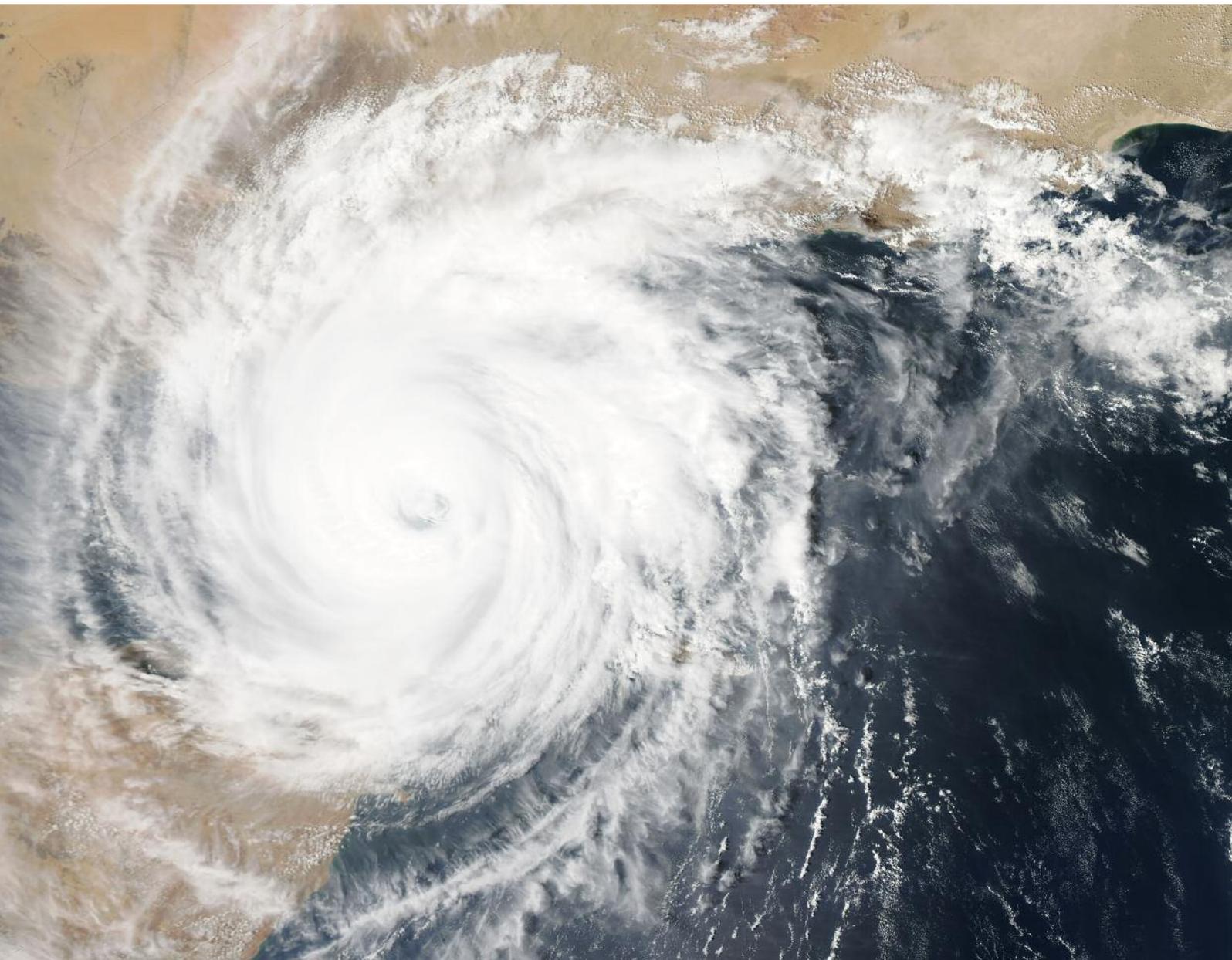


Strike Club Bulletin

Are you covered for: Hurricanes, Cyclones
& Typhoons



Hurricanes and Cyclones are key risks associated with vessel operations in many parts of the world. The impact of these events is wide ranging, from the rerouting of vessels in the face of weather events to delays at ports in the aftermath as key infrastructure is repaired. The delay caused by these events and the impact on revenue can be considerable, whether for an owner or a charterer. This is compounded by the increasing frequency and ferocity of these events with a 46% increase in weather disasters since 2000. These are risks the Strike Club can cover, tailored specifically to an individual operator's exposure. Below we look at a recent event (Cyclone Veronica in Australia) to demonstrate the impact of these events as well as some examples of how marine delay insurance (MDI) can provide balance sheet protection when they do occur.

Case Study – Cyclone Veronica

- Category 4 Severe Tropical cyclone making landfall on the 26 March 2019.
- Major ports on the Pilbara coastline were forced to cease operations in the interests of safety in advance and in some cases for up to 11 days afterwards.
- Rail and sorting yards affected by flooding, as well as mines inland; significant backlog in the weeks afterwards.
- AUS\$1.7 billion (US\$1.2 billion) in economic losses, primarily from disruptions to iron ore exports.
- 15Mt in lost exports or about \$2 billion in revenue, representing one of the biggest storm-related outages in the Pilbara iron ore industry's history.

SCENARIOS

Closure of a port by a lawful authority

Damage to inland facilities and supply chain infrastructure

Damage to port infrastructure

Consequential delay caused by a covered risk

Delay caused by a non-covered risk

Closure of a port by a lawful authority

The loading operations of a capesize bulk carrier are suspended by authorities at Port Lambert due to the imminent arrival of a category 4 tropical cyclone. The vessel is moved to the anchorage and awaits the arrival of the cyclone 2 days later. Up until the point that the vessel would have been unable to continue to load anyway due to the weather, the delay suffered by the pre-emptive shutting down of the terminal would be recoverable excess of the applicable deductible up to a maximum of 20 days.

Time lost:	2 days	Recoverable?	Yes - Rule 8(a)[ii](ff)
Daily entered sum:	\$20,000	Amount:	\$20,000 1 days excess 1 day deductible

Damage to inland facilities and supply chain infrastructure

Following the passage of a tropical cyclone over the Pilbara region, several mines and their infrastructure are severely affected by flooding. This leads to a prolonged suspension of operations and impacts the loading schedule at surrounding ports. This causes severe delay in the production and transport of cargo to port facilities for transshipment. A Panamax bulk carrier is delayed by 14 days because of this damage and delay.

Time lost:	14 days	Recoverable?	Yes - Rule 8(a)[ii](bb)
Daily entered sum:	\$6,500	Amount:	\$91,000 - 13 days excess 1 day deductible

Damage to port infrastructure

Cape Lambert's finger wharve "A" is badly affected by the cyclone and associated storm surges, rendering it unusable for a number of weeks afterwards. On the port's reopening, vessels experience delay as the loading speed of the terminal is reduced.

Time lost:	3 days	Recoverable?	Yes - Rules 8(a)[ii](bb) and 9[ii]
Daily entered sum:	\$15,000	Amount:	\$45,000

Consequential delay caused by a covered risk

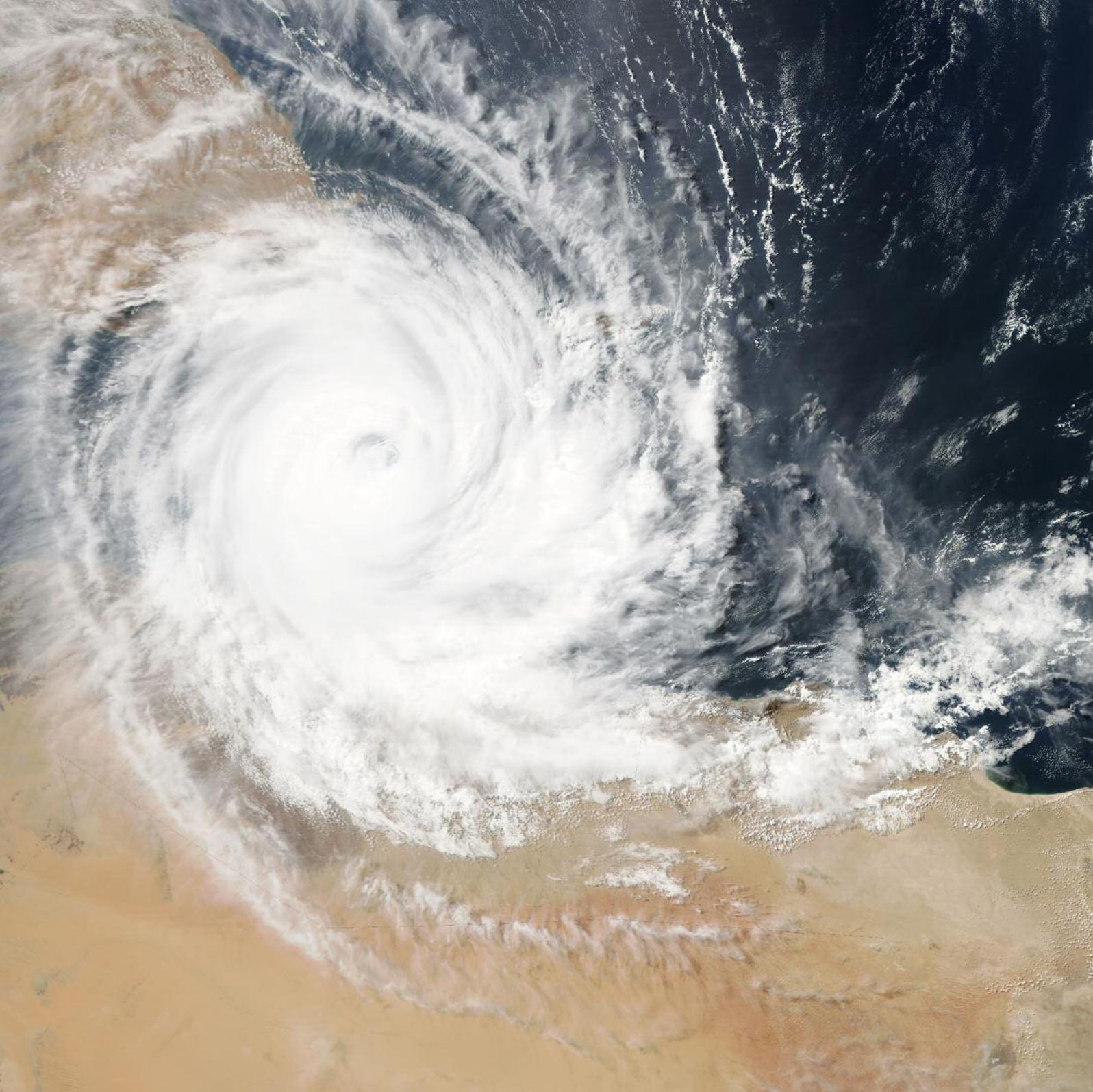
In the weeks following the reopening of the mines and ports, congestion forms at various terminals in the region. This congestion, which is a direct result of the closure of the ports and mines, continues for some weeks as full capacity returns to the region.

Time lost:	9 days	Recoverable?	Yes - Rules 8(a)[ii](gg) and 9
Daily entered sum:	\$15,000	Amount:	\$120,000 - 8 days excess 1 day deductible

Delay caused by a non-covered risk

Around the same time as the cyclone is forming, a capesize bulker is making its way towards the Pilbara region for orders. The weather deteriorates as the cyclone gathers pace and as the adverse weather begins to affect the vessel, it makes a course change resulting in a 3 day delay in arrival for orders.

Time lost:	3 days	Recoverable?	No - Rules 8(d)
Daily entered sum:	\$15,000		



The information and commentary herein are not intended to amount to legal or technical advice to any person in general or about a specific case. Every effort is made to make them accurate and up to date. However, no responsibility is assumed for their accuracy nor for the views or opinions expressed, nor for any consequence of or reliance on them. You are advised to seek specific legal or technical advice from your usual advisers about any specific matter.

The Shipowners' Mutual Strike Insurance Association Europe

Registered address: 74, rue de Merl - BP 2217, L-1022 Luxembourg. Registered in Luxembourg RCS B 50025.

London branch address: The Minster Building, 21 Mincing Lane, London, EC3R 7AG

Authorised and regulated by Commissariat aux Assurances in Luxembourg and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority FRN 203102.

Managers' agents: Charles Taylor & Co. Limited, The Minster Building, 21 Mincing Lane, London, EC3R 7AG. Registered in England No. 02561548.

Authorised and regulated by the Financial Conduct Authority FRN 785106.

**Charles
Taylor**