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Leading Wealth/Insurance Advisor

Robert H. Erdmann, ARM, President

Felton, Berlin & Erdmann Insurance Services Inc.

# “How do I properly insure my super toys?”

By Robert H. Erdmann, ARM

**Many of my highest net worth clients regard their yachts and private jets as the ultimate trappings of their great success.** Taking ownership of a 100-foot watercraft or a 10-passenger jet is terrific, but with ownership, specialized and often complicated insurance issues arise and need to be addressed by an expert.

## **WATERCRAFT**

Let us assume you are about to purchase a 150-foot megayacht that carries a \$50 million price tag. As a rule of thumb, I recommend my clients purchase special marine liability if their yacht's hull exceeds 50 feet in length and requires a professional crew. Why? The Merchant Marine Act of 1920, or the Jones Act, is a very specialized marine workers' compensation statute that protects both the crew and the owner internationally whether the yacht is at sea or in port.\* A well-crafted marine liability policy will cover these exposures when a normal personal excess (umbrella) policy would not. Here is one example:

A crew member from the yacht injures someone while driving a rented vehicle when the yacht is in port. The owner is

liable for his crew's actions. So while a carefully crafted yacht policy will guarantee the owner legal and financial protection, I always urge my client to select and vet his crew before hiring. The larger the yacht, the more important it becomes to engage a professional agency to handle the hiring of the crew.

Other factors that affect the scope of yacht coverage include: the waters to be navigated, the countries that will be visited, and whether the yacht will be put out to charter. Even the size and type of tenders accompanying the yacht affect coverage.

Some insurance advisors suggest a level of watercraft liability coverage equal to the purchase price of the craft. So in the case of the \$70 million yacht, at least \$70 million of liability should be in place in addition to sufficient property coverage to protect the value of the hull, its contents and its various other accessories.

## **PRIVATE AIRCRAFT**

While there are no special statutes, like the Jones Act, that apply to private aircraft and their crews, the owner is still obligated to provide both workers'

compensation and health insurance. The owner must also consider numerous other property and liability issues specific to the operation of the jet.

For example, the crash of a private jet almost guarantees a large lawsuit filed by those on the ground who sustain injuries or property damage.

In addition to insuring the replacement value of your aircraft, I always urge my larger aircraft clients to buy high amounts of liability coverage. Limits of \$150 million or \$200 million are often customary. Additionally, chartering a private aircraft necessitates liability insurance to include all passengers onboard.

And what of the individual who owns both a yacht and a jet? Many clients put both in a limited liability corporation—a prudent way to shield an individual from potentially enormous liability exposure.

To sum up: First, if you purchase any boat over 50 feet in length or own a private aircraft of any size, you need to know what questions to ask about insurance. Second, you need to consult with an expert who understands the complexities and intricacies of insuring your super toy. 🚢

\*Source: [www.jonesact.com](http://www.jonesact.com)

**“With ownership, specialized and often complicated insurance issues arise and need to be addressed by an expert.”**

– Robert H. Erdmann, ARM

#### How to reach Robert H. Erdmann

I can be reached at 978.548.3740.

#### MY HOBBIES ARE...

Squash, tennis, paddle tennis, golf and coaching youth lacrosse and hockey

#### WHAT'S ON MY DESK...

Photos of my family



#### THE LAST BOOK I READ...

The Talent Code, by Daniel Coyle

### About Robert H. Erdmann, ARM

Robert H. Erdmann, ARM, president, Felton Berlin & Erdmann Insurance Services, has spent almost his entire career in the insurance business and received his associate in risk management designation in 1999. Prior to joining Felton & Berlin, he spent 13 years with Marsh USA Inc., the last six as a senior vice president and office head of the Boston Private Client Services Marsh office. He is an active member of the Boston Estate Planning Council, a member of the Professional Advisors Committee for the Boston Foundation, and sits on the Friends Board of the Northshore Educational Consortium. He is a graduate of Choate Rosemary Hall and Colby College.

For more than 24 years, the mandate of Felton, Berlin & Erdmann Insurance Services has remained unchanged: develop sophisticated personal insurance programs for an affluent clientele. Personal insurance services offered include homeowners insurance, umbrella liability, valuable articles, flood/earthquake, auto insurance, yacht/watercraft and specialty coverage. Partnerships with Chubb, Chartis, Fireman's Fund, ACE and other top-rated insurers afford the agency's clients access to the most effective personal risk management services, delivered by Felton, Berlin & Erdmann Insurance Services' 14 licensed insurance professionals.

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Professional Services Provided  
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Credentials  
**Associate in risk management (ARM)**



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