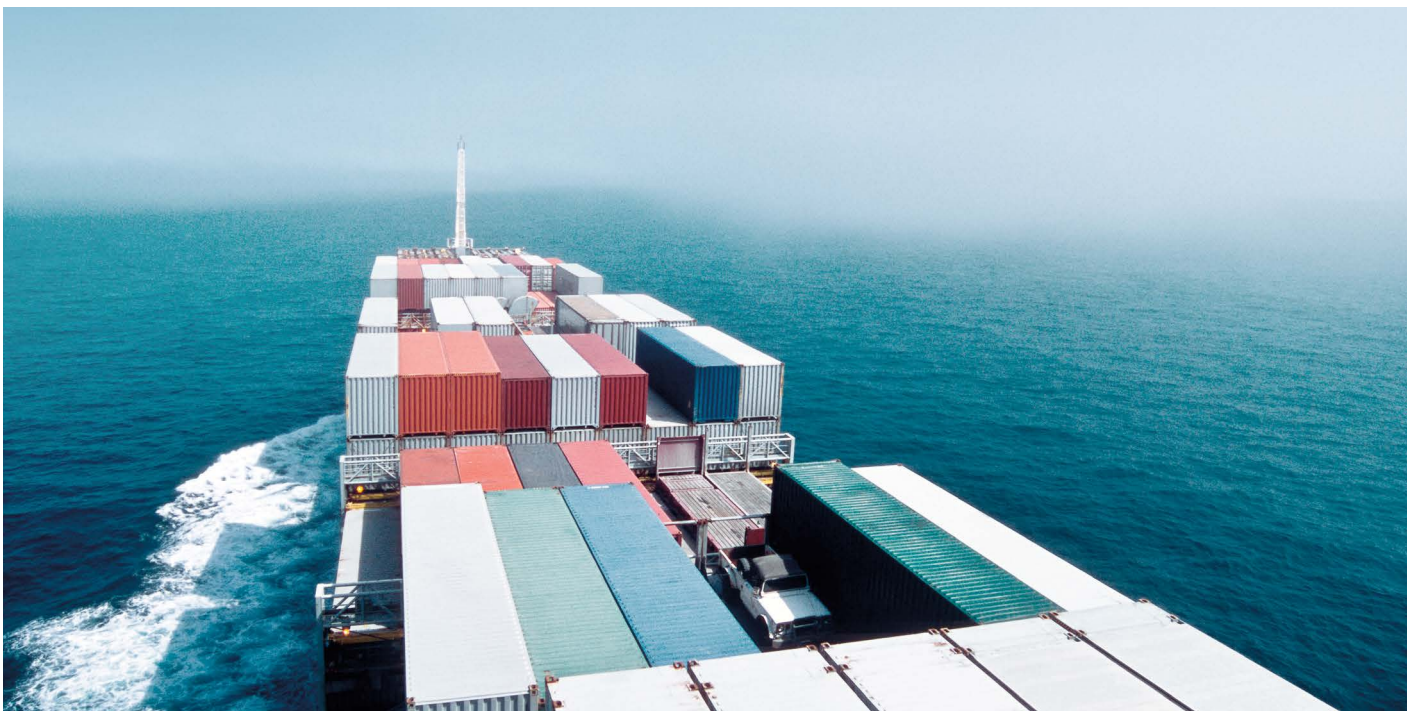


Risk insight – 2019 nCoV ‘Coronavirus’ – affects cargo insurance customers worldwide

April 2020 update



Introduction



This is an update of the risk insight published at the end of February 2019 based on the experience of the last two months. The focus of this document remains the impact on **Cargo and Cargo Liability customers**.



The impact on transport and supply chains is now global and is **affecting all industries**.



Some parts of the world are reestablishing their industrial activities with the **demand for logistics increasing**, whilst other parts of the world are still experiencing **reduced capacity** and demand for goods.



Supply Chain / logistic criminal activities have changed with an increase in theft for Covid 19 related goods and a potentially better chance to **steal classic theft sensitive goods**.



What is the impact on supply chains?

All areas of the supply chain face reduced capacity to handle goods due to restrictions on movements of people and cargo.

These restrictions have a significant impact on the global economy with reductions in manufacturing and transportation causing interruption to business and limiting trade.

The restriction on movement of people reduces the workforce available in ports causing delays in loading, unloading and clearing goods from vessels.

This causes vessels to be held offshore until a berth is available, significantly slowing the movement of goods everywhere.

Internationally, ships may face quarantine when they arrive at their destination, with vessels requiring inspection by local health officials and potentially disinfection or quarantine before being allowed to berth.

In the last week certain economies have reduced the restrictions imposed on their residents and started up their production capabilities. Logistic activities and volumes are picking up again.

In the pre Covid 19 situation most supply chains were optimized to use as little storage as possible at origin and destination.

This is a challenging situation as former supply chain networks might not work as known in the past.

Most of the receiving ends of the normal supply chain still have reduced capacity as well as reduced demand for products due to the Covid 19 restrictions and economic situation.

Practical experience and expertise of the last two months

The limitations and the subsequent slow-down are global and have led to an "out of balance" situation for global trade. This will reduce the available capacity for storage and also means that increased volumes of goods are held longer at ports and transit points or in storage locations pending transport.

This can lead to cargo being improperly stored somewhere in the supply chain and in a significant increase in the accumulation exposure to customers and insurers.

Ports (ocean or air) have limited special handling facilities and storage locations.

Airports are not equipped to store large volumes causing cargo to be stored in locations not normally utilized and potentially additional accumulation risks in your supply chain.

With the reduction of normal passenger air movements, the capacity to fly cargo is severely reduced.

Values might rise at locations where they are normally not an issue. Additional measures might be required to manage this new risk.

Overall criminal activity has reduced with all the movement restrictions in place. This has led to a reduction in thefts in road transportation. However, a new unfortunate development is

the rise in thefts / fraud cases of criminals for pharmaceutical equipment or protective clothing used in the battle against Covid 19.

Under normal circumstances these products would not be a target but at this moment they are. Additionally, law enforcement and private security must focus on maintaining the restrictions that are in place.

For certain criminals this presents the opportunity to acquire goods that are, under normal conditions, already theft sensitive.

Logistic surveys / risk engineering assessments

In the logistics world we are challenged as we face practical hurdles to get risk engineers / surveyors to locations to oversee logistic activities / damage assessments that are a mandatory requirement for insurance coverage or to process the claim.

We continue to offer this on-site service either via a local Zurich risk engineer / surveyor or one of our local partners in our global network only when capable and allowed to visit the place in question.

We also offer the **Zurich remote collaboration tool** where a survey can be done by a Zurich Risk Engineer from his office and a customer representative on site using an app on a mobile device with a good Wi-Fi signal.



What is our advice to our customers?

Continue to review your supply chain for shipments as the affected areas are shifting. Check if the identified legs of the supply chain operate as normal or if shipments are or may be delayed.

Once identified, manage your exposures and work with your internal logistics team or partner to understand the impact of the current situation and ensure they are managing your stock appropriately to properly protect your goods (when cargo is perishable or sensitive to temperature, humidity, shock, etc.).

For all goods, but if your goods are perishable or sensitive, consider whether it is better to hold the goods in their current location rather than shipping into areas that are not fully functioning.

Other routes, modes of transport, logistic suppliers or a mix of all can be used to get the shipments moving again. If your logistic partner is suggesting an alternative method of transit it is important to review all aspects of the supply chain before making decisions, particularly for perishable or sensitive shipments.



When utilizing new shipping routes or methods consider the following:



- This is an increased period of risk and cargo can easily be damaged or stolen as new parties involved in the transit process are likely not fully aware of special handling requirements. Avoid loss or damage by ensuring clear communication of all requirements is made to all parties.



- Ensure your goods and their packing & preparation meet industry standards suitable for the new conveyance method or shipping route.



- Check all steps in your new or recently started process align and are operating properly. Delays may cause your cargo to miss connecting modes of transport, this could lead to uncertainty in getting goods to the final destination and increase the risk of loss or damage.



- Understand any additional customs requirements on new routes. Some countries or Customs locations may be unfamiliar with certain type of goods or restrict the movement of certain cargoes. Customs can prevent import or even impound cargo thereby having shipments being delayed or stuck in the supply chain.

Where there are supply chain interruptions and reduced sales capabilities lead to increased storage of goods, customers should consider the following:



- Alternative storage methods / locations may be used as long as the storage conditions do not affect the goods stored (humidity, temperature, security, etc).



- Warehouses / transport nodes in your supply chain may have reduced working hours or are completely shut down. There is likely to be an increased risk at these locations due to reduced management attention as well as the reduced effectiveness of police and private security as these are focusing on other challenges at this moment. As previously mentioned, certain criminals may opportunistically target theft sensitive goods.



- Verify if your new storage locations are listed as insured location and / or if insurance limits of the locations involved are adequate for the exposure. If not, please contact your insurance contact person.

For a more practical overview of tips, requirements and check lists we refer you to the **RiskTopics Management practices: Locations unoccupied long-term and restart procedures** ([Link below](#))

For companies shipping or storing pharmaceutical equipment or protective medical clothing, we urge you to review your supply chain and storage locations to counter thefts and the use of fraudulent documentation to steal goods.

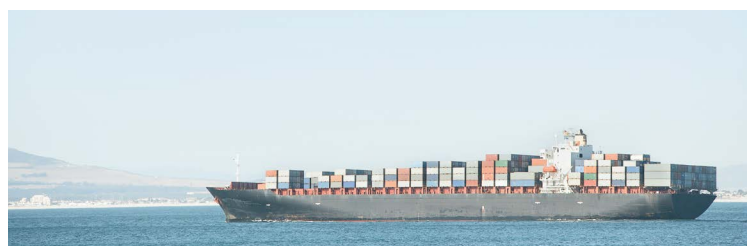
The people that are in the front line of this battle require your products.

Reaching out to your local government health organization to support you to protect your supply chain has proven to be successful.

Once restrictions caused by Coronavirus are reduced, we recommend you continue to follow all steps above. There will be a back log of goods needing to be processed and it could be some time until normal operation resumes.

If you have any further questions, please approach your brokers or reach out to us.

Coronavirus information for our customers (COVID-19) ➔



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