

Reefer claims loss prevention

A loss prevention America Focus publication

Phase 9 part (a) - Reefer Claims Handling

In our previous loss prevention bulletin (Phase 8), we covered the actions that the shipping line should take when they are notified of a potential loss and/or a refrigerated cargo claim. We also recommended the appointment of a marine cargo surveyor to inspect the perishable cargo and the refrigerated container and to collect all necessary and available documents and records in support of adjudicating a claim.

In loss prevention bulletin number 9, we address the Reefer Cargo Claims Handling process, the bulletin is split into two parts (A & B). The claims handling process includes acknowledging receipt of the claim, requesting documents from the claimant, following up for any missing internal shipping company and third party service provider documents, adjusting the claim, obtaining a release and tips on reading and interpreting reefer Partlow charts and microprocessor (“data logger”) temperature downloads.

The first step in the process is acknowledging receipt of the claim, which normally involves the use of a form letter to acknowledge the claim and inform the claimant of your reference number. The letter should always end with a disclaimer that states “This claim acknowledgment is not to be considered an admission of liability or waiver of any rights or defences”.

The claim acknowledgement is a good time to request any documents needed from the claimant that might be missing from the claims package. Documents required from the claimant include:

- Claim statement showing the amount of the claim and type of alleged damage Shippers commercial invoice and packing list.
- Delivery receipt and devanning tally with reefer container seal number.
- Survey report(s) from the surveyor(s) representing cargo interests and/or marine cargo underwriters.
- Salvage receipt if the cargo was sold for salvage or auctioned away.
- Destruction certificate if the cargo was not sold for salvage
- Consumption entry if claim includes duty (i.e., paid customs entry form)
- Reconditioning or repair invoices, if applicable
- Copy of the ocean bill of lading
- Subrogation receipt if the cargo insurers filed the claim (the receipt should be properly dated and identifying the insurer).

Requests should be sent to internal departments and/or third party service providers for the following records:

- Refrigerated container microprocessor (“data logger”) download covering the entire transit with temperature records, alarms, event logs and computerized pre-trips.
- Partlow charts covering the entire transit
- Load and discharge port yard monitoring logs/records
- Vessel reefer container monitoring records
- Controlled atmosphere, modified atmosphere or fresh air exchange records
- Equipment interchange receipts (EIR) showing dates and times, the fresh air and temperature settings and the condition of the refrigerated container at the time of delivery to the load port (EIR fill in) and pick up from the discharge port (EIR full out).

Once all of the documents have been gathered, the claims handler must review the documents and decide if the carrier is fully liable, partly liable or not liable and formally accept or decline all or part of the claim.



The first step in the claims review process is to evaluate the bill of lading and document all of the facts specified on the bill of lading such as place of receipt, port of lading, port of discharge, place of delivery, types and amounts of cargo and shipper’s specified thermostat and fresh air (“vent”) settings.

It is important for the claims handler to validate and document key dates such as the date and time of:

- Harvest
- Packing
- Cargo stuffing into container
- Receipt of the container at the load port,
- Container laden onboard the vessel
- Container discharge from the vessel
- Pick up of container from the discharge port
- Final delivery of cargo
- Devanning of cargo
- Survey and/or other inspections

Once these dates are established, the claims handler must review the atmosphere and/or temperature records to determine if the requested settings, as noted on the bill of lading were maintained for the entire period of transit from stuffing to devanning the container.

- If it is determined that a third party such as a terminal, rail carrier, trucker and/or controlled atmosphere provider is responsible for the loss, a full set of claim documents should be sent to the third party holding them fully responsible for the claim.

- If it is determined by the claims handler, after review of all available documents including but not limited to atmosphere and temperature records and survey/quality control inspections reports with exhibits, that the temperatures and/or atmospheres were not maintained within generally acceptable limits and times, a determination should be made if the claim should be paid in part or full.

Diagnostic evaluations of the microprocessor data loggers should be conducted to establish if the refrigerated container exhibited any substantive performance issues and adequately maintained the shipper's requested set point temperature from the onset of the trip through delivery to the consignee. A check should be made of the container's microprocessor download for "substantive" alarms or other signs of problems with the refrigeration system. Since the alarms may have no effect on the cargo temperature, it is important to solicit the input of a subject matter reefer expert to professionally interpret the microprocessor download and evaluate the performance of the refrigeration unit.

As a general rule, baseline air temperatures while the refrigerated container is operating and not in defrost mode should be maintained at or below the shipper's specified thermostat setting for freeze cargoes (generally at or less than 0° F) and within 2° to 3° F the shipper's specified thermostat setting for chill cargoes (normally at or about 28° F or higher). For chill cargoes, the maintenance of supply air temperatures is usually at or about the bill of lading set point temperature while the refrigerated container is operating and not in defrost mode. Return air temperatures are characteristically slightly higher than the supply air temperatures once the initial temperature pull down of "properly pre-cooled" cargo has been completed. It is important to note that refrigerated containers are not designed to promptly "pre-cool" hot cargo (i.e., cargo stuffed into the container at pulp temperatures above the shipper's specified thermostat setting).

For brief periods of time during loading and off loading of the refrigerated container from the vessel and repositioning of the container, the refrigeration unit will be detached from electric power and there will be brief increases in air temperatures in the refrigeration unit's supply and return air registers – these temperatures are not indicative of the temperatures of the cargo space. When the container's power is turned back on, the air temperature will generally

return to normal, indicating that no cargo temperature management problems had been experienced.

Research has shown that there are little or no changes in the pulp temperatures of perishable cargoes when the container refrigeration units are shut off during routine but not excessively frequent defrosts. In addition, empirical tests have established that there are no substantive changes in the pulp temperatures of perishable cargoes during normal and customary loading and off loading of the refrigerated container from the vessel and during repositioning of the container.

The examination of microprocessor supply and return air temperatures before and after off power events offer important insights into the effects of off-powered events on properly stowed and packaged perishable cargoes. In cases where the data logger temperatures (following an off-power event) remain higher for an extended period than the data logger temperatures prior to the off power event, it is likely that the cargo pulp temperature had increased during the power-off event.

If carrying temperatures while in the care and custody of the shipping company were generally maintained except for a few substantive temperature fluctuations, and the surveyor and/or the subject matter forensics cargo expert have concluded that these fluctuations could have contributed to the loss, a determination should be made whether an offer should be made provided that the claimant has supported the claim amount and mitigated the loss properly.

Perishable cargo forensics experts have found that temperature excursions during transit are often not the cause of many alleged losses because the perishable cargo damage was due to non-temperature induced quality and condition defects.

If the temperature records confirm the temperature was maintained throughout the entire transit period, and the surveyor concluded that damage was not due to any temperature variance, the claim should be denied in full and the claimants should be referred to their marine insurers or the shipper for recourse.

Once a settlement has been agreed upon, a release should be sent to the claimant and once the release is received back by the shipping line, a settlement cheque can be mailed to the claimant.

Acknowledgement:

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