

Vero Marine Insurance News

Tobacco and spirit alcohol

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When tobacco and alcoholic spirits reach their final production state ready for retail sale, they present some similar cargo and transit risk characteristics although, as raw materials they are quite different.

Tobacco

As the dried leaf of a tobacco plant, the raw material is relatively easy to transport to manufacturing premises.

A principal source of damage to tobacco leaf whilst in transit will be water or moisture. Salt or freshwater can penetrate containers and the bales used to transport the product. In some cases the product may not have received sufficient drying or will absorb moisture from the atmosphere during transit. This may result in the development of mould which, is unlikely to be covered unless the principal cause is an external source e.g. water ingress to the container.

Alcoholic spirit

Like tobacco, alcoholic spirits change in risk profile between the raw or manufacturing state, to the finished product.

Alcoholic spirits are produced during a distillation process using grain or fruit. To be termed a spirit, the alcohol content is generally required to be greater than 20% by volume.

Transportation of the raw or semi-processed commodity will often be in tanks or barrels. If handled correctly, the risk profile is relatively low although, alcoholic spirit is flammable. A typical whisky will have an alcohol volume of about 40% and at this level it will also have a flash point of 26 degrees Celsius – in other words, it will burn at a sustained temperature of 26° or above. The higher the percentage of alcohol (by volume), the more flammable the product becomes.

Finished product

In their principal final state – cigarettes and bottled alcohol - these products will be packaged and ready for retail sale. Accumulated shipment values can be significant and more so when duty or excise amounts are included. It is important to make sure that adequate provision is made for duty/excise in both the sum insured and coverage where these are applicable to the insured transit.

Water damage continues to pose a problem for cigarettes and any packaging. Stacked cartons can lose structural strength and collapse when wet. This may further exacerbate loss and damage.

Breakage of glass bottles can be a major contributor to loss and damage. A small number of broken

bottles at the top of a stacked consignment can lead to major loss caused by:

- ▼ released liquid soaking and weakening stacked cartons and causing collapse and further damage
- ▼ Liquid coating and sticking to sound bottled product making refurbishment and relabeling necessary

In both the above cases the retail presentation will be compromised and it is likely that the pallet stack will become too expensive to refurbish – a total loss. Any claim paid will include a provision for salvage. A suitable Brands and Labels Clause is an important factor in these circumstances.

By far the most concerning exposure presented by these products is theft or violent theft. Cigarettes in particular are relatively light and easily moved. Both products are readily sold in the “black market” or to unscrupulous traders. Differentiating between lawful and unlawful product can be difficult.

Suitable transport security is an important loss control measure.

How do I find out more?

Contact the Vero Marine Team or your Vero Business Development Manager.