

As promised in the last NMIA newsletter, we now look at the question:

“When does a pleasure craft become a pleasure craft for the purposes of the FSRA (the Act).”

Under the Act, pleasure craft fall within the ‘personal and domestic property insurance’ category which means that the person insuring a pleasure craft is a retail client. To be able to identify whether or not an insured is a retail client we need to understand the definition of ‘pleasure craft’.

The Act does not contain a definition but we think it is reasonable that the definition of ‘pleasure craft’ in Section 9A of the Insurance Contracts Act (ICA) should apply for the purposes of the FSRA this definition is:

2. “a pleasure craft is a ship that is:
 - (a) used or intended to be used:
 - (i) wholly for recreational activities, sporting activities or both; and
 - (ii) otherwise than for reward; and
 - (b) legally and beneficially owned by one or more individuals; and
 - (c) not declared by the regulations to be exempt from this subsection.”

Therefore, for example, a sport fishing vessel chartered out to third parties, or carrying third parties for a fee, cannot be a ‘pleasure craft’.

The ICA uses the term ‘wholly’ but then goes on to say that:

‘... minor, infrequent and irregular use of a ship for activities other than (a) recreational activities; or (b) sporting activities; is to be ignored.’

This ties in with the ‘predominantly and ordinarily’ test in the FSRA. Therefore, a vessel owned by the insured predominantly for private use which is chartered out a couple of times a year, would still be considered a pleasure craft. A vessel owned by the insured predominantly for charter but with some private use, would not be deemed a pleasure craft.

If the ship is a ‘pleasure craft’ it can be insured under our Secure Boat policy (which has a Product Disclosure Statement) and the policy schedule will reflect the agreed usage.

If the ship is not a ‘pleasure craft’ it can be insured under our Commercial Hull or Fishing Vessel Policy as appropriate.

It is the insured’s intention, and not the physical nature of the ship that determines the ship’s status. This will be particularly important when deciding whether a Builder’s Risk policy is covering a ‘pleasure craft’.

A partly constructed ship can be “..intended to be used wholly or predominantly for recreational activities, sporting activities or both..” by the insured. If the insured is an individual who has contracted a builder to construct a ship they intend to use wholly or predominantly for recreational purposes, then the contract of insurance would be covered by the ICA (and FSRA).



If the insured is a boat builder intending to sell the ship and make a profit then the intention is commercial and outside the scope of the ICA (and FSRA).

We have included a question in our Builder’s Risk proposal (among others) to identify the status of the contract under the Act.

This incorporates the definitions in the Act and if the client checks the ‘commercial, retail, business, or any other purposes not described above.’ box then the ship can be insured under our Builder’s Risk Policy.

If the client checks the ‘personal, domestic or household purposes’ box, all the requirements of the Act will have to be met.

We do not have a standard PDS for a Pleasure Craft Builder’s Risk. Please refer these to us if they arise.

If you have any queries on any of the points raised, we would be happy to discuss them with you.

**The Team at
Vero National Marine**