

Boat insurance underwriters charging more to recover losses

Last year's hurricanes cause companies to review rates

Jane Meinhardt, Staff writer

Changes are in the wind for the marine insurance industry.

Trying to recoup losses from last year's four hurricanes, major boat insurance underwriters are instituting some expensive new measures. While several companies that once insured boats and large yachts in Florida have ceased writing new business, others are hiking deductibles for named-storm losses, increasing premiums by as much as 50 percent and limiting liability for marina damage.

"This is just the beginning," said Mike Smith, founder of Global Marine Insurance, which has three offices in Florida. "I'd say all the companies writing business in Florida are reviewing rates and deductibles."

After Hurricane Andrew in 1992, 12 boat insurance companies went out of business, Smith said. So far, four or five underwriters have stopped writing new business in Florida since the four hurricanes last year. Allstate and American Modern Insurance are among the companies no longer issuing new policies. Other companies have ceased insuring small boats on trailers in some Florida counties or refuse coverage in some coastal areas of the state. Before last year's hurricane season caused almost \$700 million in recreational boat losses, the typical deductible for named-storm damage was 2 percent of a loss, Smith said.

Accounting for risk

INAMAR Insurance, a major player in Florida, announced days ago that it was increasing named-storm deductibles to 5 percent.

For the first time, BoatUS is instituting a named-storm deductible, also 5 percent. The Virginia-based boating advocacy organization insures about 50,000 boatowners in Florida. "The named-storm deductible is new for us, but our insurance reserves were just devastated by the hurricanes," Scott Croft, BoatUS public relations director. "It's just that now our policyholders have to assume more risk." BoatUS also is increasing its premiums for coverage in areas considered risky, including some coastal areas in Florida. Croft said rates could go up as much as 50 percent in some cases. In the wake of claims from marinas damaged in the hurricanes, BoatUS and other insurers also are establishing a \$10,000 liability limit for such losses during named storms. Many marina contracts for slips hold boat owners liable for damage their boats cause.

Unhappy with some of the changes affecting their ability to recover damages on their boating collateral, marine lenders are scrambling to alter contracts regarding insurance deductibles and other changes.

The higher premiums and deductibles "can kill a boat deal" said Kathryn McKenna, agency manager at Veritas Insurance Group, a wholly owned subsidiary of Priority One Financial Services in St. Petersburg. About 40 percent of Veritas' total book of business is in Florida. "I've actually had to decline to write some insurance in certain areas because of the possibility of default," she said. "Our relationships with our lenders are dear to us, so I'm looking for new markets to get people placed correctly."

With interest rates and profit margins already low, marine lenders are "very concerned" because some would-be borrowers will not be able to afford required insurance, said Jim Meere, who represents Debis Financial Services in Lutz and is VP of the National Marine Bankers Association. "There's a trickle-down," Meere said. "A boat dealer can't deliver a boat because the buyer can't get insurance, and without insurance the buyer can't get financing."

SunTrust Bank, the third-largest bank in Florida, is the fifth largest marine lender in the country and has "a huge part" of the state's marine lending, said Don Parkhurst, a SunTrust senior VP in Virginia and president of the marine bankers group. "We are committed to lending there, but the million-dollar question is were (last year's) hurricanes an isolated event?" Parkhurst said. "Will insurance even be available if this happens again, and will lenders be willing to lend on uninsured boats? It's a serious issue."