

Introduction

Ores and concentrates represent a significant proportion of Australia's export shipments. This is true in both volume and shipment values and can include:

- Iron ore
- Coal
- Bauxite
- Zinc

The characteristics and large volumes of cargo see most shipments undertaken in bulk form – either utilizing a whole ship or at least significant hold volumes.

Risks

Shipments of bulk ores and concentrates have not been without their problems. During the late eighties and early nineties there were significant casualties resulting in loss of life, ships and cargo.

Investigations subsequently identified several issues which centered principally on the vessels being utilized and the nature of the cargo;

- Corrosion and wastage of steel plating used in the hull construction due to age and poor maintenance.
- Damage during the loading process - the advent of very fast loading techniques (a conveyor system can deliver up to 16,000 tons per hour) can lead to undue stress on the hull leading to structural weaknesses.
- Damage during unloading - cargoes are generally unloaded from the holds by huge "grabs" with the assistance of bulldozers and hydraulic hammers within the hold. This increases the risk of undiscovered hull damage especially if corrosion and fatigue is already present.

These problems have largely been overcome by increased inspections and the use of more modern ships. However, Underwriters will still have a keen interest in the age and quality of vessels being used.

Other risk factors will include:

Liquefaction – this is caused by high moisture content and will impact the stability and seaworthiness of the vessel.

Spontaneous Combustion – this is an inherent vice for these types of cargo and increases the risk of fire in certain moisture and atmospheric conditions. Although Inherent Vice is excluded within most



Institute Clauses, it is not unusual for extensions or exclusion buy-back clauses to be negotiated which then extend the policy to include spontaneous combustion.

The implementation of new International codes and standards to limit moisture content will assist the trade to reduce the likelihood of loss.

Shortages - these can occur in certain commodities and in shipments to certain destinations. Knowledge of trade patterns and utilizing a wide range of reliable International marine surveyors will assist in containing any quality and quantity problems during out-turn at the final destination.

Underwriting Considerations

Knowledge of the way in which each client trades is vital to tailoring insurance coverage. Some areas which may need further investigation might be:

- FOB/CFR Shipments
- Sellers Contingency/risk transfer
- Stock-piling
- Duration

The sheer volume of some shipments and the value of commodities will often combine to see the need for underwriters to provide significant limits of liability for individual shipments. In providing for accumulations, it is not unusual to see requests for limits in excess of \$50 million. Vero Marine maintains limits of well in excess of \$50 million to cater for these and other high valued commodities whether inland, import to or export from Australia, including 'external to Australia' shipments.

Contact us if you would like additional information.
The Team at Vero Marine