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The Navigator

April 2013

Delay and Cargo Insurance

Cargo, it seems, often gets delayed in delivery. New Zealand's markets, with the exception of our largest, Australia, are a long way away.

Shipping companies have now, for some time, reduced the speed of their container vessels, reducing the amount of fuel used and thus their costs. NZ's Meat Industry Association, in their 2012 Annual Report, notes that chilled lamb has approximately 15 days shelf life on arrival in Europe at a normal steaming speed of 24 knots, but 10 days at 18 knots (on the Asia-Europe sector)... and only 6 at a super-slow steaming speed of 14 knots.

So - with large distances and a number of port stops along the way, there's a good chance that there will be delays. Shipping companies don't guarantee a vessel will arrive on a specific date, and for good reason.

Vero Marine can provide some measure of delay cover for refrigerated and other goods, but it's a cover limited to unusual delays, such as an accident to the vessel (e.g. a collision or a grounding) - and which does not include 'running late'.

For more information, talk to your Vero Marine underwriter.

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GST on Imported Personal Goods

Where a New Zealand resident (who is not registered for GST) imports an expensive item from overseas for personal use, such as a motor vehicle from the UK, Japan or USA, we strongly advise that the Sum Insured takes into account any duty and GST.

Using the common example of a motor car - cars are, we understand, free of duty but subject to import GST at 15% - the Sum Insured should be calculated as follows:

- the Agreed Value of the car: for a car still in production, it should be the purchase price, or a similar repurchase price, whichever is higher, for a classic or vintage car, it should be a Sum Insured agreed with the insurer
- freight and insurance costs
- any export or import duties or levies, where applicable
- any costs, such as fumigation, inspections; and necessary alterations (e.g. seatbelts) for import if carried out at origin
- any import tax such as GST

Should the car arrive in NZ, incur GST, but be destroyed on the wharf or in local delivery, if GST is omitted from the Sum Insured calculation, Vero Marine can still only pay the sum insured under the policy. This amount is deemed to be inclusive of GST - thus leaving a considerable shortfall. Freight is often left out of the Sum Insured calculation too. The combination of omitting both freight and GST is disastrous.

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The Size of Container Ships

Globally, the size of container ships has continued to rise unabated. The NZ Shippers' Council reports that vessels greater 10,000 TEU ('twenty-foot equivalent', equating to a 20' container) were only 9% of the world fleet in October 2011, 49% of the container ships then on order were greater than 10,000 TEU.

The current largest container ship is the French shipping company CMA CGM's 'Marco Polo', a UK-flagged, 16,020 TEU containership that went into service in late 2012 between Northern Europe and China, and ports in-between. The fuel and pollution efficiency of these large engines in this and other modern ships such as the Maersk E-class containerships are a considerable technological advance on previous generations. Maersk's new EEE-Class ships are to be 18,000 TEU leviathans. However, there are additional design problems that larger ships face: 'springing', a long period vertical resonant hull vibration due to oscillating wave loads along the hull, and 'whipping', another form of vibration from bow impacts especially on long slender vessels with significant bow flare. Modern ships are often constructed of high tensile steel to reduce their initial construction cost, and to lessen their draft, but such designs make the ships less stiff and thus subject to stress loadings. Both springing and whipping in extreme or prolonged seas result in fatigue cracking.

These very large container ships are confined to the main East-West trades, and present an accumulation issue for marine reinsurers who provide treaty insurance to Australian & NZ cargo insurers.



OLGA MAERSK 3028 TEU

New Zealand faces its own issues with container vessel size. The NZ Shippers' Council says it's an economic necessity that we get larger vessels to service NZ and carry away our all-important food exports. 'Large' in our context means vessels of between 5,000 and 7,000 TEU. Whilst we currently have an increased frequency and larger capacity for export cargo uplift from NZ, the size of container ships visiting NZ has fallen. In mid-2011 Maersk changed from one 4,100 TEU vessel per week to two 2,900 TEU ships.

Unless NZ develops a South Island and North Island port to take 7,000-10,000 TEU larger vessels, we are in danger of becoming profiled as a 'boutique' route. We may have to eventually hub through Australian ports - with all the additional inherent risks of delay through routing and strikes. In addition, a 6,500 TEU vessel gives over a 30% reduction in CO2 emissions compared to a 2,600 TEU ship. All these factors augur expense

and an additional burden on top of the high NZ dollar. Widening our ports' channels and upgrading infrastructure are expensive, and the application processes through the Resource Management Act have been slow. Tauranga lead Auckland by a considerable way, the latter's ownership making decision-making highly political. Lyttelton's progress was delayed by the earthquakes, whilst Port Otago has struggled for over five years to get through the RMA appeals process for disposal of dredging spoil.

It's not as simple as it appears: just dredging to allow larger ships. Our ports need to be more efficient to turn larger vessels around in the same amount of time. Changes to the Commerce Act (making it harder for collusion amongst competitors) mean that conference agreements between rival shipping companies to provide a regular co-ordinated schedule of larger vessels becomes more difficult.

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Language of the British Merchant Seaman

Another sea-faring expression from the book 'All Hands and the Cook' by Captain Barry Thompson:

A Bone in her teeth

A ship's bow wave, but the term is usually only used when conveying that a ship is steaming particularly fast – at a rate of knots – as was the case with some of the large transatlantic liners.

'All Hands and the Cook - The Customs and Language of the British Merchant Seaman 1875-1975' by Captain Barry Thompson is available for purchase by contacting shipmaster@ihug.co.nz.

Ecert/PG Upgrade - VM Online Systems

Vero Marine launched its two online systems in 2004, a project to upgrade both the Electronic Certificate Generator and the Premium Generator is nearing conclusion.

The Electronic Certificate Generator, commonly known as E-Cert, is a web-based system primarily designed for small to medium sized enterprise exporters to allow them to produce their own insurance certificates. E-Cert is a popular system with close to 200 Vero Marine clients currently active; it is quickly closing in on producing certificate number 50,000 since its inception.

Premium Generator for Single Transit cargo products launched in September 2004 with the Annual cargo product added the following year and has completed over 40,000 transactions. Premium Generator is a web-based application that allows intermediaries to quote and instantly bind marine cover online.

Our upgrade project has been focussed on creating a fresh new look and feel to the websites including some simplification of processes and improved integration with Vero Marine's internal database. Both the new systems will also be added to the Vero Online suite of applications. Users not currently using Vero Online will access the systems directly via a URL on the Vero Marine website.

The launch date for the new systems is scheduled for May. Details in relation to the change to the new systems will be communicated directly closer to the date. If you have any questions on either online system or the upgrades please feel free to contact your Vero Marine Underwriter. [\[Top\]](#)

Personnel Changes

Vero Marine is the only New Zealand marine insurer to have underwriting teams based in Auckland, Wellington and Christchurch. We also have our own dedicated marine claims team in our Auckland office who are on hand to guide you through the claims process. In the past few months we've seen several staff changes. From our sales support team in Auckland, we've said goodbye to Eddy Dahama, Ian Phang and David Roper and in their place welcomed Daiana Ermel, Philip Ronaldson and Alice Mahony who will ensure we maintain our high levels of customer service. In Wellington, Karla Brighton left for Sydney and in her place we've welcomed Ashleigh Hunt to the Underwriting team.

Congratulations go to the following staff for their internal promotions – Natalie Donovan and Andy Wrenn who are now Marine Underwriters in the Auckland office and Flora Chen who is now a Senior Claims Consultant.

In October 2012, Vero Marine said *au revoir* to Auckland underwriter Andy Timms. Andy moved to Tauranga to take up the position of Sales Manager Central region for Vero. We hope he will be back at some stage but his track record for returning following secondment doesn't fill us with great confidence!

Also in Auckland, we have welcomed back Cameron Ross who has returned to the Vero Marine Underwriting team after spending the last five years at Royal Sun Alliance in the London office. We have also welcomed aboard Sabrina Mandrawata as Accounts Receivable & Administration Officer. Sabrina is solely responsible for processing of bordereaux and allocation of payments. Sabrina joins us from Vero General so may be familiar to some.

(Please [click here](#) to view the latest Vero Marine structure chart with full contact details for all staff) [\[Top\]](#)

Lindsay Ross to Retire

Lindsay Ross joined Vero Marine in 2000 as Wellington Branch Manager, following various senior roles in marine insurance. In total he has had almost 40 years experience in the insurance industry, with more than 20 years specifically in marine.

He will be retiring at the beginning of May, but we're not going to say goodbye just yet, as Lindsay will stay on in Wellington working for Vero Marine on reduced hours.

We are very pleased to be able to make the most of his many years of experience for a while longer! [\[Top\]](#)

