

# DHL WEBINAR: PROTECTING YOUR GOODS DURING INTERNATIONAL SHIPPING

**STRATEGIES FOR  
MITIGATING YOUR RISKS**

12<sup>th</sup> October 2022



# WELCOME AND INTRODUCTION



## Introducing our experts...



**Vanya Dimitrova**

VP Head of Sales Strategy  
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Global Forwarding



**Dirk Venter**

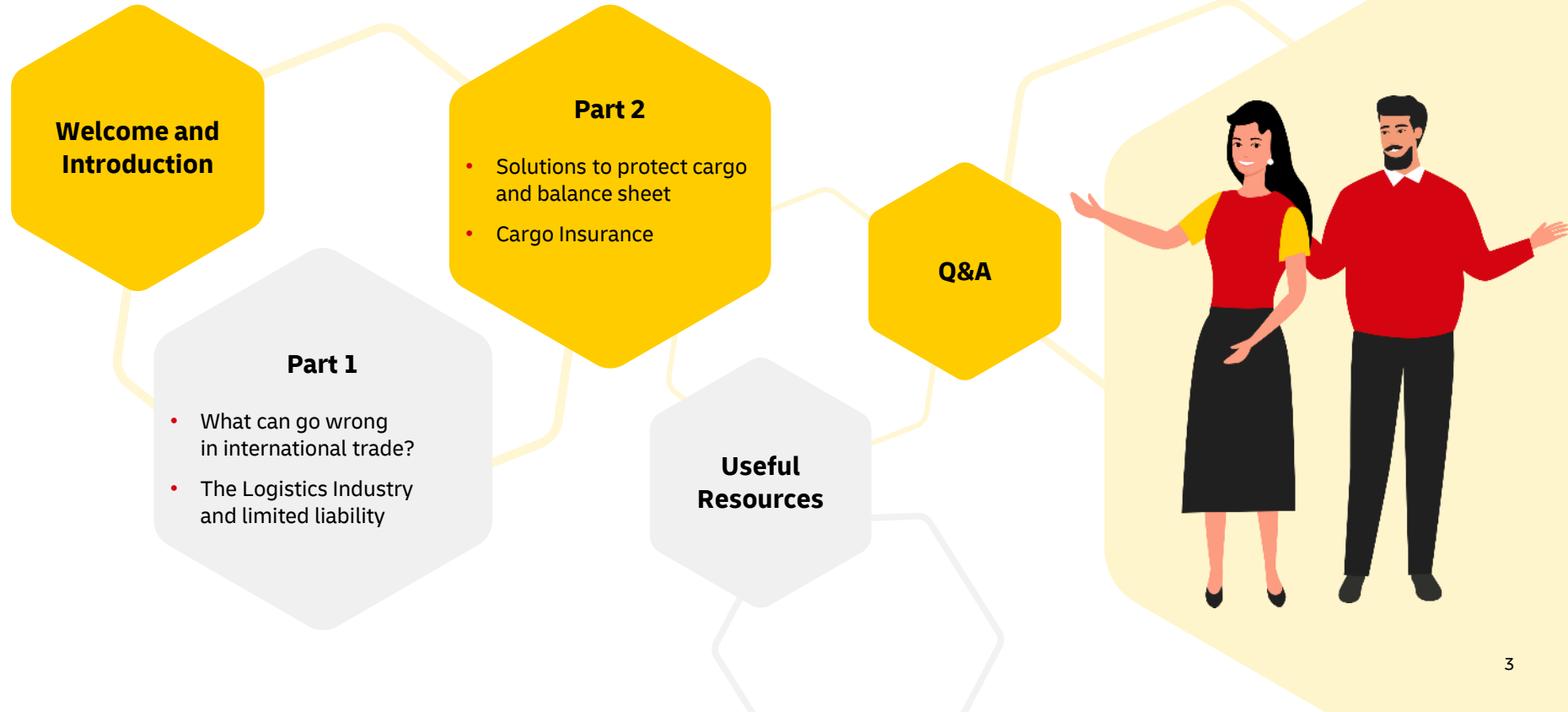
VP Global Life Sciences &  
Healthcare, DHL Global  
Forwarding



**Andrew  
Thoroughgood**

VP Marine  
Programme, GBS,  
Insurance & Risk  
Management, Deutsche  
Post DHL Group

## Agenda

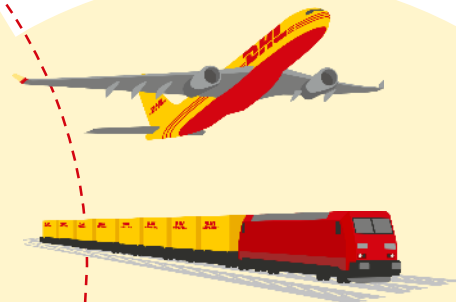


## Welcome and Introduction

For 2019, it is estimated that **insured** cargo losses reached nearly **USD13bn**

As insurance of goods is not mandatory, the true value of global cargo losses will be far greater

In today's webinar we will consider the multitude of perils that a cargo might be exposed to during international trade and look at the possible solutions that can address these very real risks to your assets and your balance sheet



## MOL Comfort video



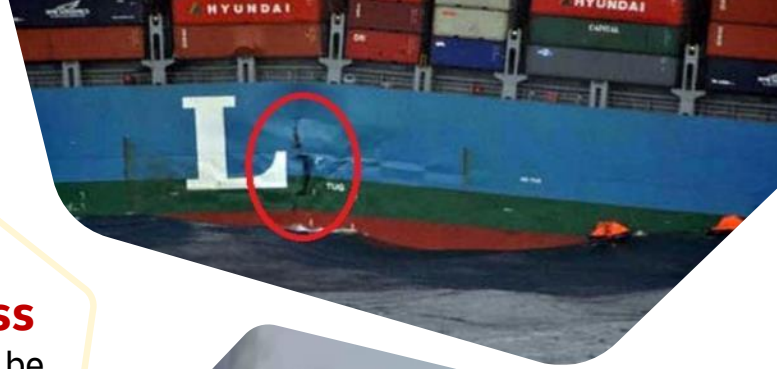
Click here to watch: <https://www.youtube.com/watch?v=EjnjYH7D7i4>

## MOL Comfort

**8,110** TEU  
container vessel,  
built 2008

Due to a crack in the hull,  
MOL Comfort broke in  
half in the Arabian Sea,  
both sections sinking  
with the loss of all  
**4,382**  
**containers**

**Cargo loss**  
estimated to be  
**USD400m**



# PART 1

- WHAT CAN GO WRONG IN INTERNATIONAL TRADE?
- THE LOGISTICS INDUSTRY AND LIMITED LIABILITY





# What Can Go Wrong in International Trade? (1/2)

## Acts of God

### Earthquake



### Hurricane/ Windstorm



### Flood



### Fire following lightning



## Total Loss

### Ocean



- e.g. MOL Comfort case

### Air



- e.g. Lufthansa cargo flight 8640 touched down too hard in Riyadh, Saudi Arabia
- Aircraft broke up on the runway, with a fire destroying the midsection of the airplane

### Road



- Road accidents account for significant levels of freight loss each year
- Cargo theft is a growing threat, occurring at truck stops, roadside parking, and even from truck yards

### Rail



- Rail disasters are relatively infrequent, but with the length of modern freight trains, their impact can be very serious

## What Can Go Wrong in International Trade? (2/2)

### Theft and Damage



#### Theft of whole truck

- Via hijack or while parked

#### Pilferage

- During transit or incidental storage

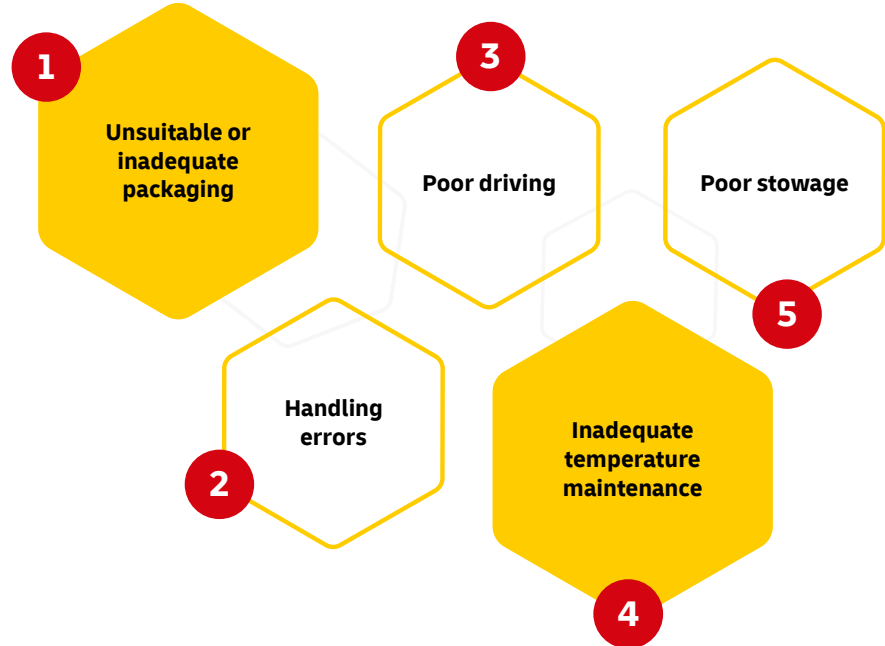


#### Damage

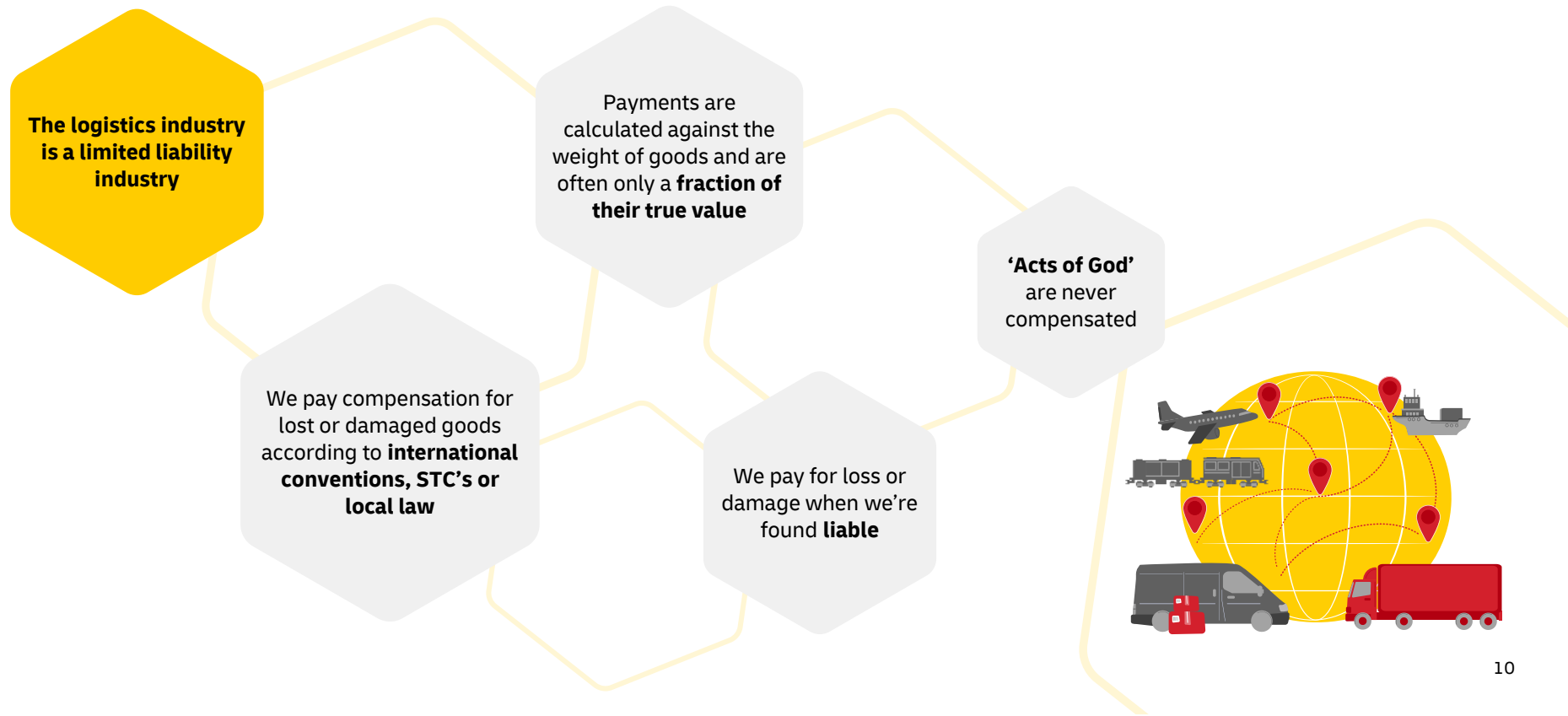
- Environmental exposures
- Contact with other cargo during transit
- Shock to packaging
- Compression
- Truck collision



### Human Error



## The Logistics Industry and Limited Liability



## The Logistics Industry and Limited Liability – A case study

### Case Study

#### MOL Comfort

- A shipper with 3 containers on the MOL Comfort, each carrying **\$400,000** of cargo and weighing 20 tons
- All 3 containers are a total loss (\$1.2m total)
- The carrier is deemed negligent, but how much compensation might the shipper receive?



### How much compensation might the Shipper receive?



Basis for calculation\*



Compensation



Freight costs reimbursed?



### Limited Liability

**2 SDR / kg**

Hague-Visby convention

**\$120,000**



\* Freight liability is calculated in SDR. Approximate value for 1 SDR = \$1.00

## PART 2

- SOLUTIONS TO PROTECT CARGO AND BALANCE SHEET
- CARGO INSURANCE



## Solutions to Protect Cargo and Balance Sheet (1/2)

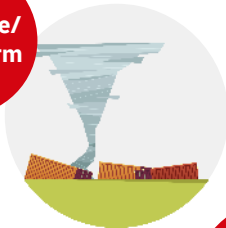
### Acts of God & Total Loss

#### Problem

Earthquake



Hurricane/  
Windstorm



Flood



Fire  
following  
lightning



Total loss  
of vessel,  
aircraft,  
truck or train

#### Solution



Route  
selection

High quality  
warehouses during  
incidental storage,  
including fire  
prevention and  
adequate security

Storm  
tracking

Reputable  
forwarder with  
long term carrier  
relationships

Weather  
route  
planning

Well considered  
stowage &  
packaging

## Solutions to Protect Cargo and Balance Sheet (2/2)

### Theft and Damage & Human Error

#### Problem



#### Solution



## THE LOGISTICS INDUSTRY IS A LIMITED LIABILITY INDUSTRY.....

This Creates a “GAP” between your potential compensation and the full value of the goods

### Without Cargo Insurance

- Compensation according to international conventions
- Calculated against the weight of goods, often a fraction of their value

### With Cargo Insurance

- Cargo Insurance pays the full value of the Goods

0%

Compensation in case of physical loss or damage

100%



## Case Study – MOL Comfort

### MOL Comfort

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#### Limited Liability

**2 SDR / kg**

Hague-Visby convention

**\$120,000**



#### Cargo Insurance

**Full shipment value (CIF)**

**\$1,200,000**

*(plus freight costs)*



\* Freight liability is calculated in SDR. Approximate value for SDR 1 = \$1.00

## What is Cargo Insurance?



Cargo insurance protects the owner of goods from financial loss if their goods are lost or damaged whilst being transported over any distance and by any means

## The Basics of Cargo Insurance (1/4)

Cargo Insurance is not complicated, especially if you stick to these fundamentals:

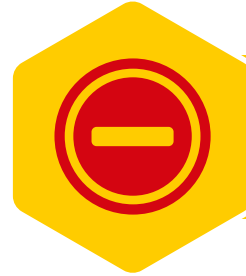


## The Basics of Cargo Insurance (2/4)



### What's covered?

- Whilst a Cargo Insurance policy may appear long and complicated, virtually all the coverage for most shippers is contained within the **INSTITUTE CARGO CLAUSES (A)**
- Cargo insurance essentially covers **'All risks' of loss of or damage to the goods**



**From this all-inclusive statement, certain risks which are deemed uninsurable are then removed from the coverage. The important ones are:**

- Ordinary wear and tear of the goods
- Poor or unsuitable packing or stowage of the goods **by the shipper**
- Loss or damage caused by delay in the delivery of a shipment
- Any loss or damage that arises as a direct result of the nature of the goods being transported, known as inherent vice
- Mechanical, electrical or electronic breakdown of the goods
- Consequential losses or any indirect losses. Cargo insurance is a policy covering the direct loss or damage to goods

## The Basics of Cargo Insurance (3/4)

### LENGTH OF COVERAGE

Cargo Insurance can protect the goods **all the way from start of loading at one warehouse, factory, etc. all the way through to completion of unloading** at another warehouse or factory, **no matter how far apart they are**:



Protection remains in force throughout the **“ordinary course of transit”**. This means that if the shipper intentionally stops the shipment partway through, the coverage also stops

## The Basics of Cargo Insurance (4/4)



Cargo Insurance is an “All Risks” coverage, so the vast majority of claims will be paid



But, if not, it's likely that one of the following has happened:

- There was no ‘fortuity’ (no accident)
- The claimant had no Insurable Interest at the time of the loss
- A policy exclusion applied
- The goods were under-insured
- The customer didn't pay his premium!



# USEFUL RESOURCES



## Useful Resources

### International Shipping Conventions

Mode of Carriage	Conventions	Limits of Liability
Sea	Hague Visby	2 SDR per kilo of gross weight of goods lost or damaged or 666.67 SDR (Special Drawing Rights) per package or unit or whichever is the higher
Sea (USA)	US COGSA	USD 500 per package or shipping unit
Air	Montreal	22 SDR per kilo
Air	Warsaw	22 SDR per Kilo
Road (Europe)	House Airway Bill incorporating CMR	8.33 SDR per kilo
Road	Local Transport Conditions	Dependant on country



## Claim Examples – Damage due to temperature deviation

### The Facts

<b>Type of Loss</b>	Damage due to temperature deviation
<b>Description of Loss</b>	Damage to product caused by incorrect setting of container temperature
<b>Description of Goods</b>	“Glass Fibre Prepreg” rolls 247 boxes in 27 pallets, in 2 reefer containers
<b>Conveyance</b>	Container vessel “OOCL Chongqing”
<b>Voyage</b>	Bremen, Germany to Al Ain, UAE
<b>Shipment Value</b>	USD775,172
<b>Claim Value</b>	USD775,172

### Description of Loss

- This glass fibre prepreg is used in the manufacture of aircraft structures and as such is subject to very strict carriage conditions
- Shipper requirement was for reefer container temperature to be set at **-25°C** as a precautionary measure as actual product requirement is for -18oC. 6 temperature recorders were placed inside the containers
- Instruction provided to the shipping company by the forwarder was for temperature to be set at **+25°C** on both the containers
- As per the temperature records downloaded by the consignee, it was noted that the temperature was maintained throughout the transport above +25oC and hence the shop life of the product was expired
- No visible damage or deterioration was noted to the product but the extended period outside specified temperature range caused the product to have no commercial value as it could not be used for the intended purpose
- Product was destroyed with no possibility of recovery action against the carrier



[Not actual loss photos]

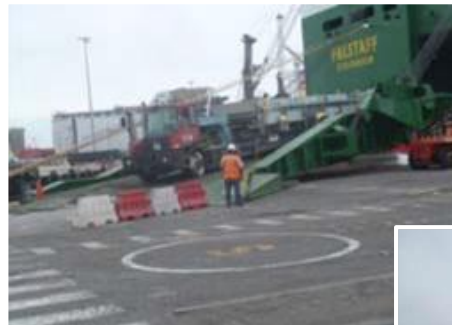
## Claim Examples – Damage during unloading

### The Facts

<b>Type of Loss</b>	Damage during unloading
<b>Description of Loss</b>	Helicopter tail pylon damaged during unloading
<b>Description of Goods</b>	Kaman Super Seasprite SH-2G Helicopter shrink wrapped
<b>Conveyance</b>	RO/RO vessel “Falstaff”
<b>Voyage</b>	Auckland, New Zealand to Callao, Peru
<b>Shipment Value</b>	EUR3,188,860
<b>Claim Value</b>	USD718,036

### Description of Loss

- On 8th January 2016, using a towing bar connected to the rear wheel, the helicopter was towed off the ship by an oversized truck (for towing large trailers), which belonged to APM, the port operator.
- As soon as the truck was off the ramp of the vessel, it immediately turned 90 degrees to the right and then suddenly stopped.
- At 90 degrees the pylon of the helicopter was so close to the rear of the truck that it immediately collided



## Claim Examples – Damage due to poor packing / handling

The Facts		The Shipment	Description of Loss
Type of Loss	Damage due to poor packing / handling		
Description of Loss	Damage caused by poor / insufficient packing, stowage instructions, stowage and handling		
Description of Goods	Monoblock computers 157 cartons & 91 cartons, on airfreight pallets		
Conveyance	Turkish Airlines		
Voyage	Hong Kong to Astana, Kazakhstan, via Istanbul, Turkey		
Shipment Value	USD3,845,488		
Claim Value	USD821,818		

<ul style="list-style-type: none"><li>• Consignments of 248 high-performance, custom-made, monoblock computers intended for Bitcoin mining operations, each with 12 high-value, high-performance graphic boards &amp; each valued at USD15,500</li><li>• Packing units included no handling instructions. Each packing unit held one computer whose housing had been covered with a blue protective film. The computer was placed in an unclosed bag, then fitted with polystyrene moulds on both short sides</li><li>• Shipper was based in an office building with no packing or warehouse facilities</li><li>• <b>Consignment 1 – 157 Cartons:</b> 4 ULD's shipped to transit airport in Istanbul</li><li>• <b>Consignment 2 – 91 Cartons:</b> 3 ULD's shipped to transit airport in Istanbul</li><li>• On arrival of both flights, new ULD's were formed &amp; all 248 cartons, valued USD3,845,488 were shipped on a single flight to Almaty</li></ul>	<ul style="list-style-type: none"><li>• Goods mostly found in original packing &amp; palletised in a KZ warehouse. Surveyor noted that warehouse was not suitable for storage of such goods</li><li>• Cardboard packing torn, deformed, compressed &amp; some traces of dried moisture</li><li>• Photos of pallet stowage in HK highlighted cartons stowed on pallets without prior unitisation. Mix of vertical &amp; horizontal stowage &amp; over-stacking was extensive. Some cardboard packing already compressed &amp; deformed at this time</li><li>• Damage on 53 units included deformed housing, cracks, impact marks &amp; shifting of internal components (graphic boards, motherboards etc.)</li><li>• Computers with visible damage were immediately declared as non-usable &amp; as total losses by the consignee, referencing sensitivity of the units &amp; that components corresponded precisely to one another</li></ul>
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# Q&A



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