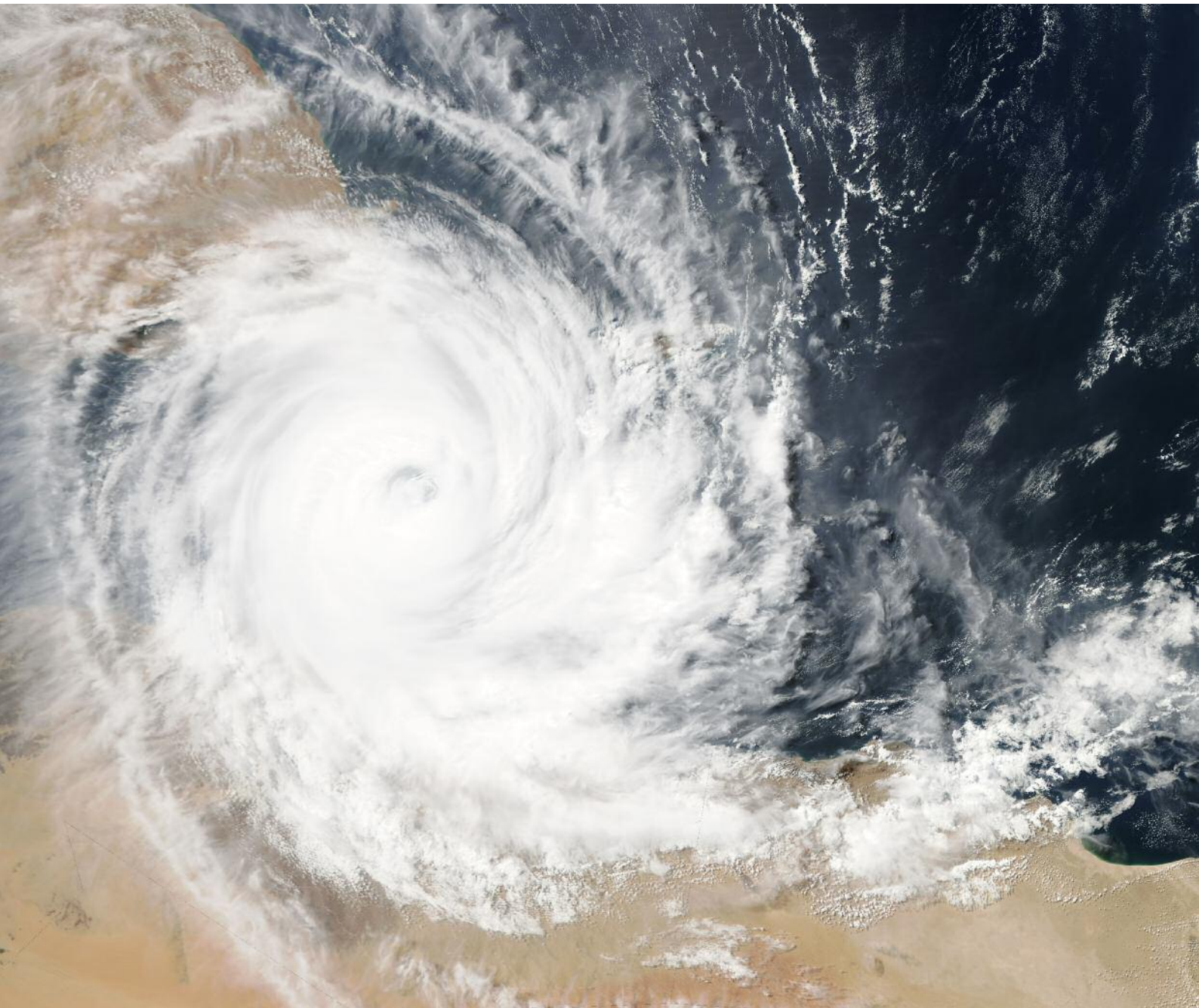


# Strike Club Bulletin

Are you covered for: Hurricanes?



All operators of commercial vessels face marine delay exposure. Environmental or weather events like Hurricane Harvey highlight individual as well as the aggregated risks associated with force majeure occurrences. These are risks the Strike Club can cover tailored specifically to an individual operator's exposure.

## Case Study – Hurricane Harvey

- Hurricane Harvey has caused significant damage to large parts of Texas and the Gulf Coast region.
- The Category 4 hurricane- the strongest to make landfall in the US since 2004 landed in Texas on Friday 25/08/17. Ports in the Galveston Bay and surrounding areas were badly affected.
- The Ports of Houston, Freeport and Corpus Christi all closed on orders from the US coast Guard.
- 11.8% of total US refining capacity went offline as a result of Hurricane Harvey with 6 refineries in Corpus Christi and five in the Houston Galveston area shutting. As a result of this shut down, up to 22 tankers carrying around 15.3million barrels of crude oil were left stranded outside Texas ports.
- Further delays in vessel operations are expected over the coming weeks and months as different facilities repair damage and begin to work through the backlog of vessels delayed as a result of the Hurricane.
- Pre-emptive action taken by ports and refineries as well as damage caused by the hurricane creates a range of areas where Marine Delay Insurance (MDI) can provide protection to operators of vessels.
- Below are some scenarios showing how MDI coverage operates in these situations.

### SCENARIOS

Closure of a port by a lawful authority

Grounding of the entered vessel

Consequential delay caused by a covered risk

High water levels affecting navigation of a waterway

Weather affecting the normal operation of the vessel

Damage to inland facilities and supply chain infrastructure

Mechanical breakdown on land

### Closure of a port by a lawful authority

A VLCC's discharge is suspended when the captain is informed that due to the imminent arrival of Hurricane Harvey the refinery was shutting down operations by order of the coast guard. The vessel is moved to the anchorage and awaits the hurricane to arrive 2 days later.

<b>Time lost:</b>	<b>2 days</b>	<b>Recoverable?</b>	<b>Yes - Rule 8(a)[ii](ff)</b>
<b>Daily entered sum:</b>	<b>\$20,0000</b>	<b>Amount:</b>	<b>\$20,000 1 days excess 1 day deductible</b>

Up until the point the vessel would have been unable to continue to discharge due to the weather the delay suffered by the pre-emptive shutting down of the refinery would be recoverable excess of the applicable deductible up to a maximum of 20 days.

### Grounding of the entered vessel

A Handysize geared bulk carrier is anchored outside the Port of Galveston throughout the hurricane. The vessel dragged anchor due to the strong winds and shifted into the shipping channel ultimately grounding on a shingle bank. The vessel remains hard aground after the hurricane passes, finally being refloated 9 days later on the next high tide with the assistance of several tugs.

<b>Time lost:</b>	<b>9 days</b>	<b>Recoverable?</b>	<b>Yes - Rule 10(a)[ii]</b>
<b>Daily entered sum:</b>	<b>\$8,700</b>	<b>Amount:</b>	<b>\$43,500 - 5 days excess 4 day deductible</b>

Insofar as the vessel was insured fully for Class III Risks (Shipboard) the time lost as a result of the delay caused from the grounding is recoverable excess of the applicable deductible up to a maximum of 17 days.

### Consequential delay caused by a covered risk

10 days after the above vessel was refloated an MR product tanker arrives at the Port of Galveston but is unable to proceed to the berth due to a backlog of vessels to be discharged as a result of the grounding. The tanker makes the berth 9 days after its arrival.

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

Up Insofar as the vessel was insured for Class I & II risks (Shoreside) the time lost as a consequence of the grounding of the other ship and subsequent congestion arising directly from it would be recoverable excess of applicable deductible up to a maximum of 20 days.

### High water levels affecting navigation of a waterway

Further inland a barge operator is refrained from moving a train of cargo from a storage facility at Lake Charles to its transshipment point at Port of Orange. The hurricane has resulted in extreme silting rendering the waterway impassable- preventing the movement of cargo.

<b>Time lost:</b>	<b>8 days</b>	<b>Recoverable?</b>	<b>Yes - Rule 8(a)[ii](gg)</b>
<b>Daily entered sum:</b>	<b>\$7,500 per train</b>	<b>Amount:</b>	<b>\$52,500 - 7 days excess 1 day deductible</b>

Insofar as the vessel was insured for Class I risks (Shoreside), the time lost as a consequence of the delay caused by silting is recoverable excess of the applicable deductible up to a maximum of 20 days.

## Weather affecting the normal operation of the vessel

A Panamax tanker arrives at the Port of Corpus Christi roads on 24/08/17. The captain is informed that due to strong winds and expected storm surges the onshore refinery is shut down by order of the coast guard and not accepting cargoes. Given the prevailing weather conditions local pilots inform the captain they would be unable to berth the vessel as the weather would make it impossible to navigate the channel safely. As a result the vessel is delayed at the roads for 5 days until the refinery is declared open again and accepting vessels.

**Time lost:** 5 days **Recoverable?** No - Rule 8(d)  
**Daily entered sum:** \$10,500

Although the onshore refinery was shut- the vessel could not operate normally regardless, therefore the closure onshore was not an operative cause of the delay.

## Damage to inland facilities and supply chain infrastructure

In the aftermath of hurricane Harvey widespread damage has been caused to a number of grain silos and other cargo producing facilities inland. In addition the railway line responsible for carriage of the cargo to port facilities has been flooded. This is causing 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 - 8(a)[ii](bb)  
**Daily entered sum:** \$6,500 **Amount:** \$91,000 - 13 days excess 1 day deductible

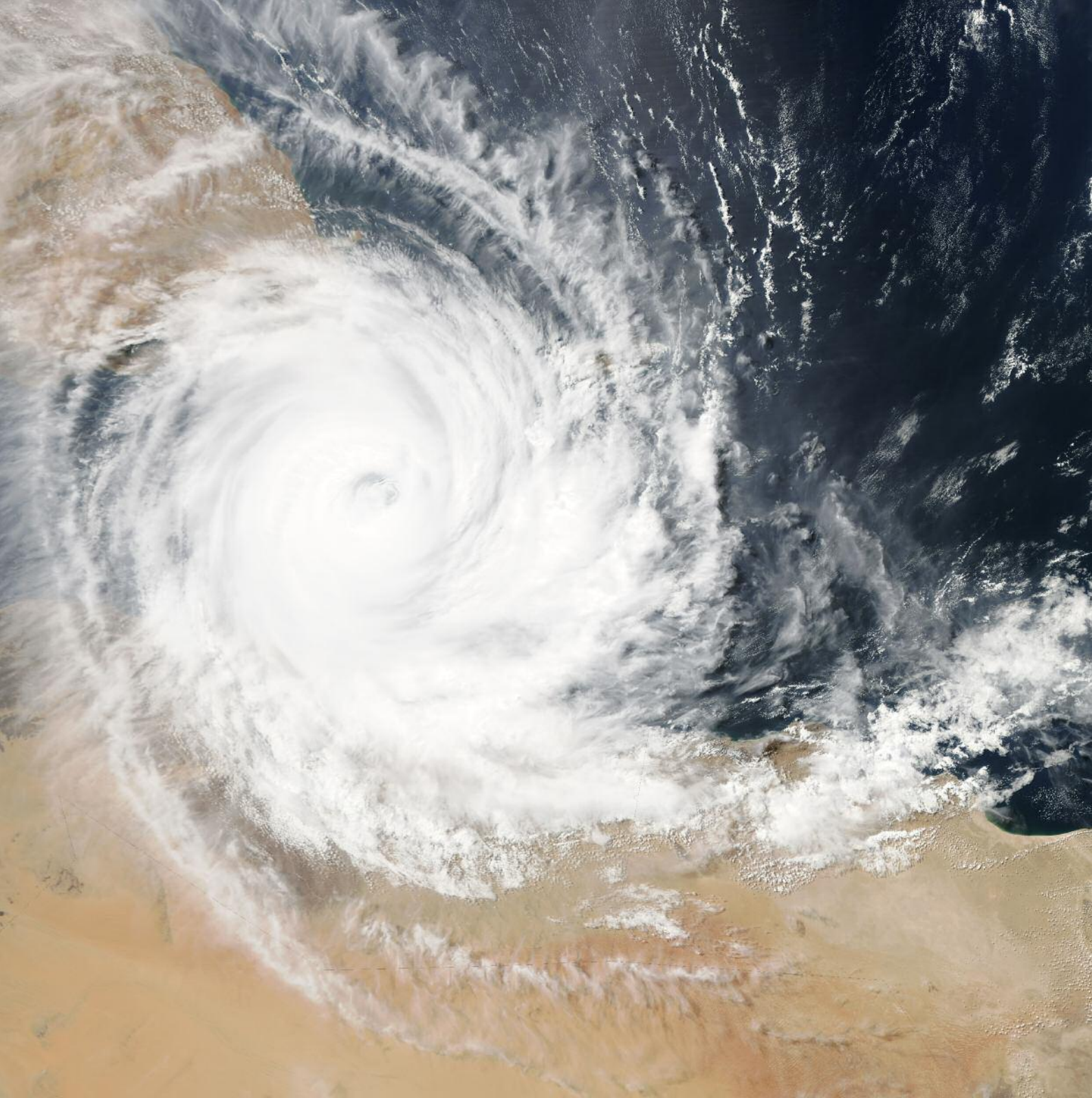
Insofar as the vessel was insured for Class I risks (Shoreside), the time lost as a consequence of the delay in production at inland facilities as well as damage to the transport facilities would be recoverable excess of the applicable deductible up to a maximum of 20 days.

## Mechanical breakdown on land

A Post-Panamax container vessel arriving at the port of Houston following Harvey is informed that it will be delayed in loading for 7 days. This is due to damage to a loading gantry arising from the hurricane.

**Time lost:** 4 days **Recoverable?** Yes - 8(a)[ii](aa)  
**Daily entered sum:** \$12,500 **Amount:** \$75,000 - 6 days excess 1 day deductible

Insofar as the vessel was insured for Class I risks (Shoreside), the time lost as a consequence of the damaged gantry would be recoverable excess of the applicable deductible up to a maximum of 20 days.



**The Shipowners' Mutual Strike Insurance Association Europe**

[www.thestrikeclub.com](http://www.thestrikeclub.com)

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