

Catastrophic transport and logistics risks

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Part D described how a landlocked city became a centre of transport insurance in the nineteenth century. Part H showed that the Rhine ports and logistics companies of Basel serve the pharmaceutical industry and the supply of the whole country. The insurance of goods in transit has changed considerably since the days of the Basler Transport-Versicherungs-Gesellschaft. Modern cargo policies, usually based on the Institute Cargo Clauses of the London market, cover goods from warehouse to warehouse. Large shippers buy stock throughput policies that cover their goods throughout the supply chain, during transport as well as in storage at plants, warehouses and distribution centres.¹ For a pharmaceutical group, whose medicines are often sensitive to temperature and of high value per kilogram, the stock throughput policy is a central element of the programme, which a captive may share with commercial insurers.

The catastrophic dimension of these risks lies in accumulation. Thousands of containers stand on the same quay, hundreds of cars on the same ship and goods worth billions in the same warehouse. A single event can destroy them all. The explosions in the port of Tianjin in August 2015 caused insured losses estimated at several billion US dollars, many of them for cars and other goods awaiting shipment. The explosion in the port of Beirut in August 2020 destroyed warehouses, ships and large parts of the city.² The grounding of the container ship *Ever Given* in the Suez Canal in March 2021 blocked one of the main shipping routes for six days and raised questions of general average, delay and business interruption. The collapse of the Francis Scott Key Bridge in Baltimore after a collision with the container ship *Dali* in March 2024 may become one of the largest losses in the history of marine insurance.³

Cargo insurers protect themselves against such accumulations through reinsurance, and the catastrophe reinsurance of marine and cargo portfolios is one of the specialties of the Zurich reinsurers. Accumulation

modelling has improved with the availability of data on the location of containers and ships. The attacks on merchant shipping in the Red Sea from late 2023 have also brought war risk insurance back to the centre of attention. As insurers raised premiums for voyages through the region, many shipping companies rerouted their vessels around the Cape of Good Hope, prolonging transport times and raising costs.⁴ Sanctions clauses in marine policies, which exclude cover where payment would breach sanctions, connect this line of business with the sanctions compliance discussed in Part H.

The Rhine has its own specific risk. In the dry summers of 2018 and 2022, the water level at the gauge of Kaub, which governs navigation on the middle Rhine, fell so low that ships could carry only a fraction of their cargo. Freight rates rose sharply, supplies of fuel and chemicals to Switzerland were interrupted and the industry in the Rhine valley had to reduce production.⁵ Traditional property insurance does not cover such losses, since no physical damage occurs. Several insurers and specialised providers have therefore developed parametric low-water covers that pay out when the gauge remains below an agreed level for a defined number of days.⁶ The instrument illustrates how alternative risk transfer can fill a gap that climate change is likely to widen.

1 Notes

1. On the Institute Cargo Clauses (A), (B) and (C) of 1 January 2009 and on stock throughput insurance, see the literature on marine cargo insurance; on the history of transport insurance in Basel, see Part D, chapter IV, and on the Rhine ports, Part H, chapter I of this book. To be verified. ↩
2. On the Tianjin port explosions of 12 August 2015 (insured losses commonly estimated at USD 2.5–3.5 billion) and the Beirut port explosion of 4 August 2020, see Swiss Re, sigma, and the reports of the marine insurance market. Figures to be verified. ↩
3. On the grounding of the Ever Given in the Suez Canal (23–29 March 2021) and the collapse of the Francis Scott Key Bridge in Baltimore after the allision of the Dali (26 March 2024), and on the insured losses and the general average declared, see the reports of the marine insurers and the International Union of Marine Insurance. Figures and status to be verified. ↩
4. On the attacks on merchant shipping in the Red Sea since November 2023, the increase in war risk premiums and the rerouting of container

traffic via the Cape of Good Hope, see the reports of the marine insurance market and of UNCTAD. Status to be verified. ↩

5. On the low water of the Rhine in autumn 2018 and summer 2022, the significance of the Kaub gauge and the economic consequences for shipping and industry, see the reports of the Central Commission for the Navigation of the Rhine and of the Swiss Rhine Ports. To be verified. ↩
6. On parametric insurance against low water on the Rhine, using the Kaub gauge as an index, see the publications of the providers concerned and the trade press. Status to be verified. ↩

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