



Expatriate Services Ltd

Insurance Brokers

Expatriate Services Ltd

Yacht Insurance

EXPATRIATE SERVICES LTD.

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1.

Colin Dawson

Colin Dawson has been in the marine insurance industry for twenty years, the last fifteen of which have been spent in Hong Kong. He has specialised in yacht insurance for the past twelve. Colin has had extensive experience in the Asia Pacific region and has arranged covers for every size and type of yacht in most geographic locations around the world. A keen sailor, his experience is not only in the field of insurance but also in the yachting industry itself. Aside from his specialist yacht insurance experience Colin's extensive contacts within the yacht industry brings distinct advantages to clients when discussing their insurance and risk management requirements.

Before going into the types of insurance available to yacht owners and the yacht industry as a whole it may assist the decision making process to have a brief look at what insurance is and why it is most advantageous to yacht owners.

2.

Insurance – An Introduction

Insurance is a product that many see as a necessary evil. Certainly in years gone by it has been seen as a product sold by companies who took premiums and then did everything possible to avoid paying claims. Unfortunately, occasionally this reputation has been found to be true and still today, even with increased regulation and better internal controls, we see some companies continuing to act in this way. It should be stressed that these companies are in the minority but, as usual, it's the few bad eggs that spoil the reputation of the majority. Insurance is there to pay in the event of an accident or event that can be considered unforeseen. It is important to remember that it is the duty of a client to do everything possible to reduce the chances of a loss occurring and, if it does occur, to do everything possible to minimise any loss to insurers.

Experience tells us that circumstances where people have had a poor experience with claims can generally be put down to 2 main problems:

1. The risk being covered by an insurer (and provided by a broker) recommending the cheapest premium to win a client without really understanding the risk itself.
2. The client not fully understanding the cover that has been provided and any limitations it contained

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It is true to say that in most areas of the yacht industry the chances of actually having a claim are low. This is one reason premiums are able to remain so competitive and most risks are able to be insured in some form. While current premiums may be low (average yacht premiums are about half of what they were 12 years ago) the statement of 'there is no insurance as expensive as insurance that doesn't pay' is also very true and if insurance is to be bought at all it should be bought in a manner ensuring a positive response when needed. Insurance is all about the transfer of risk. As such it should be looked upon with a view of 'how much risk can I bear myself and what am I prepared to pay for moving the amount of risk I feel uncomfortable bearing'. Obviously the greater the risk and the more transferred the higher the premium, with corresponding terms and conditions being set by insurers. It is therefore fair that a client should be prepared to pay accordingly.

The above is very basic but it applies to all types of risk and highlights a couple of very important issues:

1. Cheap is not always good
2. Understanding of risk is essential.

3.

Insurance Broker: This company / individual represents the client when arranging covers with an insurer. This means a broker is likely to (and certainly should) approach a variety of insurers for quotes, compare their terms and provide the best of these to the client. At all times the broker must act in the best interests of the client, even if it means earning less commission in doing so.

Insurer / Underwriter: These are the risk takers. These companies discuss the risk concerned with the broker or agent and set terms and conditions accordingly. The better quality insurers will likely have a better grasp of the risk and, while they may charge a higher premium, they are likely to have a quality product better suited to the risk involved. In some cases insurers will deal directly with clients. While in the first instance this may appear to make sense in saving time it does not save premium and, more importantly, should something go wrong there is no one to protect the interests of the client. Further, cutting the broker out leaves the client to try and understand what clauses and exclusions mean, to compare quotes from different insurers himself and to try to negotiate terms with an insurer; all from a point of weakness because he does not have the experience or relationship with that insurer to obtain the best terms from them.

Insurance Agent: This is usually an individual but sometimes a company who has an arrangement with one or more insurers to represent them in selling their products. As such an agent represents the insurer. This means that an agent will likely sell a product best suited to the insurer and the levels of commission the insurer pays him as opposed to the programme that is best suited to the client. Further, most countries restrict the number of insurers an agent

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is allowed to represent, thus **reducing the choice** for the client. Of course, there are some very good agents who have worked hard with insurers to offer high quality specialist products but still, the key difference is in them **representing insurers' best interests and not those of the clients**.

Broker: For some, much smaller risks, an agent may be the best route to go but generally speaking a **broker** will give more choice and he is duty bound to act in a client's best interests whereas an agent is not. Having said this, any broker can provide cover from any insurer but, without fully understanding the issues involved, it is likely the client will not end up with the right insurance programme which, as outlined above, can lead to difficulties. With the above in mind, from a client's perspective, it is therefore important for the broker to engage fully with those offering quotes and advice to ensure that he (or she) fully understands the risk involved and the client's approach to risk taking.

It is true to say that neither client or insurer wants to have a claim on their hands but if the unfortunate does happen, a broker is very well placed to handle this for a client and negotiate the best possible settlement for him - sometimes (due to his relationship with the insurer) succeeding where there is no clear claim. Everyone wants to avoid having an accident leading to a claim and Risk Management plays an extremely important part in this. An **insurance broker** with sufficient experience will be able to assist greatly here and, while risk management measures may appear to cost more initially, experience tells us that if properly implemented they do save an owner time and money in the long run.

When specifically applied to yacht insurance (and risks surrounding the yacht industry) it is important to use an insurance broker who understands yachts and who also has wide experience with the specialist insurers needed to provide such covers. Due to the very personal aspects of the industry, most covers will need to be tailor made to suit owners and their crew and it will take some discussion for owner and broker to fully appreciate what is required from an insurance programme. As such, rather than simply ask a number of brokers to obtain quotes and look for the cheapest one being offered a client should look to the broker with the most understanding of the risk involved and experience in the market place that allows the best terms to be made available.

The yacht insurance market is fairly small and there are relatively few insurers who specialise in this field of insurance. As such if a number of brokers are asked to offer terms it is likely that most will approach the same insurers for terms. The rule of thumb is that insurers must offer one broker exactly the same terms as they offer another. After a couple of brokers have approached an insurer the insurer will become wary of why so many brokers have been asked to offer quotes with the result being that they will become increasingly inflexible. In the main, clients do not appreciate that the market is small and most clients feel that a broker will approach only one or two insurers for terms. It is, therefore, the role of the broker to explain to a client which insurers he will approach and in return the client should trust that broker to obtain the best possible terms for him.

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From the client's perspective it is reasonable to expect a broker to clearly understand the markets he is dealing with and what terms, restrictions, flexibility and premiums can be anticipated from each insurer. Before any insurers are approached for quotes it is advisable that an in depth discussion take place between the client and broker so both understand each others needs. This will significantly reduce the chances of misunderstandings and will greatly increase the chances of the right insurance programme being put in place, with the right insurers and with cover being set at the right terms and conditions. One conclusion that can be drawn here is that insurance should not be a last minute purchase. Time should be taken to choose the right broker and discuss the risk fully with him before a decision is made as to where and how to place cover.

In such a competitive market place most brokers will try to offer a client the cheapest premium in the belief that this will be the primary deciding factor in how a risk is insured. In reality, as with everything in life, rarely is the cheapest the best option and before any final decision is made on how a risk is insured discussion should take place as to which insurers have been approached and what terms they have offered, along with their willingness to pay claims in the event of an accident.

A good broker should not have any difficulty in discussing any of the above and should be in a position to discuss all types of insurance available and from which insurers for the risks involved.

4.

Different Types of Yacht Insurance We Can Provide

Yacht Builders Risks Insurance

There are several sets of specialist underwriters we can approach for terms to ensure that a competitive package and comprehensive cover is put in place for our clients. Cover is on full all risks conditions and placed with first class security. We have strong relationships with this specialist market, allowing us to offer very high quality cover with very flexible terms.

Guarantee Insurance

Following the launch of the yacht there will be a period, usually 12 or 24 months, where the yacht is under guarantee. Often of great comfort to an owner of a yacht being built this cover is designed to protect the yard in the event of a major claim which otherwise could result in financial difficulties for the yard.

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Pre Delivery P&I Insurance

We are able to arrange pre delivery P&I cover for owners, which takes care of all aspects of an owner's liability to his crew, the yard and any subcontractors or visitors involved with the yacht. Often this aspect is overlooked as people tend to think that the yard will cover this but it is not the case. This is an important part of the programme and one which is very cost effective for an owner.

Crew Welfare Insurance

During the build process an owner's crew will inevitably be on board the yacht. Generally starting with the Captain and Chief Engineer the number will grow as the build progresses to the full complement shortly before the yacht is launched. We are able to provide full medical and personal accident cover for the crew, starting with the first crew to arrive, with others added on a pro rata basis until the expiry of the policy or launch of the yacht.

In time for the yacht's launch we will arrange a **comprehensive package** of medical, personal accident and personal liability insurance, **tailor made** to suit the requirements of the crew and where the yacht is cruising.

Yacht Cargo Insurance

Often a shipping line is able to provide cover for the yacht if she is to be shipped around the world. While generally the covers are very good there will be certain restrictions in place and cover provided will not necessarily be as comprehensive as an owner would like. Where a shipping line will have cover in place upon loading through to the port of destination a more comprehensive insurance will have cover in place **from the yard in the country of origin to the yard / marina at the destination**, so long as the yacht's own power is not being used. Many claims occur during the loading and unloading process and local port authorities require insurance to be in place for any tows, cover that is not available under the cruising insurance but is available under full cargo insurances. As such it is advisable to have your own broker arrange these covers so you know that you are covered to the necessary extent.

Cruising Insurance

Once the yacht is handed over to her owner it is important to ensure that she is properly insured with professional, experienced yacht underwriters. Expatriate Services has access to all the world's major insurance markets and is able to arrange covers from any market to suit owner's requirements, dependent on where the yacht is based.

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Covers required by the yacht include the **Hull and Machinery, P&I (liability), Crew Welfare and War**. If required by a lending bank we are also able to arrange **Mortgagees Interest Insurance**.

The insurance market is continually fluctuating and at present continues to be in a situation where premiums are extremely competitive as more insurers enter the arena. However, this can change and your broker should be the best person to advise you of these changes and how to manage them in a way that has the least negative impact on you.

To cope with any changes and to face as few surprises as possible it is particularly important to be aware of the covers that are in place and the security of the insurers that are providing the cover. As has been explained above, cheaper programmes very often do not mean better cover and the experience of the broker being used will make a significant difference to the overall insurance program put in place.

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