Lay-Up Practices for Vessels and Principles for The Assessment of Lay-Up Status

Lay-Up is the temporary withdrawal of a vessel from commercial activities by the shipowner or operator and keeping the vessel out of service at a designated port, mooring area or safe anchorage zone for a specified period.

The lay-up process may be conducted due to market conditions, economic reasons, maintenance and repair programs, class renewal surveys, sale processes, or similar operational reasons. Since placing a vessel under lay-up status may result in a change in the vessel's risk profile with respect to the insurance, the insurer must be notified in advance and all relevant policy conditions must be complied with.

Lay-up arrangements are generally classified into two categories: **Hot Lay-Up** and **Cold Lay-Up**.

1. Hot Lay-Up

Hot Lay-Up is a temporary withdrawal arrangement in which the vessel is maintained in a condition that enables her to return to commercial service within a short period of time. Under this arrangement, the vessel is not completely taken out of operation; rather, the main engine, auxiliary machinery, generators, and other critical systems remain operational or are maintained in a condition allowing prompt reactivation.

To preserve the operational reliability of the vessel's systems, machinery and equipment are periodically operated, and necessary maintenance activities continue throughout the lay-up period.

In this regard, an adequate number of crew members remain onboard to ensure safe operation, security, and proper supervision of the vessel. The time required for the vessel to start trading again is relatively short, allowing her to return to commercial service quickly when market conditions improve or operational requirements arise.

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Although Hot Lay-Up provides the advantage of rapid reactivation, it is generally considered a higher-cost lay-up method compared with Cold Lay-Up due to continued crew employment, energy consumption, and operational expenses.

2. Cold Lay-Up

Cold Lay-Up is applied when a vessel is not expected to engage in commercial operations for an extended period.

During this process, the main engine and auxiliary systems are taken out of service by applying preservation procedures suitable for long-term inactivity. Necessary measures are implemented to protect and maintain the vessel’s machinery, equipment, and technical systems during the lay-up period.

The number of personnel onboard is reduced to the minimum level required to ensure the vessel’s safety and security, or sufficient personnel are retained solely for regular inspection, monitoring, and security purposes.

Before the vessel can be returned to commercial service, comprehensive reactivation procedures must be completed. These procedures include necessary maintenance and testing activities, verification of the operational condition of machinery and equipment, and completion of inspections and requirements imposed by the relevant classification society.

As the vessel remains in a largely inactive condition during Cold Lay-Up, the period required for reactivation is longer compared with Hot Lay-Up, and the associated costs are generally higher.

Criteria for the Assessment of a Vessel Under Lay-Up Status

In order for a vessel to be considered under Lay-Up status, the following conditions must be met:

- The vessel must not be engaged in cargo or passenger transportation activities;
- The vessel must not be performing commercial voyages;
- The vessel must have been temporarily withdrawn from operational activities.

Situations where operational activities continue or where the vessel remains in normal commercial service shall not be considered as Lay-Up status.

Waiting periods arising from cargo operations, port congestion, adverse weather conditions, technical preparations, or other ordinary operational circumstances shall not be regarded as Lay-Up.

During the Lay-Up period, the preservation of the vessel’s technical systems and maintaining the vessel in a condition suitable for future reactivation are essential requirements.

Accordingly, the following measures shall be implemented:

• Ensuring the safety and adequacy of mooring and anchoring arrangements;

• Applying necessary precautions against fire, flooding, and environmental risks;

• Maintaining regular inspection and monitoring of the vessel;

• Ensuring the continued availability of sufficient personnel or appropriate supervision services.

When a vessel is planned to be placed under Lay-Up status, the following information must be provided to the insurer or the authorized insurance broker/agency in a timely manner:

• The start date of the Lay-Up and the estimated duration;

• Lay-Up type (Hot Lay-Up / Cold Lay-Up);

• The Lay-Up location and reason;

• If the vessel will have any cargo onboard during the Lay-Up period and the number of crew members remaining onboard;

• If the necessary approvals have been obtained from the relevant port authorities and classification society;

• If the vessel's machinery will remain operational during the Lay-Up period;

• The implemented security and safety measures.

For insurance policies requiring prior insurer approval, any Lay-Up arrangement undertaken without completion of the required notification and approval procedures may affect the assessment of coverage and the insurer's liability under the terms and conditions of the policy.

Lay-Up should not be considered merely as a vessel remaining idle at a port. It represents a specific operational condition requiring the implementation of appropriate safety measures and preservation procedures, as well as a reassessment of the associated insurance risk. Therefore, prior to placing a vessel under Lay-Up status, it is essential that the required notifications are made, the provisions of the insurance policy are complied with, and all information and documentation requested by the insurer are provided in a timely manner.

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