

Freight Demurrage & Defence Insurance 2023/2024

The terms for Freight Demurrage & Defence Insurance for the 2023/2024 policy year are outlined in this circular.

Update

Business Development

Continued growth of the portfolio

The Club insures around 1500vessels (62 million GT) for FD&D risks. The Club's ambition is to continue the growth and to market the FD&D product to members in need of advice and legal protection.

The Team

The Club employs twelve lawyers, including six qualified English solicitors. The Club's lawyers are integrated in the geographical teams and thus have immediate access to the Club's collective expertise. The Club's lawyers are therefore well suited to deal with today's multidimensional legal disputes.

Claims Trend

As of 1 November 2022, the Club was assisting its members in 950 claims registered so far in 2022, which is slightly less than same figure for 2021. About one-third of all open claims are general legal advisory, ie they do not involve active disputes. However, the "tail" for FD&D claims is long in that claim reserves are increased as the claim develops. As a result, the true claims pattern for 2022 will be more apparent in 2-3 years' time.

Rationale for General Increase

The Club's main priority is to maintain high-quality service and a sustainable business over time. Although it can be concluded that the Club's FD&D business is in reasonably good shape, the rise of the combined ratio for the last years is of concern. The FD&D result is under pressure due to higher legal expenses, more claims reflecting the state of the market and Covid-19 related issues. With the above in mind, the Board of Directors has decided on a 15% General Increase for the policy year 2023/2024.

FD&D call history

There has never been any supplementary call since the start of the Club providing FD&D coverage in 1984. The general increases for the last five years have been as follows:

Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
General Increase	0%	0%	0%	10%	10%



Terms for Freight, Demurrage and Defence Insurance 2023/2024

Decisions and Instructions

At the Board meeting on 8 December 2022, the Board of Directors decided the following regarding premium and deductibles for the FD&D policy year 20 February 2023 to 20 February 2024:

- To levy a 15% general increase for the policy year 2023/2024
- Instructed the management to contact each Member individually to discuss renewals

Premiums

All premiums are quoted in US Dollars (USD) or Euros (EUR) (unless otherwise agreed) and debited as advance and supplementary calls. It is anticipated that the 2023/2024 policy year will be closed in 2025. Unless otherwise agreed, the premium shall be debited in four instalments: at inception on 20 February, 20 May, 20 August and 20 November. There is a minimum premium period of 3 months.

Supplementary Call

Any supplementary call for this year will initially be decided upon in 2023. The current estimated supplementary call for 2023/2024 is 0%.

Release Call

The estimated release call for 2023/2024 is 5%.

Renewals

The premium for 2023/2024 will be based on the Member's record for the five-year period 2017-2021, including the current year, if adverse. Daily updated records and claims summaries are made available in SCOL (Swedish Club OnLine), accessible through the Association's website.

Payment of Premium

Premiums are to be paid in accordance with the enclosed "Procedures for Payment of Premium".

Lay-up Returns

Lay-up returns are not granted for FD&D cover.

Limit of Cover

The cover is limited to USD 5 million for any one dispute unless agreed to be USD 10 million for any one dispute (see also Rules 5 and 6 in respect of Discretion of the Association).

Excess Limit

The Association does not cover disputes involving amounts of USD 7,500 or less unless otherwise agreed, although advice is available on a case-by-case basis.



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Deductibles

Deductibles apply on costs as follows: USD 12,000 and 25% in respect of costs in excess of USD 250,000.

Old years

The current position of the open years as decided by the board on 8 December 2022 is as follows:

Year	Status	Estimated Supplementary Call	Release Call
2020/2021	Open	0%	0%
2021/2022	Open	0%	5%
2022/2023	Open	0%	5%
2023/2024	Open	0%	5%

Enhanced services to members

The Association wishes to remind its Members about its cooperation with ICC's International Maritime Bureau. This cooperation enables the Association's FD&D members to check prospective business partners against a comprehensive fraud and malpractice database. This does not only add value for Members but may also reduce the risk for legal disputes.

Yours faithfully,

Lars Rhodin

Enclosures:

- FD&D Rule changes 2023/2024
- Procedures for payment of premium