for security from the General Average adjuster. The request for payment or a guarantee may cause confusion.

In order to ensure that payment will be received, the adjuster requires each party interested in the voyage to provide a GA bond as security. Since this is done at the outset, before the full value of the loss is known, the adjuster will necessarily estimate. A GA bond is a promise to pay whatever contribution will later be assessed by the adjuster, backed up by a GA guarantee from a bank or insurance company. Alongside this, the General Average adjuster will request landed values of carrying equipment, and bills of lading and commercial invoices detailing CIF values for cargo in order to work out the contributions for all interested parties.

Ordinarily, where BCO interests are concerned, the General Average adjuster will identify the interested parties through a review of the bills of lading issued by the carriers. The global supply chain, however, is complex and it is not uncommon for an initial

[Read more](#)

request to be made to a freight forwarder or NVOC in error. In such circumstances, the freight forwarder or NVOC should pass the demand immediately to their customer.

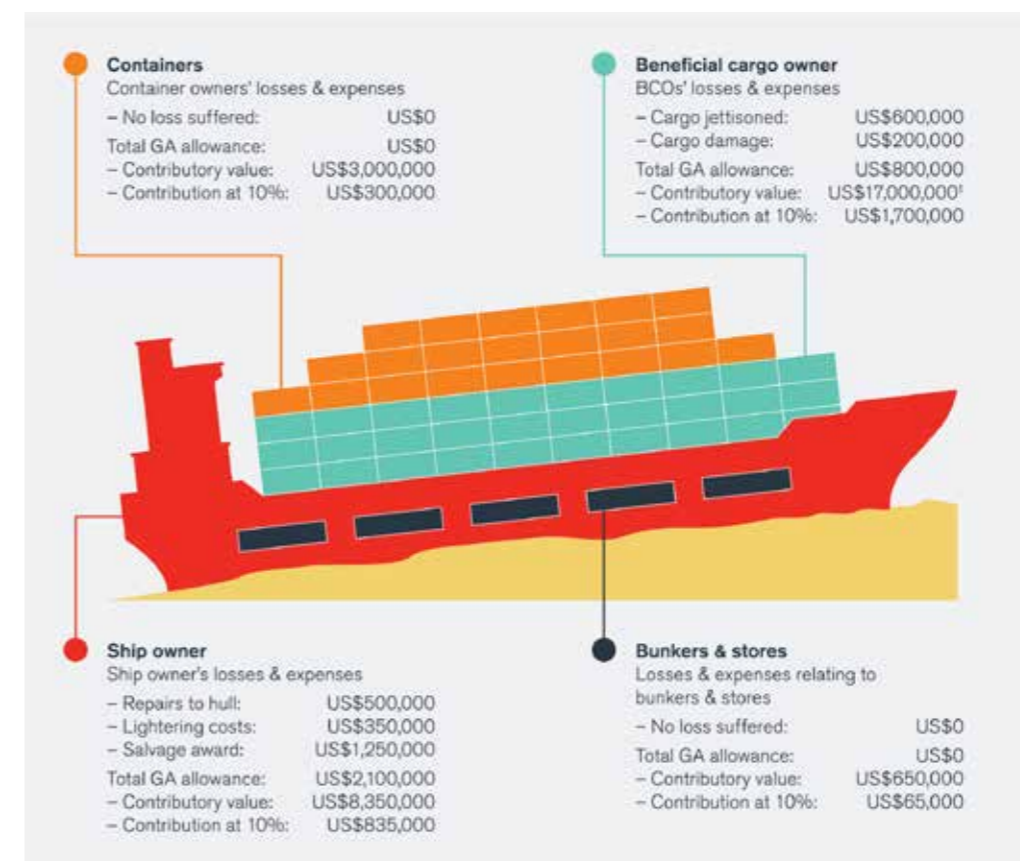
The process can become problematic for a BCO who does not have cargo insurance in place. It is estimated that over 50% of consignments are transported through the global supply chain without cargo insurance. Standard marine cargo insurance policies cover the costs associated with GA losses. In the event of a GA loss, the cargo insurer will typically take over the process for the BCO, ensuring that the required securities are placed and that the cargo will be released at destination.

Where cargo insurance is not in place, it falls to the BCO to respond to the request and provide sufficient security. In such circumstances, the BCO should not ignore the request; it is prudent to act quickly to resolve the matter and arrange security. Failure to do so will result in the cargo being held from release at the destination port, with the risk that a lien is held over the cargo to satisfy the due costs.

While infrequent, the risk of GA losses should not be overlooked. It is prudent to ensure that cargo insurance is in place – the costs following a GA can be significant. The final General Average demand in a recent case exceeded 60% of contributory values.

Armed with this latest StopLoss guidance document, whether you are a BCO, a freight forwarder or NVOC, you will have a clear understanding of the process, your general responsibilities, clarity as to the requests being made of you and the repercussions should the process not be followed.

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TT's latest StopLoss briefing provides a straightforward summary of the topic, along with essential good practice advice
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1. Comprised of US\$16,000,000 representing commercial invoice value arrived cargo, allowing for loss/damage, and value of jettisoned/damaged cargo

Five minutes with **Kerime Huseyin:** the complexities of handling General Average claims

Senior Claims Executive, Kerime Huseyin, is based in London having joined TT Club in 2020. Kerime is responsible for Members in both Turkey and UK and handles a number of General Average claims. Here, we speak with Kerime about how GA claims are typically handled, and the common pitfalls she sees.

Kerime Huseyin
Senior Claims Executive,
London



Kerime, in your experience, what are typically the first steps taken when a possible GA event occurs?

With a GA event, the master and crew will be the first aware of the casualty. They will inform the Designated Person Ashore who will provide assistance on how to handle the casualty and procedural steps that need to be taken for the declaration of GA, if any. While a GA adjuster can be appointed by any party, it is usually the shipowner who will appoint them. Regardless, the average adjuster acts as an impartial and independent party throughout.

For those that don't know, what exactly is an average adjuster tasked with in this situation?

The average adjuster's role includes, but is not limited to collecting GA security from the cargo owners, container owners, bunkers and, at times, salvage security if a Lloyd's open form salvage contract is signed. They will also calculate GA contributory values, collect evidence of the cause of the incident, and determine what among the damaged property is sacrificial damage (i.e. damage incurred voluntarily for the benefit of saving the vessel and property). The adjuster will then prepare and publish the GA adjustment and collect contributions to pay those involved in the remedial efforts. It's important to note that all these actions can take several years to conclude.

You mentioned GA security, what is that?

GA security consists of an average bond and an average guarantee. The bond serves to identify who is required to make the GA contributions and is signed by the cargo, container or property owner. The guarantee on the other hand is customarily provided by the insurers that cover General Average liabilities (e.g. TT Club). Without the GA security, the shipowner is entitled to exercise a lien on the cargo and/or containers, meaning they will inform the cargo or container interests that they will withhold the goods or containers until the security is provided. Obviously, this would then result in delay of the delivery. In essence, until both parts of the GA security are provided, the bond and guarantee, the goods will not be released.

When handling TT Club claims, what do you think are the common pitfalls and stumbling blocks that Members face?

As mentioned in our TT Talk article, a key concern is where parties do not have cargo insurance. Even though the Club provides security for our Members' containers, if security is not provided for the cargo inside, the box will not be released. Unfortunately, issues like this mean that our Members' operations can be disrupted through no fault of their own. We would encourage our freight forwarder Members to make their clients aware of the risks of not purchasing cargo insurance for their shipment, as often many are unaware that the freight forwarder's liability insurance will not cover the cargo.

Another possible concern is where Members receive a request for security, but do not thoroughly review the bond and guarantee wording to ensure that the cargo or container interests are sufficiently protected, as well as the rights and defences under the applicable York Antwerp Rules. It is vital that the wording of both the bond and guarantee be reviewed and revised to ensure that this is the case, and we would advise Members to contact us in the first instance should they receive a request for security so that we can support them with this.

Appreciating that settling a GA claim is extremely complex with many parties involved, why do you think such claims take so long to settle, and consequently, are time bars a concern?

The GA process involves many parties and is understandably complex and lengthy, especially as the sizes of container ships have grown. In most cases, the liability aspect is challenged by the property interests as to whether the GA contributions are legally and properly due, so you can appreciate that these discussions take time. To your question on time bars, whilst under English Law the time bar of a GA claim is 6 years, there is no time limit in place from when GA is declared to when the average adjustment is published. If a Lloyd's Open Form (LOF) salvage contract is signed, that being the standard form contract for marine salvage operations, those claims will be settled with the salvor and included in the GA adjustment before it can be published. The time bar on LOF salvage claims is two years, and as the adjustment cannot be published before the settlement is reached, most GA claims will take several years to conclude."

TT's digital services platform – **24/7 access** to everything you need to manage your policy online



Launched in 2019, TT's digital services platform offers TT Club Members and their brokers 24/7 access to live claims and policy information, as well as useful risk management guidance. Kate Andrews, Underwriter for the Mediterranean and Central Europe team, based in London, leads platform developments and here we catch up with her to understand what's new for 2022, and her plans for 2023.

Kate, can you let us know what improvements have been launched this year?

We've certainly been busy this year making sure that the platform has the functionality to really make our Members and broker's lives easier. Firstly, we have made improvements to the claims functionality including the ability to download all claims data to excel and a visualisation of claims on a map that should help our Members analyse their claims data to identify any regional issues or problem areas. Members can now also email our claims handlers directly via their live claims summary on the platform and there is a new 'first notification of loss' form that clearly outlines the information we need to progress their claim quickly and efficiently.

For underwriting, we know that coming up to renewal can be a busy time, with lots of information to digest and work through. We have worked to streamline this process for both Members and their brokers by ensuring that all the information relating to renewal is saved in a shared "renewal area". Members and brokers can upload and download files to this live folder minimising the need to search through an email inbox for the latest document.

We have also increased security with two-factor authentication to ensure that policy information is only accessible to those granted access.

Finally, with regards to our loss prevention services, we have now linked tailored loss prevention resources to each Member's account based on their activities and insured services, allowing for quick and easy access to relevant guidance.

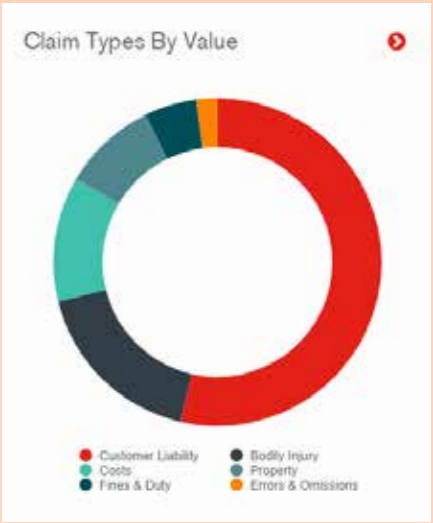
It sounds like it's been a busy year for you and the team! What are your plans for further development throughout 2023?

Obviously our goal is to continue improving the platform and we are looking at a couple of major improvements for 2023. The first is allowing TT's Underwriters to converse with their client, be they a Member or broker, through the new renewal area. We know how frustrating it can be switching between different programs, so we want to make sure our Members and brokers can manage their policy quickly and easily in one place.

Second, in line with our commitment to providing world-leading loss prevention guidance and support we have developed a new dynamic landing page that will display the latest news, publications, key statistics, quick links and other important information. We are particularly excited to launch this new functionality and hope that our Members and brokers find it useful.

Of course, we have more plans for the future, but you'll have to watch this space!

All these enhancements were driven by Member and broker feedback, so please get in touch at digital.feedback@ttclub.com to help us keep developing the tool!



Read more

Supply chain security bulletin: spotlight on freight crime

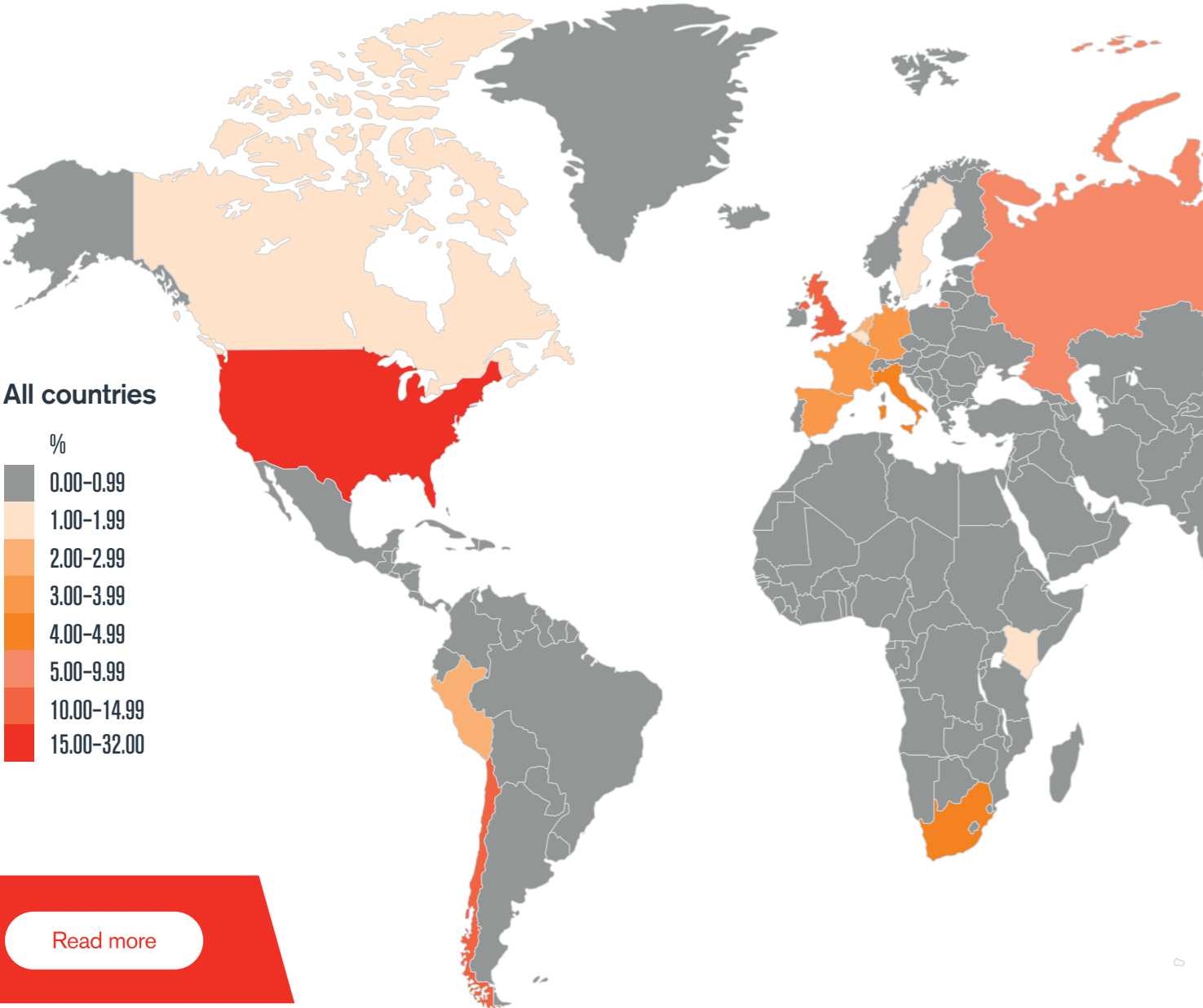
Disruptions through the global supply chain continue to create opportunities for [criminals to infiltrate and access cargo](#). In recognition of the threat landscape, TT continues its advisory campaign with the introduction of a new Supply Chain Security Bulletin.

The series of Bulletins are aimed at identifying global trends, as well as focusing on particular areas of concern and offer practical guidance for those potentially impacted by freight crime. The risk landscape is constantly evolving; the criminal organisations providing the threat are getting ever more sophisticated. Our regular Bulletins will keep track of those intent on monitoring supply chain activity and building operational profiles to identify a weakness or a particular vulnerability to exploit.

Empowering those who work in the supply chain with frequent, relevant information and data from all TT Club regions, will assist those operators developing ever greater levels of resilience in their supply chains.

Insider threat activity was suspected in approximately **15.0%** of cargo theft claims in July...

...and up to **23.0%** in October



Top commodities



Electricals ↑
31.9%



Food & Beverage ↑
17.9%



Metals ↓
9.7%



Clothing ↓
9.2%



Vehicles & parts ↔
7.2%

71.4%
of all electronics theft claims recorded globally were recorded in the United States



Comment from Guillermo Cancio – Senior Claims Executive, New Jersey

“ In analysing the 2022 year-to-date claims data underpinning the latest edition of the bulletin, it became apparent just how impactful the current economic situation in many countries is in the context of crime and cargo theft.

Rising inflation coupled with sharp rises in the cost of living for vast swathes of the population directly correlates with crime rates and, in turn, volumes of cargo stolen. We witnessed throughout the COVID-19 pandemic that thieves switched away from targeting luxury and electronic products towards essentials: food, drink, and fast-moving consumer goods.

In the interim period, we have seen a move back to targeting those luxury and electronic goods, a change reflected in the latest bulletin data. However, there is a high probability that this will once again swing. Many countries are already grappling with recession, inflation, and cost of living increases. As groups of the population see their disposable income decrease, the focus moves to survival rather than obtaining luxury goods. The criminal networks underpinning cargo crime are very much market-driven and are typically very agile and quick to react.

Another repercussion is the recruitment of additional thieves or insiders. As the economic situation deteriorates and groups of people enter poverty, they will naturally look to fill those income gaps, potentially turning to crime. The insider risk increases through such periods. Employees, who ordinarily would not even consider crime, might find themselves in a financial position whereby a US\$1,000 bribe for an access code or information about what cargo is in which container could be motivation enough to reconsider.

Currently, TT’s data in Chile most starkly illustrates the risk. Geographically, the thefts are focused around the major ports and logistics facilities in the north of the country that naturally see the highest volume of cargo movements. The cargoes targeted are essentials, food, drink, construction materials, and metals, which accounted for nearly 70% of the commodities stolen.

Chile is arguably at the crest of a crime wave currently. Crime will almost certainly continue at high levels for the near future until economic equilibrium is restored. It is likely, as the impact of an increased cost of living becomes more prominent, that other countries will also witness spikes in cargo theft activity.

Those responsible for security through the supply chain should be aware of this emerging risk and, where practicable, take steps to mitigate the associated risks.



Five minutes with **Adelaide Yang:** engaging with Members

Adelaide is Managing Director at Taiwan Transport Insurance Services Limited (TTIS) based in Taipei. TTIS is TT Club's Network Partner in Taiwan, and we have benefited from Adelaide's wealth of experience in the local market for over 30 years.

Adelaide and the TTIS team work particularly closely with the TT claims and loss prevention teams ensuring that both local Members and global operators who might suffer losses in Taiwan, experience the best possible levels of service. Delivery of this service and the opportunity to engage with and educate local Members is critical to long-term success and ensuring retention in the local market.

We caught up with Adelaide to find out more about the importance of service delivery to the Membership.

Adelaide Yang

Managing Director at
Taiwan Transport Insurance
Services Limited (TTIS)



Adelaide, can you please first tell us a little about the construct of the local Membership in Taiwan?

TT Club insures a diverse range of Members in the local market here in Taiwan, ranging from the largest container line operators through to local SME freight forwarders. It insures a large proportion of the local container operator business in Taiwan, including the five major shipping lines: Evergreen, Yang Ming, Wan Hai, T.S.Lines and Interasia Lines, accounting for around 90% of the market. This is a key component of the local Membership.

Of course, these large shipping lines naturally operate their own container terminals that feature amongst the local port and terminal operator membership. Container terminals are another key component of the local membership, although there is also a wide variety of port and terminal facilities insured with the Club. Kaohsiung (ranked in the world's top 20 busiest container ports), Taichung and Keelung in particular are high focus regions, with the large shipping lines respectively having long-term lease agreement with those three port authorities.

Finally, there are a number of transport operators that insure with the Club in Taiwan. Again, these are the multinational businesses that will be recognised 'household brands', as well as smaller operators. Given the strategic relevance of trade flowing through Taiwan, many of the TT Club's transport operator Members from around the world will also have offices and operations in Taiwan as a hub in South East Asia.

The TT Club membership in Taiwan is extremely diverse; we have spent a long time working closely with them to build their trust in our expertise and have strong relationships that span decades.

Engaging with Members can of course be a two-way learning experience, TT can provide insight into claims experience, raise awareness of risk and identify trends common to particular Member groups, but there is inevitably great value in meeting with and listening to the Members. How are you working to understand what is keeping our Members awake at night in relation to mitigating the risks they face?

Over many years, this has been something we have focused on through hosting in-person seminars for the local membership. The last years have unfortunately been challenging due to COVID-19 restrictions, but many of those restrictions have now been lifted allowing greater travel opportunities. In November, TT's Risk Management Director, Peregrine Storrs-Fox, was able to travel



to Taiwan; we arranged two seminars during his visit, seeking to recapture the benefits of earlier Member gatherings.

We were pleased to attract around 100 delegates over the two seminars that covered a range of topical issues, but importantly once again enabled discussions and sharing of experience and expertise. The Members welcome the opportunity to learn from TT Club's experience and the insights that its employees are able to share from claims experience. It is also of great value to understand how risk presents itself in other areas of the world of which the Taiwanese membership might not otherwise be aware. The seminars hosted in November were, to my knowledge, the first in Taiwan for the industry featuring an overseas speaker in nearly three years – so it was of great value to those attending.

It was certainly interesting being able to meet with and discuss these topics in person. Of course, the main risks differ depending on the Member category. For the port and terminal Members in Taiwan, two particular issues were the ship to berth collisions that cause damage, cost and potential business interruption and also containers falling from spreaders when being lifted. For transport operator Members, the challenges very much mirror those issues identified globally; cargo theft and uncollected cargo rank high on their agendas.

Were there any other interesting takeaways from the seminars?

Innovation was a topic discussed during both seminars and one in which local Members were very interested. It was clear that innovation was viewed as important in driving safety, particularly amongst the port and terminal member group, but that it was difficult to stay up-to-date with the latest developments and truly understand the benefits and potential downfalls of the latest innovative solution. The work TT do in this space is important to promote these new innovations and help Members to understand the best routes to improving safety and security.

Aside from your work with TTIS, how else are you working for the benefit of the wider global industry?

As a long-term member of the Taiwan Freight Logistics Association (TFLA), I was involved in the congress committee that were successful in bringing the FIATA World Congress to Taipei in 2015. More recently, I was elected Vice President of FIATA; I am currently enjoying my fifth year in this position having recently been re-elected.

FIATA is a very interesting organisation with a global reach that enables me to develop a greater understanding of global challenges

in the industry. This of course assists in our discussions with many Members who have global operations; we are able to provide access to relevant guidance on various topics. One of my successes through my work at FIATA has been the translation of a number of their guidance documents into traditional Chinese that has greatly benefitted the local Members in Taiwan as it makes the information more accessible.

Over the last couple of years, TT has focused on the translation of guidance, to what extent do you believe that guidance in the local language is beneficial for the membership?

English is widely spoken and understood by those in senior positions within a business, but those on the front line such as port workers, drivers and packers for example, might not have the benefit of being able to engage with the English language. Therefore, it is essential that we continue to translate guidance to ensure it reaches those who might be influential in making operational changes.

Of course, you have a fantastic team supporting you in Taipei, to conclude, how important is the wider team in providing such outstanding service to the local membership?

Yes, we have a very experienced team here in Taipei. Jean Hsu and Laurel Hung in the claims team are the primary TT Club contacts that Members will no doubt recognise. Jean and Laurel handle claims for all member types and frequently assist claims handlers in other regions whose Members have suffered losses in Taiwan. Having such a strong team that engage with the wider industry and seek constant improvement to safety and awareness enables us to deliver consistently high levels of service to the membership.



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The Members welcome the opportunity to learn from TT Club's experience and the insights that its employees are able to share from claims experience
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TT Talk: The peaks and troughs of container utilisation

How does the industry handle periods of high demand and low supply, and what are the consequences of the measures taken? In October's edition of TT Talk, we looked at the risks and challenges faced by container operators, and how best to mitigate their impact on day-to-day operations

Container operators have enjoyed a buoyant period with high levels of equipment utilisation through the last couple of years. Increased demand has, of course, been accompanied by issues arising from congestion and [supply chain bottlenecks](#), presenting challenges in repositioning empties to be packed.

Increased demand has resulted in numerous operational challenges. Apart from the established phenomenon of 'street turns', by which units may only irregularly cycle through depots, high demand may have reduced the opportunity for routine and preventative maintenance. Furthermore, there may be reluctance on the part of shippers/packers to reject the presented unit on the basis of minor damage for fear of long waiting times for a replacement.

One way container operators have risen to the demand has been to build or lease more units. Now, it is being widely suggested that equilibrium has largely been restored, such that imbalances of equipment are less pronounced, reducing the strain on supply chains. Furthermore, peak e-commerce demands appear to have been reached and now may be in decline for the time-being (possibly related to broader economic and geopolitical narratives).

This leads some to predict that the combination of older equipment having been kept in service and new containers produced at record levels could now lead to a period, for the first time in a number of years, where the available container fleet outweighs demand for its use. What then?

While it might be expected that any equipment kept in service beyond its natural economic life cycle through the pandemic period will now be retired, there may still be stock that remains stagnant for longer periods in depots, container yards or terminals.

A period of slowing demand would naturally provide opportunity to review service and maintenance regimes, not just in relation to regulatory requirements. A more pro-active approach to maintenance and repair may now be possible, perhaps even considering piloting emerging technologies, such as from [ConexBird](#), to understand better the performance metrics of your container fleet and take more informed decisions.

Equally, opportunities will emerge to reposition some equipment to take advantage of known or anticipated demand. This may require detailed assessment of where supply chains have changed, since historic demand of course could well be different post-pandemic.

Where demand remains low for an extended period, secondary container markets (often seeking to re-purpose for imaginative uses) will benefit from greater availability, potentially at more competitive rates.

Some operators may seek to upgrade existing units in the context of introducing 'smart' containers more extensively into their fleets, taking advantage of a range of 'Internet of Things' technologies to improve both safety and security. Any slowing trade demand may similarly provide opportunity to accelerate such initiatives.

Assuming that this can be well managed in a competitive marketplace, it could be argued that the global supply chain could accrue benefits from a reduced, but generally newer, fleet of containers at their disposal. Apart from possibly reducing cargo damage claims, fewer rejections and repositioning requirements, and a generally more efficient operation, may result in lower operational costs for all.

Conversely, in a world where supply subsequently exceeds demand, [might idle equipment have gone unrepaired](#)? While downtime presents opportunity in terms of time to undertake repairs, tight cost control would be inevitable. Should there be lower demand for equipment, it might be tempting to delay all but essential repairs. This in itself may not be problematic while the equipment is not in use. However, unpredictable peak demands are likely to continue to be experienced and it would be prudent to ensure that equipment is kept in sound operable condition.

While the pandemic challenges related to maintaining [regulatory inspection regimes](#) have dissipated, these are generally broad-brush and [concerns have been raised](#) as to how proactive government agencies have been. Where equipment is unlikely to be required for an extended period, it remains possible that lesser rigour will be applied relating to routine inspections and maintenance until demand returns.

A number of Beneficial Cargo Owners sought to circumvent supply chain disruptions during the last two years by purchasing their own containers (becoming 'shipper owned containers'). As the market normalises, such trends may not remain economically viable. While giving greater flexibility during the disruptions of the last two years, it is likely that the direct and indirect efficiencies (including M&R and regulatory requirements) offered through the use of the carrier global fleet will return. There remains a risk that, in seeking cost containment, lower levels of maintenance might be undertaken in this shipper owned market.

A further concern arising from over-supply of units might be that depots, container yards and terminals become unmanageably congested with empty units. Through the pandemic and since then, the management of peaks and the imbalance of available equipment has been acute. In a market where demand falls, under-utilisation of the global fleet risks accentuating these same challenges. Empty container yard capacity may be exceeded, resulting in less controlled facilities and storage being in the wrong geographic areas in relation to shipper demand.

The global supply chain has proved itself to be highly resilient in a variety of ways and there have been many learning points from experience through the [COVID-19 pandemic](#). However, it would be prudent to ensure that operators consider these risks as the world transitions to demand that may be less buoyant, less predictable and possibly more regional. Maintaining safe and sound units will make most operational sense in the long term.

“ Maintaining safe and sound units will make most operational sense in the long term ”



Comment from Dorota Jilli – Senior Underwriter for the Mediterranean and Central Europe, London

“ Our Members have, like the rest of the world, struggled over the past year to manage very unpredictable operating conditions. Operational changes and “workarounds” inevitably open up a business to unforeseen risks, so it's important that adequate risk assessments are undertaken to consider these as far as is reasonably possible. Your efforts to reduce one risk area could open up another – it's vital to be aware of the full picture! ”

Any changes to operations such as expanding warehouse space, upgrading units or purchasing more equipment to handle periods of high demand must be discussed with your insurer. Generally, a risk not known to and considered by the insurer, may fall outside of cover. Keeping an open dialogue is vital not only to ensure full coverage of operations, but also to draw on the expertise and loss prevention guidance available. At TT Club, we always recommend developing appropriate continuity plans and controls to protect your business and mitigate risk, and we're here to help our Members do that.

Call to action

The TT Club Loss Prevention team strives to identify topics and initiatives that add value to the TT offering and support the wider mission of helping to make the industry safer and more secure.

Delivering tailored content arguably provides the greatest value. Working together to understand individual business and industry needs is vital to ensure that loss prevention activities remain relevant and valuable.

We cannot create this content alone. The running message throughout this publication is that each and every initiative has been driven by Member and broker feedback and on-the-ground input.

We would like to take this opportunity to thank you for your support and engagement over the last twelve months and would greatly encourage you to engage further with the loss prevention team in the coming years. Whether it be suggesting topics for webinars, podcasts or guidance documents or developing strategic relationships to better understand emerging risks, **together we can achieve great things.**

