

NORDIC PLAN 2013 VERSION 2023

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16-2 TOTAL LOSS

2019:

The insurer shall not be liable for loss of time resulting from a casualty which gives the assured the right to compensation for total loss under Chapter 11 of the Plan or under the corresponding conditions in the hull insurance that applies to the vessel pursuant to Cl. 16-1, sub-clause 1, second sentence.

2023:

The insurer shall not be liable for loss of **income** resulting from a casualty which **entitles** the assured to compensation for total loss **under the hull insurance in effect. If no hull insurance is in effect the assessment shall be based on Chapter 11 of the Plan.**

CL 12-12 (H&M) AND 16-9 (LOH) CHOICE OF REPAIR YARD

- An inherent conflict of interest between H&M and LOH.
- What ship owners need is an alternative whereby all repair costs as well as the full time lost are covered by insurers
- Previous versions of the Plan have only partly accommodated such requirement;
 - Where H&M has been based on the Plan – OK from assured’s perspective
 - Where H&M has been based on other conditions – risk of not having full cover.
- 2023 version:
 - Certain extension of cover under H&M (Cl. 12-12)
 - Extension of cover under LOH – and LOH better adapted to actual H&M policy (Cl. 16-9)
 - there is always an alternative available where all repair costs as well as the full time lost are covered by insurers (H&M and LOH), irrespective of which hull conditions the H&M policy is based on.

CL 12-12 CHOICE OF REPAIR YARD (H&M)

- *"The tenders received shall, for the purpose of comparison, be adjusted by the costs of removal being added to the tender amount.*

*The assured decides which yard shall be used, but the insurer's liability for the costs of repairs and removal is limited to an amount corresponding to the amount that would have been recoverable if the lowest adjusted tender had been accepted, plus 20 % p.a. of the agreed insurable hull value for the time the assured saves by not choosing that tender. **In case the fuel consumption for removal is reduced by not choosing the lowest adjusted tender, the insurer's maximum liability is further increased with up to USD 40 (or equivalent in the currency of the policy) per ton CO2 emission saved.***

If the assured, because of special circumstances, has justifiable reason to object to the repairs being carried out at one of the yards that have submitted tenders, the assured may demand that the tender from that yard be disregarded."

- Extension as per red-marked text is new in 2023 version
- See example of calculation in Commentary
- Note that the extent of cover under H&M is unaffected by the existence or not of any LOH cover

CL 16-9 CHOICE OF REPAIR YARD (LOH)

- **Previous Plan versions** – different solutions depending on which H&M conditions the policy has been agreed to be based on.
 - "...However, the liability of the insurer shall be limited to the loss of time under the tender that would have resulted in the least loss of time among the tenders for which the assured would have been able to claim [full] compensation under the hull insurance...
..If the hull insurance has been effected on conditions other than those of the Plan, and these conditions have been accepted in writing by the insurer, the liability of the insurer shall be limited to the loss of time under the tender that would have resulted in the least loss of time plus half of any additional loss of time that may occur."
 - I.e. always an alternative with full cover available where H&M is based on the Plan
 - If H&M based on other conditions – a great risk for not being able to recover time and costs in full
 - Only a question of how much time that is recoverable under LOH – no mechanism/authority for contributing to repair costs even if that could be more favorable.

16-9 CHOICE OF REPAIR YARD

2023 version:

*"The insurer may **demand** that tenders for repairs be obtained from repair yards of the **insurer's choice**. If the assured does not obtain such tenders the insurer may do so.*

For the purpose of comparison, the repair time for tenders received, converted into monetary expense using the applicable daily amount, shall be adjusted by adding any:

- estimated additional recoverable time under Cl. 16-10 and/or Cl. 16-13 after conversion as above.***
- repair costs not recoverable under the hull insurance solely due to the repair alternative being more expensive than the cheapest alternative.***

*The assured shall decide which yard **shall** be used. However, the liability of the insurer shall be limited to the **lowest adjusted tender**. If the assured chooses this repair yard, the claim shall be settled on the basis of the actual time lost, even if this is greater than that specified in the tender.*

*If **the assured**, because of special circumstances, has **justifiable reason** to object to the repairs being carried out by one of the repair yards that has submitted a tender, **the assured** may **demand** that the tender from that yard be disregarded."*

16-9 CHOICE OF REPAIR YARD

2023 version has introduced a separate way of adjusting tenders under LOH (16-9, 2nd subclause):

"For the purpose of comparison, the repair time for tenders received, converted into monetary expense using the applicable daily amount, shall be adjusted by adding any:

- estimated additional recoverable time under Cl. 16-10 and/or Cl. 16-13 after conversion as above.***
- repair costs not recoverable under the hull insurance solely due to the repair alternative being more expensive than the cheapest alternative."***

*The assured shall decide which yard shall be used. However, the liability of the insurer shall be limited to the **lowest adjusted tender...**"*

- The "adjusted tender" under LOH not only take the time lost into account, it also includes *"repair costs not recoverable under the hull insurance solely due to the repair alternative being more expensive than the cheapest alternative."*
- Therefore, the liability of LOH can be limited to the lowest adjusted tender, yet full compensation for time and costs under H&M and LOH is available under such tender, irrespective of the actual H&M conditions
- Promoting the overall best alternative.
- See Commentary for an example

16-11. EXTRA COSTS INCURRED IN ORDER TO AVERT OR MINIMISE LOSS

The insurer shall be liable for extra costs incurred in connection with temporary repairs and in connection with extraordinary measures taken in order to avert or minimise loss covered by the insurance, insofar as such extra costs are not recoverable **under** the hull insurance **in effect**. **Chapter 4, Section 2, shall not apply.**

The **liability** for such costs **is limited to** the amount **the insurer** would have had to pay if **the** measures had not been taken.

If **loss** is **averted or minimised** for the **benefit of several interests**, the insurer is **only liable for such proportion** of the extra costs **attributed** to the **interest insured**.

16-11. EXTRA COSTS INCURRED IN ORDER TO ~~SAVE TIME~~ **AVERT OR MINIMISE LOSS**

Sub-clause 1

2019:

The insurer shall be liable for extra costs incurred in connection with temporary repairs and in connection with extraordinary measures taken in order to avert or minimise loss ~~of time~~ covered by the insurance, insofar as such extra costs are not recoverable from the hull insurer. ~~If the hull insurance has been effected on conditions other than those of the Plan, and these conditions have been accepted in writing by the insurer, the rules of Cl. 16-1, sub-clause 1, second sentence, shall apply.~~

2023:

The insurer shall be liable for extra costs incurred in connection with temporary repairs and in connection with extraordinary measures taken in order to avert or minimise loss covered by the insurance, insofar as such extra costs are not recoverable **under** the hull insurance **in effect**. **Chapter 4, Section 2, shall not apply.**

16-11, SUB-CLAUSE 3

2019:

If time is saved for the assured, he shall bear a share of the extra costs that is proportionate to the time saved for his account.

2023:

If **loss** is averted or minimised for the **benefit of several interests**, the insurer is only **liable for such proportion** of the extra costs attributed to the **interest insured**.

16-12 SIMULTANEOUS REPAIRS

- Potentially complex issues – many variations of simultaneous repairs to be dealt with
 - One or more casualties covered under this policy
 - One or more casualties covered under other policies
 - Owners' work subject to apportionment
 - Owners' work not subject to apportionment
 - Time lost being within or outside deductible period - and for which casualties?
- Therefore, the wording has appeared (extremely?) complex
 - previous Plan versions contain 4 subclauses with rather long-winded text..
- 2023 version - 1st subclause replaces previous subclause 1-3
 - More “bullet point approach”
 - 2nd subclause conform with 4th subclause in previous versions
- Very limited material amendment – for very rare situations

16-12.SIMULTANEOUS REPAIRS,

2023 version – new subclause 1:

"If repair work resulting from a casualty covered under this loss of hire insurance is carried out simultaneously with:

1. repair work resulting from any other casualty covered under this or another loss of hire insurance, and/or

2. work which is not covered under any loss of hire insurance, but which is:

(a) carried out to fulfil classification requirements, or

(b) necessary to enable the vessel to meet technical and operational safety requirements or perform its contractual obligations, or

(c) related to the reconstruction of the vessel,

the common time which falls outside the deductible period shall be apportioned as follows:

(I) Where common time falls outside the deductible period for all casualties, and no work referred to in sub-clause 1, item 2, is effected simultaneously, the common time shall be apportioned equally between all casualties.

(II) Where common time falls outside the deductible period for all casualties, but the repair work is effected simultaneously with work referred to in sub-clause 1, item 2, half of such common time shall be apportioned equally between the casualties.

(III) Where common time falls within the deductible period for one or more casualties, but outside the deductible period for other casualties, half of such common time shall be apportioned equally between the casualties where the deductible period has expired, whether or not work referred to in sub-clause 1, item 2, has been effected simultaneously."

16-15. LIABILITY OF THE INSURER WHEN THE VESSEL IS TRANSFERRED TO A NEW OWNER

2019:

When damage to the vessel is repaired in connection with a transfer of ownership, the insurer shall not be liable for time that would in any event have been lost in connection with the said transfer. If the transfer has to be postponed due to repairs covered by this insurance, the insurer shall be liable for the assured's loss of interest in accordance with the rules of Cl. 5-4, even though the vessel would not have earned income during the postponement.

The insurer's liability pursuant to sub-clause 1 shall not exceed the compensation calculated on the basis of the sum insured per day and:

- a. the period of time by which the transfer was postponed, or
 - b. the time it must be estimated that the buyer will take to repair the vessel,
- less the agreed deductible period. The deductible period is calculated in consecutive days even if the loss of interest differs from the sum insured per day. No compensation may be claimed under Cl. 16-13 in these cases.

The assured's claim against the insurer may not be transferred to a new owner.

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The insurer's liability pursuant to sub-clause 1 shall not exceed the compensation calculated on the basis of the sum insured per day and:

- a. the period of time by which the transfer was postponed, or
 - b. ~~the time it must be estimated that the buyer will take to repair the vessel,~~
- less the agreed deductible period. The deductible period is calculated in consecutive days even if the loss of interest differs from the sum insured per day. No compensation may be claimed under Cl. 16-13 in these cases.

The assured's claim against the insurer may not be transferred to a new owner.

16-15. LIABILITY OF THE INSURER WHEN THE VESSEL IS TRANSFERRED TO A NEW OWNER

2023:

Where a transfer of ownership has **been** postponed **as a consequence of a damage or an event recoverable under Cl. 16-1**, the insurer shall be liable for the assured's loss of interest **on the sales amount based on the interest rate in Cl. 5-4, sub-clause 3, as well as for wages and maintenance of the crew**, even though the vessel would not have earned income during the postponement. However, the insurer shall not be liable for time that would in any event have been lost in connection with transfer of ownership.

The insurer's liability pursuant to sub-clause 1 shall not exceed the compensation calculated on the basis of the sum insured per day and the time by which the transfer was postponed less the agreed deductible period. The deductible period is calculated in consecutive days even if the loss of interest differs from the sum insured per day. No compensation may be claimed **for loss of time after completion of repairs, except for loss of time during removal after repairs. If the removal results in time savings for the assured a corresponding time shall be deducted.**

The assured's claim against the insurer may not be transferred to a new owner.

16-15. LIABILITY OF THE INSURER WHEN THE VESSEL IS TRANSFERRED TO A NEW OWNER

2023:

Where a transfer of ownership has **been postponed as a consequence of a damage or an event recoverable under Cl. 16-1**, the insurer shall be liable for the assured's loss of interest **on the sales amount based on the interest rate in Cl. 5-4, sub-clause 3, as well as for wages and maintenance of the crew**, even though the vessel would not have earned income during the postponement. However, the insurer shall not be liable for time that would in any event have been lost in connection with transfer of ownership.

The insurer's liability pursuant to sub-clause 1 shall not exceed the compensation calculated on the basis of the sum insured per day and the time by which the transfer was postponed less the agreed deductible period. The deductible period is calculated in consecutive days even if the loss of interest differs from the sum insured per day. No compensation may be claimed **for loss of time after completion of repairs, except for loss of time during removal after repairs. If the removal results in time savings for the assured a corresponding time shall be deducted.**

The assured's claim against the insurer may not be transferred to a new owner.

STRENGTHENING COOPERATION BETWEEN INSURERS AND SHIPOWNERS

- **Clause 16-6** Agreed daily amount
- **Clause 16-11** Extra cost incurred in order to avert or minimize loss
- **Clause 16-14** Repairs carried out after expiry of the insurance period



12-16. MACHINERY DAMAGE DEDUCTIONS

Damage to machinery and accessories **concerning the propulsion or operations of the vessel** is recoverable subject to deductions as set out in the insurance contract. To this shall be added the deductible referred to in Cl. 12-18, sub-clause 1.

However, no **such** machinery damage deduction shall be made if the damage is a consequence of:

(a) the vessel having been involved in a grounding, collision or striking,

(b) **water ingress and flooding of the space in which the damaged machinery or accessories is installed, or**

(c) fire or explosion, **unless originating in the space containing the damaged machinery.**

12-16, SUB-CLAUSE 1

2019:

Damage to machinery and accessories ~~and to pipelines and electrical cables outside the machinery~~ is recoverable subject to deductions as set out in the insurance contract. To this shall be added the deductible referred to in Cl. 12-18, sub-clause 1.

2023:

Damage to machinery and accessories **concerning the propulsion or operations of the vessel** is recoverable subject to deductions as set out in the insurance contract. To this shall be added the deductible referred to in Cl. 12-18, sub-clause 1.

12-16, SUB-CLAUSE 2

However, no **such** machinery damage deduction shall be made if the damage is a consequence of:

a. ...

2019

b. the engine room having been completely or partly flooded,

c. fire or explosion originating outside the engine room.

2023

b. water ingress and flooding of the space in which the damaged machinery or accessories is installed, or

c. fire or explosion, unless originating in the space containing the damaged machinery.

18-59. PERILS COVERED

The insurance covers war perils, cf. Cl. 2-9.

If the insurance against marine perils has been suspended under such circumstances as mentioned in Cl. 3-19, the insurance also covers marine perils, cf. Cl. 2-8.

This insurance against war perils does not cover objects in storage on land as per Cl. 18-3. For objects removed from the MOU, the insurance is suspended on completion of unloading of the object at the port. The insurers liability reattaches on commencement of loading operations of objects from the port onto an MOU or vessel.

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