



## Factors Affecting the Cost of Insurance

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As smart boat and yacht owners review their overall operating costs, and pursue strategies to manage expense, it is important to understand what factors drive insurance pricing. Insurance may represent a significant portion of a vessels' operating budget and understanding smart strategies to minimize cost without compromising coverage and service is more important than ever in a challenging economy.

Each insurance company has its own unique way of establishing insurance premium through rating matrices. The most common determinants underwriters use to set price are: value, length, age of boat, type of boat (i.e. power, sail), type of engines, mooring location, intended area of navigation, previous boating experience, claim history of the owner, and deductible amount. In recent years insurers have also begun to include the automobile driving record of the owner(s), credit history, and whether operators have taken any safe boating courses in their pricing algorithms. Knowing this, there are several ways to reduce the cost of boat insurance.

**Deductible Amount:** The most common way is to select a higher deductible amount. In general, physical damage deductibles start at around 1% of the insured value of the boat, and can be increased to sometimes as much as 5%. Each higher deductible amount reduces your insurance premium. Clients should consider what they would be comfortable paying out of pocket if a loss occurred.

**Lay Up Period:** Many yacht policies include a lay up period which is a time that the yacht is normally laid up and out of commission, such as during the winter months in colder climates. The underwriter will normally allow a discount for each month that the yacht is decommissioned. This can usually reduce the premium by requesting the longest possible lay up period that would be reasonable.

**Navigation Area:** Think about where the boat will actually be operating. If consistently navigated close to home port, inquire whether a more limited navigational area on the policy can save money. In other words, you may not need coverage for the entire East Coast of the US when you only operate your boat in Maine.

**Boat Condition:** The condition of a boat is also a rating factor. An underwriter may request a recent marine survey on an older or larger boat before quoting or insuring it. The better the condition, the greater the likelihood of its being approved for insurance and receiving a competitive quote. Anything that can be done to update and repair critical systems prior to the boat being inspected may improve the results of the marine survey and leave a better impression with the underwriter.

**Safety Devices:** Lastly, installing certain safety devices on the boat can sometimes reduce the premium. Some marine insurers will give credits for such safety items as: an automatic fire extinguishing system in the engine compartment, a fume or vapor detector in the bilge, or certain anti-theft alarm or tracking devices.

Of course, it is always wise to work with a professional that thoroughly understands boat and yacht insurance. This is important not just at the time of applying for insurance but also in the unfortunate event of a claim. A marine specialty insurance agency like Gowrie Group has the expertise to help you at every step along the way. To learn more about how Gowrie can help you visit [www.gowrie.com](http://www.gowrie.com), 800.262.8911, [insurance@gowrie.com](mailto:insurance@gowrie.com).