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# Introduction to Collision & FFO Liability Risks in Marine Insurance (Part I)

The maritime navigation environment is complex and ever-changing. During port entries, departures, and transit through narrow channels, collision and FFO incidents represent high-frequency third-party liability risks. In marine insurance practice, Collision and "FFO" (Fixed and Floating Objects), though often mentioned together, differ fundamentally in terms of insurance coverage and indemnities. Meanwhile, different insurance clause such as China's PICC Ocean-going Hull Insurance, PICC Coastal and Inland Vessel Insurance, the English ITC Hulls Clause, and Protection and Indemnity (P&I) insurance — also differ significantly in their underwriting arrangement for the RDC (“Runing Down Clause”) & FFO liabilities. Understanding of these differences and the risk placement of the Hull & Machinery (H&M) and P&I insurance is of critical practical importance for shipowners to manage losses, handle insurance claims, and defend against third party liability claims more effectively and efficiently.



I. Basis for Distinguishing Collision & FFO in Marine Insurance Practice

In practice, the triggering of collision and FFO liability generally requires direct physical contact. Taking the PICC Ocean-going Hull Insurance Clauses as an example, only after a direct collision or FFO has occurred will the insurer assume liability for damages under the corresponding clause. For incidents caused by non-direct collision or FFO — such as wash damage (losses caused by vessel wake), grounding, touching bottom, and damage arising from evasive maneuvers or improper handling leading to another vessel's grounding or multi-vessel collisions — the vessel insurance clause typically does not cover. However, it should be noted that the shipowner remains legally liable for third-party damages, and such non-contact damage may be covered via P&I insurance or other liability insurance arrangement.

| Incident Type | Definition | Direct Loss Coverage | Indirect Losses & Consequential Expenses |
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| **RDC** | Physical contact between the insured vessel and another vessel in navigable waters. Insured vessel parts involved include above-water and underwater structures, as well as anchors and anchor chains. | Damage to the other vessel's hull/structure and loss of cargo loaded on the other vessel. | Subject to the specific clause terms.<br><br>For example, under PICC Ocean Marine Hull Clauses and British ITC 3/4 RDC Clauses, indirect losses such as delay or loss of use (loss of hire) of the other vessel are usually recoverable. However, loss of time / hire for the insured vessel itself is generally excluded from collision liability clauses. |
| **FFO** | Direct physical contact between a vessel and a non-vessel object, including piers, quay walls, locks, docks, bridges, jetties, shore cranes, gantry cranes, buoys, lighthouses, submarine cables, aquaculture cages/rafts, port fixed facilities, fishing nets/gear, fixed or floating drilling platforms, etc. | Direct physical damage to the impacted facility or object. | Typically not covered.<br><br>"Consequential expenses for delay or loss of use of any fixed, floating, or other objects" constitute standard excluded liabilities (e.g., loss of profit during pier repairs, facility operation interruption). Such indirect losses usually rely on P&I insurance or other liability coverage. |

II. Underwriting Models Under Different Insurance Clause

For the Collision & FFO risks, different insurance clauses have formed different underwriting structures. This is an introduction of the Chinese PICC clauses, the English ITC Hulls clauses, and the coordination mechanism of P&I insurance, respectively.

(1) Chinese PICC Ocean-going Hull Insurance Clause (1986 and 2009 Editions)

The PICC Ocean-going Hull Insurance Clauses cover collision liability and FFO liability under "All Risks," with the scope of coverage being "the legal liability of the insured arising from the insured vessel colliding with other vessels or contacting with any fixed, floating object or other object."

| Category | Details & Coverage Terms |
| --- | --- |
| **Coverage Proportion** | ● Collision and FFO liability under PICC Ocean Marine Hull Insurance does not apply a 3/4 proportion limit; in practice, it is understood as 4/4 full coverage, meaning the insurer assumes the full legal compensation liability owed by the insured.<br>● Indemnity remains capped at the insured value of the vessel, subject to policy exclusions, deductibles (if any), and specific policy terms. |
| **Excluded Liabilities** | PICC Ocean Marine Hull Collision Clause contains five (5) express exclusions:<br>1. Loss of life, personal injury, or illness;<br>2. Cargo or property on board the insured vessel, or liabilities assumed by the insured vessel;<br>3. Removal of obstructions, wrecks, cargo, or any other items;<br>4. Pollution or contamination of any property or object (including preventive or cleanup costs), except pollution/contamination of the other vessel collided with or property thereon;<br>5. Consequential expenses resulting from delay or loss of use of any fixed, floating, or other objects. |

(2) Chinese PICC Coastal and Inland Vessel Insurance Clause (2009 Edition)

The scope of the PICC Coastal and Inland Vessel Insurance Clauses is narrower than that of the PICC Ocean-going Hull Insurance.

| Category | Details & Coverage Terms |
|---|---|
| **RDC Proportion** | Covers only 3/4 of the indemnity amount for each RDC or FFO incident. The maximum single or cumulative indemnity during the policy period shall not exceed the insured sum of the vessel. |
| **FFO Coverage** | Only covers direct losses and expenses arising from contact with three specific categories: piers, port facilities, and navigational aids. Losses from touching aquaculture zones, fishing nets, bridges, submarine cables, etc., are excluded. |
| **Excluded Liabilities** | Wash damage, grounding; waterway/channel clearing; pollution and pollution prevention or cleanup; aquaculture and facilities; fishing gear; underwater facilities; bridge damages and related costs; indirect losses and expenses to own or third-party vessels caused by the insured accident; personal injury/fatality and liabilities/expenses arising therefrom. |

(3) English ITC Hulls (Institute Time Clauses – Hulls)

The English Institute Time Clauses – Hulls (ITC Hulls) is a standard hull insurance clause widely adopted in the international shipping market. Its collision liability arrangement differs significantly from PICC Clauses.

| Category | Details & Coverage Terms |
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| **RDC Proportion** | Clause 8 of the standard ITC Hulls provides that the insurer covers 3/4 of the collision liability (RDC) legally borne by the insured, with single or |

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| | cumulative indemnity limited to 3/4 of the insured value of the vessel. The remaining 1/4 collision liability is traditionally covered by a P&I Club. |
| **FFO Excluded** | Under standard ITC Hulls terms, FFO liability is excluded from standard hull insurance. It usually relies entirely on P&I Club coverage or extension by endorsement. |
| **Excluded Liabilities** | Standard exclusions under ITC 3/4 RDC include: cargo on board the insured vessel, personal injury/fatality, pollution (except pollution to the collided vessel), wreck removal, and indirect losses of fixed or floating objects. |



(4) Supplement of P&I Insurance Coverage

P&I Clubs play a critical supplementary role in the RDC & FFO liability coverage. Their coverage encompasses multiple liabilities excluded under hull insurance, **including**: 1/4 collision liability (under the 3/4 RDC underwriting model); FFO liability (particularly critical under the English ITC Hulls Clause); personal injury and illness liability; pollution prevention and cleanup costs; wreck salvage and removal costs; and excessive liabilities that exceed the insured amount under hull cover.

P&I insurance coverage is based on the P&I Club's rules and is subject to insurance deductibles, limits, and security approval due process. Unlike the marine hull insurance, which is capped at the insured amount, P&I insurance traditionally provides higher-limit liability coverage (but is subject to the International Group of P&I Clubs pooling limit).