



# MediaTameen Tamkeen Program

**Marine Insurance Training Course**

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**KEEP  
FOCUSED  
AND  
TURN OFF  
YOUR PHONE**



# Before We Start

*Let us Discuss Few Things*



# Before We Start: -

- *This is an Interactive Program;*
- *It is a Three Levels program;*
- *It is one hundred hours in total;*
- *At the end of each level there will be an exam;*
- *We need to ensure that you are gaining knowledge in every moment you are investing in this program.*



***Let Us Go ...***



# **Cold Storage & Temperature Regulated Cargos**

**(Loss Prevention and Underwriting Aspects)**



# Prologue: -

- **Container is a reusable steel box that has standard dimensions.**
- **Number of Container Handled in 2016 was almost 700 Million TEU.**
- **Cargos can be shipped in Full Container Load and Less Container Load;**
- **Containers have various types and sizes, the most common ones in the regions are those 20", 40" and Reefer Container.**



# Prologue: -

- **Containers were invented in 1956 by Malcom Mclean;**
- **The main purpose was to unify the shape of the wooden crates to decrease the stevedoring effort and save time and space;**
- **Containers have many advantages and some disadvantages, but advantages are much more;**
- **About 85% of the world trade is shipped in containers.**





# Prologue: -

- **When sailing through our syllabus we will get more information about containers and we will discuss containerisation in deep detail;**
- **For now we will discuss Reefer Containers.**



# *Reefer Containers ...*





# Reefer Containers: -

- A refrigerated container is a shipping container used in intermodal freight transport that is refrigerated for the transportation of temperature sensitive cargo.
- Reefer containers usually have their own refrigeration unit, with an air or water cooled heat exchanger. They have their own data logger to record temperature.



# Reefer Containers: -

- In general, refrigerated commodities may be divided into two distinct categories;
  - a) Chilled
  - b) Frozen
- Many chilled cargoes (e.g. fruit) are regarded as a "Live" cargo since they continue to respire post harvest and as such are subject to dryness and wilting – فافج و لوبڏ



## Reefer Containers: -

- This is not the case with commodities such as chilled meat or cheese.
- Fruits are refrigerated to prolong its shelf life.

***Shelf Life Means: The time from harvest until the product loses its commercial value.***

- The minimum fruit carriage temperature is usually no lower than -1.1C.
- Frozen Cargos such as meat are carried at the temperature of -18C or below.



## Reefer Containers: -

- Both categories of goods are highly perishable and require care in handling to ensure arrival in optimum condition.
- Reefer containers are built to *maintain temperatures*, not to lower them, and these cargoes should therefore be pre-cooled to the optimal carrying temperature.



# Reefer Containers: -

- As cargoes should therefore be pre-cooled to the optimal carrying temperature.
- That means the cooling process will usually take place at the manufacturer or farm and will continue during the inland transit leg of the voyage and any storage either within the ordinary course of the voyage or outside such scope will take place at a **COLD STORAGE FACILITY...**





# ***Cold Storage Facilities ...***

## **Loss Prevention Aspects**



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# **Cold Storage Facilities: -**

- **The continuing popularity of certain coverages, such stock throughput policies, and because of the continuous changes in the marine environment, has given rise to queries about certain exposures beyond the traditional cargo lines.**
- **The demand for food products drives the need to build logistical centers and warehouses for refrigerated or frozen food products, necessary for distribution to various points of consumption.**



# Cold Storage Facilities: -

- The use of cold storage warehouses is not limited to food products, as they are also used in the pharmaceutical, petrochemical and *high-tech electronic industries*.



# **Cold Storage Facilities: -**

## **The Building:**

- **The cold storage facilities are built to keep the cold air inside to preserve perishable products under controlled conditions**
- **A cold storage unit incorporates a refrigeration system to maintain the desired room environmental conditions**



# Cold Storage Facilities: -

## The Classification:

The classification of the cold storage facility depends on the storage conditions and period:

- **Short term or temporary (7-10 days);**
- **Long term (6-8 months);**
- **Frozen storage (years).**



# **Cold Storage Facilities: -**

## **Types of Cold Storage Facilities:**

- **There are various types of cold storage facilities and the use of any of them depends on various factors such as the type of cargo being stored and the desired storage period.**



# Cold Storage Facilities: -

## Specific Considerations:

- ✓ *Effect of relative humidity;*
- ✓ *Effect of air movement;*
- ✓ *Controlling ventilation systems, if necessary;*
- ✓ *Product entering temperature;*
- ✓ *Expected duration of storage;*
- ✓ *Required product outdoor temperature;*
- ✓ *Transportation in and out storage area.*







# *Cold Storage Facilities ...*

## **Underwriting Aspects**



# Another Prologue: -

- **The assessment of perishable goods risk / temperature regulated risk is a very critical issue for various reasons some of these reasons are:**
  - a. Usual high concentration of Values in side the reefer container / storage facility;**
  - b. The difficulty in establishing responsibility and that will affect the subrogation rights and make the recovery possibilities rather slim;**
  - c. In most cases the residual value is NIL and that means there is no salvage.**



# Another Prologue: -

- **What has been mentioned above is just few reasons that triggers red alerts but other factors are still there.**
- **To underwrite such types of goods we have to take various conditions in consideration.**



# **Underwriting Considerations: -**

- **It is always recommended to follow the risk clusters approach established by Walter Melret and mentioned in “PEN The ART of Marine Underwriting” (this will be covered in a later stage in this program) to ensure that all risk aspects are brought in consideration, however for now we have to assess the storage conditions whether in case of STP or not.**



# **Underwriting Considerations: -**

## **Assessing Storage Conditions:**

- **Typically the insured must provide the underwriter with fresh survey report for the storage facility or the underwriter should be aware of the storage facility conditions through various sources;**
- **In short the underwriter should be aware of the COPE;**



# **Underwriting Considerations: -**

## **Assessing Storage Conditions:**

**To have complete picture about COPE we should have answers for the following questions:**

- 1. Is the housekeeping good or bad?**
- 2. What is the construction material of the cold storage facility?**
- 3. Is the cooling system in good condition?**



# **Underwriting Considerations: -**

- 4. Are 'combustibles' stored against, or close to, the building?**
- 5. What processes are undertaken?**
- 6. What activities are undertaken in neighboring businesses?**
- 7. Is there the minimum '40 foot fire jump' separation from other buildings?**
- 8. How near is a retained fire station?**





# **Underwriting Considerations: -**

**9. What is the character of the area in which the building is situated?**

- When having answers for these legitimate questions beside having complete vision about the marine voyage, we will be able to access the risk properly.**



# ***Institute Clauses in Place ...***



# Clauses: -

- **There are specialised trade clauses that are tailored exactly for frozen and temperature regulated cargoes.**
- **These clauses were introduced for the first time at 1/1/1986 – Group 263 – 265 and group 322 - 334;**
- **The clauses were revisited, rephrased and redesigned on 1/3/2017;**



# Clauses: -

- **In the new set of clauses the chilled word was introduced to give clear idea that chilled goods can also be incorporated under the covers provided by these clauses.**



# **Clauses: -**

## **The 2017 set of Clauses:**

- i. CL 422 Institute Frozen/Chilled Extension Clauses;**
- ii. CL 423 Institute Frozen/Chilled Clauses (A) – 24 Hours Breakdown;**
- iii. CL 424 Institute Strikes Clauses (Frozen/Chilled Food);**
- iv. CL 425 Institute Frozen/Chilled Meat Clauses (A);**
- v. CL 426 Institute Frozen Meat Clauses A – 24 Hours Breakdown;**



# Clauses: -

- vi. CL 427 Institute Frozen Meat Clauses (C) and 24 Hours Breakdown;**
- vii. CL 428 Institute Strikes Clauses (Frozen/Chilled Meat);**
- viii. CL 429 Institute Frozen/Chilled Meat Extension Clauses;**
- ix. CL 430 Institute Frozen/Chilled Food Clauses (A);**
- x. CL 431 Institute Frozen/Chilled Clauses (C).**



# **Common Mistakes: -**

**Light will be shed on these clauses in later stages of this program but for now we will only mention 4 common mistakes underwriters usually commit when underwriting frozen or temperature regulated goods.**



# Common Mistakes: -

## Mistake Number One:

- Underwriters are not usually aware of the presence of Trade Clauses and will underwrite these specialised type of cargo under the typical A Clause (252 or 382) and this clause is considered rather wide and will allow certain nasty claims to be accommodated such loss or damage to cargoes arising from the wrong setting of temperature and damage to cargoes arising from the variation in temperature for no specific reasons.





# Common Mistakes: -

## Mistake Number Two:

- Under the general exclusions clause (Clause 4) in either Clause number 263, 423, 430 and 431; it is mentioned clearly *“any loss damage or expense otherwise recoverable hereunder unless prompt notice thereof is given to the Insurers and, in any event, not later than **30** days after the termination of this insurance.”*



# Common Mistakes: -

## Mistake Number Two:

- This exclusion is inserted for various technical reasons such as keeping the IBNR and the IBNER low and giving high potential for the recover possibilities.
- Based on this exclusion, it is not recommended by all means to give the claim notification period to be more than 30 days, because by doing so we are jeopardising the claim with the Reinsurers (either facultative or treaty).



# Common Mistakes: -

## Mistake Number Three:

- Under the duration clause (Frozen Meat set of Clauses either for year 1986 or year 2017, it is mentioned 3 alternatives for the attachment of the risk, these alternatives are:
  - ***8.1.1: the subject-matter insured passes into the cooling and/or freezing chambers of the works at the place named in the contract of insurance);***



# Common Mistakes: -


## Mistake Number Three:

- ***8.1.2: the subject-matter insured is loaded into the conveyance at the freezing/cooling works or at the cold store (at the place named in the contract of insurance) for the commencement of transit;***
- ***8.1.2: of loading of the subject-matter insured into the oversea vessel or aircraft.***



# Common Mistakes: -

## Mistake Number Three:

- 8.1.1 is the widest form of cover, 8.1.2 is rather conservative and 8.1.3 is the most conservative cover.
- Beside the 3 alternatives there is 
- Beside this bracket the words DELETE SECTIONS NOT APPLICABLE is mentioned and that means we have to choose only one of these alternatives and delete the others;



# Common Mistakes: -

## Mistake Number Three:

- The underwriters usually will not mention what are the deleted alternatives and what is the stipulated one and according to the contra preferentem rule *(which states that any clause considered to be ambiguous should be interpreted against the interests of the party that requested that the clause is included / its draftsman);*



# Common Mistakes: -

## Mistake Number Three:

- The interpretation of the cover at the time of claim will be 8.1.1 has been stipulated (which is the widest cover) and in most of the cases underwriters had had no intention } to bring such wideness to the cover.



# Common Mistakes: -

## Mistake Number Four:

- Again; Under the duration clause (Frozen Meat set of Clauses either for year 1986 or year 2017, There are 2 alternatives for insurance to be terminated, they are on the expiry of:

- i. 30 days from that discharge from the overseas vessel for sendings to the USA, Canada, the continent of Europe, including the UK and Eire; or*
- ii. 5 days for any other destination.*





# Common Mistakes: -

## Mistake Number Four:

- Nevertheless the presence of this time limitation, underwriters are allowing termination of cover after 60 days and some times after 90 days, which is giving undesired extension and the problem is that such extension has been granted without being aware of.





***Thank you for your  
time ...***