

Insuring Your Boat



Presented by
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No Two Policies Are Alike!

- Marine policies are *NOT regulated!*
- Some policies are worded fairly, without being stacked in the company's favor.... *BUT....*
- Other policies are loaded with



Gobbledygook!

No Two Policies Are Alike!

- So, How Can You Tell a Good Policy From a Bad One?!
 - Know How Policies are Structured
 - Know What **Should** be Covered
 - Critique the Exclusions & Conditions

Things to Think About

- **What's Covered:**
 - *The Boat*, its Machinery & Equipment
 - *Liability* for the Operation of the Boat
- **What's NOT covered:** *Exclusions*
- **Valuation:** *How Much Will You Be Paid for a Covered Loss?*
- **Policy Conditions:** Your Obligations
- **Definitions:** They Matter!

What's Covered?

- **Hull & Machinery:** The boat and its equipment
 - Tender & Electronics (with minimal deductible)
 - Emergency Service
 - Hurricane Escape
 - Personal Effects
- **Liability** (Protection & Indemnity)
 - Injury to persons and property of others
 - Defense costs
 - Pollution/Fuel Spill
 - Removal of Wreck

Perils: Types Of Losses Covered

- **“All Risk” Policy** (Hull & Machinery)
 - (Doesn't really cover *ALL* risks...)
 - Covers direct physical loss or damage to the insured boat, its machinery and equipment from *any accidental cause not otherwise excluded.*

Some Things Are *Never* Covered

- War
- Radioactive Contamination
- Action of Governmental Authority
- Willful Wrongdoing & Deliberate Injury
- Wear & Tear, Gradual Deterioration
- Defects in Workmanship
- Vermin, Marine Life

Seaworthiness

- **Seaworthy** means the vessel is fit for its intended purpose under conditions reasonably expected at sea.
- It does not mean the vessel is new or in perfect condition in every respect; rather, it means the vessel has the degree of fitness which a careful and prudent owner would require at the inception of a voyage.

MTOA Seaworthiness Stance

- Travelers and Geico have implied warranty of seaworthiness
- Markel states must be seaworthy at inception
- Some companies tout that there is no implied warranty of Seaworthiness. Instead they have a written Seaworthiness warranty written in the policy that states that the vessel must be Seaworthy throughout the whole policy term or a claim will be denied. Beware of these!

Hull & Machinery Exclusions

- Loss caused directly or indirectly by ice or freezing. (Unless properly winterized)
- Loss or damage caused by or resulting from blistering or delamination
- Cost of repair or replacement of a part which fails as a result of a defect in manufacture or construction.

Hull & Machinery Exclusions

- Liability for wages or provisions furnished to captain or crew
- Loss, damage or expense caused intentionally by, with the knowledge of, or resulting from criminal wrongdoing by any insured
- **Loss, damage, expense or cost of repair caused directly or indirectly by incomplete, improper or faulty repair, maintenance or renovation.**

MTOA Mechanical Breakdown

- Covered by Markel & Travelers...
 - exclude wear & tear & gradual deterioration
- Geico does not cover mechanical breakdown (or wear & tear or gradual deterioration)
- Its always wise to keep a good maintenance log!

Exclusions & Consequential Damage

- This insurance does not cover any loss caused directly or indirectly by wear and tear, gradual deterioration, mechanical or electrical breakdown, overheating, electrolysis, galvanic action, rot, mold or mildew, corrosion, weathering, marring, scratching, denting, vermin, animals or marine life.
- **However, we will cover immediate consequential property damage resulting from any fire, explosion, sinking, collision or stranding.**

Maintenance Exclusions

- **Neglect** of the insured yacht
- **Lack of reasonable care** or due diligence in the maintenance of your watercraft
- **Failure to maintain** the insured watercraft (including its machinery and equipment) **in good condition** *so that the insured watercraft cannot be damaged by ordinary weather or water conditions or the rigors of normal use.*







A Really Terrible Exclusion (1)

- We do not insure ...any loss which would not have occurred in the absence of one or more of the following excluded events. **We do not insure for such loss regardless of:** (a) the cause of the excluded event; or (b) other causes of the loss; or (c) *whether other causes acted concurrently or in any sequence with the excluded event to produce the loss;* or (d) whether the event occurs suddenly or gradually, involves isolated or widespread damage, arises from natural or external forces, or occurs as a result of any combination of these: **(And it goes on to say...)**

A Really Terrible Exclusion (2)

- 1) wear and tear, gradual deterioration, inherent vice, marring, electrolysis, corrosion, galvanic action, rust, marring, denting, scratching, dampness of atmosphere, weathering, osmosis, blistering, mold, mildew, rot;
- 2) birds, vermin, rodents, insects, animals, and marine life
- 3) mechanical or electrical breakdown or overheating unless such damage is the result of other loss covered by this policy;
- 4) **failure to maintain** the insured watercraft (including its machinery and equipment) in good condition **so that the insured watercraft cannot be damaged by ordinary weather or water conditions or the rigors of normal use**

Valuation: Agreed Value

- **Agreed Value is ...**

- 1. The policy limit on Hull & Machinery
- 2. The amount you **WILL** collect for a **total loss**



Valuation: Replacement Cost

- Replacement Cost = “New for Old”
 - The amount necessary to repair or replace damaged property with “like kind and quality”
 - Applies to **partial losses**



Valuation: Actual Cash Value

- **ACV** = Replacement Cost minus

Depreciation



- Typically applies to canvas work, inflatable dinghies, and (sometimes) engines & machinery over x years old
- But *watch out* for a *Depreciation Schedule!*

Valuation: Depreciation Schedule

- Example of a Depreciation Schedule applicable to Marine Electronics
 - 0 to 4 years – 0%
 - 5 to 10 years -- 35%
 - Over 10 years -- 60%
- **That 2005 electronics network that costs \$15,000 to replace?**
 - **You get \$6000.**



Protection & Indemnity (Liability)

- Most policies are very similar in this area.

However:

- Make sure your **limits** are high enough to satisfy the requirements of your Umbrella policy
 - *(You do have an Umbrella, don't you?)*
- **Removal of Wreck** must be included under Liability, NOT under Hull & Machinery
- **“Hold Harmless” -- Liability Assumed Under Dockage Agreements**

The MTOA Program - Travelers

- All Risk / Agreed Amount
- Consequential damage
- Mechanical breakdown included
- Hurricane Escape 50% / \$1000 / \$2000
- Increased coverage limits for MTOA
 - \$25K med pay, \$5K towing, \$20K Personal effects
- \$250 Electronics deductible
- No Southern Boats during Storm Season
- Liability assumed under dockage agreement NOT covered



The MTOA Program - Geico



- All Risk / Agreed Amount
- Consequential damage
- Mechanical breakdown *excluded*
- Liability assumed under dockage agreement
- Hurricane Escape 50% / \$1000 / Unlimited
- Increased coverage limits for MTOA
 - \$25K med pay, \$2.5K towing, \$10K Personal effects
- Deductibles: \$250 Electronics, \$100 Dinghy, 10%
Named Storm
- No Geographic Restrictions

The MTOA Program -



- All Risk / Agreed Amount
- Consequential Damage
- Mechanical breakdown included
- Liability assumed under dockage agreement NOT covered
- Hurricane Escape Reimbursement 50% / \$1000 / \$2500
- Increased Coverage Limits for MTOA
 - \$20K personal effects, \$5K towing, \$25K med pay
 - Deductibles: \$250 Electronics, \$500 Dinghy, Named Storm 10%
- No Geographic Restrictions
- Live-aboard Endorsement – Available
- Hold harmless agreement voids policy
- Marina as Additional Insured

And Finally.....

- Be sure your Navigation Limits match your cruising plans!
 - Inland Waters, Coastwise, Bahamas
 - Hurricane Season – North / South line



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