SEACURE60

Frequently Asked Questions

SEACURUS

Securus (n) *"one who promises to answer for the debt or default of another"*

SEACURE60: Frequently Asked Questions

What does SEACURE 60 cover?

SEACURE 60 is a time charter cancellation insurance policy. The policy indemnifies the insured for any shortfall in revenue between the original charter rate and the market rate at re-fixture following cancellation of the original charter. The policy is triggered if the charterer invokes the 60 day charterparty cancellation clause for non-performance following, physical loss or damage to the vessel, caused by an insured peril.

Why buy the cover?

The shipping industry has recently enjoyed a boom that has seen many vessels fixed on long term time charters at unprecedented rates of daily hire. Shipyards and repair berths are congested with new buildings and ship conversions. Waiting times for ship repair are increasing giving rise to a greater risk of charterparty cancellation for non-performance. SEACURE 60 protects the anticipated revenues from period charters impacted by the cancellation of the charterparty due to protracted repair of the vessel.

What is the trigger event?

An event caused by an insured peril leading to physical loss or damage to the vessel and an undisputed, legal repudiation of the Charterparty by the Charterer for non-performance.

Is there a deductible?

Yes, there is a 60 day deductible that starts to run from the date of the loss event. The deductible is set at 60 days to match the term of the cancellation clause found in typical larger container vessel charterparties.

When does the policy pay?

The insurer will indemnify the insured for the realised shortfall in daily revenue after the 60 day deductible has expired. Claim payments are made when the associated hire payments would have been due under the original charter. The insurer will not accelerate revenue payments under the policy.

Are expenses other than the daily revenue amount covered?

No, the policy indemnifies lost revenue only.

What are the exclusions?

The principle exclusions are that the insurance will not pay in the event that the charterparty has been renegotiated without the insurer's consent, the insured has failed to pay the premium, the insured has a substantial financial interest in the charterer, the loss of revenue has resulted from the insolvency of the owner manager or charterer or if the vessel is a total loss.

What are the conditions?

The principle conditions are that the insured must use reasonable care in performing the charterparty, disclose all material facts, notify the insurer of any request by the charterer to vary the terms of the charterparty and agree not assign the policy without the insurer's prior written consent.

Is there any overlap with loss of hire insurance?

No, SEACURE 60 can be used to further enhance the revenue protection provided by loss of hire insurance.
(Loss of hire insurance to compliment this product can be provided if required)

What is the limit?

In simple terms the policy limit is calculated by aggregating the agreed maximum shortfall in the daily revenue amount over the indemnification period. The absolute maximum policy limit available is **US $25 million.**

Does the term of the cover match the unexpired charterparty?

Standard cover comprises a 12 month policy period and a 24 month indemnification period. In certain circumstances underwriters will consider a longer indemnification period but would most likely insist upon co-insurance beyond 24 months.

What is the difference between the policy period and the indemnification period?

In all circumstances the policy period is limited to a maximum of 12 months. However, the insurer is prepared to commit to provide the indemnification of lost revenue for a maximum of two years. Provided the unexpired charter period is always greater than the term of indemnification, the indemnification period remains intact. The indemnification period can be adjusted to match the unexpired time of the charterparty when buying or renewing the policy.

What is a typical loss scenario?

A large container vessel (2,500 teu) is locked into a 5 year time charter on a liner service between North West Europe and the Far East. The vessel is involved in a collision with another vessel when leaving the Suez Canal on an East bound voyage fully laden with cargo bound for the Gulf, Sri Lanka, Singapore and beyond. Following an underwater class inspection it is recommended that the vessel is dry-docked to effect underwater repairs. Dry-docking will involve substantial time out of service for the vessel as cargo will need to be transhipped, a suitable repair yard will need to be agreed upon with property and liability insurers and available space in the yard will need to be booked. Further consideration will need to be given to the time taken to tranship the cargo plus steaming time to the repair yard thereafter.

Charterers are concerned about serious disruption to their liner service and published schedules. Following 60 days out of service, charterers notify owners they are cancelling the charterparty and seeking alternative tonnage to maintain their pre-booked service.

The vessel leaves dry-dock soon thereafter and is available for re-fixture. The vessel had been fixed 18 months earlier at a high daily rate and the market has fallen in the interim; owners must therefore accept re-fixing the vessel at a substantially lower daily rate.

Following an independent assessment of the long term charter market, underwriters approve the claim and indemnify owners for the differential in the charter rates for a further two years.

Is the cover effective for vessels trading on the spot market?

No, as there should be no differential between the fixed rate and the market rate. In addition, the 60 day deductible would exclude claims from vessels trading on the spot market.

What information is required for an indication?

Name and address of the owner, details of the vessel such as tonnage, type, flag and age, name and address of the charterer, charterparty term and daily hire amount, a copy of the charterparty and details of any physical loss or damage claims sustained by the vessel over the preceding five years.

What does it cost and how is the premium calculated?

The premium is risk specific and a number of variables are involved including an assessment of the vessel's hull and machinery loss record, the structure of the cover and level of indemnification provided.

Is this cover relevant for all vessel types?

Yes, although SEACURE 60 is better suited to large container vessels on long term time charter where 60 day cancellation clauses are more typical.

Is this cover relevant for charterers who may sublet the vessel on period charter?

The cover is equally relevant for head owners and disponent owners of vessels on long term time charter, with head owners needing cover on a falling market and disponent owners needing cover on a rising market.

In the event of a claim on the policy can the vessel be fixed on the spot market or must she be refixed on a long term time charter?

It will be the owner's commercial decision whether to re-fix the vessel on either long term time charter or the spot market. However, subsequent to a claim on the policy, the insured must keep the insurer advised of the fixtures undertaken. In the case of large container vessels it is accepted that the opportunity of spot market fixtures are unlikely.

For more detailed information and/or to request a quote please contact:

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