

New directive on incentive for aged Cargo vessel owners and the issue of insurance

Latest legislation on governmental incentive for replacement of aged cargo vessels with newly-built ones which was drafted by Turkish Ministry of Transport and Infrastructure has been published in Official Gazette on 28.04.2021 and since then this issue has been a hot topic which is being discussed by various actors of Turkish maritime sector.



According to new legislation, The Turkish Ministry of Transport and Infrastructure shall provide financial support to shipowners whose vessel was 20 years and over, as well as suitable to be turning into scrap and let these owners built a new vessel through this governmental aid. As per the wording of said legislation, the government aims to establish "Sea-environment protecting, effective, safe and sustainable transport within the cabottage, as well as in international waters. The type of vessels which are subject to this regulation are the liquid bulk cargo, solid bulk cargo, container, general cargo (mixed cargo) or special purpose classes of ships, weighing 1,000 GT or more. Moreover, the regulation also stipulates that the newly constructed vessel must either be under National Ship Registry or the Turkish International Ship Registry. Further to this, the vessel must be operated under Turkish flag for five years from the date of registration. The new vessel which will be built in Turkey according to this law, also cannot be sold, transferred or rented for operation under another flag. The legislation additionally mandates the domestic contribution rate of %50 for the construction to be at least 50 percent, including labor so as to enliven the local economy in this manner.

As per this regulation, the shipowner (who is referred as the beneficiary in the content of law) is obliged to present three types of insurance policies to the authorities; i) The first one is to cover against various construction risks listed in the Regulation, such as damages caused by inaccurate design or failures in the process of launching. ii) The second form of cover will be a typical hull and machinery cover which will be valid for five years and the annually renewed policies will be submitted to the authorities. iii) The third and quite arguable type of insurance policy which the shipowner is obliged to submit is a P&I (Protection and Indemnity) policy which covers the maritime claims set in the article 1352 of Turkish Commercial Code. It should be noted that the referred cover is much more comprehensive than the existing ones in the global maritime practice of decades, thus in order



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to make this regulation actually work, the cover stipulated in the new law must be narrowed down to a content which is matching with the prevalent protection indemnity cover. Another option for serving the purpose of this legislation would be underwriters 'design of new product/type of cover in this regard. We will all see what tomorrow brings in respect thereof. In any case, the fact that our government has taken a step towards to rejuvenation of commercial fleets should be regarded as a pleasing development in terms of Turkish maritime trade.