



Hanjin Gridlock Triage and Frequently Asked Questions

Risk Management Guidelines for Transportation Intermediaries

Each day there are new developments pertaining to the Hanjin Shipping crisis, and much is still unknown. What is certain is that it will take time to sort out details and most importantly get the ships offloaded and the cargo delivered to its final destination. Meanwhile, there are certain proactive measures you should exercise to protect your company and the interests of your clients. We recommend the following steps:

- Immediately assess all shippers' cargo moving under Hanjin bills of lading and on board Hanjin Vessels via Vessel Sharing Agreements (VSAs).
- Notify your clients in writing of your findings and take the opportunity to reference your terms and conditions of service.
- Advise your clients to alert their cargo insurance provider of any cargo on board Hanjin vessels.
- Remind shippers that they are bound to the carrier's terms and conditions via the Bill of Lading, a binding contract. Within those terms are carrier defenses and a 'hindrance clause' that allows the steamship line to end its obligation of transit short of the originally agreed destination without reimbursement of freight costs to the shipper.
- Proceed with caution when extending credit to clients for the additional charges that may be accrued on moving Hanjin cargo as the client may be unwilling to pay.
- Pay particular attention to uninsured cargo or low value freight as they may represent the largest risk of abandonment. Remember, the most leverage you have to ensure payment of additional costs is to hold freight for payment.
- At a minimum, you should have clients agree in writing to pay the additional costs such as storage, demurrage and onforwarding.
- Be aware of your obligations to import freight that may be subject to vessel diversions. See the most recent CBP Advisory.

FAQ

Since the news of Hanjin's filing, we have received numerous inquiries from our clients regarding how insurance will respond to this incident and what exposure to liability they may have. We thought it would be helpful to compile an FAQ document for your reference. Should you have any questions or concerns, please contact your Roanoke Trade representative by telephone at 1-800-ROANOKE or via email at infospot@roanokegroup.com.

Q: What if my client refuses to pay me for freight charges?

A: Your terms and conditions likely allow you to hold freight for payment and this may be your best protection. Refer to your terms and conditions and discuss with your legal counsel.

Q: Will the cargo policy pay for extra freight charges incurred?

A: Coverage provided in cargo policies varies each within each form but many contain wording such as a Sue and Labor Clause. This clause as found in most All-Risk Cargo policies will reimburse the shipper for protecting their cargo from loss or damage. Therefore, additional freight costs, storage and demurrage costs may be recoverable under one's All-Risk Cargo policy.

Q: My client insured their cargo and has no interest in retrieving it. Instead, they just want to file a claim. Can they do this?

A: A cargo insurance policy will not cover abandonment of cargo so it remains the shipper's obligation to ensure cargo is delivered to its intended destination or alternate destination that you have arranged.

Q: My client is concerned that their buyer will not wait for the cargo and cancel the sale. Can they file a claim for this loss?

A: Unfortunately cargo insurance will not cover delays or loss of market. Your insurance provider or counsel may be able to help you formulate a response to individual clients.

Q: There are rumors that Hanjin will require shippers to pay a discharge fee or post a bond (some numbers being thrown around are \$1,500 TEU \$3,000 FEU) to get affected cargo released. How should I respond?

A: Do not pay this unless you have a formal outline in writing, it's been reviewed by your counsel and you have given the shipper opportunity to review. The concern is that while such a payment may give Hanjin the ability to release the freight, other parties may still try and hold freight for unpaid charges.

Q: Will Credit Insurance cover my shipper's non-payment of these additional charges?

A: Probably not as credit insurance doesn't cover non-payment disputes.

Q: Does my NVO or Ocean Freight Forwarder Bond offer me any protection?

A: No, your OTI bond does not protect you, rather it protects the carrier. The last thing you want to have happen is a carrier (or NVO) come after you and your bond for unpaid freight charges. The surety is bound to respond quickly and pay the demand and that usually results in cancellation of your bond and therefore loss of your OTI permit.

Q: What protection does my Errors and Omissions policy provide me?

A: Your Errors and Omissions (E&O) policy protects you from your negligent acts, errors or omissions. It is not first party insurance. The cargo owner should be advised to notify their own insurer of the matter in the first instance. Allegations such as negligent selection of a carrier for booking cargo aboard a Hanjin vessel could be made, but may be difficult to enforce. Terms and Conditions of Service will play a key role in responding to such allegations. Be sure to instruct your team not to admit any liability as this may prejudice any coverage (including defense) afforded under your E&O policy.