

Scalable Loss of Hire Cover (LoH)

The time out of service can amount to a significant loss for the shipowner. Freight rates and/or Charter income are lost since the vessel is off-hire and capital and operational costs are still due. Loss of Hire cover is designed to reduce this loss.

Traditionally shipping companies purchase a cover for a fixed daily indemnity over a period of 60/90/120 or even 180 days in excess of an initial waiting period (usually 14 days). The maximum indemnity per insured event is made of the daily amount multiplied by the number of insured days. This maximum indemnity is the basis for the calculation of the required insurance premium.

Many incidents can lead to an off hire claim. Whilst non physical events such as trade interruptions, legal disputes or delays at owners default usually only lead to short off hire times, a physical incident such as a machinery break down, grounding etc. may easily lead to many weeks or even months out of service.

On physical damages a well experienced technical management team will usually be able to predict the required time for repairs etc. Additionally such events usually require the attendance of professional surveyors who will also estimate the required time. Henceforth you will have a rather realistic picture on the expected off hire period. This information is very valuable and can be used to reduce your costs during the off hire period. If managed well, your daily operating costs will only be a fraction of the usual costs whilst on service and henceforth you only require a highly reduced daily indemnification to cover your actual losses.

- All voyage related costs will come down to a minimum;
- You may choose to release (part of) the crew;
- It may even be possible to set most of your insurance covers to "laid-up" status and claim back part of the premium if you predict a long time out of service.

This again can lead to massive reduction in insurance premium when opting for a scalable cover. Often it is even possible to expand your overall indemnification period and still reduce the annual premium.

The initial daily indemnification after the waiting period should be based on your actual operating costs whilst in full service (i.e. based on your ordinary daily LoH amount). This indemnification period should last for a reasonable period of time and be followed by a second layer of reduced daily indemnification.



The premium for such a cover is obviously well below the premium for an ordinary cover with a flat and stable indemnification. Yet, the cover is suitable to protect yourself against all losses due to off hire if managed well.

We can assist you to find the best indemnification levels for your individual need. And we can provide you with suitable covers from first class insurers at reasonable price – no matter if scalable or traditional cover is required.



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