

## The Sum Insured - Get It Right

One area where most pleasure craft insurances differ from other classes of insurance is that it is a valued policy.

There are insurances available that are not 'valued' but 'market value'. In these the amount payable in the event of a total loss is the current market value and not the agreed sum insured only the policy.

An 'agreed value' insurance means that, if there is a total loss, the sum insured is the amount that will be paid irrespective of the actual value at the time of loss.

### **Please Note**

**This does not apply to claims paid on outboard motors, which will be based on the current market value.**

It also means that a recoverable claim for damage, that is not a 'total' or 'constructive total loss' will be payable in full whatever the total sum insured or value at the time of loss.

As a result it is very important that the correct sum insured is arrived at when the insurance starts.

The value should represent what it would cost to replace the craft with a craft of similar age, type and condition.

### **Purchase Price**

With a new purchase, the most accurate reflection of value is the price paid. To this must be added the cost of any gear or equipment bought after the completion of the vessel purchase.

### **Market Value**

This can be different from the purchase price, particularly where a vessel has been in the same ownership for some time. It is always wise to check occasionally that the insured value represents the current market value.

### **Additional Equipment**

While the sum insured should be increased to cover these items of gear etc it is wise to separately specify such items as outboard motors, dinghies, trailers and the like. It is always wise to specify these, each with their own valuation.

If the equipment is bought after the purchase, insurers must be advised to ensure that the insurance has been extended to cover them.

### Valuations

Where it is felt that the agreed sum insured is inadequate, or an increase is felt necessary, insurers may ask for justification of the increased by way of a valuation.

This can be obtained as part of a survey or, if no survey has been carried out, from a Yacht Broker. This valuation will represent the sum the surveyor or broker feels is the current market value of the craft.

It is stated above that the vessel should be insured for its current market value. If the craft is put up for sale and the suggested asking price from the 'Broker' differs from the current sum insured, the sum insured under the policy should be amended to reflect the, now known, market value.

However, it should be borne in mind that the asking price is not necessarily the market value in a buyers' market. Insurers may not simply inflate a sum insured just because the craft is on the market at that price.

The maximum amount payable by insurers for loss or damage of outboard motors shall be the actual market value of the outboard at the time of loss or damage, or the sum insured for the outboard, whichever is the smaller. 'Threestokes Guide' is comprehensive guide to the valuation of secondhand outboard motors.

*This leaflet is for information purposes only. It is not intended to define legal terms nor is it intended to affect the interpretation of any policy issued.*

*If you have any questions concerning your insurance, there is no replacement for having your individual questions answered individually  
please feel free to telephone us*