

The Builders Risk Market

Copenhagen

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State of the market

- Business is booming
- Order books are full
- Delivery dates for vessels >80m being quoted as far ahead as 2012 and beyond
- Owners bidding over build slots

Current Build Book

- Over 450 yachts >30metres currently in build
- 26 Builds over 70metres with over 16 other projects in discussion
- 6 Builds over 100metres
- Geographic split: 70% Europe, 17% Americas, 13% ROW.

Estimated Build Values per metre:

- 30-40m up to \$750,000
- 40-50m up to \$1,200,000
- 50-80m up to \$2,000,000
- 80m+ up to \$3,000,000

Breakdown of new build value based on a 50m Motor yacht

- Hull/superstructure 15-18%
- Interiors 35-40%
- Electrical/Electronics 12-15%
- Machinery 10-14%
- Piping 10-12%
- Painting/fairing 10-12%
- Various (Insulation/deck gear) 7-8%

Developments in the market

- New Yards embracing new technology to shorten build times.
- Increased focus on efficiency and industrialisation.
- 100% composite builds getting bigger 50m+.
- Modular building of cabins, engine rooms and technical rooms.

Developments continued

- Hull and superstructure built in parallel
- Steel or Aluminium hulls and composite superstructures
- Prefabrication of electrical systems

Future design and development

- Design must be based on new production methods
- Focus on new composite materials and methods
- Focus on pollution and efficiency
- Focus on materials/methods that reduce maintenance costs.

Issues for Insurers

- Build quality dropping due to Yards being overstretched.
- Lack of skilled labour both on the floor and at management levels.
- Project delays due to shortage of high quality sub-contractors.
- Contracts starting to be based on costs plus basis leading to further increased build costs.
- Contracts limiting transfer of title during build unless to same beneficial Owner.

Issues for Insurers

- Virtual Yards finding life difficult as Owners and their advisors do not want to contract with a Yard through a third party.
- Development of JH143 format to include regular sub-contractors as potentially they can account for 70% of a new build.