

Trade & Transportation Insurance News



Strikes Diversion

September 2007

Introduction

Most Cargo Policies include the Institute Strikes Clauses (Cargo) which provide cover for **loss or damage** to Goods caused by strikes, riots and civil commotion.

However, the actions of strikers may have wider implications due to port closures or backlogs of cargo.

Most international cargo movements are subject to the Carriers Bill of Lading which generally imposes potential liability on the owners of Goods including additional forwarding costs for goods that can not be discharged due to strikes, riots or civil commotions.

These additional expenses are not covered by the Institute Strikes Clauses.

The Strikes Diversion Expenses Clause extends coverage to include some of these expenses.

This newsletter explains how this clause works.

Disclaimer

This newsletter is for information purposes only and is not legal advice.

What does the Bill of Lading say?

A typical modified example of the Bill of Lading clause that imposes the Additional Expenditure reads:

"The Carrier shall be entitled to reasonable extra compensation (from the Merchant / Insured) in the event of diversion, delay or detention of the vessel carrying Goods under any of the circumstances provided (which includes riots, strikes, lockouts, labour troubles and civil commotion) and in respect of discharge and / or retention of Goods and any services rendered during or in connection with any such diversion, delay, detention, discharge and/ or retention, and shall have a lien on such Goods for compensation"

Under the terms of the Bill of Lading, when it is necessary to divert to a port other than the intended port of discharge, the Carrier is entitled to **impose a lien** on the insured goods until any **additional expenses** are paid. This means they can keep the goods or even sell them to settle the debt.

What does the Strikes Diversion Expenses Clause cover?

The Strikes Diversion Expenses Clause covers the additional expenditure incurred by the Insured under the freight contract when the insured goods are over-carried or discharged at a port other than their specified port of discharge due to strikes, riots or civil commotions lockouts or labour disturbances.

The additional expenditure is payable irrespective of any other claim being paid for loss or damage to the goods – even total loss.

Time Limit

Insurers are only liable for a claim under this clause if the Shipowner or Charterer diverts the goods prior to the expiry of a specified period from the day on which the riots, strikes, lockouts, labour troubles or civil commotion cease to be in active operation.

For example, if the period was 15 days and a wharf strike was resolved with striking workers returning to work on 10 March, the Shipowner or Charterer would have to exercise their option to proceed to an alternative port prior to midnight on 25 March. Otherwise, any additional expenses relating to the deviation would not be covered by this clause.

Sub-Limit and Deductible

It is usual for a sub-limit to apply for additional expenses covered by this clause.

Should a claim be payable under the Strikes Diversion Expenses clause, the Insured is required to bear a deductible. It is usually required that the deductible remains uninsured and at the Insured's risk.

For example, additional expenses payable for freight costs to an alternative port due to a strike - \$5,600. If a 10% Deductible applies then \$560 is deducted leaving a claim payable of \$5,040.

If you have any queries about this Clause, please contact any VNM office.

**The Team at
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