

The Baltimore bridge collapse: One of the biggest losses in maritime insurance history?

24 April 2024

What happened?

The Dali, a container ship containing cargo, crashed into the Francis Scott Key Bridge near Baltimore, causing the bridge to collapse. The crash sadly caused six deaths and left another individual in a serious condition.

Whilst the cause is yet to be officially determined, the Dali has been reported to have experienced power issues. At the time of the crash, the ship had valid certification of its structural integrity and equipment functionality and had passed two recent inspections. The crew made a mayday signal, which has been said to have mitigated the losses, as police prevented further cars from entering the bridge.

The third largest of its kind, the bridge spans nearly 1.6 miles in length and is 184ft tall, meaning that a re-build is no easy task.

Supply chain and disruption

The incident has had a major impact on supply chains and caused significant disruption, due to preventing the road traffic from passing over the bridge and shipping activity in the port. Estimated to carry 11.5 million vehicles a year, such traffic will need to be re-routed elsewhere. Whilst there is a tunnel closer to the city, serving as an alternative route, some vehicles, such as lorries carrying hazardous materials, are prohibited from using it. Several merchant vessels were also trapped in Baltimore port.

Two alternative channels have been opened since the crash and there are hopes to open the entire permanent channel by the end of May.

Commenting on the incident, container shipping expert, Lars Jansen said that whilst from a global perspective, the incident will not have a significant impact, it will "create significant problems on the US East Coast for US importers and exporters".

Considerations for insurers

John Neal, Chief Executive Officer

Lloyd's of London

"I would say it's certainly going to be one of the largest marine losses in history."

With claims potentially arising under:

- marine / freight / cargo policies;
- property damage policies for the damage to the bridge and business interruption following the port's closure and traffic prevention on the bridge;
- liability lines for the loss of life, injury and property damage;
- litigation for charter party disputes regarding perishable cargo and delays;
- other personal lines issued for the vehicles and individuals on the bridge,

the insurance costs associated with the incident are estimated to be multiple billions of dollars, overtaking claims that arose from the Costa Concordia disaster. London Market firms are expected to be the most exposed.

The ship owners have declared a general average. Although this usually occurs where cargo is jettisoned, it can be declared following “any extraordinary sacrifice” or one that is made for the common safety to preserve the property, meaning those costs not factored into the voyage costs. Such costs can include those of removing the bridge and freeing the ship, returning it safely to a port and moving the containers onto other ships or into places of storage.

Due to the loss of power that the ship was potentially experiencing, there may also be considerations as to whether the ship was seaworthy. If the ship was not seaworthy, this could be a breach of the carriage contract and therefore other parties to the ‘maritime adventure’ may seek recovery of their liability through the breach. The ship’s voyage data recorder (VDR), the equivalent of a black box, can be studied to demonstrate when it experienced a malfunction leading to the loss of power and whether this impacted steering or propulsion or both.

The FBI are currently investigating the crash and Baltimore city is taking legal steps to hold “all entities responsible”. The National Transportation Safety Board are also carrying out investigations, including into the matter of whether the ship had contaminated fuel.

President, Joe Biden, has vowed that the Federal Government will pay to re-build the bridge “as rapidly as humanly possible” and assist to maintain all business and commerce in the area. This is intended to help reduce the delay of allocating such costs and reduce the interruption as quickly as possible.

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