



Safety Thursday -- Insurance

Special Skippers Edition

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As boaters, our primary protection from catastrophe at sea is good seamanship, a sound vessel and appropriate equipment. But accidents still happen, and adequate insurance can help protect against financial catastrophe.

Protecting Yourself with the Right Coverage

Insurance is typically divided into first-party coverage and third-party (liability) coverage. First-party coverage provides reimbursement if your boat is damaged by a collision, fire, or other specific perils. Third-party, or liability, coverage protects you from lawsuits by others. One of the most important features of liability coverage is the insurer's obligation to defend you against lawsuits, whether you are later found liable or not. In other words, most policies will pay for your lawyer to defend you. Liability coverage also has an indemnity obligation, which pays for any settlement or judgment covered by the policy.

When purchasing insurance coverage, you should consult a broker, who can help choose the best policy to protect you. Policies vary in terms of what they cover and, often more importantly, what they exclude. You should also choose the appropriate dollar amount of coverage. All boats in the Race to Mackinac must have a minimum of \$300,000 of coverage, but more may be appropriate for you. Finally, consider who is covered. For example, will the policy protect your crew if they are sued as a result of an accident on your boat? And, will the policy protect you if a crew member is hurt and sues you?

Using Your Insurance

Once you have insurance, you should utilize it when appropriate. A boater facing a loss should take prompt steps to maximize coverage and help obtain the coverage the boater purchased. Your policy may include losses beyond the obvious boat damage or personal injury, such as the costs of towing if your vessel is disabled or coverage for personal property aboard if you suffer a theft.

First, consider what policies may respond to the loss. Obviously, check your boat policy, but also look at your other policies. For example, does your homeowner's policy contain a rider that includes coverage for boats, or does your umbrella policy provide additional limits of coverage? Also, consider whether another person's policy might provide coverage—for example, a policy held by someone using your boat at the time of the accident.

Next, determine your immediate obligations as the insured. Typically, policies require the insured to provide prompt notice of any claims to the insurer. Similarly, the insured may need the insurer's consent before agreeing to a settlement. Your insurance broker may be able to assist with this process.

Once the insurance company receives the notice of your claim, it will typically respond in writing to inform you that the claim is covered, that the claim is denied, or that it is continuing with its investigation. With liability insurance, the insurer will often agree to defend you under a "reservation of rights." This means that the insurer will provide you with a lawyer, but says it is keeping open the possibility of denying your claim if it later decides that coverage does not exist. In this event, you may have a right to independent counsel of your choosing.

Hopefully, you will never need to make an insurance claim. However, having the right insurance coverage in place now could save you from serious financial harm later.

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Note: The purpose of this article is to highlight some of the Mac Safety Regulations and how your crew can race the Mac as safely as possible. As always, ultimate responsibility for the safety of the crew and the decision whether to race or to stop racing is that of the skipper (RRS4, MSR2). This email is meant as a courtesy only and you should always refer to the Race Documents section of the website for the Notice of Race, Sailing Instructions and Mac Safety Regulations, which govern the race.