

Yacht Insurance 101

Did you know that a true yacht insurance policy is probably the most comprehensive insurance policy you will ever own? Today's yacht policy is a hybrid of coverages and philosophies handed down from the beginnings of insurance in England.

There are two main sections of a yacht policy. Section I is generally Hull & Equipment coverage and Section II is Protection & Indemnity Liability. There are additional sub-sections such as Medical Payments, Personal Effects, Uninsured Boaters, Towing, etc. There are also special endorsements such as charter, extended navigation, trip coverage, etc.

In a true yacht policy **Hull & Equipment** is covered for direct physical damage or loss. This is a very broad coverage but there are exclusions that are important to know about. Exclusions can vary by company so read them. Some typical exclusions are; wear & tear, gradual deterioration, insect, marine life, animal damage, mold, marring & denting, osmosis, blistering, electrolysis, manufactures defects, design defects, ice and freezing. Some of the more unusual exclusions are; damage while being serviced, latent defects ensuing damage, business use, overland transport beyond 50 miles to name a few.

Furthermore, true yacht insurance will include **Agreed Value** hull coverage. In other words, all parties "agree" to the value at time of insuring and that's what's paid on a total loss, with no deductible. A true yacht policy also includes **Replacement Cost Coverage** on partial losses with the exception of sails, canvas, batteries, and machinery, to name a few which are depreciated. These depreciated items can make a big difference in your settlement so know which ones apply to your policy. Be aware of your **deductibles**.

Know the **Warranties** in your policy. These are promises that you make to the insurance company. If these warranties are breached coverage can be denied! Things such as **navigation area, lay-up period, private pleasure use, seaworthiness** are all warranties that you make to the company.

P & I or Protection & Indemnity Liability insurance is the broadest form of liability for yachts and boats that covers bodily injury, property damage, wreck removal, etc. This is not an exposure that should be covered by your homeowners or a stripped down "Boatowners" liability. Maritime law is unique and you need coverage's that are designed for the exposures. Special coverage's such as Longshoreman's & Harborworkers, Jones Act (crew) coverage's and Wreck Removal are critical and may not be covered by some companies Boatowners Policy. An uncovered loss in these areas could cost you hundreds of thousands of dollars. Besides providing payment for judgements against you, P& I provides defense cost coverage, usually beyond your limit of liability and defends you in Admiralty Courts.

There are both professional **agents and companies** that specialize in marine insurance. Independent Agents represent numerous companies and they can shop your coverage for you, verses a direct agent who typically only represents one company. Insurance companies also specialize and it's important to insure with a company that is financially sound. There is a rating system put out by a company called A.M. Best & Company and your company should have at least an "A" rating or better. If a company becomes insolvent your claim may not be paid, but

you also may not receive your return premium if your policy becomes invalid.

Even if you buy from a professional, with a good company and have all the right coverage's you still have the responsibility to know your coverage's. There are exclusions, warranties and duties that you have as the owner that should not be overlooked. Remember, the old adage still stands, "**you get what you pay for**".

It's also important for you to **be a "good risk"**. Yacht insurance pricing is based on the boat but mostly on the owner's experience. What boats have you owned or operated? Have you taken any courses, they are invaluable. Have you had losses? Do you have the right safety equipment like automatic fire extinguishing system, etc. Where are you going to navigate? More and more companies are finding that your credit history is indicative of your loss potential and will price your policy accordingly.

The doctrine of **Utmost Faith** applies to marine insurance. This means that the company is basing your premium and coverage's on what you tell them and that it is the whole truth. The signed application becomes part of the policy and if you provide false information or not full information, your coverage can be voided! *There is case law to back this up.* _

The **condition of the vessel** is also very important. If you're buying a used boat over seven to ten years old you will probably need a condition and value survey to get insurance and or financing. A good surveyor can be worth his weight in gold when it comes to finding out what may be wrong with a boat. Remember boats that are seriously damaged by hurricanes, etc. are usually sold to someone who will repair it and then sell it. For lack of a professional inspection, there are owners who are making payments on boats that they can't use. If the survey comes back with recommendations, the insurance company will want those repairs made as soon as possible, sometimes prior to releasing a quote or binding coverage.