

Absolute Enforcement of Express Navigational Limits in Marine Insurance Policies

Article By:

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Here is a New Year's resolution for the readers of this blog who own a yacht: beware of the navigational limit of your marine insurance policy! The yacht owner in [*Geico Marine Ins. Co. v. Shackleford*](#), 28 Fla. L. Weekly Fed. C 655 (U.S. 11th Cir. 2019), learned that lesson at a high price.

The Eleventh Circuit reversed a district court's decision according to which the yacht owner's marine insurance policy covered damages suffered by his 65-foot sailboat outside the navigational limit. A storm caused damages to the vessel as it was anchored near Fort Lauderdale, Florida. The incident occurred at a time when the policy required that the vessel remain north of Cape Hatteras, North Carolina.

As a result of the Eleventh Circuit's reversal, the yacht owner finds himself deprived of coverage for the incident. The loss is significant: the policy insured the hull for up to \$264,000.

How did the yacht owner obtain a finding of coverage beyond the navigational limit in the first place? He successfully raised two arguments before the district court. First, that the navigational limit was ambiguous because it was stated only on the declarations page, whereas the endorsement form contained a blank section entitled "Navigation Area," and that this ambiguity must be construed against the insurer. Second, that the insurer had waived the limit by authorizing the yacht owner to sail to Fort Lauderdale to conduct repairs on the yacht.

The Eleventh Circuit rejected both arguments. It found that there was no inconsistency between the declaration page and the endorsement form, because the latter included the following language: "Nothing herein contained shall vary, alter or extend any provision or condition of the Policy other than as stated above." As observed by the court, "[t]he blank 'Navigation Area' section of the endorsement appeared below the preceding language, so it could not alter (or conflict with) any navigational limit the policy imposed."

The Eleventh Circuit also found that there was no waiver because, when authorizing the trip to Fort Lauderdale, the insurer "could reasonably have expected that [the yacht owner] would comply with the navigational limit by having the vessel hauled ashore for repairs in Fort Lauderdale by June 1." The limit, indeed, only applied to the vessel "while afloat" and "from June 1 until November 1," *i.e.*, during the hurricane season.

Notably, for lack of an established rule of federal maritime law governing these issues, the Eleventh Circuit applied Florida law when ruling on the ambiguity and waiver arguments. The court then found itself bound to “apply the federal rule requiring absolute enforcement of express navigational limits” – hence our call for caution among yacht owners.

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