

Tianjin Blast 2015:

Crawford & Company
Catastrophe Response
Update

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In the aftermath of the massive blasts that took place in Tianjin on 12 August, insurers and reinsurers are looking to Crawford & Company® for advice and assistance.

On Wednesday, 12 August 2015, a series of explosions in the Port of Tianjin left 161 people dead, a further twelve still missing and over seven hundred injured, with wide-scale damage to surrounding property and infrastructure. According to the state-run Xinhua news, the catastrophe is said to have affected 17,000 households and 1,700 enterprises.

The impact of the explosions, which took place at a warehouse containing hazardous materials, requires specialist adjusting skills to understand and manage the losses arising. Crawford Global Technical Services® (GTS™) adjusters, based in Beijing and Tianjin, have quickly applied their knowledge of motor, cargo, liability, property and business interruption claims.

Our GTS™ teams were on site quickly; however, as our previous update explained, the Chinese government authorities had placed a 1.8km exclusion zone around the immediate port area. This was subsequently extended to 3km.

Physical access was only made possible almost two weeks after the blast on 25 August.

TIANJIN PORT: LACK OF ACCESS INHIBITS CLEAR CLAIMS PICTURE

The explosions have created a significant market event. The lack of access has made creating a full picture of the level of claims difficult, with underwriters and brokers in continual contact with clients to discuss potential exposures.

The blast caused widespread damage and of the 18,000 cargo containers which were destroyed, several contained dangerous chemicals stored in the warehouse of Tianjin Dongjiang Port Rui Hai International Logistics; the only private company which has the license to store seven types of dangerous chemicals in the port. The company, formed in 2011, has approximately 1 million tonnes of throughput every year and more than Rmb30 million operating revenue.

Most of the headlines have focused on the fact that at least 700 tons of sodium cyanide were stored at the site of the largest explosion.

While access remained restricted, detailed satellite pictures gave an indication of the extent of the damage and statements from underwriters have allowed a slightly clearer picture to emerge.

ANALYST REVIEWS

Most market analyst expectations are that Chinese insurers involved will be able to successfully absorb the insured losses given their reinsurance programmes. However, rating agency, Fitch, believes that regional underwriters may feel a significant strain as claims are set to push the limits of current estimates. The rating agency advised that Chinese insurers traditionally reinsure between 10% and 15% of their risks.

International insurers that have Chinese licences and those who write global programmes will see claims emerge from the incident.

Initial reports estimated the insured costs at between US\$1 billion to \$1.5 billion with a wide number of insurers expected to be affected. However, more recent speculation in the media saw this figure rise to between \$2.5bn-£3.5bn. The marine insurance market is understood to be facing potential claims in excess of \$1 billion. These may surpass the cost of the loss of the Costa Concordia; currently the biggest single insured marine loss in history.

MOTOR CLAIMS EXPECTED TO BE HEAVY

The port of Tianjin is the biggest point of importation of international motor vehicles, with a number of motor manufacturers with assembly and parts facilities nearby.

Media reports said the explosions resulted in 18,000 vehicles being damaged from 14 manufacturers. Hyundai confirmed 4,000 of its cars valued at US\$132 million have been destroyed; while Mitsubishi Motors admitted that it has about 600 cars in the port area, but has been unable to confirm damage while the area is closed off. Volkswagen has now confirmed that about 2,700 of its cars were damaged.

Toyota closed its Tianjin production facility, after announcing that 67 employees were injured in the blast. The closure has had a knock on effect on other Toyota plants in China due to delayed parts shipments. Toyota has yet to disclose the number of vehicles on site, but Tianjin is reportedly Toyota's largest production centre in China.

Media reports have suggested the combined total for the motor losses will be in the region of \$750 million.

Many international motor manufacturers have also been forced to redirect shipments away from Tianjin as the port remained closed and there are expected to be claims for delays in delivery.

MARINE CLAIMS

Tianjin is the world's tenth largest and sixth busiest port for cargo on throughput. Given the lack of information as to exactly which containers were in the port at the time of the blasts, underwriters are still seeking to identify the contents of the containers destroyed or damaged.

Marine insurer, TT Club, has a dominant share of the container insurance market and as the containers are effectively hired by cargo owners, TT Club will face a sizable claim.

There were also several bulk cargos in the blast zone which have been contaminated or destroyed and are almost certainly set to be the subject of total loss claims.

While port authorities say the port was reopened and working within days, there was a sizable backlog to access the berths, with 188 vessels at the port awaiting access at the peak of the delays.

Analysts believe that the damage, delay and disruption caused will give rise to extensive business interruption and contingent business interruption claims across China, particularly given the importance of the port in the region.

COMMERCIAL PROPERTY

Commercial property damage is also expected to be significant with almost 19,000 buildings either destroyed or damaged, 1,600 of which were within and adjacent to the port itself.

There has been limited speculation as to the insured cost of the damage to property; but with a number of warehouses, manufacturing and production facilities affected, insurers are expecting a significant level of claims. Potential contamination of property assets may well become an issue.

Casualty insurers are likely to face workers compensation, disability and life insurance claims and there are fears that the contamination from the toxic chemicals involved in the explosions may give rise to personal injury claims, should illness or injury in the surrounding community become apparent.

ACCESS, REPORTING, AND RECOVERY, ONLY ADDS TO UNCERTAINTY

The inability to access the port and affected area has limited the ability for insurers and their adjusters to fully assess the scale of the damage, which has meant that much of the detail that has been made public is speculative.

The danger is that the delay in claims being notified to the international insurance community will see some insurers and corporates under the belief that they are not involved or are involved to a very low level. This stance may well result in a need to revisit adjuster capacity as claims start to be lodged and as the full extent of the losses and the identity of their underwriters becomes apparent.

The event is also expected to see a renewed focus on the issue of accumulation of risks. In the London market, brokers are already reporting a response in terms of increased pricing for cargo risks.

Reinsurers are also working with their cedents in an effort to ascertain the extent of their liabilities.

There is a view that the ability to successfully obtain recoveries will be difficult, given the level of insured liability cover for the company at the centre of the explosion is expected to be dwarfed by the size of those recovery claims.

CRAWFORD® RESOURCES

Crawford has a sizable and experienced operation in China and our teams have been augmented by expert adjusters from around the Asia region.

The response is being co-ordinated by Crawford Global Technical Services (GTS) and our Global Markets team; the latter being responsible for management of our multi-national corporate relationships. Through these interventions, we have been able to offer our clients a full suite of services and consultancy advice on how best to respond to the event.

CRAWFORD® CATASTROPHE RESPONSE

Crawford GTS® is the definitive solution for large, complex claims; providing the highest level of world-class talent and the industry's largest network to strategically manage large complex losses anywhere on the globe.



Crawford GTS® has the largest, most experienced team of strategic loss managers and technical adjusters in the world. Covering virtually every industry and every geographic region, we have more nominated senior technical adjusters than any other independent adjusting resource. Our relationships span the insurance industry and include many corporations in the Fortune 1000.

Senior insurance professionals, who bring skills much broader than just claims adjusting, manage our teams. Our professionals are sophisticated partners, who have a real-world understanding of how any large loss impacts the business of a corporation. We marshal every resource to minimise the inevitable disruption of business as usual. Our technical adjusting staff functions as strategic loss managers, offering the security and confidence that every aspect of large losses will be planned, organised and executed at the highest levels of industry, technical and regulatory standards. Crawford GTS® teams are organised around key industry segments, focusing experience and expertise on the specifics of those particular businesses.

OUR NETWORK

With nearly 500 of the world's most experienced senior adjusters and industry specialists, operating from 144 locations worldwide, GTS™ is truly a global service that assists all major stakeholders with strategic loss management during the stress of massive claims. Our professionals are continuously working on global claims programmes every day of the year.

Our professionals have the most comprehensive training in the industry. They have every relevant academic and industry qualification in areas from forensics to engineering, accounting to chemistry. ■

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