In This Issue

- Our New Name
- Shipping Capacity Issues for New Zealand Exporters
- The Surveyor's Role in Cargo Claims
- Vero Marine Claims Information
- So - How Big is Your Bottom?

vero marine

The Navigator

February 2009

Our New Name

We are pleased to inform you that Vero Marine has officially amalgamated with Vero Insurance New Zealand Limited with immediate effect.

As a result of this change, Vero Marine has ceased trading as a limited company and has changed its name from 'Vero Marine Insurance Limited' to:

'Vero Marine Insurance, an operating division of Vero Insurance New Zealand Limited'

Please rest assured that while our trading name may have changed, all policies, claims, accounts, personnel and systems remain the same. This amalgamation does not change any aspect of the operation of Vero Marine, which continues to do business as usual. Documents in the name of Vero Marine Insurance Limited remain effective and customers with these are still covered. The Vero Marine team is currently updating all stationery, wordings, policies and online systems with the new name. We thank you for your patience and understanding during this time.

If you have any questions about this matter please feel free to contact Lisa Tyrrell, Operations Manager on: 09 363 2629 or lisa_tyrrell@veromarine.co.nz.

Shipping Capacity Issues for NZ Exporters

An article featured in The Independent newspaper [*NZ at the Mercy of Big Shipping Lines*, 11 September 2008] highlights the increasing difficulties New Zealand exporters have in sending their cargo to worldwide destinations. Shipping lines have been reducing, or even withdrawing in some cases, their New Zealand calling schedules. Whilst larger export companies currently benefit from forward-bookings, this means less space is available for smaller exporters. There is an increasing concern of the real threat of space shortages during the peak agricultural export season between January and May 2009.

Shipping lines try to maximise their cargo uplift from New Zealand to maintain the financial viability of calling to New Zealand ports. Larger exporters are able to plan their 'just-in-time' seasonal shipments throughout the year and indicate their uplift needs well in advance. The easiest way for shipping lines to ensure they leave fully laden is to accept the volumes of cargo the big exporters can pre-book. This could be at the expense of smaller exporters organising their export schedules closer to shipment.

In 2008, there was a massive movement in fuel prices. Early in the year, exporters were reeling from an unprecedented 600% rise within 18 months. That meant that these charges could make up 30% of the cargo's selling price, compared to 7% two years ago. In the last quarter of 2008, fuel prices dropped but it's taken a good while for these to pass through to freight rates to and from New Zealand. Compounding the issue has been the variability of the NZD-USD exchange rate and the onset of a recession, which has meant the withdrawal of capacity from sea routes. There have been diversions of slower vessels around the Cape of Good Hope, due to piracy issues on the approach to the Suez Canal, prolonging some voyages. In some cases, this makes these revised shipping schedules even sparser. How does this relate to Marine Cargo Insurance?

[1] Fewer vessels can mean an on-board aggregation of values. Check that the Vessel Limit of Liability of your exporters' policies is sufficient. As well as this value accumulation, the value of increased freight costs and a still volatile NZD currency rate need to be taken into consideration. Whilst most cargo certificate Sums Insured are expressed in either USD or Euro, Open Policy Limits are usually expressed in NZD.

[2] Losing a cargo is tragic, but the real drama can lie in replacing that cargo in time and, in so doing, saving the customer relationship. Expediting Expenses can assist with paying the increased costs of airfreight in getting replacement product to the customer. Has your client got Expediting Expenses cover? If so, have you discussed with the client whether the limit is sufficient?

Please feel free to discuss these issues with your Vero Marine underwriter.

The Surveyor's Role in Cargo Claims

There is often confusion about the role of the cargo surveyor. Usually, the surveyor is appointed by the insurer or the insurer's agent if a claim is being handled overseas. Marine surveyors are independent experts and their value is in remaining impartial when overseeing a claim.

The surveyor uses technical skills to establish the cause of loss or damage, assess the degree of damage and provide a complete picture of the situation in a report. They may make suggestions on minimising or making good the damage, and if required suggest a market for damaged goods, should a sale become necessary. Overall, their report should enable the insurer to properly consider whether the loss or damage is covered by the policy conditions.

It is not "my problem"

The surveyor is often seen as a "troubleshooter". Many consignees who receive damaged goods assume that because they are insured they can abandon the goods to the surveyor, in the mistaken belief that the surveyor is the insurer's representative. The goods remain the property of the Assured. Only in rare circumstances does the insurer give the surveyor an instruction to accept abandonment of the goods on the insurer's behalf.

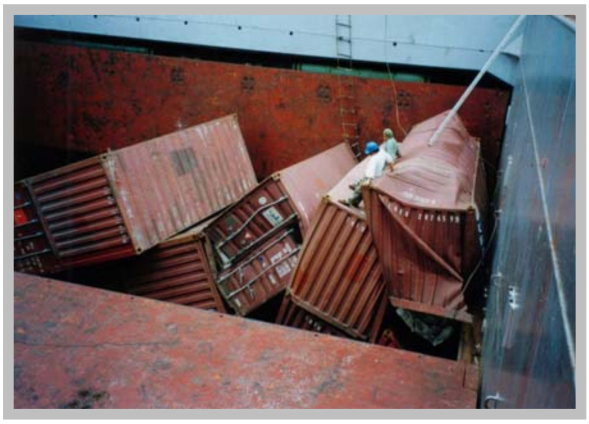
The surveyor assists those who have an interest in the goods in minimising the loss or damage, however, the **Assured** has certain responsibilities:-

1. Minimise loss or damage

The Assured has a common law and statutory duty to take reasonable steps to avert or minimise loss or damage. The Assured (often the consignee, as ownership of the goods transfers during the transit) must act prudently, as if the goods were uninsured.

The sorting of damaged goods from sound goods, for the purpose of establishing and quantifying the loss, is the Assured's responsibility.

Mitigation of loss is usually achieved by removing any sources of continuing deterioration and then by repairing or reconditioning the goods. Where this cannot be done, disposal of the goods at the best price may then be the only means of minimising the loss. Provided that the cause of loss or damage is covered by the insurance policy the reasonable costs involved in this process are usually covered under a "Sue and Labour" provision in the policy.



2. Hold Third Parties Liable

The Assured should give immediate notice in writing to all carriers and third parties who may be liable for the lost or damaged goods.

The surveyor will take an active part in establishing any third party liability and will assist in arranging for a joint survey to be held so that carriers and other interested parties are given an opportunity to view the damaged goods at the same time.

The insurer cannot take action against third parties until the claim is actually settled. The Assured's contractual rights to pursue recovery action are then transferred or subrogated to the insurer.

3. Selling damaged cargo

If goods are to be sold as damaged cargo, it is important to establish a pre-loss or sound market value for the goods in order to correctly quantify the loss. The consignee/claimant must give the surveyor their fullest co-operation when involved in these salvage sales.

The surveyor's role in this instance is to assist in bringing together interested parties (buyer/seller) by making enquiries and seeking alternative uses. The surveyor does not become involved in the actual contract of sale or take responsibility for the goods.

Is it a claim or not?

As surveyors are impartial, they cannot give an opinion as to whether a claim will be covered by a policy or comment on whether an insurer is contractually liable to pay a claim.

Vero Marine Claims Information

New Claims can be emailed to:

claims@veromarine.co.nz

Claims Team Personnel List

Name	Title	Email	Phone
Anthony Smith	Technical Claims Consultant	anthony_smith@veromarine.co.nz	09 363 2627
Stuart Campbell	Senior Claims Technician	stuart_campbell@veromarine.co.nz	09 363 2602
Kerry Walker	Senior Claims Consultant	kerry_walker@veromarine.co.nz	09 363 2631
Brendon Marsden	Claims Consultant	brendon_marsden@veromarine.co.nz	09 363 2630
Flora Chen	Claims Consultant	flora_chen@veromarine.co.nz	09 363 2628
Gayatri Keshav	Claims Administrator	gayatri_keshav@veromarine.co.nz	09 363 2608
Lisa Tyrrell	Operations Manager	lisa_tyrrell@veromarine.co.nz	09 363 2629

Cargo Claims Procedure

- **Immediate Notice of Loss or Damage must be given to:**
  The Claims Department
  Vero Marine Insurance
  PO Box 1759, Auckland, New Zealand
  Tel: +64 9 363 2600 Fax: +64 9 363 2601 Email: claims@veromarine.co.nz

- **Written Initial Notice of Claim must be sent *immediately* to:**
  The company or carrier who issued the Bill of Lading/Air Waybill or their local agents; *and/or*
  The airline who discharged cargo at the country of destination; *and/or*
  The road delivery carrier should there be any evidence or indication that they may have caused, or contributed to, the damage.

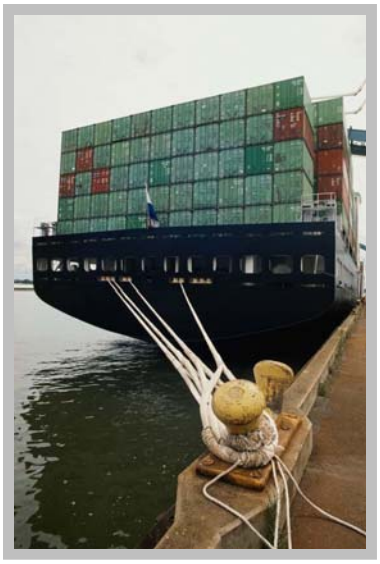
- **Receipt of Goods**
  Always inspect thoroughly for damage.
  Count the packages to check for short delivery.
  Do not give a clean receipt if goods are damaged or short-delivered. Endorse the delivery docket as such.
  Re-taped packaging is a sure sign of pilferage – check contents.

- **Unpacking**
  Unpack or open the packaging to inspect goods as soon as possible for hidden damage.
  Keep packaging for inspection.

- **Joint Survey**
  Phone responsible Carrier and invite them to a joint survey inspection with the Vero Marine appointed surveyor.

- **Minimise Loss**
  Take such reasonable action to prevent further loss. *Act as if uninsured.*

So - How Big's Your Bottom Limit?



Now we've your attention, it is a crucial time to examine our exporters' conveyance limits. We've given you information about there being fewer cargo vessels carrying New Zealand cargo, so there is a risk of greater accumulated value on the vessels that leave New Zealand. Compounding this has been the fluctuation in the NZD / USD exchange rate. Westpac's Economic Overview (Jan 09) cites the current poor NZD being vulnerable to lower world commodity prices, a weaker demand for exports, and difficulties in accessing credit in offshore markets; all this could lead to a decline in the NZD to USD 0.45 in the coming months, with the outlook for global currencies further ahead being even murkier.

Cargo is usually valued in USD, whereas marine cargo insurance policy limits are commonly in NZD. The transaction value of cargo in USD is reflected in the insurance certificate. This means a steep increase in an equivalent NZD value. Not so long ago, the NZD was USD 0.80, so an export container of chilled product of USD 100,000 value was NZD 125,000. With an exchange rate predicted of USD 0.45 that leaps to NZD 222,220. Now with 15 containers on board instead of the usual 10... get the point?

Your underwriter at Vero Marine can assist you with further advice.