

Defining “Commercial” Watercraft

**Changes influencing Underwriting, Claims
and Liability Exposures in the Canadian Market**

Michael Delaney, President
Helm Insurance Group



Changing the definition of commercial vessels

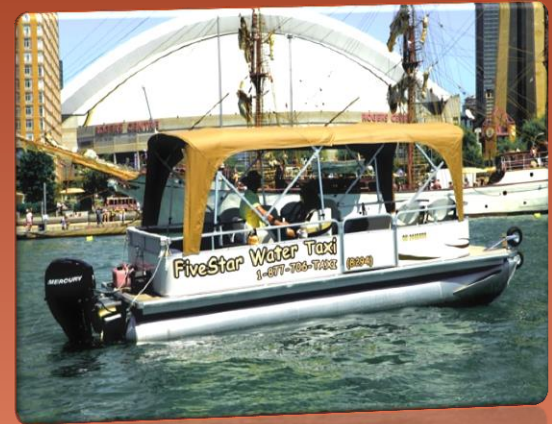
In the past the distinction was generally made by whether or not the vessel was inspected and certified by Transport Canada.

New regimes require us to rethink this definition.

The new definition

“...all ships operated for a commercial or public purpose for the domestic carriage of fare-paying passengers and, in some cases, also passengers who did not have to pay for their passage.”

“commercial” watercraft



“Commercial or public purpose”

**BIG LAKE.
BIG ADVENTURE.**



Hybrids

Pleasurecraft with occasional
business use.

Underwriting mix use vessels

A number of issues arise when we try to blend coverage between commercial and personal use.

- Policy forms
- Liability limits
- Jurisdiction
- Conflicting regulations
- Certification

Compulsory Insurance

Number of the insurance policy
Name of the Insured
Address
City, Province
Postal Code

Name of Ship(s)	Official Number	Passenger Capacity	Amount of Insurance (not less than \$250,000 x passenger capacity)

Pursuant to the *Regulations Respecting Compulsory Insurance for Ships Carrying Passengers* made under Part 4 of the *Marine Liability Act*, and subject to the terms and conditions of the above-mentioned insurance policy this is to certify that there is in force, in respect of the above-named Insured, an insurance policy for the carriage of passengers on board the ships listed in this Certificate.

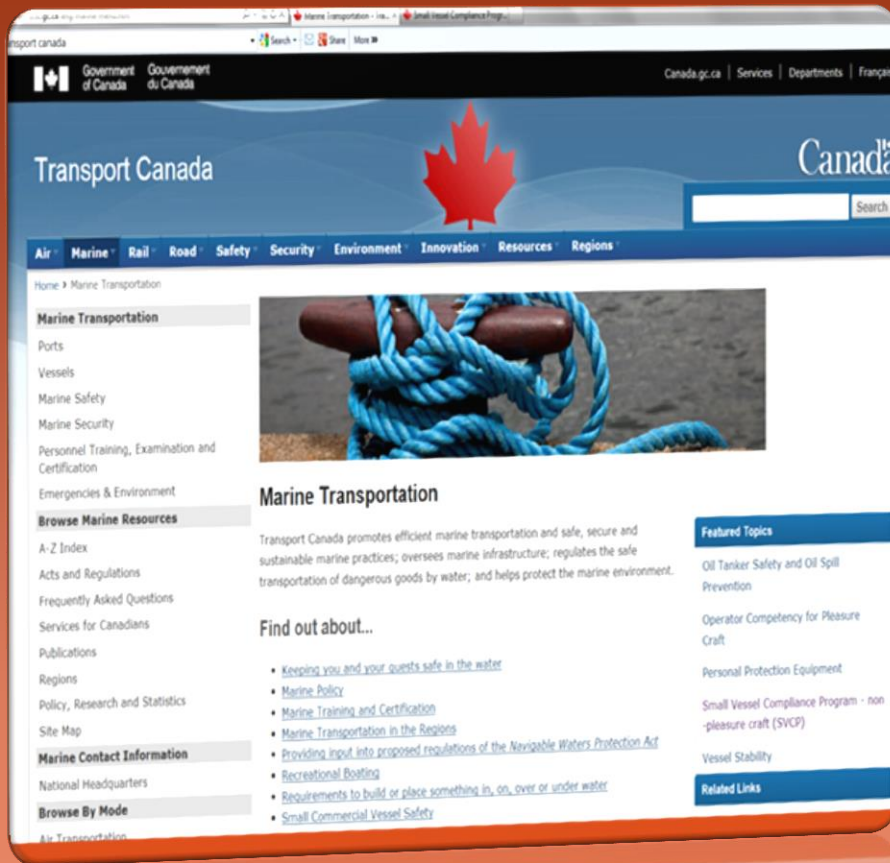
If the insurance policy covers a fleet of ships, the policy provides the same coverage as if a separate policy had been issued in respect of each ship listed in this Certificate. The top ship must be listed first in the column "Name of Ship(s)". If the fleet has more than three ships, the other ships must be listed overleaf.

INSURER
Name
Address
City, Province
Postal Code

Policy effective date:
Policy expiry date:

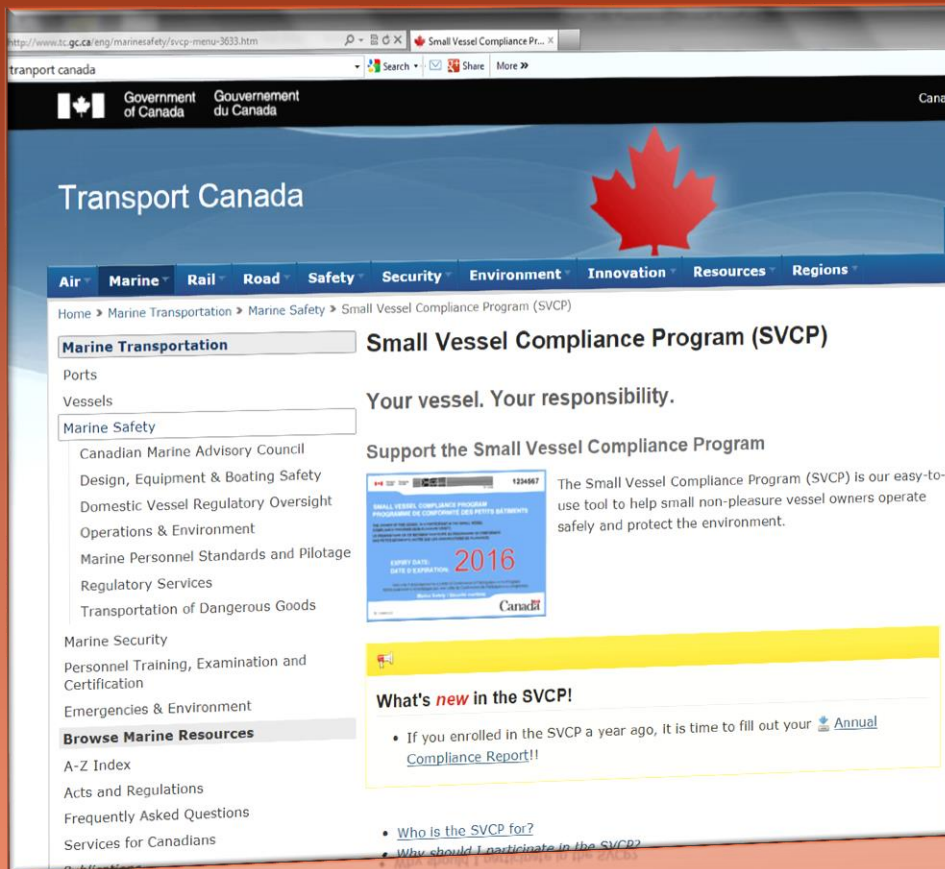
Authorized Representative of the Insurer

- Transport Canada continues the move toward implementation
- Influx of a unknown number of vessels requiring insurance
- At the same time TC is reducing or eliminating the resources traditionally relied on to assess the risk



www.tc.gc.ca

- Embracing Technology
- Transport Canada is moving away from it's traditional Ottawa based paper environment to the cloud.
- Focus is on having the end user take responsibility for both operation and self regulation within their industry.
- Shifting accountability from inspection to compliance.



Blue Decal Program

- Small Vessel Compliance Program (SVCP) is for vessels that:
 - measure between 0 and 15 GRT
 - carry between 0 and 12 passengers
 - is **not** a pleasure craft
- Commercial equivalent of the PCOC
- Applicants complete information online or at TC office
- Decal is valid for 5 years with annual reporting completed by vessel owner or authorized representative.

YOUR VESSEL. YOUR RESPONSIBILITY.

Blue Decal Program

From an underwriting perspective:

- Will a generic warranty work?
- Should we be updating applications?
- Do we need to review copies of decals, applications and annual reports?

The screenshot shows the Transport Canada website for the Small Vessel Compliance Program (SVCP). The page features a navigation menu with categories like Air, Marine, Rail, Road, Safety, Security, Environment, Innovation, Resources, and Regions. The main content area is titled "Small Vessel Compliance Program (SVCP)" and includes a sidebar with "Marine Transportation" and "Marine Safety" sections. The main text reads "Your vessel. Your responsibility." and "Support the Small Vessel Compliance Program". A small image of a blue decal is shown with the text "SMALL VESSEL COMPLIANCE PROGRAM PROGRAMME DE COMPORTMENT DES PETITS BATEAUX" and "2016". Below this, a section titled "What's new in the SVCP!" lists updates, including a link to the "Annual Compliance Report!!".



Changes affecting
vessels over 24m



Transport Canada / Transports Canada
Safety and Security / Sécurité et sûreté

Tower C, Place de Ville
11th Floor
330 Sparks Street
Ottawa, Ontario K1A 0N5

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11^o étage
330, rue Sparks
Ottawa (Ottawa) K1A 0N5

File # / Numéro

Doc # / Numéro

RD/AS # 8224940

Dear Sir/Madam,

As part of Budget 2012, Transport Canada Marine Safety and Security (TCMSS) is transforming its role in the certification of vessels of 24 metres in length and above by implementing an Alternate Service Delivery plan for vessel certification that is similar to the existing Delegated Statutory Inspection Program.

To implement this plan, TCMSS will change its certification policy. Under the policy, in most cases, TCMSS will no longer issue certificates to vessels of 24 metres in length and above. Vessel owners will be able to obtain their certificates and the associated certification inspections from third parties that have been authorized to issue certificates (Recognized Organizations). Five classification societies have been authorized: Lloyd's Register, American Bureau of Shipping, Germanischer Lloyd, Bureau Veritas and Det Norske Veritas. TCMSS understands that not all existing Canadian vessels may be able to obtain services from an authorized third party and will continue to issue certificates in specific cases. The certification policy will contain the criteria to determine when TCMSS will continue to issue certificates.

With the implementation of the Alternate Service Delivery plan, Canadian vessel owners will benefit from improved vessel certification services. Classification societies are equipped with more resources that allow them to provide a full suite of services. The plan

Alternate Service Delivery Plan

Applied to vessels 24m (78.74') and above

Transport Canada will no longer issue inspection certificates

Certificates available from 5 RO's:

1. Lloyd's Register
2. American Bureau of Shipping
3. Germanischer Lloyd
4. Bureau Veritas and
5. Det Norske Veritas

Phased-in starting January 2014

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MARINE INSURANCE



Alternate Service Delivery Plan

From an underwriting perspective

- Positive: Classification should bring higher and more consistent standards to Canadian Fleet
- Negative: not everyone will qualify and those vessel remain with TC
- Increased vigilance in underwriting vessels that remain TC Certified



Transport Canada
Sécurité et sûreté

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11^e étage
330 Sparks Street
Ottawa, Ontario K1A 0N8

Transport Canada
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330, rue Sparks
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Par/By Fax/Fax

Our/Us Not a reference

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MARINE INSURANCE



Summary

But not the end.

- insurance mandatory
- broadened definition
- unknown type a and number of vessels
- self-regulation for small craft
- Withdrawing from inspections of large craft

Impact on underwriting

Are we doing enough to keep up from an underwriting perspective?

- Submissions
- Application forms
- Supporting documents
- Client Documentation

Impact on claims

The marine sector of the industry is lagging behind the P&C sector from an information sharing perspective.

- Authenticating documents
- Claimants are the inspectors
- Knowledge gap
- Claimant history

Impact on our Industry

As a marine insurance professional the standards are higher.

- Influx of new insureds
- Guidance and advice
- Assessing duty of care



A great opportunity

We have a unique opportunity to help our industry and the public understand what is changing and why.

- Speak
- Publish
- Lead

Thank you

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