

# (SCOTT KEY BRIDGE)-BALTIMORE INCIDENT

Recent Baltimore incident has emerged to be one of the biggest disaster of all time for marine practitioners over the world. How this incident has triggered multi-dimensional aspects including Cargo loss, Liability claims, Business Interruption, Public Property Damage, Consequential losses and various other legal aspects. There is a lot to discuss regarding this incident in reference to marine insurance. Below are some of the areas which will have major Impact due to this incident.

## **LOSSES DUE TO DELAY**

The said incident took place in March 26, 2024 laden with 4000 cargo container destined for Colombo, Sri Lanka. Since then route was totally blocked due to bridge debris fallen on ship. This is the main channel for Baltimore port which facilitates daily trade volume for USD 100 to 200 Mn to major part of the world. Ship is in standstill condition since last one month and it is not sure that after how much time, it will resume further operation.

Any perishable items/food/Refer items having onboard would be deteriorated/Damaged due to delay caused which is an absolute exclusion under clause 4.5 of Institute Cargo Clause.

**“Loss damage or expense caused by delay, even though the delay be caused by a risk Insured against“.**

This incident is more likely to trigger losses caused due to delay in future due to long congestion at port and complicated debris removal process. This delay will also lead to contractual liability claims due to non-performance of contractual obligation in stipulated time period with special reference to project cargo.

## **BUSINESS INTERRUPTION**

This incident has blocked the main shipping channel which handled over 52 million tons of foreign cargo valued at \$80 billion last year. Of course there are small port activity is taking place even after blockage but the major chunks of business at Baltimore port is contributed by in and out activity of the big ships only which cannot enter through main shipping channel until it is cleared.

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This factor may trigger losses due to **business interruption at port**. This category of loss would fall under port package policy/Property policy taken by port authority. The severity of this claim would totally depend upon the period for which blockage would be there. This interruption had further impacted around 8,000 jobs directly due to majority operation on halt after incident took place. Due to Federal Government involvement and interest of various stakeholder, it is very difficult to insure the time which will take to resume port operation to normalcy and opening of the mail channel.

## **SHIPOWNERS' LIABILITY**

This incident could solely lead to one of the biggest marine liability claims towards Allisison liability in the history so far. Such losses are covered by P & I Club (Protection & Indemnity). P & I clubs provides safeguard to ship-owners against liability arising from the ownership of the entered vessel as a ship whereas indemnity implies liability from the employment of the ship.

The International Group of Protection and Indemnity clubs comprises 12 mutual nonprofit insurance associations that provide third party liability cover for more than 90% of the world ocean going tonnage. Risk covered by P&I Clubs includes **Pollution liability, wreck removal, towage, liability in respect of cargo, GA Contribution (Ship-owner), Allison, Collision(1/4<sup>th</sup> of liability),Fines, legal cost, sue & Labour cost, injuries, illness and death of third parties.**

The said incident fall under the definition "Allisions". Allisions basically means when one moving object collides with stationery object like Jetty, Bridge etc. It is a covered perils under P & I Clubs liability list.

Debris removal expenses, salvage charges, Cost of rebuilding scottkey Bridge, compensation for workers died, injuries, sue & Labour expenses will constitute major chunks of claim amount. It is not possible for experts to estimate the exact amount of loss. But looking to the severity of damage and strategic importance of this Bridge, P&I club and other stakeholders are going to face a massive setback.

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## GENERAL AVERAGE

The DALI ship-owner has declared General Average in recent development into this case.

What does this term mean?

General Average is an internationally recognized system of casualty management where intentional losses or expenses are shared and paid for by all those involved in the common maritime adventure.

Five essential features, all of which must be present to constitute a General Average act.

1. Common Maritime Adventure
2. Ship must be in Peril.
3. Extraordinary loss or expenditure (Jettison, towing)
4. Intentional
5. Reasonable

General average losses presents a complicated procedure in the calculation of the loss and it takes a longer period in the final calculation of the losses by appointed loss adjuster because it involves Ship, Cargo, Bunkers, sacrifices, Charges incurred. After GA declaration, Ship-owner or master of the ship exercises lien over the cargo. It will only be released after presentation of below documents for the guarantee given against the contribution to be made in future:-

- GA Guarantee (By Insurer)
- GA Bond (By Consignee)
- Cash Deposit (For Uninsured Cargo)-(5% of Invoice value)

Ship-owner has requested all the cargo owner to contribute the expenses to be incurred in an effort to refloat the Ship DALI. The cost could be in millions of dollars and one the largest GA claims so far. Consequently cargo owners may take a shelter under by filing lawsuit to avoid any contribution payment. Hence the cause of power failure at the ship that actually lead to this incident is going to be deciding factor.

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## **PRICE SENSITIVE CARGO**

Another factor that may trigger due to this incident is price sensitive cargo. Electronics and techno product presents a lot of price fluctuation challenges. Due to technological advancement, prices of manufactured items show downward movement within shorter duration of time. So such losses will fall under consequential losses and not to be covered by any insurance product.

## **OTHER ASPECT**

This incident may have some impact on INDIA-USA diplomatic relation. Federal Bureau of Investigation (FBI) has started criminal investigation of crew DALI. Any charges against Indian Crew Member in order to hold them responsible for power failure which lead to knocking down the Francis Scott Key Bridge will have major impact on INDIA-USA Ties.

So this case is a true example that how one incident has invoked multiple insurance products and hold various stakeholder responsible for indemnifying the losses. Many more development in this case are still in queue which can change the current aspects and insurance dynamics.....

## **THANKS**