



SEMAPHORE

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Association of Australia and New Zealand



Insurer Warns to Review Bills of Lading for Errors

Ship owners, charterers and brokers have been urged to show vigilance in reviewing bills of lading (B/Ls) for potential errors or oversights by the International Transport Intermediaries Club (ITIC).

ITIC, a mutual insurer that provides professional indemnity cover for transport intermediaries operating in the marine, offshore, renewable and aviation industries, has highlighted a case where errors on updated B/Ls saw an oil cargo collected by the wrong consignee. This resulted in a three-way split for the cost of damages.

In the example case, a ship was headed to a discharge port carrying petroleum product cargo. The charter party contained a clause which allowed the charterers to change the port of discharge and, subsequently, request new B/Ls in exchange for a Letter of Indemnity (LOI). The charterers invoked this clause.

The owner prepared new B/Ls and sent these to the shipbroker to pass on to the charterer. However, the shipbroker neglected to pass them on. In the meantime, the charterers authorised the master to sign the new B/Ls, assuming that everything else, except the new port of discharge which they had requested, had stayed the same. However, the consignee's name was erroneously changed for unknown reasons on the new bills.

The new consignee collected the cargo before the error had been spotted. The actual consignee and the bank which had provided the letter of credit took action, which delayed the ship. These delays caused an initial loss to the charterer in the region of US\$400,000.

The charterers claimed against the shipbroker for not passing the amended bills to them for review; saying they lost the chance to spot the error. ITIC reminded charterers of their duty to mitigate their losses and pointed out that they had authorised the master to sign the new B/Ls without seeing them.

After the charterers mitigated the claim, the damages amounted to US\$75,000, which was then split three ways between the charterers (as they had authorised the signing without seeing the B/L), owners (as they made the error with the consignee's name) and shipbrokers (for failing to pass the document to the charterers for review). ITIC paid US\$25,000 in respect of the shipbroker's share.

ITIC claims director Mark Brattman explained that his organisation regards the sharing of case studies and learnings as important to helping industry and individuals better understand and mitigate risk.

"This case study highlights how seemingly simple errors can have significant implications and serves as a reminder of the need for vigilance by all parties in completing important documentation such as bills of lading," he said.

As a mutual insurer, ITIC's insurance has been developed primarily to cover claims of negligence – errors or omissions. Cover can also extend to specialist areas such as debt collection, loss of commission income, cyber liability, cash in transit as well as directors' and officers' insurance. ITIC's wide cover also includes a unique discretionary insurance which could support claims not normally paid by other professional indemnity insurers.

ITIC is managed by Thomas Miller. More details about ITIC and the services it offers can be found at <https://www.itic-insure.com/>.

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