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Title: ***Obtaining the proper coverage in the event of ocean carrier insolvency***

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As reports continue to speculate on the billions of dollars in losses that container lines will amass in 2009, analysts are projecting that by year's end, ocean freight will accumulate a combined loss higher than in air freight.

With statistics showing plummeting trade figures, ocean carriers are experiencing losses in every trade lane. As a result, bankruptcies and an unhealthy level of consolidation in the liner shipping industry are inevitable, carriers maintain. Drewry Shipping Consultants predicts a global decline in container volume of 10.3 percent in 2009, followed by only a 1 percent increase in volume next year. If problems persist, Mitsui O.S.K. Lines Ltd., the world's largest shipping line by fleet size, told Bloomberg that its container unit may be unprofitable for two more years.

The Economic Advisory Board of Dun & Bradstreet cautions that some ships may be arrested as a consequence. A shipper whose containers are stuck on the vessel of a carrier that goes bankrupt could find the containers slapped with a lien placed by the carrier's creditors. Or an ocean carrier that has leased slots to a NVOCC might put a lien on a shipper's containers booked by the NVOCC if it defaults on contractual obligations. The costs and delays associated to free cargo from a ship's arrest can be considerable and an attorney often needs to be involved.

Obtaining the proper coverage is important, especially with the increased risk of ships being detained in transit. The potential liability for extended delays, especially for those products with limited shelf life, is increasing. Review your current Cargo Insurance policy for important clauses, such as Extra Expense/Insolvency, which would cover the extra expense a shipper incurs from the termination of a voyage at a place other than the final destination because of the insolvency of the carrier.

Professional Liability policies will include coverage for a company's negligence in selecting a carrier or subcontractor on behalf of a customer. In the event that a vessel or its cargo be detained or arrested because of the insolvency of a carrier, Avalon's policy will cover the costs associated with recovering the cargo. Extra expenses may also may be covered under the Sue and Labor clause, where if action is not taken, the shipment would be considered non-delivered.

Avalon provides multiple coverage options specialized for our customers' unique insurance needs. Our Combined Transit Liability (CTL) program offers Errors & Omissions Insurance with Cargo Legal Liability Insurance. Coverage provides for attorney fees, court costs and settlements. With Cargo Insurance, Avalon can expand the protection you offer your clients and reduce your own exposures. Cargo Insurance is the smart solution to protect your customers' goods.

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