



## A VL real life claim example

# Bailees Liability

## Earthquake Damage

The Insured provides contract packing and storage of pumpkins in the Bay of Plenty region. It also manufactures the wooden crates in which the product is packed and stored for export.

The claim arose when stacks of loaded pumpkin crates collapsed in a domino effect causing major spillage and consequent damage to about 50% of the product.

Claims were made on the Insured by the three owners of the pumpkins who lost export orders as a result of the damage. There was no worthwhile salvage value in the damaged product.

Inquiries into the cause indicated that the stacks may have collapsed following seismic activity in the area and liability was initially denied. However, in further investigations it was discovered that the configuration of stacking the crates was not up to best practice. In addition one of the crates had badly knotted timber and it was determined that it was this crate that collapsed causing the domino effect.

So notwithstanding that a small earth tremor may have triggered the collapse, the Insured was negligent in its crate manufacture and stacking methods. As a bailee bears the onus of proving it was not negligent, liability was admitted, indemnity confirmed and the claim was settled for circa \$100,000.

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