

IUMI Blog – Day 8: Yacht accumulation risk a concern

By admin On September 14, 2021 In Insurance Marine News, Keep, Marine Hull, Marine Liability, Retail

Day 8 of the IUMI conference covered inland hull, fishing vessels and yachts, with a number of the speakers touching on the increasing concern surrounding potential losses in the yacht sector.

Indeed, **Rick Salway (Vice President, Ocean Marine, Great American Insurance Company, USA-New York)**, in his presentation, comprehensively trashed any idea people might have had that yacht losses were only ever attritional. Although the superyacht loss four years ago after a shipyard fire (\$600m loss) in Germany was something of an outlier, Salway told viewers of two losses since then that were large by any insurer's standards.

Salway had noted that perhaps one reason the yachting sector had not received the industry focus that it might have been that there was as yet no central loss reporting facility – although it should be noted that IUMI is planning on introducing yacht losses as a separate category in the hull sector.

In August 2019 in Qatar three yachts of the Qatari royal family suffered from a fire – the **Constellation** (IMO 1005889), the **Maracunda** (IMO 1002598) and the **Al Adaid**, causing a loss estimated at \$70m.

1999-built, Qatar-flagged, 1,706 gt Constellation is owned and managed by Amiri Yachts of Doha, Qatar.

1990-built, Qatar-flagged, 605 gt Maracunda is owned by Amiri Protocol care of manager Amiri Yachts of Doha, Qatar.

No details available on the Al Adaid.

Then in November 2019 at Fort Lauderdale the 49-metre **Lohengrin** (IMO 8735998) caught fire and consumed the 32-metre **Christensen**, generating a loss of about \$25m.

2006-built, Marshall Islands-flagged, 470 gt Lohengrin is owned and managed by Lohengrin Ltd of Majuro, Marshall Islands.

However, Salway said that the fire losses at the sub-\$5m level were also concerning, although information on these was often gathered from social media rather than insurers.

Developing concerns for Salway were risk accumulation as a result of the pandemic. Plus, other costs that had gone higher. These included storage fees, which now often exceeded the cost of repair, because Covid-19 had made it so much harder to get repairs done. Ongoing risks were liability – one of the fires mentioned had 15 guests on board at the time, and pollution. In cases of severe fire, the price of wreck removal was increasing significantly.

Finally, Salway mentioned a factor that has not been widely reported – the increasing number of inexperienced owners. He felt that this was a major worry, and one that would be discussed in depth at next year's IUMI in Chicago.

Earlier, **Jason Stephenson (Senior Yacht Underwriter of Marine, Travelers Europe, UK-London)** spoke on the topic of the *Accumulation of Vessels and Lack of Mooring Space and Increased Storm Risk* – a topic that appeared in virtually every category, for various reasons, since the start of the Covid-19 pandemic. Focusing on the Asian market, Stephenson said that Thailand had seen considerable growth in the past decade, as had Singapore, but that Hong Kong still dominated the market. Thailand was different from the other two jurisdictions in that many of the yacht owners had commercial managers in place but were not Thai residents themselves. This obviously had insurance implications if the owners were prevented from getting to their ships by the Covid-19 pandemic.

While the areas inhabited by the Thai and Singapore boats were not historically affected much by typhoons, Hong Kong had an average of 2 signal eight typhoons a year, and an average of 0.25 signal 10 typhoons.

Although Hong Kong has 13 government approved typhoon shelters, these bring the problem of accumulation of risk. This fact was illustrated starkly when a recent fire in a government approved typhoon shelter spread from boat to boat and destroyed 20 of them

Earlier, **Hilton Adams, (Head of Marine Aviation, NL-Marine Aviation, Munich Re, RSA-Johannesburg)**, forum chairperson, had reported that the general underwriting climate was continuing to improve, but that it remained competitive. There had been increases from 5% in some markets, up to 60% in others (Editor's note, anecdotal talk has been of huge increases in the yacht market). There were cases of declining reinsurance capacity, and hardening markets in Italy, Netherlands, Singapore, UK, US and Spain.

Claims frequency was stabilizing or lower, partly caused by the pandemic leading to a temporary decline in the use of vessels. However, repair costs were increasing, partly because of knock-on effects from the pandemic (see Salway's comments) but also because ships in all sectors were carrying every more sophisticated high-tech equipment.

Adams noted that there seemed to be a low appetite in this forum's sector for cyber cover.