

Hey – That’s My Cargo

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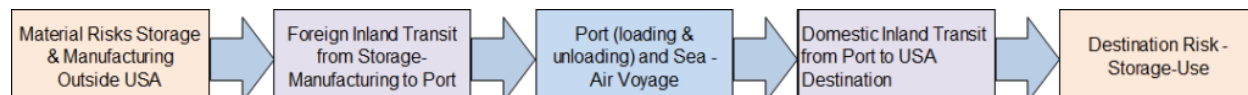
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Perhaps the last thing we think about when reflecting on the Francis Scott Key Bridge Collapse is the non-delivery of cargo on the vessel – while that is understandable it might be a bit more of a priority if that cargo were your company’s property. [A cargo ship collided with Baltimore's Francis Scott Key Bridge](#), resulting in the collapse of the span and the tragic loss of six construction workers. Officials from the National Transportation Safety Board boarded the ship on Wednesday, a day after the early-morning crash. They intended to recover information from its electronics and paperwork, while divers continued their search for the missing workers.

It's indeed unfortunate to witness such disasters, but they serve as stark reminders of the vulnerabilities present within our supply chains. Analyzing your cargo’s journey from the point of origin to the end destination is crucial for an understanding of and a plan to mitigate risks effectively.

The [recent article from FM Global](#) speaks about Supply Chain Impact Analysis which is a methodical way to examine a company’s supply chain risk and how to employ risk mitigation strategies to reduce the financial impact for a company. When we think of the Journey Risk Map (“JRM”) it is useful to consider where your goods are in each leg of the journey and what the Direct and Indirect risks are.

Here's a breakdown of some key areas to consider and potential strategies for risk mitigation along each leg of the supply chain:



For a full copy of our Journey Risk Map [click here](#).

What is the Risk?

Thinking about the Journey and how you can begin to qualify and quantify the risks in each leg of the journey starts with a good understanding of the two “types” of Risk:

- **Direct Risks** – these are risks of direct physical loss or damage – we need to consider the direct physical loss and what risk there is for a partial loss of some symbiotic “pair or set” as well.
- **Indirect (Consequential) Loss** – This is really what you will lose if the goods are delayed in transit – consider the photo above. You know where your goods are (so they are not lost) but you can’t use them. That could be a disastrous result for many insured companies.



The financial impact of an Indirect Loss (Delay) can be coupled with the Direct Loss but does not need to be. Consider if you were a garment retailer importing key components of your Spring line and there were a dozen containers (shipped together) on the container ship Dali – getting that cargo back in June doesn't really help you.

Similarly, if you are the Development Manager sourcing stone from Italy, curtainwall from Germany and case goods from China and those goods were lost or delayed in transit significantly, the critical path of the project will suffer, and the Building Owner could be exposed to a loss of expected revenue due to the delay in completion.

Terms of the Contract

When thinking about risk mitigation it is always good to revert to what you intend and how the contracts that are in place obligate your counterparty and their shipper, to take responsibility for and affect insurance to cover the financial impact that you face due to a loss or delay.

One of the more fundamental shipping terms used are Incoterms these are international shipping terms – a very useful summary of those terms are available in the link below.

<https://jillamy.com/fileadmin/templates/images/pdf/incoterms.pdf>

An even more interesting discussion of the shipping terms is captured in this video which also speaks about the Journey Risk Map and how Incoterms apply <https://youtu.be/4LuSSdzK6aM>

What's Next – Supply Chain Risk Management Seems Complicated...

Supply Chain Risk Management is complicated and often overlooked. The risks of goods in transit is only one facet of a company's real risk. There are other factors that need to be contemplated such as Sources of Supply risk and how issues such as political risks or geographic-specific weather risks could impact a critical vendor.

By systematically assessing risks at each stage of the supply chain and implementing appropriate mitigation strategies, companies can enhance their resilience and minimize the impact of potential disruptions. Regular review and adaptation of these strategies are essential to stay agile in an ever-changing global landscape.

If you have any questions relating to these risks or need help with any risk or insurance related issues please contact Albert Sica, Managing Principal, at 732-395-4251 or asica@thealsgroup.com.