In This Issue

vero marine

The Navigator

October 2013

Personnel Changes

There have been a few personnel movements within Vero Marine over the last 6 months or so. The one causing the biggest ripple effect has been the departure of Paul Simpson who has taken up a new role with our sister company in Perth. Paul's departure has resulted in a shuffling of the pack, of sorts, with Andy Wrenn taking up Paul's vacant role as Marine Underwriter in Christchurch, alongside Mark Beale and Puay Lan Kueh.

In Auckland Natalie Donovan has also been promoted within the Underwriting team and, after a successful tenure with the Sales Support team, Daiana Ermel has been promoted to Underwriting & Sales support as an assistant to the Auckland underwriters. Lauren Hosker joined the Sales Support team in April and another new team member is soon to join following Daiana's promotion.

Our dedicated claims team has also grown, with the vast experience of Alex Leith and Stuart Weir joining to accommodate the Pleasure Craft claims.

(Please click here to view the latest Vero Marine structure chart with full contact details for all staff).

[Top]

The World's Ageing Container Fleet

Container manufacturers (principally in China and south-east Asia) are having a tough time in the current world economy. During bad times, shipping lines are reluctant to invest in new boxes. The lifespan of old boxes is being stretched.

Up to 20 per cent of the existing 30 million container boxes across the globe are older than 20 years - even though the average life span of containers is 15 years. The container business has experienced a prolonged trough from the peak in 2007, compared with the normal boom-bust cycles that last five years.

The age of a container has an obvious effect on its ability to protect its cargo, not only from the elements but also by its structural integrity. It is not only shunts, movements and heavy seas that degrade shipping containers. One of the main ageing forces is the sheer weight of loaded cargo within and around a cargo container.

The International Maritime Organisation's Sub-Committee on Dangerous Goods, Solid Cargoes and Containers is currently considering changes to international conventions which will require shippers to declare the correct weight of their laden cargo container. Weights are often understated as freight costs are calculated partially on weight, and land transport authorities will only allow certain maximum axle-weights on roads and bridges. However, not only does the integrity of a container suffer from the weights of containers stacked above, but understated laden container weights can injure those working handling equipment, and compromise the carrying ship itself.

One of the reasons put forward for the mysterious break-up in June 2013 of the 2008-built MOL Comfort, an 8,000 TEU containership, was stresses brought about by an incorrect load-plan due in part to understated container weights. The ship literally snapped into two pieces, both halves which subsequently sank with the loss of all containers on board.

[Top]

MOL Comfort stern sinks.
http://gcaptain.com/comfort-images/

Problems on Italian Roads

Italian road hauliers are finding life difficult: hijackings by organised crime are rife and business is consistently outsourced to Eastern Europe, where there are considerable cost benefits. One quarter of the Italian freight market is now served by Eastern Europeans. Industry figures published by the Italian hauliers association Trasportounito show that 32,000 trucks travel on the country's roads without any liability insurance.

27% of the trucks on the roads do not meet the standards as laid down in the traffic regulations, and 14% of drivers work without observing the required breaks. What is more, 7% of all units do not meet deadlines for their technical inspection, whilst 5% exceed the permissible total weight. The result is that on average two vehicles a day have an accident or overturn.

European Truck
http://www.flickr.com/photos/patrick_castelli/5896430074

[Top]

Canal Talk

Most people will have heard of the Suez and Panama Canals. Both have featured in the news recently:

The Suez Canal is situated in the politically volatile Middle East. With instability in Egypt, there have been recent attacks on ships transiting the canal. Egypt takes some USD 5 billion a year from shipping, so the military have a vested interest in keeping it open. Nevertheless the canal is 193 kilometres long, and is for the most part only 200 metres wide. Should a ship sink, or a political faction cause a blockade, ships will have to sail around the coast of Africa, adding extra weeks to the transit time. Our trade of chilled meat to Europe would be severely compromised. It's estimated that an additional 35 VLCC oil tankers would be necessary to maintain oil supplies in the forthcoming northern hemisphere winter.

Panama Canal Locks
prweb.com

The Panama Canal is approaching its centenary – it opened for commercial traffic in August 1914, more or less at the outbreak of hostilities in Europe. The canal is undergoing an ambitious upgrade, its larger locks allowing for a doubling of traffic and much larger 13,500 TEU and eventually 15,000 TEU vessels. The deepening of the Atlantic and Pacific access channels has been completed, with the dredging of Gatun Lake to be completed this year. The new lock gates are rolling gates, rather than the existing miter gates, which allow them to be serviced when recessed. The entire project is likely to be completed in late 2014, or early 2015.

What does this mean for NZ shipping routes? Currently, the largest containerships that call into New Zealand ports are below 5,000 TEU. Our problem – and that of many of our destination ports, particularly on the east coast of the USA - is that our channels and terminal berths are currently not deep enough for the new breed of larger container ships. Despite the considerable increase in the size of ships that can now cross from the Pacific to the Atlantic, there will not be an immediate impact on Panama's market share relative to its main rivals, the Suez and the US west coast land bridge. However, larger ships on long routes mean significant cost savings for ocean carriers, so we're likely to see a new system of hub-and-spoke distribution, possibly from deepwater Caribbean ports.

China, an emerging superpower, is also looking to exert its influence and control the world's transport arteries. A 2,000 km road corridor, costing some USD 18 billion is being planned, from West China to the port of Gwadar in Pakistan, on the Arabian Sea, with a rail link to follow. Beijing's aim is to cut the time for its oil imports from African and Middle Eastern energy terminals, gain a trade hub for exports, and bypass the Malacca Strait, a bottleneck that the US Navy could block in time of crisis. China also has a plan to build an alternative to the Panama Canal itself, across Nicaragua. Although three times the length of the Panama Canal, this new waterway would be less susceptible to US influence.

[Top]

Pleasure Craft Changes

We have listened to your feedback

- Andrew Aitken, EGM Commercial and Distribution, Vero NZ

For some time Vero has had two Pleasure-craft Insurance product offerings. One has been available through Vero Marine, the other through Vero Personal Insurance and the Vero Regional distribution and claims network. Your feedback was that it would be simpler to have one offering in the market.

We thought so too, so we're making this change.

Going forward, you, our broker partners should continue to work with your current contacts for pleasure craft insurance. Your branch contacts are still your first stop if you have any questions about this product. What will be different is that the two products and pricing systems will come together as one, lead by Vero Marine.

The other change is that the Vero pleasure craft claims experts, Stuart Weir and Alex Leith have moved into the Vero Marine Claims team in Auckland. We've already seen the benefits of their knowledge of small boats - and some not so small!

We're currently integrating our internal procedures to ensure a seamless transition and with summer just around the corner, we think this is a timely change.

[Top]

Incoterms 2010® - Transfer of Risk

Vero Marine Claims have noticed that there's more confusion than usual creeping in when issues of Incoterms, marine insurance and risk transfer are raised.

International trade is much easier when everyone has the same understanding of the trading terms and responsibilities they're entering into. Incoterms are specific rules providing standard interpretation and application of trading terms and defining the obligations and rights of both sellers and buyers. They are published by the International Chamber of Commerce and can be voluntarily integrated into domestic and international sales contracts for commercial goods. Published every ten years, the latest version (2010) takes specific account of the continued spread of customs-free zones, increased electronic communications, heightened security, and changes such as evolving practices in charging freight terminal handling costs.

Incoterms deal with specific aspects within sales contract. They say nothing about, for example, the price to be paid, the method of payment, the transfer of ownership of goods (i.e. title), or the consequence of a breach of contract. They are important for marine insurance, particularly in terms of the passing of risk (and insurable interest) from buyer to seller.

The allocation of risk is often an area of confusion in marine insurance. As the Incoterms describe the delivery process, associated costs, and the minimum transit insurance required, they also stipulate when risk in the goods ('Risk') transfers. This is the point where any costs associated with loss of the goods transfers from seller to buyer. Vitally, it's the point at which the seller's insurance ends, or is assigned by sale to the buyer.

It's crucial to understand that in this sense Risk is a separate concept to Ownership or Title. A buyer can have the Risk i.e. bear the cost of the loss of the goods in a marine incident but, because of other contractual terms, might not yet have paid for the goods, nor have acquired Ownership. Payment terms might, for example, be 30 days after loading of the goods at the port of export, and the contract of sale stipulates that the buyer only acquires title when the sales price has been completely paid to the seller. However, under the FOB Incoterm, the seller delivers the goods on board the ship at his port of export, and from that point Risk of loss of or damage to the cargo passes to the buyer. This is where marine insurance works its magic. If the contract of sale stipulates that the seller purchases insurance for both parties, (for example, CIF) the goods are covered for the entire transit for marine risks. Should the vessel be involved in a collision and sink after leaving the port on such a sale Risk now lies with the buyer, having transferred on the loading of the goods on board the vessel. The buyer is still obligated to pay for the goods under the contract of sale, even although title and ownership remain with the seller - but the financial loss is covered by insurance.

Please click here to access a table showing the point of Risk Transfer for the common Incoterms that you can print and keep as a reference guide.

[Top]

Language of the British Merchant Seaman

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

Whistling up the Wind

Whistling at sea was frowned upon and if caught whistling a seaman would often be severely rebuked by an officer. There was a superstition that whistling brought about freshening winds which, except occasionally in extreme heat, was usually unpopular in steam ships.