

NEWS LETTER
ISSUE No — 13



September 2016

WORLD WIDE CLAIMS SERVICES

Dear Readers,

It is encouraging to note that our Readers list has been growing steadily. Favorable comments from our regular readers have prompted many others to contact us with requests to be included in the mailing list. It is the variety of incidents and claims reported that makes our News letter very interesting. We would like to point out that all these are incidents and claims handled by WWCS. These will give the Readers an insight into the diverse claims that WWCS is involved in.

HANJIN SHIPPING

We had advised our clients vide our circular of 6 Sept. 2016 about the bankruptcy of Hanjin Shipping Co. The cargo interests are facing a massive problem with their cargoes held up on Hanjin vessels which are denied access to many ports. The situation has slightly improved with Singapore and some US ports having decided to allow vessels to discharge their cargoes. It is also reported that the company will receive fresh funds of almost USD 100 million. However it is too early to imply any positive outcome to the whole issue. Those cargo interests whose cargoes are still undelivered are advised to follow up with the shipping Line for updates on the whereabouts of their cargoes and also hold them responsible for all consequences of the delay in delivery.

UAE UPDATES

The Value Added Tax (VAT) will be introduced in UAE with effect from January 2018. It is expected that the standard rate of VAT will be 5 %. Some sectors such as basic food, education, health care etc. may be exempt from tax or zero rated while luxury items such as electronics, jewellery, entertainment etc. will be subject to VAT. The introduction of VAT will help to diversify income sources in the current scenario of reduced oil revenues.

Dubai Maritime Cluster - In the Issue No. 7 of our News Letter, we had referred to the role of Maritime Clusters in strengthening the UAE Maritime Industry. It is now reported that the Dubai Maritime City Authority (DMCA) has launched the Dubai Maritime Cluster office with the aim of developing the Emirate into a leading global Maritime hub.



“A bad attitude is like a flat tyre. You can’t go anywhere until you change it”



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CARGO DAMAGES - PRE- SHIPMENT CONDITION

A NVOCC was at the receiving end of a claim for damages to 6 Nos. Pressure Vessels shipped from Mumbai to Abu Dhabi under a Bill of lading issued by them. **WWCS** was instructed by the Liability Insurers of the NVOCC to investigate the damages alleged by the consignee. We appointed surveyors to carry out a joint survey at Abu Dhabi. They concluded that the damages had resulted from the Pressure vessels slipping off their bases. They also noted that the packing was inadequate given the slenderness of the foundation legs and their vulnerability to impact damage.

Simultaneously, we investigated the pre-shipment history of the cargo at the load port. The shipper insisted that the Pressure Vessels were handed over to the Carrier in good condition for shipment. However, in the course of our investigations, we managed to obtain copies of some correspondence between the shipper and their Forwarding company. There was an email from the Forwarding company to the shipper pointing out that the saddles of the Pressure Vessels were not upto the standard and the lashing hooks attached to the saddles were not nailed properly. Besides, prior to loading at Nhava Sheva port, the saddles of 2 Nos. Pressure Vessels slipped as lashing had become loose at one end. As a result, the Pressure Vessels got tilted resulting in damages.



The shipper had engaged their own contractors to prepare the cargoes for shipment and it was obvious that they did not do a proper job. Though the Forwarder had pointed out these defects, the shipper instructed them to ship out the cargoes in the same condition.



“Beautiful things are not always good; but good things are always beautiful”



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Interestingly, a pre shipment survey which was carried out did not indicate any discrepancies.

The cargo Underwriters settled the cargo owner's claim for the damages and initiated recovery action against the NVOCC. Based on our report, the Insurers of the NVOCC rejected liability relying on the evidences of pre shipment damage. It was obvious that the Cargo Underwriters were not aware of the pre shipment condition and had settled their Insured's claim without carrying out adequate investigations. As a consequence, they could not succeed in pursuing a recovery action against the NVOCC.

This incident highlights the benefits of having good Liability Insurers and expert Claims Correspondents. The NVOCC's Insurers in this instance responded proactively and with the help of WWCS unearthed evidences to prove the pre shipment damages, thereby averting a substantial claim against their Insured.

The incident also makes a valid point about pre shipment survey reports which have increasingly become stereotyped and usually prepared without proper inspection of the cargoes.



“Memories take us back. Dreams take us forward”



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PROMPT NOTICE – INSURED’S OBLIGATION

A Logistics company in Jebel Ali notified their Liability Insurer about a court case against them for a claim of Euro 2 million. This was the first intimation received by the Insurer about this substantial claim. **WWCS, as their Regional Correspondent** was instructed to investigate and report on the matter.

Our investigations revealed that the Claimant was the owner of a consignment of machinery parts which they had imported two years ago from Germany to Jebel Ali in 30 containers. They requested their Clearing Agent to store the cargo temporarily on their behalf. The Clearing Agent approached the Logistic company and contracted with them to store this cargo in their premises. Accordingly, the cargo was de stuffed from the 30 containers and stored in the open yard. The storage period was kept on extending at the request of the Clearing Agent. The storage dues were paid every month as agreed.

After about 10 months of storage, the Logistics company declined to extend the storage period and insisted that the cargo be removed from their premises. At this stage, the cargo owner visited the site to inspect the cargo. They claimed that the cargo was badly rusted and damaged as it was stored in the open yard for several months. They also arranged a survey of the condition of the cargo. Following a meeting of all the parties concerned, the pending storage dues were paid and the cargo was cleared after 11 months of storage. Subsequently, a lawyer representing the cargo owner sent a legal notice to the Logistics company claiming Euro 2 million towards damages to the cargo. More than a year later, a suit was also filed against Logistics company and the Clearing Agent.

Based on our report, the Insurer concluded that their Policy is not triggered due to obvious breach of Policy conditions by the Insured. The Insured had failed to notify them promptly about the potential claim though they had knowledge of it when the cargo owner alleged damages and carried out survey. Even when legal notice was received, they did not notify the Insurer. It was only when the suit was filed against them that they informed the Insurers and requested for assistance. In the interim period, the Policy was renewed twice and even during the renewal time they did not alert the Insurers about this matter despite being requested for information about potential claims. Moreover, the Policy covered storage within the warehouse whereas the cargo was stored in the open yard. Accordingly, the Insurers declined to entertain the claim. Consequently, the Logistics company was forced to make their own arrangements to deal with the claim.

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The Insured has an obligation to promptly notify potential claims to their Insurers. Such prompt notification helps the Insurers to take adequate steps to protect the interest of their Insured.

The insured should have known that the condition of the cargo would deteriorate while lying in the open yard, uncovered and exposed to the elements. They should have obtained a waiver from the contracted party in respect of such damages to the cargo. If they had consulted their Insurers, they would have assisted in drafting the storage contract suitably.

UNWIND.....

ABILENE PARADOX -

The Abilene Paradox occurs when a group of people collectively decide on a course of action that is contrary to the preferences of most of the individuals in the group.

In the corporate world, when the boss makes a suggestion, the group immediately agrees. This is because everyone in the group thinks that he or she would look stupid if they disagree. Or that, he or she does not want to offend the boss. This leads the group to say 'yes' although 'no' would have been the personal response of the majority.

As a result, Organizations frequently take actions in contradiction to what they really want to do and therefore defeat the very purpose they are trying to achieve.

One can observe such situations occurring in the personal lives as well !



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