SEMAPHORE

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TT Club Highlights Weather-Related Risk

Analysis of weather-related risk developed by freight transport and logistics insurance specialist, TT Club, has highlighted the water damage to cargoes arising from particularly extreme events related to climate change.

Analysis of the insurer's claims over the last three years has found:

- inland operations suffered damage caused by extreme weather in 32% of cases
- coastal locations are more susceptible to weather-related incidents (68% of cases) with 16% of claims involving heavy rainfall causing flooding
- property damage through strong winds and microbursts featured in 74% of weather-related claims
- the maritime mode accounted for 65% of reported claims – this in part is explained by the length of time cargo is in transit and exposed to variable climatic zones
- road movements were the next most prominent mode at 14%
- wet damage while in storage accounted for 13% of reported claims – 31% of these as a result of flooding

TT Club has pointed to ongoing instances of extreme weather such as unprecedented rainfall, tidal surges and wind microbursts becoming more common. Whilst many storm events are considered geographically seasonal – such as those in the tropics – the global supply chain as a whole must take adequate steps to prepare for isolated severe weather events.

Typically, wind strength is most ferocious in coastal areas. However, it is often the surge and flood risk that can cause greater problems, both on the coastline and further inland.

TT Club risk management director Peregrine Storrs-Fox says the associated losses of such incidents can be far reaching.

"Water is unforgiving and has the ability to penetrate and cause significant damage," he says.

"Flood water is inevitably dirty, increasing damage and in many instances creating health-challenging situations.

"Extreme weather events can be challenging to predict but operators of warehouses, terminals and port areas need to keep 'fresh' their assessment of the changing risk profile in relation to climate experience."

TT notes that the capability to monitor, record and predict weather patterns will continue to develop. This understanding will not physically protect property, equipment and operations, but when used as an integral component of thorough risk assessment, it should inform operational decision-making.

The insurer's analysis has also found that 65% of cargo damage incidents are attributable in part to the way that goods are packed within a container or cargo transport unit (CTU).

Data for 2020 suggests 25% of wet cargo damage was caused by water ingress to the CTU through pre-existing damage that probably should have been identified as part of the cargo packing process.

Many claims therefore can be avoided with a robust pre-loading condition-checking procedure and correct packing processes.

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