

Third Party Liability Coverage Under Yacht Insurance

In order to cover damages that may be caused to third parties during the operation of the yacht, third party liability coverage can be included under the yacht policy subject to Institute Yacht Clauses 1.11.85 clause 11. This coverage provides indemnity for the legal liabilities of the yacht owner or operator for incidents occurring in the course of the yacht's operation.



The standard scope of Third Party Liability coverage typically includes:

Bodily Injury:

Costs and expenses in respect of bodily injury, death, permanent disability, or illness of third parties on board another vessel as a result of an incident caused by the insured yacht, including payments made for life-saving efforts.

Property Damage:

Material damage caused to other yachts, piers, watercrafts, fixed marine structures, or shore facilities.

Damages to Persons Other Than Passengers and Crew:

Bodily injury or other losses sustained by guests carried on board who are not considered part of the crew or passengers.

Wreck Removal Liability:

Expenses related to the removal of the wreck of the vessel following the substantial damage or total loss of the yacht

The coverage limit is clearly stated on the insurance policy. This liability coverage may be limited to the value of the yacht or provided with a higher limit independent of the yacht's value. For yachts operating in the international waters, it is particularly important that the liability limit complies with the statutory requirements of the jurisdictions where the yacht is expected to sail.



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TP&I

There are differences in scope between the third party liability coverage provided under the yacht policy and that offered under a Watercraft Liability Insurance (P&I) policy. P&I insurance typically offers broader coverage with significantly higher limits of liability. Additionally, it covers non-pecuniary (moral) damage claims by persons other than passengers and crew, legal liabilities arising from the injury, illness, or death of crew members, liabilities related to the loss, damage, or delay of any watercraft, cargo, or other goods due to reasons other than collision and costs related to wreck removal.

Furthermore, the cover includes environmental pollution, fines and penalties arising from agreements made to prevent environmental damage during the salvage of the vessel, confiscation of the vessel by customs authorities, quarantine expenses and compensation payable to crew in the event of total or constructive total loss of the vessel.

For this reason, yachts that fall under the super/mega yacht category or commercial vessels engaged in passenger transport should consider obtaining a separate Watercraft Liability Insurance policy (P&I) in order to benefit from more comprehensive third party liability coverage. To avoid disputes or coverage gaps in the event of a claim, policyholders should carefully review coverage details and clearly understand which risks are covered and which are not.

