



Risk Consulting / Marine Risk Consulting

## Protecting cargo in times of crisis

In the current situation, the key focus of most companies' business continuity planning is on employee health and safety as well as appropriate communication. The impact of the crisis we're currently facing on cargo-related exposures is significant as it affects the whole supply chain.

Many companies rely extensively on imports from countries where precautionary measures are in place, and this strongly influences the availability of supplies. Manufacturing plants are either shut down or production output has been cut, thus causing deliveries to be delayed or even cancelled. Consequential damage such as business interruption and contractual penalties can be the result. In certain circumstances, physical damage to cargo may occur, especially where perishable goods are concerned. It is therefore essential to take precautions in order to ensure an adequate level of protection for goods which have to be stored in warehouses.

The Risk Consulting team at AXA XL offers an extensive range of remote dialog capabilities that allow us to gather information and make suggestions even if it is impossible to conduct physical surveys.

### Situation

### What do we suggest?

- The movement of goods is limited because borders have closed and/or the shipping industry is unable to operate to full capacity
- Volume and value of stock may increase, and additional locations need to be sourced in order to buffer stock

1. Monitor the supply chain flow and identify areas where goods might be stopped
2. Check the value of goods which need to be warehoused, either at destination or in transit
3. Check the storage facility and contact us to quickly assess the risk quality

- Most goods shipped by air are loaded onto passenger aircraft. Due to the massive reduction to scheduled flights, shipping capacity is no longer sufficient

1. Identify goods which may be subject to delay and ensure proper intermediate storage conditions, such as temperature-controlled facilities
2. Instruct your carrier to investigate alternative routes. Airlines are starting to propose passenger planes dedicated to cargo only on certain routes

- Some facilities (warehouse / logistics and distribution centers) are closed
- In certain circumstances, alternative temporary warehousing facilities need to be selected

- Ensure that all protection systems are operational 24/7
- Burglar alarms
  - Guards, where applicable
  - Fire detection systems
  - Ensure that energy supply is maintained
- In case of doubt, contact us for a remote assessment

<ul style="list-style-type: none"> <li>▪ Increase to the expected duration of storage for soft commodities and perishable goods (trading activities)</li> </ul>	<ol style="list-style-type: none"> <li>1. Perform recurrent additional inspections of the products and check the temperature, humidity, vermin control and packing conditions.</li> <li>2. Verify whether the collateral manager is still in position to maintain accurate control.</li> <li>3. Anticipate and ensure properly documented stock check prior to complete shutdown.</li> <li>4. Core security staff must be maintained on site. If not allowed, frequent external patrols must be organized.</li> </ol>
<ul style="list-style-type: none"> <li>▪ Increase to delays and interruption along the supply chain due some freight forwarders, carriers and providers ceasing to operate</li> <li>▪ Use of new carriers to maintain the supply chain</li> </ul>	<ol style="list-style-type: none"> <li>1. Check the wording of the Force Majeure clause which should be part of the shipping/haulage contract in order to secure any further liability claims.</li> <li>2. Maintain a high level of operational security/safety standards whilst selecting new logistics service providers. Do not use freight exchange platforms.</li> </ol>
<ul style="list-style-type: none"> <li>▪ Temporary closure of shipyards in China will delay retrofitting of vessels to comply with the new IMO regulation (regarding sulphur emissions). This will impair vessels that are available for use</li> <li>▪ Vessels may also miss dry-dock reviews for class renewals</li> </ul>	<ol style="list-style-type: none"> <li>1. When chartering vessels, ensure that they are compliant with new regulations.</li> <li>2. If the class is suspended, try to source vessels which are fully compliant. In case of doubt, reach out to us for a detailed appraisal and suggestion prior to fixing.</li> </ol>

**To learn more, please reach out to your AXA XL Marine Risk Consulting contact.**  
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