



▶ **YACHT LIABILITY INSURANCE**  
FREQUENTLY ASKED QUESTIONS



**YACHTOWNERS**  
LIABILITY INSURANCE FROM SHIPOWNERS

## YACHT LIABILITY INSURANCE

### FREQUENTLY ASKED QUESTIONS (FAQs)

This FAQ document is intended to provide general guidance for our yacht liability insurance policy. It is subject to the terms and conditions of the policy wording, the Certificate of Insurance and any endorsements to it.

We recommend that you read the policy carefully and discuss with your broker if you are in any doubt.

An electronic version of the yacht liability insurance policy wording can be found on the Club's website: [www.shipownersclub.com/insurance/yacht](http://www.shipownersclub.com/insurance/yacht)

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## 1.0 What is the Shipowners' Club and what does it do?

### 1.1 What is the Shipowners' Club?

The Shipowners' Club was established in 1855 and is the leading insurer of smaller and specialist vessels worldwide. For the last 20 years we have supported the yacht market with dedicated underwriters. We are one of the 13 International Group Protection and Indemnity (P&I) Clubs, which together insure over 90% of the world's ocean going tonnage. We provide cover on a mutual basis and everything we do is driven by the interests of our policyholders, the Members.

### 1.2 What is different about insuring with a mutual insurer?

You buy your insurance cover at cost. We have no shareholders to satisfy. Most importantly, it means a fair and friendly claims handling service.

### 1.3 Will I be asked to pay more premium if the Club has a bad year?

No. Your premium is fixed at the beginning of each policy year and unless you ask us to change the insurance coverage that we provide or any material facts change, such as the type of yacht you own or your cruising area, you will not be asked to pay any additional premium.

## 2.0 Who or what is covered?

### 2.1 What types of yacht do you cover?

We cover yachts which have a professional crew complement. These can be either private use only or certified to include some commercial usage. We do not insure owner /operated yachts; meaning where there are no employed crew. There is no minimum or maximum tonnage or geographical restrictions.

### 2.2 What do you define as a 'US yacht'?

We regard any yacht which is registered in the United States and/or policies which include a named US domiciled assured as a US yacht. Whenever any these factors are present, we will add the US yacht extension to the Certificate of Entry (policy).

### 2.3 What is the US yacht extension?

This amends our standard coverage by introducing a Service of Suit clause which enables Members (policyholders) to request that the Club submits to a US court after our dispute resolution procedures are followed. When this Extension applies, it cancels and replaces the dispute resolution and law and jurisdiction sections of our yacht liability insurance policy.

### 2.4 What cover do I have as the Beneficial Owner of a yacht?

You are automatically insured under the policy we issue without needing to be named. If you are domiciled in the US we automatically add the US Yacht Endorsement to the policy which allows jurisdiction to be shifted to the US in certain circumstances

## 3.0 You, your crew and the Maritime Labour Convention (MLC) 2006

### 3.1 Am I covered for my liabilities towards my crew?

Yes, our policy covers your liability to your crew for risks such as illness, injury or death. Your liability may have arisen out of common law, statute or a crew contract. For vessels operating commercially, the owner's obligations towards crew (seafarers) are set out by Maritime Labour Convention 2006 (MLC), as enacted into flag state law.

### 3.2 Am I covered for my obligations under the Maritime Labour Convention (MLC) 2006?

Yes. We provide the cover you require to meet your obligations under the Maritime Labour Convention. Broadly speaking this is an obligation to bear the costs and expenses of medical care arising from a seafarer's injury or sickness (illness), an obligation to repatriate seafarers and an obligation to meet 'contractual claims' which is the compensation you have agreed to pay in the event of the death or long-term disability of the seafarer.

### 3.3 What Certification do I need under the MLC?

From 18 January 2017, all vessels which are subject to MLC will be required to carry and display on board two Certificates confirming that financial security is in place for:

- a) Shipowners' liabilities for repatriation of crew, essential needs such as food, accommodation and medical care and up to four months' outstanding contractual wages and entitlements in the event of abandonment (Regulation 2.5, Standard 2.5.2 Paragraph 2).
- b) Contractual payments for death or long-term disability due to an occupational injury, illness or hazard set out in the employment agreement or collective agreement (Standard A4.2 paragraph 1(b)).

### 3.4 Do I have to send Seafarers Employment Agreements (SEAs) to the Club?

No, but any compensation payments you agree to for death or long term disability must be reasonable and appropriate for the duties and position held by the crew member.

### 3.5 Can I add a Personal Accident compensation scale to my crew's employment agreement to meet my obligation to pay compensation?

Yes, providing it is reasonable. Be aware that the MLC refers to Death and Long Term Disability cover in the context of an occupational injury, illness or hazard and we would expect you to adopt this approach when adding such clauses. If you wish to provide non-work related cover on a 24/7 basis, the Club offers a choice of Basic or Enhanced Personal Accident cover, which may be suitable for your needs. Always send crew SEAs to us for comment if you are in any doubt.

### 3.6 Am I covered for my obligation to crew for unpaid wages?

Yes. It is a requirement from 18 January 2017 that 'security' (insurance) is required for 'outstanding wages and other entitlements due from the shipowner to the seafarer under their employment agreement, the relevant collective bargaining agreement or the national law of the flag State, limited to four months of any such outstanding wages and four months of any such outstanding entitlements.' The Club provides the cover required as part of our yacht liability insurance policy.

### 3.7 Do you pay the wages of an injured crew member who cannot work?

If you have a liability to do so, yes. We would expect this to apply whilst your crew member is undergoing medical/hospital treatment or whilst being repatriated following injury or illness. For yachts operating under the MLC the requirements are prescribed by Flag State (National Law). Owners are required to pay full wages as long as the sick or injured crew member remains on board or until the crew member has been repatriated. Thereafter, owners are obliged to pay an agreed amount of wages from the time when the seafarers are repatriated or landed until their recovery or, if earlier, until they are entitled to cash benefits under the legislation of the flag state concerned. Owners may be able to limit their post repatriation wages obligation to 16 weeks.

### **3.8 Am I covered for the medical expenses of an injured crew member?**

If you have a liability to meet these expenses, yes. The policy covers you for claims from your crew for personal injury, illness or death and the resultant medical costs. For yachts operating under the MLC the requirements are prescribed by Flag State (National Law) and require owners to meet the medical costs when crew are sick or injured and this is insured under our yacht liability insurance policy.

### **3.9 Am I covered for disputes regarding unpaid wages?**

No. We do not cover claims arising from disputes under the yacht liability insurance policy; however you can approach the Club for an extension to cover which we refer to as 'Legal Costs Cover'. This provides insurance for a number of identified disputes.

### **3.10 Am I covered if my yacht is a total loss and my crew members are out of work?**

If you have a liability to pay compensation to crew members resulting from the total loss of your yacht, we will respond. For yachts operating under the MLC the requirements are prescribed by Flag State (National Law) and require owners to compensate seafarers for loss of wages in the event of a total loss (called foundering). This is insured under the yacht liability insurance policy.

### **3.11 Am I covered if I engage day workers?**

Yes. We treat day workers as crew and you are insured in the normal way for any liability you may have towards them; however the total number of day workers engaged on or around the vessel at any one time must not exceed 50% of the yacht's normal crew complement unless we have agreed this in advance.

### **3.12 If my skipper is arrested and has to face a trial or enquiry is there any cover?**

Yes. We will assist with the costs of attending the trial or enquiry, including accommodation costs, for both you and the skipper or crew member concerned.

### **3.13 Are United States (US) yacht crew covered?**

Yes, there is no additional charge for utilising US crew or indeed telling us about them unless any of the following apply:

- Your yacht is registered in the United States (US) and/or
- Your policy includes a named US domiciled Assured and/or
- You are sailing in US waters (including the US Caribbean Waters).

### **3.14 Am I covered for claims under the Jones Act?**

If you have a liability, yes. We would cover sums payable for repatriation, wages, maintenance and cure under the Jones Act or general maritime law and sums payable under the Death on the High Seas Act 1920.

## **4.0 You and your Guests**

### **4.1 If I decide to make my yacht available for fully crewed charter, can I be covered under this policy?**

Yes, but as it is a material fact, you will need to advise us so that we can take this into account when assessing your premium.

### **4.2 Am I covered for claims made against me by my charterers or my charterers' guests?**

Yes. This would fall under the 'Crew, guests and others' part of the 'Your cover' section of your policy.

### **4.3 Am I covered for liabilities from the activities of my charterers' guests?**

Where liabilities attach to you or your yacht as a result of the acts of your charterers or their guests, we will defend and assist you and cover any liability that attaches to you in the first instance.

If your charterers or your charterer's guests have been added to your policy as Joint Assureds, there is no possibility of recovering any sums we pay on your behalf from them and their claim will remain on your record.

However, if they have not been added to your policy then we have the option of pursuing them to recover any claims paid or costs incurred, although in practice it is rare for any insurer to exercise this option.

### **4.4 Are guests covered for claims caused by their own negligence?**

We consider guests fall into two categories. Those who are on board privately when the yacht is not under charter (non-commercial guests) and those who are on board as part of a yacht charter (charterer's guests). Non-commercial guests are automatically covered as if they are Joint Assureds, provided that your professional captain remains on board and in command. These guests do not need to be named.

Charterer's guests are not covered unless you choose to add them to your policy as Joint Assureds. This can be before or after a loss.

### **4.5 Are charterers covered for claims caused by their own negligence?**

This will depend upon whether you wish your charterer to have the protection of your policy. If you know in advance that you wish to share your policy with them, you should notify us and they can be named on your policy. However if you do not name them, but decide after a claim that they should enjoy the protection of the policy we do allow you to add them as Joint Assureds after the event, and we will defend them and pay claims in the same manner as we would defend and pay claims for you. You can also choose to do this for charterer's guests (refer 4.4 above).

## **5.0 Tenders and moorings**

### **5.1 Are my tenders covered?**

Yes. Tenders registered to the yacht we insure are covered, whether they are on board, being towed behind the yacht, being stored ashore or whilst moored alongside the yacht. Boats that you use as tenders but which are separately registered are not covered and will need their own insurance unless the separate registration was solely in order to comply with mandatory independent registration requirements in the U.S. or elsewhere.

### **5.2 Why do you restrict cover to tenders that are registered to the vessel?**

We do this because tenders that are registered separately may be used independently of the mother vessel. We believe this exposure means that we should treat the yacht as a separate entity. If this is not the case, and there are no circumstances in which the tender would be used separately then you are welcome to contact the Club to consider insuring it under the same policy.

## **6.0 What liability risks are insured?**

### **6.1 Am I covered for claims arising under the United States Longshore and Harbor Workers' Compensation Act?**

If you have a liability, yes. You are covered for claims arising under the United States Longshoremen's and Harbor Workers Compensation Act US Code (1946) and any subsequent amending legislation.

### **6.2 Am I covered for food and drink liability?**

Yes. We would not expect liability to remain with you if you are supplying pre-packed drinks and snacks, but if, for example, you were liable for contaminated water or undercooked food you have served, our policy would respond.

### 6.3 Am I covered for liability claims arising from piracy?

Yes. Your liabilities remain covered during a piracy incident and we would respond to claims made against you by crew or guests should they sustain an injury. Please note that ransom or kidnap payments are not covered by this policy.

### 6.4 Am I covered for war risks?

Yes, subject to the particular conditions which relate to war risks, such as the cancellation provisions which means we may cancel war cover by giving you seven days notice. Please note that all policies automatically terminate if war breaks out between the five Great Powers (the United Kingdom, the U.S., France, the Russian Federation and the People's Republic of China). We do not have any Listed Areas as exclusions under our policy and as such you are free to visit any destination within your agreed cruising area secure in the knowledge that war P&I claims are insured.

### 6.5 Am I covered for terrorism?

Yes. It is part of the war risks cover that we give and subject to the same particular conditions which relate to war risks.

### 6.6 Do you cover semisubmersibles?

We provide a liability limit of US\$ 5 million for claims arising from the use of submarines, mini subs and remotely operated vehicles under our standard policy, providing you ask us in advance and we agree. We may charge an additional premium. The term 'semi-submersible' may cover a wide range of vehicles designed for in water use. As such, we suggest that you contact us with full details, whenever you wish to use such vehicles.

### 6.7 If I have to sign a contract am I covered for any contractual indemnities?

Assuming it concerns the operation of the yacht we insure for you, you are covered for any contractual indemnities you agree to for illness, personal injury, and death or property damage.

Often these are incorporated into contracts you have to enter into with yacht clubs, marinas, boatyards and victuallers. The cover we provide is limited to US\$ 5,000,000 but we will consider increasing this if required.

We will also agree to waive rights of subrogation if this is required, with our prior written consent.

### 6.8 What is a contractual indemnity?

This is where you are required to accept liabilities towards someone else's property or personnel when you would not normally have any liability. For example, standard boatyard contracts often require an indemnity in respect of injuries to yard personnel or damage to yard property. Even though you are not at fault, you may be obliged to compensate the person injured or the property owner and we would cover you for this exposure.

## 7.0 Activities and usage

### 7.1 Can you cover yacht racing?

Yes, if your yacht is a sailing vessel. This includes casual racing as well as that organised by yacht clubs, sailing associations or racing events governed by an internationally recognised sailing federation. However, if you are the owner of a yacht whose principal purpose is competitive racing or you undertake any form of professional ocean racing, you need to talk to us in advance so that we can determine whether we can offer cover.

### 7.2 If my crew are accredited to train guests in the use of water sports equipment, am I covered for claims arising from negligent training?

We would cover you if a claim arose out of an incident during the training session itself or if it arose.

Subsequently when your guests were using water sports equipment which you have provided and your yacht was present at the time of the incident. You would not be covered for claims arising after the training has taken place, at a separate time, and which are unconnected with the use or operation of your yacht.

### 7.3 Does cover remain in force whilst my yacht is undergoing repair or refit?

Yes and there is no requirement to advise us in advance. If you are required to give an indemnity to the yard, this is covered too, under our Contractual Indemnities section, up to a liability limit of US\$ 5,000,000.

### 7.4 Does cover remain in force whilst my yacht is being shipped as cargo?

Yes, whether as deck cargo or via Dockwise Yacht Transport. There is no requirement to advise us in advance.

### 7.5 Do I need to notify you of any hot works?

No. Cover remains in force.

### 7.6 If I charter my yacht under an MYBA Charter Agreement, do I need to obtain your agreement in advance?

No. All unamended MYBA Charter Agreements are pre-agreed. We do not need to know that you are chartering under an MYBA Charter Agreement unless it has been amended to increase your exposure to liabilities or expenses.

### 7.7 Am I covered for the use of helicopters on board my yacht?

Yes, but you should also have aviation liability insurance for the helicopter, as we are only covering your liabilities in relation to the operation of your yacht. If you have a third party helicopter on your yacht, the same applies.

### 7.8 Am I covered if my yacht is used for demonstration purposes at a yacht show?

Yes. If you are required to give an indemnity to the show organisers this is covered too, under our Contractual Indemnities section, up to a liability limit of US\$ 5,000,000.

## 8.0 Joint Assureds and Co-Assureds

### 8.1 What is the difference between Joint Assured and Co-Assureds?

As a Joint Assured you are entitled to the full protection of the insurance policy for liability claims made against you. As a Co-Assured you do not have any right to cover under the policy for your liabilities. All that you are entitled to is a limited form of protection against any claims which are made against you, which are properly the responsibility of one of our Members. This is usually found under contracts, such a charterparties, where each side of the contract have agreed to be responsible for any injury of damage to their people and their property in return for the same undertaking from the other side, regardless of where the actual fault lies.

### 8.2 If a Joint Assured sued another Joint Assured, would the policy respond?

No. Parties who jointly benefit from the protection of the policy cannot use the policy to defend themselves from each other. The only circumstances in which this would be allowed is under some forms of policies (typically non-marine policies) through the introduction of a 'cross liability' provision.

### 8.3 If a Joint Assured sued a Co-Assured, would the policy respond to assist the Co-Assured?

No. Co-Assureds have no right to use the policy for their own benefit.

### 8.4 If a Co-Assured sued a Joint Assured, would the policy respond to assist the Joint Assured?

Yes.

## 9.0 Other matters

### 9.1 I have a dispute with my crew managers. Can I use the Legal Costs Cover to pursue them?

This depends. If we have named them as Joint Assureds, then no. If we have named them as Co-assureds, then possibly. It will depend upon the circumstances of the case. Please bear in mind that the cover provided under Legal Costs Cover relies upon our assessment of whether there are 'reasonable prospects of success' and we are entitled to take this into account before agreeing to support the case.

### 9.2 Do you pay legal costs in full or do I have to pay a claims' excess or deductible?

For yacht liability (P&I) claims we do not require you to pay a contribution towards the cost of paying legal expenses. For Legal Assistance and Defence claims you will be required to bear a proportion of the claim payment, typically 25%.

### 9.3 Do you provide personal accident insurance for crew?

Yes, our yacht liability insurance policy provides cover for liabilities you may have when your crew are injured. However, there may be occasions when you are not liable and our policy would not respond. Or alternatively, you may wish to give crew peace of mind that they will have insurance against accidents even when they are far from the yacht, for example on holiday. It is unlikely such accidents would be considered 'yacht liability claims' and as such would not be insured. For these occasions, if you wish to provide additional protection for your crew, you can purchase Personal Accident insurance from us as an additional product. You can choose from two levels of cover – basic or enhanced – ensuring fast, no fault payments in the event of accidents. Further details can be found at [www.shipownersclub.com/shipowners-publications](http://www.shipownersclub.com/shipowners-publications)

### 9.4 Do you issue COFRs?

No, these are issued by guarantors, which are companies created to provide evidence of financial responsibility under OPA 90. However we do issue documents which enable Members to obtain a COFR from these companies. These include a Confirmation of Entry letter, a letter which deals with technical issues arising from the involvement of a guarantee company and a third letter for the guarantor confirming that we will give them 30 days notice in the event that we need to terminate cover.

### 9.5 Can you issue Greek, Spanish and Italian liability certificates?

Yes, please contact the Club for further assistance.

### 9.6 Can you issue Nairobi Wreck Convention /Removal of Wreck and Bunker Blue Cards?

Yes. All are readily available through our interactive web portal or direct from our office.

### 9.7 If you require a survey of my yacht who pays for it and who sees the report?

In all cases the Club commissions the report from Club-approved surveyors and we retain the findings in house. Payment will depend upon the type of report. If the yacht is entered with us, we will pay for it. If it is a pre-entry survey, you as the yacht owner (or manager) will be required to pay for it in the first instance, but we refund it to you if the yacht is accepted for entry into the Club.

### 9.8 What other benefits are there from being a Member of the Shipowners' Club?

We pride ourselves on the quality of our customer service. As a Member of the Club you will have our support 24 hours a day, through our offices as well as a network of Correspondents across the world. You will also be able to benefit from our loss prevention advice as well as our help in reviewing insurance related yacht contracts.

### 9.10 Who do I contact at the Club?

For help and assistance with all yacht related matters, please contact:

#### London Branch

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