

FD&D

(Freight, Demurrage and Defence)

FD&D coverage is generally provided by P&I insurers and can also be defined as a legal protection insurance. Expectations of the insureds cannot be fully met as the content and the coverage provided are not fully known to the insureds and the coverage has subjective aspects. On the other hand, the explanation of the issue by the insurance companies causes difficulties and in some cases loss of reputation.

I hope that the following information will help, even if a little, in understanding of such coverage.



FD&D is basically a type of insurance that provides legal advice in case of disputes that are not covered by P&I or any other insurances. Some of the legal costs are also covered.

It is essential that the dispute is related to maritime. Although the coverage retains its name that was given when it emerged for the first time, it now provides support for an area far beyond Freight and Demurrage. Disputes with the charterer, sale-purchase operations, problems with new building projects, freight, demurrage, fuel disputes, even disputes with the insurance company and many other maritime-related disputes are under FD&D coverage.

Here, there are three important details to consider:

1) While the P&I insurance covers claims for damage, penalties and legal costs arising from a covered event, FD&D is not a compensation insurance and does not cover losses caused by the dispute, unlike the P&I coverage. It only provides legal advice for the settlement of the matter and covers the judicial costs if the matter is referred to the court.



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2) There is also a thin line regarding the coverage of legal costs and it should not be considered that the costs will be covered for any dispute referred to litigation. Here comes the subjective side of the coverage. The insurance company providing the FD&D coverage agrees to pay legal fees only if believes that the insured is fully right and considered that its insured will have an outcome when the case is won.

In other words, the insurer may refuse to bear these costs if it concludes that its insured is not entirely right in the dispute or that the legal costs are higher than the dispute amount. Here, what matters is not the insured considering it as the rightful party but the insurer, who considers the same.

3) FD&D insurance must be valid before the disputed transaction performed. For example, when a new ship is purchased; the P&I coverage starts with the delivery of the ship (in some cases a predelivery cover may be provided for the crew to take delivery of the ship), while the FD&D insurance must be in effect when the MOA or construction contract is signed in order to secure the disputes arising from this purchasing contract.

Coverage and deductibles under the FD&D insurances vary and it should be paid attention to this issue. Some insurers apply a fixed deductible, while others provide support for a certain percentage of the costs over a certain amount in addition to the fixed deductible.

When it is decided to obtain FD&D coverage, the policy premium, as well as the competency of the insurer in subject matter, its financial structure and the lawyers in its team should be

taken into consideration. Due to the international nature of the maritime industry, insurance companies that have knowledge about local law and have international connections should be preferred in disputes that may emerge in various parts of the world.

