

## Insurance - Necessary Evil!

Marine Insurance is a strange beast, with limited companies that are more than willing to take your money, but don't like giving it back.

I had to use my boat insurance recently, after my High Performance Catamaran was involved in a trailer mishap while on route to the Australian National Titles. Both hulls sustained unreparable damage when the trailer snapped approx 8 feet back from the hitch and speared off into the bush and rolled over. The trailer was a custom built, licensed, legal trailer less than 2 years old. It had been fully professionally serviced only 2 weeks before loading with no signs of stress. The failure was thought to be due to towing behind a truck where the trailer was bearing all the momentum without transferring any back to the rigid suspension of the truck and the poor condition of the roads in the Cobar Area in NSW's (A bloody disgrace for a national highway).

I had this policy for over 10 years with out making a claim, and a 2<sup>nd</sup> policy for 4 years for another boat sailed by my son, also without any claims, all with the same company.

The boat was less than 12 months old and insured for "slightly less" than the full total replacement cost. Why less than the replacement cost? Well this is where my first misunderstanding from my insurance coverage became apparent.

I had insured the new boat and trailer expecting that the worst damage I could do would always leave me with some recoverable parts. I would have a mast, trailer, sails etc. depending on what was damaged. How wrong was I!

The damage was over \$20k and I had the total package insured for \$25k. I was comfortable that this wouldn't be a problem, just pay the excess and replace the hulls and C/boards. After all I still had all the rest of the mast, sails, fittings, trailer intact.

Well the Insurance Company also recognised the fact that all this equipment was intact as well. You see they have the option to payout your policy and if this is done they now own all that excess gear (mast, sails, fittings, and trailer). And if the total value of the damage plus the intact gear exceeds the value of the policy, then they may take this option first.

So in my case the value of the replacement cost and the parts intact exceeds my insured value of \$25k. So the insurance company elected to payout my policy and then proceed to negotiate to sell me back my own gear (mast, sails, fittings, and trailer). My only saving grace was the fact we are WA based and there was little market for my gear here and

they would have to freight to the East Coast to get full market value. They offered it back to me at \$8k and payout on the claim, less my excess.

So basically give me \$25k less \$100 excess less \$8k to purchase back my intact gear.

Net result about \$4k under insured to replace the damaged hulls.

After some negotiation I purchased my gear back for just over half off the offered price. Another lesson, be prepared to negotiate, don't just accept their first offer as final as they don't want to be left holding gear they can't sell easily.

Then to add injury to insult, when a policy is paid out they cancel your existing policy, with no refund on the balance outstanding. My policy was only 2 days old at the time of the accident. So effectively a full year's payment was forfeited.

You need to reapply for insurance when the new boat arrives, and renegotiate retaining any non claim bonus that you may be still entitled to.

All said and done the insurance company did all the right things; it was just my poor understanding of the system that made this experience very distasteful.

The hulls ended up in Qld, the claims assessor was based in Vic and I was in WA. This led to delays in processing the claim and me having to make repeated calls, as it soon became apparent that my claim wasn't their highest priority. It was to me, but not to them.

I have now increased the value of the insurance on my new boat/trailer.

Please ensure you know your policy and take the time to read it fully. Think carefully about the value of your policy and what is nominated on it. All gear listed may not be yours anymore in the event of a claim. This is one of the reasons they have you list non standard items.

I recently also have become aware of several other claims, all involving different insurance companies, which all had different outcomes and things to be aware of.

The first involved a Mast break while racing an F18. Causing considerable damage to all sails as it occurred in strong winds with the spinnaker up. This policy was with a major company specializing in vehicle insurance in the East Coast. All gear was replaced without question; however a 30% reduction off the replacement cost was applied because the damage occurred while racing. Had he done the same damage social sailing no reduction would have applied!

The 2<sup>nd</sup> instance also involved a mast break, again damaging the mainsail and tramp with the mast going thru the tramp. This insurance company applied a 50% reduction to the

full replacement cost for depreciation on the main sail and tramp. When discussing the company with others it appears that the 50% isn't normally applied. So this was an arbitrarily decide percentage, which they had the right to offer. In this case the company was a bit miffed because of the fact it was a "one" design racing sail, that the class restricts manufacturing rights for, restricting who can perform major repairs on. The claims manager in this instance went as far as suggesting that his company should stop insuring this brand of cats altogether because of this one claim. This was a genuine claim, by a sailor with a good record and no previous claims.

The 3<sup>rd</sup> involved a substantial claim made for damage of varying items, but with a broker and general insurance company. This claim was substantial, but was processed in full without delay and any loss for depreciation.

Four different insurance claims with 3 different companies all with different results. All with different conditions and outcomes. So shop around and do your homework as Insurance companies are like banks, its all in the fine print and you need to ensure your policy suits your expectations.

Like transit cover. Over the past 20 years I have travelled extensively with boat on trailer and my Insurance Company has offered different advice at different times depending on who I talked to.

I have been told I was only covered when my boat was on my nominated trailer, to its covered for transit anywhere in Australia by any means, to its not covered when going by commercial carrier and I would require separate transit insurance on top of my existing policy. Several times I have purchased transit insurance to freight my boats as well as having my general cover which includes a line that states "Includes transit in Australia". On this last occasion just before the boat was loaded on the double deck tandem trailer owned by another skipper I rang my insurance company to be told, no worries your covered for transit any where in Australia as long as it is a "licensed" trailer. Concerned over past advice where I had been advised I was only covered on my nominated trailer I requested them to put a note on my file to notate I had contacted them and they had advised I was covered. This was only 1 week prior to the mishap. This eliminated any grey areas they could "discover" latter.

The last piece of advice is beware of what you say to your insurance company. Every thing you say is documented and can not be retracted. It is best not to say any thing in the heat of the event, but rather after you have had time to read your policy and prepare the facts. This is to protect you against yourself, but also the company will want to minimise their losses and where possible recover the costs off 3<sup>rd</sup> parties if they are involved. Print out or obtain a copy of the claim form so you know what information they will be requesting. Read the policy and then provide the facts (and no more).

These days every yacht that races should have insurance. Sailing clubs really should demand to see proof of insurance and if you don't have any then clubs should refuse your entry.

If it involves an on the water incident, you should protest and obtain copies of the protest form and findings.

If it involves a traffic accident or criminal damage, loss, you should obtain a police report.

Keep all the broken bits until the policy has been settled as they may insist upon viewing all items listed on your claim. Take photos as well if possible.

Your claim form needs to be noted by a JP as being a true and faithful account of the facts.

This is to share recent Insurance Experiences and is no means suggesting you do anything to exaggerate or falsify claims, but to ensure you are aware of the conditions with your insurance policy and not wait until making a claim before finding out it isn't worth what you thought it may have been.

Good Sailing and choose your insurance policy with care.