Narrative
Many shipowners cover vessel market value through Hull insurance and Increased Value/Hull Interest insurance. In order to cover additional costs in replacing a lost vessel - and to cover anticipated earnings on future freight - Freight Interest cover provides the necessary protection.

Description
This cover has an interesting and rather complex history. Traditionally - under the Marine Insurance Act - Hull insurance covered the market value of the ship and, at the same time, the shipowner’s “insurable interest”. Any cover in excess of market value was prohibited.

Shipowners successfully demonstrated, however, that there were additional costs associated with replacement, beyond market value. It is now recognised that the assured has an additional insurable interest, in excess of the vessel’s market value and in excess of the Hull insurance. Hull Interest cover was instituted as an excess cover, commonly known as “Increased Value”. This cover was originally confined to Total Loss Only cover, only paying the agreed amount when the vessel was a total loss according to the Hull insurance cover. A limit of a maximum insurable interest of 25% of hull insurance value was agreed.

With markets providing covers for Hull and Increased Value, with a lower premium level for the total loss element in Increased Value, shipowners realised they could save premium costs by using Increased Value cover to also cover, in part, the ship’s market value.

In turn, this gave rise to a situation in which shipowners had no access to additional cover for the original extra costs in finding a replacement vessel. Furthermore, it was realised that a vessel would provide income for the shipowner throughout its lifespan. In contrast, a ship which is lost would deprive the shipowner of this future income. In response to this problem, many markets agreed to cover Freight Interest, on top of Hull and Increased Value covers.

Freight Interest is a pure Total Loss Only cover. It has always to be in excess of vessel market value. The limit is set at 25% of insured value under the Hull insurance. Under English and American hull conditions, the assured has to be granted a waiver of the disbursement warranty, which limits any excess covers to 25% of the hull insured value.

This note is a general description of Freight Interest. For more detailed information, please refer to the slip or Certificate of Entry.

Conditions
The cover is based on:

- Insurance is subject to the Institute Time Clauses Hulls, Increased Value (including Excess Liabilities) Total Loss Only - Time 1/10/83, to be interpreted according to Swedish Law with arbitration in Gothenburg as per Arbitration Clause Gothenburg (B.1.1).
- The Articles of Association and current circulars.
- Amended to Total Loss Only.
- Radioactive Contamination, Chemical, Biological, Biochemical and Electromagnetic Weapons Exclusion Clause C.1.3 (LSW 370, 2003-11-10).
- Institute Cyber Attack Exclusion Clause C.1.3.1 (LSW 380, 2003-11-10).
- Conditions for Hull and Machinery where applicable.
- Cancellation returns only.
- Warranted not including War, terrorism or similar risks being available under ordinary War Risks covers.