

## FAQ - Nordic PLoE-H&M Primary Loss of Earnings - H&M

### What is the difference between Primary LoE & Delay?

#### Primary LoE

- Primary LoE covers delays that are or would be covered under an Assured's mainstream H&M policy but expressly excluded under a Delay cover such as ship's cargo and/or anchor handling equipment; pumps... heating and cooling equipment etc... (Nordic GC clause 5.1.B)
- Primary LoE is triggered by the Assured's main H&M policy, as is conventional LoH and it responds even if the incident is within H&M deductible.

#### Delay

- Delay is a bespoke and stand-alone named-peril insurance providing a "buy back" option for delays expressly excluded under H&M/P&I and de facto excluded by the conventional LoH through the initial 14 days' deductible, beyond which conventional LoH cover incepts.
- Delay is not linked to H&M, P&I or any other policy.
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### Why do Nordic propose it separately from Delay?

Because it is a standalone policy complementing conventional LoH.

It is "quasi-mainstream" in its format & mechanics, triggered by the underlying H&M policy.

### Can I have both?

Yes, the Delay cover has a much wider panel of named perils such as P&I-type perils, Shoreside perils etc...

Delay cover can also complement a Primary LoE cover because deductibles for H&M perils can be lower than 7 days.

### Will it be separate policies?

Yes. In case both Primary LoE and Delay are placed, for compliance and reporting reasons we will issue separate Cover Notes.

### How about loss record review?

Each policy will carry its own loss record, but we will always consider the overall picture.

### Can I have different renewal dates?

Yes, there is total flexibility.

Primary LoE can follow the dates of the conventional LoH or H&M but also have a separate date.

### Can I have different brokers?

Yes, the choice of producer is a client's choice and Nordic works with all brokers

### Is there a reinstatement premium?

The answer is NO i.e.: cover is automatically reinstated at no extra cost, always subject to policy annual aggregate limit over all declared ships.

### Why do you have exclusions for delay suffered more than 90 days after a covered event and delay for damage discovered during dry dock?

The reason is that Nordic's Primary LoE aims to respond to immediate, unavoidable delays rather than the expected delays in connection with routine repairs, i.e.: **a context of reaction rather than action.**

Delays suffered because of emergency repairs being necessary to enable the ship's return to her commercial activity.

When a vessel can continue to trade more than 90 days after an incident, it usually means that she did not suffer immediate losses and that any damage discovered by surveyors can be repaired at next dry dock.

### Want more information?

See our website [www.nmip.se](http://www.nmip.se) or please contact [insurance@nmip.se](mailto:insurance@nmip.se)





## REGULAR DRY-DOCKING vs EMERGENCY DRY-DOCKING

**Dry-docking period** – the period from when the insured vessel stops earning hire or freight and starts its voyage to the repair yard until it has left the yard after concluding the repairs or maintenance, including sea trial, and started trading again.

The purpose of a regular dry-dock is to carry out planned maintenance work and, concurrently, repair all minor damages that have inevitably occurred since the last dry-dock, two or five years earlier, but were not notified to insurers.

The likelihood of these additional, and usually minor, damages make additional repair time predictable and an allowance is usually included in the dry-dock planning equation.

When estimating the time needed for dry-docking operators usually include waiting time prior to entering the yard as well as potential delays due to possible defects in repairs causing further delays after the work is over.

Regular dry-dockings usually last between 10 to 14 days, and during planned or regular dry-dockings a vessel is off-hire and does not earn any money. Since Nordic's Primary LoE, like the standard LoH, is an indemnity insurance the assured cannot claim any compensation, since they cannot earn any freight or hire during such dry-docking time.

The above are the usual dynamics of regular dry-dockings and the reason for the minimum 14 days' deductible in conventional loss of hire policies.

### Is this why you have exclusions for delay for all damages discovered during all dry-dockings?

Yes! Nordic's Primary LoE lowers the usual 14 days' conventional LoH deductible by 7 days only (i.e.: the most unavoidable and commercially painful 7 days) so we made the choice to privilege clarity and cost efficiency vs uncertainty of recovery and unnecessary high costs.

In simple terms, Nordic's Primary LoE will cover delays during an event and during dry-dockings for repairs in connection with the covered event only.

Of course, it could be argued that unreported damages discovered during emergency dry-docking and resulting in a longer than expected dry-docking period should be compensated to the extent that they extend the planned dry-docking period.

However, in addition to extra claims' handling costs, this would also call for factoring in the possibility of claims being reported 2 or 3 years after an incident happens and changing the nature of our business from short-tail to long-tail, triggering uncertainty of results and totally different premium and reinsurance considerations. And we all know that uncertainty costs!