

Loss Due to Terrorist act at Karachi Airport, Karachi – Insurance Claim Case Study



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CASE STUDY

It was the night of Sunday of Karachi's day 2014, on 08-06-2014 at about 23:20 Hours a group of heavily armed men entered the custom clearance department at the old/Hajj Terminal from two sides where they shot the ASF Guards stationed at the gate a gained access to the Tarmac where several aircrafts were parked.

The militants launched the attack at the cargo terminal of the airport. The attack began at 11.20 pm on 8th June and lasted until the morning around 4.00 am of 9th June. They killed ASF officers, employee of Rangers, Police, PIA and other persons during terrorism attack and damaged airport property.

The fire spread very quickly and damages the stocks lying in the custom bonded warehouses and cargo sheds for clearance purpose.

Case Description

Like many whose stocks were lying at the warehouse that was burnt due to terrorist attack. ABC mobile company's stocks of mobiles were also lying at the same warehouse.

ABC mobile is Pakistan's Quality brand, which has taken market by storm with variety of their products including smart phones, had around a million cellular phones in the warehouse waiting for custom clearance. Their monthly imports are around 1.5 million sets. There was just a month's stock in the warehouse that was burnt. The insurance company had appointed Loss adjustor to investigate the claim. As numerous consignments were involved, surveyor went to the insured's office where they obtained copies of the documents for investigation.

List of issues

During preliminary investigation, Insurance claim Adjustor discovered that:

- There were various shipments involved whose transit period had expired/exceeded the maximum 30 Days transit period as per Marine Import Insurance policy (by air).
- A huge accumulation of consignments at any one place.

Approach taken by Insurance Claim Surveyor

As numerous consignments were involved, Surveyor went to the insured's office where they obtained copies of documents for investigation. There were 80 Shipments including part shipments against the 61 policies involved and out of these 16 shipments the transit period had expired / exceeded the 30 days

transit period as per insurance policy.

As per insured's the total loss was around PKR 2.4 billion but as per surveyor the net assessed loss was around PKR 1.8 billion (excluding exceeding transit period). The loss costed the Insured an amount of about PKR 600 million which was big financial loss to the Insured caused due to negligently and/or intentionally storing consignments at Airport for over 30 days as allowed under the policy.

Achieved Results

ABC Mobile accepted the net claim on the amount as settled by the insurance company.

Conclusion: Insurance Company and the Insured had achieved the following results/Lesson from this claim experience.

Insurance Company:

- Insurance company should cap the maximum limit on storage at any one place to avoid the accumulation of risk at any one place specially for those clients whose monthly import is very high.

The Insured:

- Insured must clear the custom duties within the time period as specified in the marine insurance clause
- Insured should not use the custom bonded warehouse for permanent storage purpose.
- If insured feels the clearance will take time than they must opt other insurance policy that cover the storage of items lying at custom bonded warehouse for clearance purpose to avoid such losses.