

## Hull & Machinery Insurance and Alternative Coverages

Nowadays, commercial ships face with enormous risks during their operations and these risks can have very costly consequences for shipowners. For this reason, hull and machinery insurance has a great role and importance to protect shipowners against such consequences. In this type of hull and machinery insurance, the scope and conditions of the coverage are determined with the frequently used clauses such as London-based ITC 1.10.83 and ITC 1.11.95 and which are provided against many risks such as perils of the seas, fire, explosion, jettison, piracy, machinery failures, crew negligence, contact with piers and shore vehicles etc.



### FPA UCB Coverage

In addition to this, there are alternative products with limited coverage but price advantage which can be provided by adding special conditions to the clauses such as ITC 1.10.83 and ITC 1.11.95 and the most preferred one amongst the others is the FPA UCB coverage. This type covers partial losses like regular ITC 1.10.83 and/or ITC 1.11.95 but subject to damage which occurs as a result of previously stated main causes specified in the related policy of the vessel. If the partial damage occurs arising out of these specific causes, the partial damages would be considered as out of coverage.

The causes of damage covered through a regular FPA UCB coverage are as follows;

- Fire
- Lightning
- Grounding
- Stranding
- Collision with vessel and/or object



As an example, we may consider, a vessel covered by an FPA UCB policy to have a machinery failure while underway and was grounded for this reason. Damages received due to grounding and salvage costs are covered within the scope of FPA UCB coverage, but the part which falls into the machinery failure is not covered. Apart from this, in the case of General Average declared in a vessel which was under FPA UCB coverage, the ship's share/proportion continues to be covered by the FPA UCB policy. In addition, in case where a vessel which is protected under FPA UCB coverage loses its mobility due to machinery damages while underway and needs to be towed, the towing expenses incurred up to the nearest port of refuge are under coverage regardless of whether damages was occurred due to above mentioned causes or not.

FPA UCB coverage is mostly preferred for ships over a certain age and machinery damages are excluded from coverage in these type of cover.



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## **Total Loss Only**

Another alternative in hull and machinery insurance is total loss coverage. This coverage can only be used if the insured vessel becomes constructive or actual total loss. Salvage costs are also considered as under cover in total loss policies. For example, in case where the vessel under total loss coverage had a machine failure while underway and lost its mobility, the towage expenses to the nearest port of refuge due to this failure are also covered as in FPA UCB. In addition, in the case of general average, the ship's share is also covered by the total loss policy.

## **Increased Value**

Increasing value insurance, unlike others, is a product that can be purchased in addition to the hull and machinery insurance. The purpose here is a type of insurance that should be preferred in case of total loss of the vessel, in case the insured value cannot cover the negative economic effects experienced by the shipowner. In practice, it can provide additional coverage up to 25% of the ship's insured value or 20% of the ship's market value in case of total loss.

It is of great benefit to determine clearly and precisely which of the various products mentioned above are suitable for the characteristics and specific needs of the ship subject to the coverage, and to determine the content of the coverage at the entry stage by obtaining support from brokers and agents in this regard. In this way, in the event of a claim, the policy will be known what it provides, which will save time for all parties.