

PANTAENIUS LUXURY YACHT NEWS

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No 3



INSURANCE IS A MATTER FOR THE BOSS

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CAPTAIN'S MASTERSTROKE

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INSURANCE UPDATE

David Glenn writing in his article for Yachting World about the advantages of the Pantaenius all-risks-clauses ...



PANTAENIUS
Yacht Insurance

PANTAENIUS ON SITE

FORT LAUDERDALE INT. BOAT SHOW

27th – 31st October 2011
www.showmanagement.com

METS & SUPERYACHT PAVILION AMSTERDAM

15th – 17th November 2011
www.superyachtpavilion.metstrade.com

50TH ANTIGUA CHARTER YACHT SHOW 2011

4th – 10th December 2011
www.antiguayachtshow.com

LONDON BOAT SHOW

6th – 15th January 2012
www.londonboatshow.com

BOOT DÜSSELDORF

21st – 29th January 2012
www.boot.de

THE SUPERYACHT CUP – ANTIGUA

Date is not fixed yet
www.thesuperyachtcup.com

ST. BARTH BUCKET REGATTA

22nd – 25th March 2012
www.bucketregattas.com

LORO PIANA SUPERYACHT REGATTA, SARDINIA

4th – 9th June 2012
www.loropianasuperyachtregatta.com

SUPERYACHT CUP, PALMA

20th – 23rd June 2012
www.thesuperyachtcup.com

FESTIVAL DE LA PLAISANCE, CANNES

12th – 17th September 2012
www.salonnavatiquecannes.com

MONACO YACHT SHOW

19th – 22nd September 2012
www.monacoyachtshow.com

GENOA INTERNATIONAL BOAT SHOW

Date is not fixed yet
www.genoaboatshow.com/

**Dear Superyacht Owner**

We are currently in a period of uncharted waters and the life of a superyacht owner is becoming increasingly complex in a market driven by the global financial crisis and government austerity measures.

The requirement to be compliant whilst ensuring any potential liabilities are fully covered, particularly with regard to crew is becoming as important as the yard selection or specification of your superyacht. Never before has it been so important to review your contracts of insurance to ensure that you have a wording 'fit for purpose' which has been designed by specialists within their field. It is my role as Group Managing Director to ensure that we keep up with the ever changing climate of the yachting industry. Pantaenius continues to deliver its pledge to provide a 360-degree risk analysis for our clients, crew and their yachts, an additional service which can be hard to find or simply overlooked by our competitors.

We are able to achieve this by drawing on the knowledge built up during our 40 years experience as an international yacht insurance specialist, with eight offices in the major yachting hubs across Europe and in the USA. We understand each market has subtle differences and our close proximity to the superyacht sector helps us to achieve this benchmark.

In response to our clients' requests, incoming legislation and scrutiny by customs authorities (VAT), I am pleased to announce our latest innovation with the successful launch of our new all-risks clauses.

The need for a wording which reflects the issues of the current superyacht fleet has been reinforced by the new business we have written. This year alone, we have succeeded in acquiring three more of the world's largest private yachts, both motor and sailing. We continue to forge strong relationships with the leading industry professionals who represent our clients' interests. These statistics and feedback have unequivocally demonstrated that we are on the right course with our range of products and services.

Pantaenius is making the difference

The Pantaenius Superyacht Clauses contain numerous new features which benefit the policy holders through clear and unambiguous language. Our aim is to reduce the complexity of insurance coverage by creating a fluid wording that can be understood by 'ALL' thus allowing the risks of ownership to be fully evaluated.

David Glenn's article written for Yachting World on page 6-7 further details the advantages of the Pantaenius Superyacht Clauses - we could not have said it better ourselves. A copy of our clauses can be obtained by contacting one of our offices.

Thank you for placing your faith in Pantaenius!

Martin Baum

Managing Director Pantaenius Yacht Insurance

INSURANCE IS A MATTER FOR THE BOSS

There is an old saying that yacht owners love their yachts more than their wives, however, when it comes to insurance it seems that they prefer to delegate this task to whoever stands close. The owner is only interested in the bottom line and assumes that the "small print" is sorted out by their captain, yacht broker, lawyers, secretary or by a professional yacht management company. This lack of interest in yacht insurance, however, could lead to unpredictable exposure to liabilities for the owner himself. The priority of the owner is often the protection of the yacht through a hull insurance policy and only later do they think of the liabilities arising from ownership. It is important to look at the liability side of this sport as the financial risk can be considerably higher than the value of the Yacht.

For example, if there are paid crew onboard the yacht, the owner is liable for the well being of his crew. For British flagged yachts, including those within the red ensign group, it is compulsory to buy employer's liability insurance with a minimum level of GBP 5 million sum insured per crew member. This even applies to seasonal workers and/or deck hands. The question that often arises is "At what point is somebody considered to be employed?" A crew member does not always need to have a written employment contract to fall under the requirements for employer's liability. To make things even more complicated the owner must also be aware that crew protection varies according to the nationality of the crew member. For US crew members different insurance concepts are available and it is important to know that compensation in the United States provided for under the Jones Act, could be higher than normally awarded in Europe. Therefore, it is very important to assess the risk properly and buy the right insurance, as well as the right level of insurance, when it comes to crew liability. It is advisable for owners to consult a professional

yacht insurance provider, such as Pantaenius, to clarify this complex topic.

Moreover, yacht owners should understand the issues where third parties want to be noted as co-assureds on their yacht policy (for example, professional yacht management companies or marinas). In the case of a yacht manager there are many good reasons why they should be mentioned on the policy. They could be held liable for their actions in connection with the yacht as they may be considered as the owner or captain's representative on shore. On the other hand as they are professional subcontractors they normally should have their own insurance and these costs should not be carried by the yacht owner. Finally, the owner must make sure that mistakes of the professional yacht managers will not prejudice his/her insurance cover. This so called "Manager's Non-Liability" clause is a must have for the owner:

Another important point is the issue of a "Waiver of subrogation". What is this? It is a means by which the shipyard or marina avoids any liability



The Pantaenius book contains vessels from all types and sizes.

for damage to the yacht whilst in its care unless that damage is caused by gross negligence or a willful act. Often a shipyard's insurance is not sufficient to cover the high values of today's superyachts. Therefore, the shipyard protects itself by requesting a waiver of subrogation from the owner and their insurers. Yacht owners must be very careful if required to sign one of these as they could affect their insurance cover if unless their insurance provider has been made aware of it and provided they have issued the appropriate endorsement. At Pantaenius this kind of endorsement is calculated on a case by case basis and depends on the length of stay, scope of refit work, professionalism of the shipyard and the scope of the waiver of subrogation itself. The costs vary from no additional premium to 0.1% of the sum insured. To the displeasure of the yacht owner these are mostly hidden costs that are popping up after the refit deal has been signed. Therefore, the owners should confirm costs with their yacht insurance provider before starting a refit.



The ability of the crew to locate the fire aboard and extinguish it quickly is paramount.

CAPTAIN'S MASTERSTROKE

Three yachts, three fires, three courageous captains, three cases where the fast intervention of the captains and crew prevented disaster.

A fire on board is one of the worse scenarios that can face the captain of a yacht no matter the size or type of vessel. This is particularly true when the yacht is at sea. However, as demonstrated in the case of the beautiful Royal Huisman replica of a classic yacht which was threatened no less than three times by fire within a short period of time, disaster can be averted through the prompt and skilful action of the yacht's captain and crew.

Regular training leads to effective action

The captain of the yacht in question had always ensured that the crew were well-trained in the

use of the onboard fire-fighting equipment and made a point of having regular fire drills. The yacht remained adequately manned in harbour even during extended lay-up periods. Consequently when a faulty multi-charger sparked a fire, the well-drilled crew were on the spot and the smouldering fire was quickly contained with CO2 extinguishers.

This was not the end of the matter:

Another two fires followed caused by the same fault. After the third fire the captain became suspicious of the multi-charger and consulted Pantaenius. Further investigation and laboratory

analysis uncovered a manufacturing defect which was causing the recurrent and potentially dangerous fault. The manufacturer was taken to task over the defect and this has now been rectified.

The outcome could have been very different given the speed at which a fire can spread through a yacht especially a wooden yacht. Pantaenius believes that disaster was avoided due to the early intervention of a well-trained professional crew as well as the insistence of the captain that the yacht is manned at all times.

Get people out of danger

Further cases prove that good vessel management can prevent major losses. In one case the quick-thinking crew of a 24 metre cruiser-racer with guests on board acted quickly, not only to prevent the worsening of an electrical cable-fire, but also to remove their guests to safety. The resulting claim at Euro 25,000 was a small price to pay (by the insurers) compared to the cost of a potential total loss at Euro 20,000,000.

SMOKE WAS POURING OUT OF THE ENGINE ROOM

In another incident, a Swan 112 motoring north along the Australian coast out of Sydney, suffered an engine room fire. The night watch discovered smoke pouring out and alerted the Captain who immediately moved the guests away from the danger and made an emergency call. The engine room ventilation was closed and the fuel supply was cut off. The captain had no choice but to enter the engine room armed with two CO2 extinguishers and protected only by a fire mask. His actions

prevented the spread of the fire but at great risk to himself.

All these cases prove that every moment counts in the event of fire. There is a greater chance of getting a smaller fire under control quickly and with less risk to people and property.

It is also clear that most fires are electrical in origin, highlighting the need for regular maintenance by skilled professionals and vigilance by the yacht's crew. Whilst sophisticated diagnostic techniques are common in identifying weaknesses in electrical systems in the commercial shipping world, they are unfortunately not so widely used in recreational vessels where the emphasis is on aesthetics.

BIG SCENES

Pantaenius are immensely proud of their support of, and active participation in many of the world's superyacht events.

At Pantaenius we regard this association as an integral component of our core philosophy and customer focus, which is to be, and remain, close to both our clients and the industry, whether this be ashore or afloat with our team of experienced sailors.

One such example is best illustrated by our recent sponsorship of the Lora Piana Superyacht Regatta

in Porto Cervo, an event where some of our staff also competed.

Another highlight of the yachting calendar is the Superyacht Cup, held in Palma. This event perfectly combines spectacular racing with great networking in a fun and relaxed atmosphere.

Celebrating its 16th year in 2011, the former Big Boat Cup is the longest running Superyacht Regatta in Europe, and Pantaenius has been a sponsor since its early days. In recent years this relationship has been complimented by our ability to assist our

participating clients from our Palma office.

This year, not only did we present our now highly coveted 'Ship Shaped' trophies to the winners of the Pantaenius Race Day, we were also honoured to receive a special award recognising our position as founding sponsors.

The Loro Piana Superyacht Regatta, 7-11 June 2011, Porto Cervo, Sardinia

The Superyacht Cup, 23-25 June 2011, Palma, Spain



Owners or captains must take a close look at the insurance of guests and crew during superyacht regattas, especially racing crew often needs extra insurance.

SUPERSAIL THE WORLD OF SAIL OVER 80FT



Insurance update to cover wear and tear

Pantaenius not only aim to simplify superyacht insurance but also deal with the contentious issue of wear and tear



Leading yacht insurance provider Pantaenius have launched a new policy for yachts valued in excess of €5 million aimed at simplifying what they refer to as the 'patchwork of wordings' often used in current policies. A key feature is not to exclude damage or loss caused by wear and tear.

Gunnar Brock, law and products director for Pantaenius, believes the American Yacht Form and other wordings that are used as the basis for current policies are antiquated and not compatible with the requirements of a modern yacht.

He has spent two-and-a-half years designing the new policy, which will be based on English law but will be translated into German law "for roll out across Europe".

Moreover, Martin Baum, group managing director of Pantaenius, regards the wording of the American Yacht Form as difficult

Pantaenius aim to make policies easier to understand, so that owners and captains don't have to deal with antiquated wording when accidents happen

to understand and says it may even be unfair in some instances, in particular its exclusion of damage caused by the direct or indirect effect of wear and tear.

Small part, major loss

Brock describes a hypothetical scenario in which a yacht may have been lost or damaged due to the failure of a small, worn-out engine part. In such a case, a yacht may lose power and be at the mercy of the prevailing conditions.

Some current policies will not cover the loss of the vessel because the cause could be traced indirectly back to the wear and tear of a tiny part. "Such an exclusion does not fit with the Pantaenius philosophy – a total or partial loss where the cause is a worn-out fitting would not be a valid reason to avoid a claim," says Brock.

The Pantaenius policy will not exclude damage or loss resulting from damage due to wear and tear. It also includes what is known as an Agreed Fixed Value, which is based on the new replacement value of the yacht at the inception of the insurance. The Agreed Fixed Value set out in the new policy is incontestable.

Baum explains that some comparative insurance products will only settle a claim based on the actual cash value at the time of the boat's loss.

But even if it is an "agreed value" and the market value of the yacht decreases over the years, Pantaenius will pay the value at the inception of the policy. This can be especially important in a volatile market where yachts are often advertised for less money than they are insured for.

Due diligence out

Pantaenius are also eliminating the due diligence proviso because they believe it is difficult to clearly define.



"It means a measure of prudence," says Brock, the meaning of which, he claims, is difficult to determine with precision in real-life situations. "So Pantaenius' insurers cannot decline a claim by relying upon the due diligence proviso."

Instead, Pantaenius are using the word 'reckless'. "This means very careless, rash, heedless of the consequences of actions," Brock explains, and as such is a far more understandable term, he believes.

No discrimination

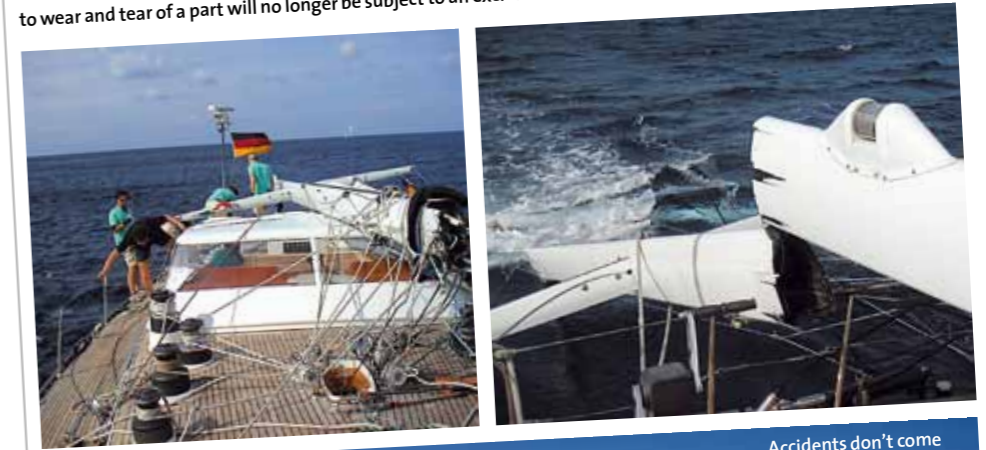
There will also be extended third party liability cover to include crew and guests, and there will be no discrimination when it comes to nationality. Brock explained to *Yachting World* that some insurers would not cover American crew because of the expense of being involved in litigation in the US.

Pantaenius are also offering the highest monetary values for the additional cover of items such as accommodation costs, fine art, ship's cash, towing and emergency support, including search and rescue costs.

"We're moving this all-risks policy into the 21st century," Brock says, "making it easier for superyacht owners, captains, managers and lawyers to understand what is covered and what is not, at a glance."



Whether a fire aboard or rigging failure to bring down a mast, the loss or damage of a yacht that may be traced back to wear and tear of a part will no longer be subject to an exclusion clause in the new Pantaenius policy



Accidents don't come more high profile than this: *Mirabella V* on the rocks in the Med in 2004



Peter Hönig



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