

INSURING YOUR YACHT

STEP ONE: **CONSULT A SPECIALIST** STORY BY GARY BECKETT



BUYING LARGE-YACHT INSURANCE always has been complicated. These are complex

vessels, after all, with their own special nuances that set them apart from cars, homes and even smaller boats. There's the captain and crew, the often-priceless artwork, antiques and other valuables. The vessels also typically travel long distances, across oceans and into foreign markets. And, of course, many owners charter their yachts, which adds a whole new set of variables to the equation for an insurance underwriter to consider.

So the first piece of advice yacht insurance experts offer when asked what yacht owners should consider when buying insurance is: Deal with solid insurers who specialize in megayachts.

"Being a broker, I'm a bit biased to say the most important thing you can do is work with someone who

is dedicated and specializes in this business and can help you navigate through it," said Nancy Poppe,

North American yacht practice leader for Willis Marine insurance brokers.

Brokers, she and other experts say, can make sure yacht owners get the coverage they need. That's especially important right now given the financial turmoil affecting not just lending but the insurance industry as a whole. Good advisors can check company ratings and ensure that yacht owners do business with financially sound insurers.

Agents also can help you get the right coverage.

"There's no such thing as a standard marine policy," said Cary Wiener, president of Pantaenius America Ltd. "That's good and bad. It allows for flexibility, negotiating and freer access, but it requires more due diligence in selecting a policy." >

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Cary Wiener, president of Pantaenius America Ltd., warns that all insurance policies are not created equal. There's no such thing as a standard marine policy.

He also warns against shopping simply for the cheapest policy.

"One policy may look more expensive, but it may cover more," he said. "It's very difficult to compare apples to oranges when it comes to yachting policies."

Another important thing to consider is whether you'll be reimbursed in dollars or the currency of the country where your boat was built when filing a claim. This is especially important should there be a total loss of the yacht.

"If you're insured in dollars and...the dollar is weak, you're not going to be able to replace that boat if you have to pay for it in euros," Wiener said. "If you're buying a boat with euros, I would insure it in euros."

Given all there is to consider when buying insurance, it's best to start by discussing your needs with an expert.

"One of the best things that can happen for a new yacht owner or someone who is moving up in size significantly is to have a chat with a trusted advisor or their insurance broker who specializes in the megayacht industry," said Poppe.

After that discussion, let your advisor or broker work on the details of getting the right policy. That's a must, Poppe said.

"An underwriter can give or not give any coverage that they so deem," she added. "So, unless you have a knowledgeable intermediary representing you as an owner, then you won't know the difference."

As noted earlier, one of the things your advisor will look at is the financial health of the insurer; which is critical in the current financial crisis.

"General insurance as a whole is regulated in the United States and Europe," said Wiener. "So the assets that are there to protect the insureds are not the same assets that were being used to invest in the housing market."

That means policyholders need not worry about whether there is money available to pay claims. But, given the financial crisis, as well as the stock market's steep

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decline, it does mean insurers may be more guarded in paying claims.

"What we've seen over the last two years because of the downturn in the market and especially now is a different attitude about paying claims," Wiener said. "[Insurers] are more aggressive about saying no to paying claims."

For that reason, he urges yacht owners to avoid insurers who have a reputation of balking at paying claims or making it difficult. "It's really important to speak to other owners, other managers, check out reputations and ask about who (other yacht owners) have had problems with," he said.

The financial crisis also will impact insurance premiums, which have fallen over the past year and a half. They are expected to bottom out and even increase over the next 12 to 18 months as companies with marginal yacht insurance divisions scale back those operations or leave yacht insurance altogether, leaving fewer yacht insurers. However, Poppe said, the premium increases should be modest.

"Even if a few underwriters do change their positions on underwriting yachts and decide they don't want to



Willis Marine's Nancy Poppe advises boaters to deal with experienced yacht insurance agents and brokers.

do that anymore, there are still lots of them," she said. "I think (rate increases) are going to creep upward like we typically see in a cycle."

The crisis also is forcing underwriters to be choosier about writing insurance.

"We've approached certain underwriters in the past with risks that we thought were beautiful in terms of the boat, the values, who the owner is, the experience, and they say: 'Well, that doesn't

fit our profile,'" Wiener said. "That's a new response that we weren't seeing a year ago."

Naturally, the quality of service at many insurers is declining given their reduced staffing.

"We've seen in the last three or four weeks the departments at insurance companies are shrinking," Wiener said. "So where it used to be that it took forty-eight hours for an American underwriter to respond to a request for a quote, it's taking longer." □

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