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# COVER FOR A RAINY DAY

WORDS ISLA MCKECHNIE

**OPTIMISM** ISN'T ALWAYS THE BEST POLICY WHEN IT COMES TO INSURANCE SO THINK ABOUT **BEING COVERED** IN CASE THE WORST HAPPENS.



"YOU CAN NEVER 'OVER-INSURE' YOURSELF."

**HOW LONG WOULD YOU SURVIVE** if you were forced to stop working? Savings might see you through for a little bit but however much you have, or have not, put away, chances are you don't want to have to dip into it if you lose your ability to work.

Getting the right insurance can mean you don't have to eat into savings or overdrafts and will help alleviate the stress of a situation that is likely to already be stressful. Steve Jackson of MHG Insurance Brokers and Maria Karlsson of Crew Insurance Services talk you through your options.

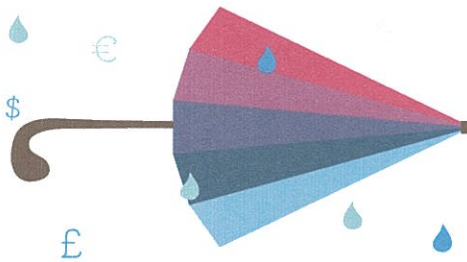
**But working as crew means I move around all the time. Does this make it hard for me to be insured against loss of income?**

Not necessarily. However, Jackson says that mainstream providers do often struggle to understand the industry: "Many insurers are not keen on even offering individual loss of income policies to crew, partly due to a lack of comfort with the nature of employment at sea and partly due to the more fiddly administration of individual policies in that context."

Karlsson agrees that lack of knowledge of the industry can cause difficulties; "It's not necessarily the mobile nature of working as yacht crew that causes [this] but the fact that professional yacht crew, and captains specifically, may be considered 'high risk professions' to certain traditional insurance carriers. My advice is to seek out an agent that specialises in international crew insurance coverage, who can assist in finding a specialty carrier willing to take on this risk."

Go for a group option, is Jackson's suggestion, and he points out that group policies are readily available and these can be taken up by the yacht to cover all crew. If you're unsure whether your yacht's insurance covers you, ask your captain to check, who will be able to check with the insurance broker or yacht management.

Loss of income insurance policies, also known as disability insurance policies, cover crew for loss of income due to



> accident or illness. The more specialised the profession and education required for that position, the more difficulty a person is likely to have finding alternate work if they are forced to leave their role. Therefore people like captains are more likely to be suited to an individual policy than, say, a deckhand. "They also make more money, tend to be older and may have a family who are depending on their income to pay for mortgages and other bills," says Karlsson.

**Does that mean I need an employment contract to qualify for a loss of income policy?**

Policy payouts are usually based on a percentage of your income (anything from 100 to 50 per cent), something which will be much easier to verify with a contract and which will also be more consistent than the variable earnings of a dayworker or similar. All is not lost if you are seasonally employed or a dayworker though.

"Some [insurance products] require that the crewmember provide evidence of the employment relationship (through a contract or payslips, for example) while others that are available pay out a specific amount regardless of earnings. The latter will tend to be a better option for seasonal crew and dayworkers," says Jackson.

**What happens if I lose my ability to work onboard but could still take a land based job?**

"This depends on how the policy is set up and the length of time from the onset of the disability," says Jackson.

A policy could be set up so that for the first two years after the onset of the disability all that is required for the crewmember to be eligible to receive a benefit is that they are unable to perform their own job. "After the first two years, however, the policy will only continue to pay a benefit if the crewmember is unable to perform any job for

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ACCORDING TO KARLSSON, A TYPICAL DISABILITY/LOSS OF INCOME POLICY WILL INCLUDE THE SAME ELEMENTS. HERE'S WHAT SHE SAYS TO LOOK OUT FOR:

**Term of insurance:** The timeframe the insurance policy coverage is in effect.

**Monthly benefit:** This is the monthly monetary pay-out that the individual will receive after a claim has been filed and approved. The benefit amount is usually the percentage of the crewmember's monthly salary. Usually percentage amounts are between 50 and 65 per cent of the monthly income, with a time limit.

**Elimination period:** This is the waiting period; the timeframe preceding the filing of a disability claim, where no benefits are payable. Different elimination periods are available, such as 30, 60 or 90 day elimination periods. The longer the elimination period, the cheaper the premium. The standard for most group plans is seven days.

**Benefit period:** The benefit period is the timeframe during which the policy-holder receives payments from a loss of income claim. A benefit period could offer payments up to 60 months, or to age 65. Typically payments would be received on a monthly basis.

which they are suited by virtue of training, experience or education, regardless of whether that is at sea or on land," Jackson points out.

This wording lifted from an actual policy defines "total disability" as: "Disablement, which entirely prevents the insured person from attending to their usual business or occupation".

"Higher trained yacht positions such as captains or chefs, may find it easier to qualify under the definition of total disability since their job duties are more specialised," says Karlsson.

**Last word.**

"Keep in mind that you can never 'over-insure' yourself. It's better to be safe than sorry when accidents and illnesses occur," says Karlsson.

And both she and Jackson point out that a good policy will not only protect the crew themselves but also decrease the yacht owner's liabilities.

"[Policies] will protect the yacht's budget in a situation where the owner could otherwise find themselves paying a salary both for the disabled crewmember and their replacement," says Jackson.

Loss of income insurance can be expensive in this scenario; particularly as crew salaries are generally quite high. It's worth it though, according to Jackson: "The payouts are generally substantial and are important in helping the crewmember through a particularly difficult time in their lives – not everyone has enough set aside for a rainy day." **102**

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