

GENERAL CONDITIONS FOR SHIP OWNERS' LOSS OF EARNINGS INSURANCE

These conditions are approved by The Swedish Association of Marine Underwriters. The conditions are only intended as a guidance and nothing shall prevent the Insurer and the Insured from agreeing on other conditions.

The original Swedish wording of the Conditions to be decisive in case of dispute.

It is a precondition for the validity of this insurance that there is, at the same time, a valid hull insurance that has been approved in advance by the Insurer. If the hull insurance ceases, this insurance also ceases.

1. *Scope of insurance*

This insurance provides indemnity for lost revenue from the operation of vessels in accordance with the *optional loss of earnings conditions (2), indemnity limits (3), revenue periods (4), qualifying period (5) contained in the policy and the provisions for exclusions (6), calculation of indemnity (7) and other (8), as set out below.*

2. *Optional loss of earnings conditions*

Loss of earnings insurance is available as an annual policy with two optional levels of cover, as set out below.

A. Limited conditions

Indemnity for loss of earnings resulting from loss or damage covered under the vessel's hull insurance and which is a direct consequence of fire or lightning or that the vessel has stranded, collided with a vessel or other object, sunk or capsized.

B. Full conditions

Indemnity for loss of earnings resulting from damage covered under the vessel's hull insurance.

3. *Indemnity*

Indemnity for loss of earnings is calculated on the basis of an agreed amount of daily earnings specified in the insurance policy. The daily amount is based on the vessel's estimated daily revenue reduced by the operational costs saved. The number of agreed days covered is also stipulated in the insurance policy, which multiplied with the daily amount constitutes the maximum indemnity that may be payable from the insurance. The daily amount specified in the policy can be either open or fixed and agreed.

A. Open

The daily amount is determined as the mean average of the daily revenue that the vessel has earned in average during the three weeks before the loss/damage and the average revenue that the vessel would have earned three weeks after the loss/damage reduced by the costs saved. The indemnity is always limited to the daily amount and number of days stipulated in the insurance policy.

B. Agreed daily amount

The indemnity is calculated on the agreed daily amount and number of days stipulated in the insurance policy.

4. *Seasonal earnings*

If the earnings of the vessel are not evenly distributed over the policy period but vary seasonally, the daily amount stipulated in the insurance policy shall be specified accordingly. The insurance policy shall also specify the periods when the vessel is laid up or for other reason does not generate earnings.

5. *Qualifying period*

Loss of earnings indemnity is only payable after the qualifying period has elapsed. The qualifying period comprises the number of qualifying days stipulated in the insurance policy. The qualifying period starts to be counted only after the Assured has reported that the vessel has stopped generate earnings.

Qualifying days are deducted only during the revenue periods stipulated in the insurance policy. When calculating the qualifying period, time is calculated in days and full hours.

6. *Exclusions*

Loss of earnings indemnity is not payable if the hull claim is not covered under applicable hull insurance policy.

Loss of earnings indemnity is not payable if payment for a total loss is made from the vessel's hull insurance. The same applies to a constructive total loss or if the entire hull insurance limit is paid as a partial loss.

Loss of earnings indemnity is not payable if the interruption occurs when the vessel is laid up, according to the periods stipulated in the insurance policy, or for other reasons does not conduct any other revenue generating operations.

Loss of earnings indemnity is not payable as a result of ice damage or engine damage unless the engine damage is covered by the applicable hull insurance conditions or is a direct consequence of fire or lightning or that the vessel has stranded, collided with a vessel or other object, sunk or capsized.

Loss of earnings indemnity is not payable to a new owner of the vessel.

7. *Calculation of indemnity*

Indemnity for loss of earnings is calculated in accordance with the provisions set out below after the Assured has notified the Insurer that the ship has stopped generate earnings and the agreed qualifying days have been deducted. If the interruption occurs on several occasions, separate notice shall be given for each loss.

7A. *Calculation of indemnity if the vessel is immediately taken out of traffic*

If the interruption ~~to~~ of the operation of the vessel is only attributable to a loss covered under the policy indemnity is payable in accordance with the provisions contained herein.

In the event that the Assured decides to carry out other simultaneous owner's safety work (1), indemnity is paid for the time lost to obtain tenders, move the vessel to the shipyard, dry docking and other necessary preparatory work for the repair of the damage.

If special preparatory work is required for simultaneous safety work or other owner's work (2), that delays the commencement of the repair work (3), indemnity is not paid for the loss of time that exceeds the time for the preparatory work for the repair work.

If simultaneous repair work and safety work is carried out, indemnity is paid in proportion to the time that the repair work constitutes in relation to the aggregate time. Other owner's work that is carried out simultaneously does not affect the calculation of the indemnity.

(1) Safetywork is work that is necessary for maritime safety or required by a classification society's rules or the regulations of authorities and that is not connected with the claim. This includes also rebuilding work that is subject to the supervision of authorities or classification society.

(2) Other-owner's work is all kinds of work that is not safety work or repair work.

(3) Repair work is all work connected with the claim/loss/damage.

7B. Calculation of indemnity in the event of temporary repair

If the vessel can be repaired temporarily and resume revenue-generating operations pending a later permanent repair, the Insurer is entitled to limit the indemnity to the alternative that results in the least loss of earnings.

If the vessel is repaired temporarily, the calculation of indemnity for the subsequent permanent repair is made according to Clause 7C.

The loss of time for the temporary repair is aggregated with the loss of time for the latter permanent repair.

7C. Calculation of indemnity if the vessel can be repaired at a later occasion

If the vessel is not immediately taken out of operation but can be repaired on a later occasion, the loss of time is indemnified in accordance with the following:

If only repair work is carried out, the agreed indemnity is payable, although limited to the indemnity that would have been payable if the vessel had been repaired immediately.

In the event that simultaneous repair work and owner's work is carried out, irrespective of whether the owner's work is safety work or other owner's work, the indemnity is calculated in proportion to the time that the repair work constitutes in relation to the aggregate time. This also applies for loss of time in transit to a shipyard or for other preparatory work.

If, special preparatory work is required for the repair work that delays the commencement or the preparation of owner's work, the loss of time that arises thereby is indemnified without the above limitations.

If special preparatory work is required for owner's work that delays the commencement or preparation of the repair work, the loss of time that arises in this connection is not indemnified.

7D. Calculation of indemnity – general

The Insurer is entitled to request tenders from several shipyards in its own name or in the name of the shipowner. If the shipowner elects not to accept the tender that the

Insurer recommends, the Insurer is nevertheless entitled to limit the indemnity to the loss of time that would have resulted from that tender.

If the repair work is delayed for more than five days because a spare part is not available as a stock item, indemnity is not payable until the sparepart is supplied to the shipyard and the repair work resumed.

Indemnity time ceases to run when the vessel is ready for delivery at the shipyard or, in the event of simultaneous work, when the vessel would have been ready for delivery if only the repair work had been carried out.

When calculating the amount of the indemnity, the time is calculated in days and full hours.

The indemnity is reduced by any amount relating to indemnity for loss of time that is paid or which could have been paid from other insurance or interests.

8. *Other*

As regards matters that are not governed by these conditions, such as duty of disclosure, payment of premium, grounds for termination, recommendations in the event of loss or damage, advanced payment, time limits, subrogation rights, disputes regarding coverage, etc., the relevant parts of the hull insurance conditions agreed between the parties shall apply.

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