



Helping clients manage rising fuel costs

Background

- ▶ Current maritime legislation (IMO 2020) has forced shipowners/operators to decrease sulphur emissions by 85%.
- ▶ New cleaner fuel with sulphur limits of 0.5% are more expensive. The cost of fuel already represents around 50% of the operating cost of a vessel, and the transition to the new cleaner fuels represent a potential cost increase of over 25%.
- ▶ Since fuel is the highest operating cost for shipowners, protecting against fuel price rises is critical.

What is fuel insurance?

The policy provides protection against potential increases in fuel prices and helps the insured protect their balance sheets against significant increases in fuel costs, which could potentially impact the long-term health of their business.

- ▶ For a monthly premium, fuel insurance will allow firms to mitigate their fuel price risk against other options, which are potentially more expensive.

What is insured?

- ▶ Fuel type: only fuel types specified by the insurer and used to power an insured vessel/fleet are eligible.
- ▶ Reporting: price fluctuations will be measured against reporting from specified indices.
- ▶ Time-bound: activation of the insurance is limited to situations where the insured has incurred verifiable additional costs by purchasing fuel within the policy period.

How does it work?

During the length of the policy;

- ▶ If the price of fuel rises and exceeds the agreed limit, the policy pays out the difference between the agreed price and the higher monthly price.
- ▶ If the fuel price does not rise above the agreed price during the policy term, there will be no payment to the insured. The average policy length is 12 months, protecting the fuel consumption of an individual vessel or an entire fleet. Timing can vary based on the insureds' needs.

Looking to safeguard your organisation?

For more information, please contact:

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What is the premium based on?

- ▶ The difference between the fuel price at the time of quoting, and the fuel cap limit over which the insured wishes to be insured for.
- ▶ The amount of fuel which the insured wishes to insure.
- ▶ The length of the policy (3 months to 5 years).

What is excluded?

Some events will be covered by other insurances, such as:

- ▶ Acts of terrorism, piracy, hijacking, destruction of an insured vessel or fleet or theft of fuel from an insured vessel or fleet.
- ▶ Pollution or contamination of fuel used to power an insured vessel or fleet.

Who will benefit from this?

Fuel insurance may be valuable to companies consuming large amounts of fuel, which represent a high percentage of their operating costs. Industries include:



Shipowners, charterers, ship managers and operators, as well as bunker traders.



Airlines, general aviation firms.



Onshore and offshore construction, and contractors.



Mining operations.

If you are interested in this product, the next step would be to contact Vladimir Ljubisavljevic, Hang Thu Telke or Chris Bhatt for an informal discussion with the Fuel Insurance team.

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