

‘Big question mark’ on Boating Act insurance

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By Neil Hartnell, Tribune Business Editor

CONCERNS were yesterday raised over whether there is sufficient local insurance capacity to meet the new Boat Registration Act requirements as one carrier deemed the sector “too risky” to cover.

Anton Saunders, Royal-Star Assurance’s managing director, told Tribune Business that the property and casualty underwriter shies away from insuring tour boats and other commercial vessels that transport visitors and cruise ship passengers because there are too many lawsuits “that fly” from catering to these groups.

His comments back concerns, voiced privately to Tribune Business by boat owners, that there is inadequate capacity and appetite in the local insurance market to meet the Government’s new stipulation that all commercial vessels offered for hire must obtain coverage from an underwriter licensed and registered to do business in The Bahamas

“Every owner or operator of a boat registered under this Act that is used to ply, offer or let for hire in the waters of The Bahamas shall procure and maintain a comprehensive insurance policy from a company licensed under the Insurance Act to carry on insurance business in The Bahamas,” the Boat Registration (Amendment) Bill, passed last week by the House of Assembly, stipulates.

One vessel owner, speaking on condition of anonymity, said the insurance-related reforms threaten to up-end a two decade-old system that has seen tour and excursion operators obtain public liability protection and other necessary coverage via the cruise lines whose passengers they carry. This insurance is placed internationally, not with Bahamian underwriters, in contrast to what is required by the new Act.

Mr Saunders yesterday urged the Government to allow such operators to continue to obtain insurance policies placed outside The Bahamas. And, while applauding the legislation’s intent and ambitions, he said its success when it came to insurance boils down to “pure enforcement” while noting estimates that at least 25 percent of drivers on the country’s roads lack proper coverage.

“For businesses that cater to the tourist element, there are agents out there that specialise in that,” the RoyalStar chief told this newspaper. “I believe that for the most part this will be insured in the Lloyds of London market or overseas, or reinsured through the London market and overseas. There are agents that specialise in that type of business, and local insurance companies that take part of the risk.

“We do not. I think it’s too risky a part of the business to take on locally. It’s just too litigious; the lawsuits that fly from this thing. But we know there are specialist agents out there that have contacts in the London market that place the bulk of the risk.”

Boating industry contacts yesterday urged the Government to better define what it means by “comprehensive insurance”, asserting that this terminology was unknown and had never been used

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before in relation to the sector, while suggesting that the legislation's drafters had merely copied what was required for auto coverage.

Mr Saunders, meanwhile, drawing on the Bahamian insurance industry's motor experience, said having the comprehensive coverage requirement on the statute books via the Boat Registration (Amendment) Act will make no difference if it is not fully enforced.

"We have comprehensive motor insurance policies, too," he said. "Who's going to enforce this law and are they prepared to enforce it. We can see this, we need 'X', but it comes down to who is going to enforce it..."

"I'll say this again. It's on the books. It's mandated by law to have car insurance. We have heard the statistics of how many persons are not properly insured, whether it's 25 percent or 50 percent, so it's enforcement; pure enforcement.

"I think in principle that the law is very good, mandating you have insurance. If you are carrying passengers, and passengers get injured, you need some recourse. It looks good, but how you achieve that goal is the next problem. I wish them well in achieving that goal, but if someone has insurance through the cruise lines please don't take that away."

Mr Saunders said it made no sense to mandate that tour and excursion operators must obtain insurance from Bahamas-licensed and registered insurers who "don't want the risk", and urged the Government to reverse course and allow such firm to keep coverage arranged and placed via the cruise lines.

One boat owner, who carries paying passengers, told Tribune Business on condition of anonymity that the Boat Registration Act's insurance-related reforms will "potentially throw a big wrench" into existing industry practices.

They revealed that they were rejected by no less than six Bahamian insurance agents in their search for coverage, and it was only when they explicitly stated and pledged that they were not catering to tourists and cruise passengers that protection was ultimately granted.

"They are requiring you to obtain this insurance from an insurance company licensed to do business in The Bahamas," the boat owner explained. "Most Bahamian tour boats work through the cruise lines to get their liability insurance from international providers.

"The local insurers lost their appetite for that 20 years ago. It was the cruise lines that decided you insure internationally. Some insurers were allowing people to retain coverage by paying a monthly premium, and they would pay for a couple of months and then lapse for the rest of the year.

"It was pressure from the cruise lines that you cannot buy insurance from local insurers; you have to buy from international. This change [to obtaining insurance only from Bahamian carriers] is going to leave tour boats and tourism-minded vessels stuck unless local insurers pick up the ball and start offering."

Speaking of his struggle to meet the insurance requirements locally, the boat owner added: "I went through six insurance agents and no one would entertain it. I finally got insurance through a local agent

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and Lloyds of London, but only after I made the statement I would not be taking cruise passengers. That's when they kind of jumped up.

“Obviously it's a strain on insurers. The Government has made a move that could potentially shut down the industry because no local insurance product is available. The Government has got to convince the cruise lines to accept local insurance again. “I understand government has to do something, but I don't think heaping on regulations is the answer. It's about policing and enforcement. It sounds like someone has run amok without being aware of the ramifications. Will the cruise lines accept local insurance? Big question mark.”