

Owner-Controlled Ship Repairer's Liability

Did you know that by signing a shipyard's contract for repair, refit or service you could be assuming liability for damages or injuries that may not be covered by your Yacht policy?

The Owner-Controlled Ship Repairer's Liability (OCSRL) policy was designed to address this exposure by giving yacht owners the option to purchase coverage for a reasonable cost. This exclusive policy is offered through Underwriters at Lloyd's and is available by placing Lloyd's Yacht policies through Marsh.

When Do Yacht Owners Need the OCSRL Policy?

Shipyards typically buy Ship Repairer's Liability (SRL) coverage to protect themselves against liability risks while yachts are in their care custody and control. However, they do not always purchase policy limits high enough to sufficiently cover the total value of the yachts in their yard at any given time. Shipyard contracts also often include conditions such as:

- Hold Harmless & Indemnification Clauses, which call for yacht owners to indemnify and hold the yard harmless for all damages and liabilities including those arising out of the shipyards' negligence.
- Waiver of Rights Clauses, which require yacht owners to waive rights of subrogation against the shipyard.
- Limitation of Liability Clauses, which limit the shipyard's liability to a specific amount. It is not unusual to find this limitation to be as low as \$300,000.

Signing a contract with these stipulations may make the yacht owner financially responsible for the above mentioned liabilities because Yacht policies typically do not cover liability that the yacht owner assumes under any contract.



Contact Us for More Information

Rob Carron
Vice President
954-765-5694
Rob.Carron@marsh.com
www.marshyacht.com

Case Study: The Benefits of An OCSRL Policy

A client had a new \$30 million yacht that was required to go into a shipyard in order to complete post-delivery warranty work and other minor modifications. The estimated time period for the completion of the work was one month.

The shipyard's contract contained a limitation of liability of \$5 million as well as a clause that required the owner to "defend and hold the shipyard, its agents, employees, contractors and subcontractors harmless for the (shipyard's) negligence, gross or otherwise." In addition, the contract called for the yacht owner to waive his rights to subrogation.

The Issues:

- Yacht policy excluded liability assumed under contract
- Yacht policy prohibits waiver of subrogation
- The shipyard limited their liability to a maximum of \$5,000,000
- The owner was ultimately exposed not only for the value of the yacht, but for third party liability as well
- The shipyard only bought Ship Repairers Liability limits of \$10,000,000 (The yard is usually full of yachts well over that value)

The Solutions:

- Option 1: Negotiate with the Hull Underwriters to delete the Contractual Liability Exclusion, Waiver and Limitation of Liability at a cost to the owner of approximately \$35,000 for the specific yard period.
- Option 2: Buy the "OCSRL" Policy, at a cost of \$2,750 for the entire year.
 - Major benefits to the owner include:
 - Lower cost
 - An annualized policy that can include several yard periods planned for the year
 - Hull Underwriters agreed to remove the contractual liability exclusion with the purchase of an SRL policy
 - An extensive list of Underwriter pre-approved shipyards worldwide, eliminates the need to review shipyard contract
 - Control over claims payment for the yacht owner since the OCSRL is primary coverage to other available insurance

The Conclusion:

The yacht owner purchased an OCSRL with a \$5,000,000 limit and the contractual liability exclusions were removed from the Hull and P&I policies.

For more information on these and other solutions, visit www.marshpcs.com or contact your local Marsh representative.

The information contained in this publication provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Insureds should consult their insurance and legal advisors regarding specific coverage issues. All insurance coverage is subject to the terms, conditions, and exclusions of the applicable individual policies. Marsh cannot provide any assurance that insurance can be obtained for any particular client or for any particular risk.

Statements concerning tax, accounting, and legal matters should be understood to be general observations based solely on our experience as insurance brokers and risk consultants and should not be relied upon as tax, accounting, or legal advice, which we are not authorized to provide. All such matters should be reviewed with the client's own qualified tax, accounting, and legal advisors.

Depending upon an organization's facts and circumstances, certain tax or accounting benefits may be associated with this product. Organizations should consult with their tax, accounting, and legal advisors to determine whether such benefits would be applicable.

Marsh is part of the family of MMC companies, including Kroll, Guy Carpenter, Mercer, and the Oliver Wyman Group (including Lippincott and NERA Economic Consulting).

MARSH



Marsh Global Consumer
www.marshpcs.com

Copyright 2010 Marsh Inc.
All rights reserved.