

Loss of Hire Cover

Risk solutions covering loss of income following physical damage to a vessel



Providing the widest range of risk solutions

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In a world of increasing complexity, Gard's objective is to help our Members and clients manage the totality of their exposures – both to existing and developing risks.

As a multi-line insurer – with the strongest rating in the marine market – Gard is uniquely positioned to understand how risks fit together, and identify the best choice of products, ensuring seamless coverage and service.

Innovation has always been a cornerstone of Gard's business model and, over the years, we have refined and extended our standard products and introduced a range of additional products, responding to special needs and requirements from different parts of the marine industry.

The loss of hire cover responds to a shipowner's loss of income following physical damage to a vessel. It includes protection against stranding, physical obstruction of the vessel and the removal of damaged cargo, offering comprehensive support for shipowners.

Further information can be found on our webpage (www.gard.no) under "Covering risks", or from your usual contact.

Scope of cover



The loss of hire cover protects the shipowner from a daily loss of income arising from physical damage to the vessel in a wide range of situations.

Loss of income caused by events such as



- Damage to the vessel recoverable from the underlying hull & machinery cover.
- Stranding of the vessel.
- Physical obstruction preventing the vessel from leaving port (excluding ice).
- Salvage or removal of damaged cargo.
- Events giving rise to an allowance in General Average.

Important exclusions



- Actual and constructive total loss.
- Non-physical blocking of a vessel (e.g. by order from authorities).

The cover can be extended to respond to loss of hire as a result of war or war like circumstances, and for non-physical blockage due to intervention by a state power. Detention due to piracy is not covered under this policy, however, Gard has a specific product for these risks.

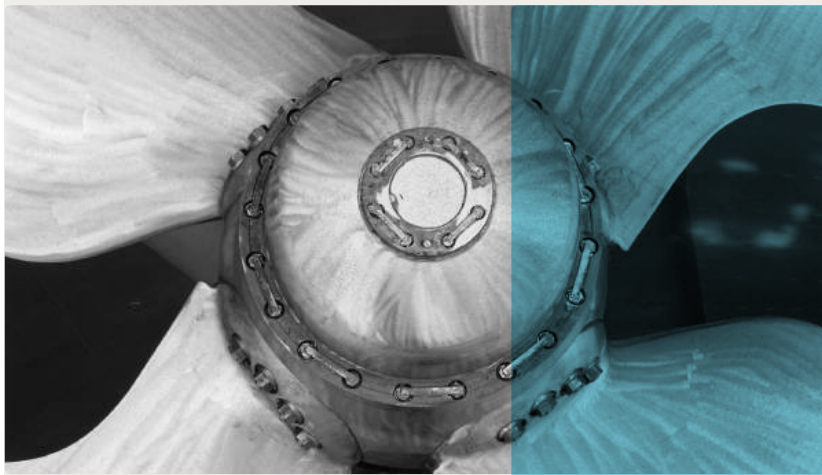
Limit and deductible

- Limits of cover are offered based on the number of indemnity days multiplied by the daily earnings total at the inception of the policy. This is typically 90, 120, or 180 days.
- Standard minimum deductible of 14 days.

Who can be covered?

- All parties with an insurable interest in the vessel's income, who would be financially prejudiced by the vessel being out of operation.

Case studies



Practical examples where the cover will respond.

Loss of income due to damage to hull



As a chartered dry bulk carrier approached its discharging port in South America, it ran aground and the hull was damaged. A few days later, the vessel was released with the assistance of a tug, but the damage was too severe to continue the voyage. As the vessel was unable to operate, the charterer put it off-hire. The vessel was later towed to a yard where it spent 12 days undergoing repairs. It was off-hire for a total of 30 days, including time lost obtaining tenders, conducting surveys and resuming the voyage.

The Gard solution

Clause 15 of the NYPE charterparty states that lost time due to hull damage which prevents the full working of the vessel would allow the charterer to place it off-hire. In response, subject to the Nordic Marine Insurance Plan, the assured is entitled to compensation for loss of hire. In this case, the vessel was off-hire for 30 days and with a standard deductible of 14 days, the insured was entitled to a compensation for 16 days, based on his assessed daily earnings.

Hire of portable equipment



A fire in the compressor room of a cement carrier severely damaged cargo compressors and electrical equipment. The compressors were taken to a workshop and due to a long wait for spare parts, repairs were estimated to take two to three months. The owners decided to hire portable compressors to continue trading and forwarded loss of hire underwriters a claim for expenses related to their hire and installation.

The Gard solution

This claim resulted in a minor allowance for the cost of repairs. The loss of hire insurer additionally covered a proportion of the hire expenses, but was not liable for more money than was saved by the decision to hire portable equipment rather placing the vessel off-hire.

Delay due to damaged cargo equipment

A bulk carrier was chartered on a time charter party with a daily hire of USD 30,000. The shipowner took out loss of hire insurance for the corresponding amount. While loading at a port in Denmark, the electro-hydraulic motor grabs on one of the onboard cranes broke down. Subsequently, the loading and discharging capacity of the vessel was reduced, impacting daily hire.

The Gard solution

Delay due to damaged cargo equipment is not uncommon. Any breakdown of cranes, cargo pumps or similar equipment prevents the vessel from keeping to its schedule and may result in a reduction in charter hire. When the loss of time exceeds the deductible period, it may be recovered from loss of hire insurers.

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