



Tianjin explosions leave insurers exposed to claims

August 2015

On 12 August 2015, multiple explosions occurred in the Chinese city of Tianjin, a major industrial port and goods gateway to Beijing. The succession of explosions took place at a warehouse containing hazardous and flammable chemicals causing devastation and destruction across the city with over 100 deaths, countless injuries and extensive damage to property and infrastructure affecting businesses in China and worldwide.

The potential loss to insurers is estimated to be over US\$1.5bn, with a large proportion of exposure to Chinese insurers, but it is likely that a large number of international insurers and reinsurers will also face claims.

Dangerous cargo/chemicals

The exact cause of the incident is not yet known, and it is unlikely that the full story will come to light anytime soon. From the information available, it seems likely that a fire ignited in or near a warehouse used for the storage of hazardous chemicals. It is not known what caused the explosion, but it is widely believed that it was the result of water-sensitive chemicals coming into contact with water being used to fight the fire. Government sources have identified three chemicals stored at the site that may have contributed to the explosion: ammonium nitrate, potassium nitrate, and calcium carbide. Whilst not explosive, calcium carbide reacts with water to produce acetylene and hydrogen gases, both of which are highly flammable.

This theory gives rise to a number of questions, in particular, whether such chemicals were stored legally and, if so, whether proper information as to the presence of and hazards posed by such chemicals was made available to the first responders. Questions will also be asked of the storage unit and, regardless of whether or not the storage of dangerous chemicals was permitted, whether it was of suitable construction. Regulations for the carriage and storage, whilst in transit, of dangerous cargoes are set out in the IMO's International Maritime Dangerous Goods (IMDG) code, which sets out stringent requirements for the labelling, packaging and segregation of goods classified as dangerous cargoes. The code also requires that storage units and transportation vehicles have equipment and documented procedures to deal with spillage, combustion and human contact/ingestion of dangerous cargoes.

Any comments or queries?

Hong Kong

Andrew Horton
Partner, Marine & International Trade
+852 2216 7102
andrew.horton@rpc.com.hk

Steven Wise
Partner, Marine & International Trade
+852 2216 7171
steven.wise@rpc.com.hk

Donal Keaney
Admiralty Manager, Marine & International Trade
+852 2216 7165
donal.keaney@rpc.com.hk

How we can help insurers

RPC, recognised as a market leader in the field of insurance, has been retained by a number of major international underwriters to assist them in dealing with the losses arising from the incident. As such, the firm has made a decision, so as to avoid conflicts, to act for insurers with problems related to certain types of losses, which have a common interest. In particular, the firm invites enquiries from underwriters relating to the following categories of business:

Cargo claims

Not only did the explosion destroy a significant amount of goods stored at and around the port, in the Binhai New District, a nearby logistics park containing several thousand shipping containers and cars were also incinerated by the fireball. The extent of cargo damage is currently unknown, but it has been reported that the number of units damaged could reach over 10,000, including cars made by Toyota, Jaguar and Land Rover.

As the leading firm in Asia for cargo claims, we are currently working with independent surveyors and loss adjusters to assist underwriters in dealing with claims arising from the incident. Last year, RPC was involved in nearly two thirds of all actions in the Hong Kong Admiralty Jurisdiction on behalf of cargo owners and subrogated underwriters. The team is well placed to advise on policy liability issues and will also be providing advice on potential forms of recovery in respect of subrogated losses, not only against the warehouse facility involved but also other parties that owe cargo owners and their insurers duties in contract, tort and bailment. These actions may lie under bills of lading, contracts of affreightment, warehousing agreements or other transportation contracts.

The firm has extensive experience in dealing with large scale losses and is regularly instructed on sinking and collision claims involving hundreds of claimants. The firm has developed systems to collate and streamline such large-scale losses in order to effectively manage and handle these types of incidents.

Property and business interruption

The explosions have caused significant property damage to manufacturing facilities, warehouses and general port infrastructure. Aside from property claims however, Insurers and reinsurers face potentially significant exposures in relation to business interruption claims which are likely to arise as a myriad of businesses in the vicinity are either simply unable to operate or have been forced to suspend their operations. This causes significant disruption and potential loss of business not only to companies in the affected area, but potentially to any businesses within the relevant supply chains, given the damage to industrial sites and storage facilities. For local business, we anticipate claims made under denial of access extensions given the widespread devastation in the area.

RPC regularly advise insurers and reinsurers on claims relating to all types of commercial and industrial property risks. Regionally, we have advised clients on some of the largest, and most complex, property and business interruption claims in recent years, arising out of both natural and industrial catastrophe situations.

Multi-jurisdictional recovery actions

Our multilingual team has substantial experience in dealing with cross-border and multi-jurisdiction recovery actions, particularly in pursuing claims for large losses in China working with locally qualified lawyers. Our relevant experience includes

Antony Sassi Partner, Non-Marine Insurance

+852 2216 7101
antony.sassi@rpc.com.hk

Gary Yin Partner, China Practice

+852 2216 7103
gary.yin@rpc.com.hk

Singapore

Mark Errington Partner, Non-Marine Insurance

+65 6818 5666
mark.errington@rpc.com.sg

Iain Anderson Partner, Marine & International Trade

+65 6818 5672
iain.anderson@rpc.com.sg

London

James Miller Partner

+44 20 3060 6517
james.miller@rpc.co.uk

Rebecca Hopkirk Partner

+44 20 3060 6210
rebecca.hopkirk@rpc.co.uk

Leigh Williams Partner

+44 20 3060 6611
leigh.williams@rpc.co.uk

acting for subrogated insurers in pursuing cargo and property claims in Maritime Courts in different Chinese cities, as well as bringing claims against limitation funds arising from maritime casualties.

About RPC

We are the insurance law firm of choice for many of the largest international insurers and reinsurers and ascribe our success to the level of service we give to clients – delivering what they want, on time and in an easily accessible manner. Our offices in Hong Kong and

Singapore work closely together to ensure our clients obtain the best quality service across the entire region. This approach ensures we are on top of the issues impacting our clients across Asia and have the contacts and experience to resolve problems wherever they arise.

With one of the largest dedicated insurance teams in the market, we are recognised as leaders in insurance with a Band One ranking, the highest tier in Chambers and Partners Asia Pacific Directory 2015.

For regulatory reasons, RPC operates as a registered foreign law firm in Hong Kong and in association with Smyth & Co.

This article is intended to give general information only. It is not a complete statement of the law. It is not intended to be relied upon or to be a substitute for legal advice in relation to particular circumstances.