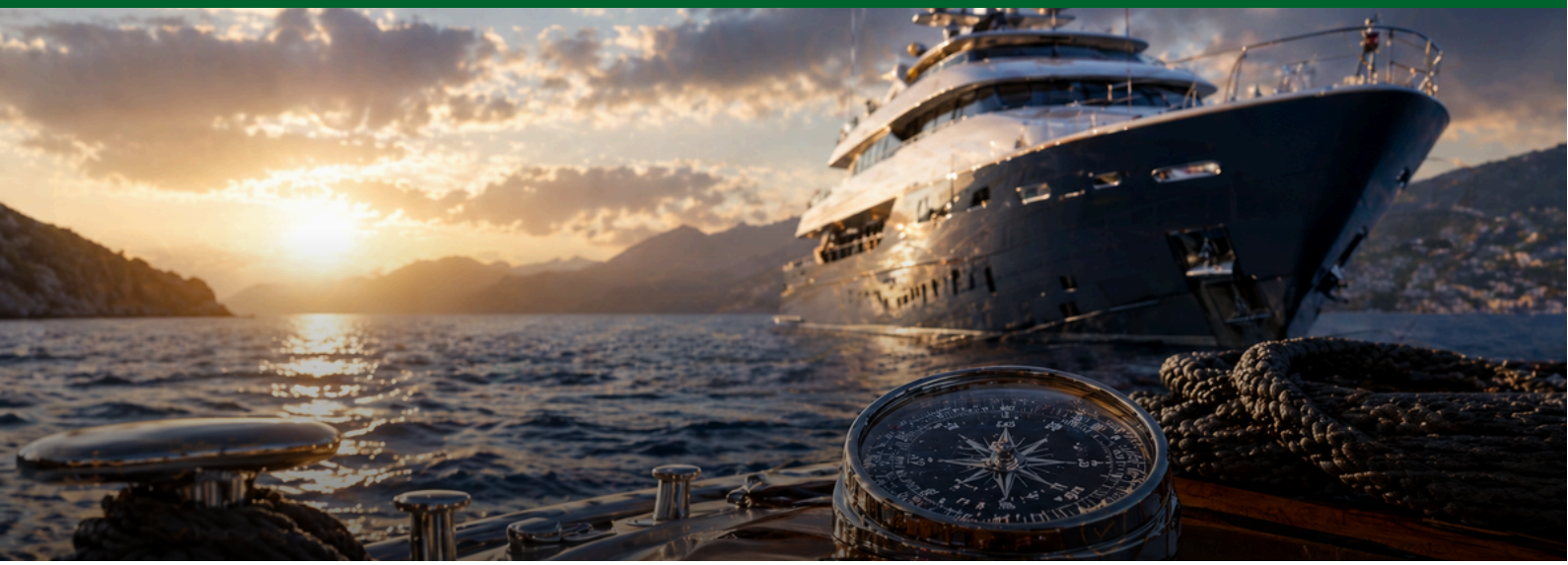

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Breach of Warranty in Yacht Insurance: The Impact of Recent English Law Developments for Owners and Insurers

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The law on breach of warranty—long a defining feature of marine insurance—has undergone a significant shift under the Insurance Act 2015. While the yacht sector has yet to produce a definitive test case, recent marine insurance decisions are beginning to clarify how English courts will approach these issues in practice.

It is important to note, however, that this analysis is specific to policies governed by English law. While many yacht insurance placements—particularly those written through the London market—adopt English law and incorporate standard wordings such as the Institute Yacht Clauses (including R12 conditions), this is not universal. Policies subject to other governing laws may produce materially different outcomes.

For owners, managers, and insurers, understanding which legal framework applies is therefore critical.

A Changing Legal Framework (English Law)

Historically, under the Marine Insurance Act 1906, any breach of warranty regardless of its relevance to a loss—automatically discharged insurers from liability. This strict approach has been modified under the English Insurance Act 2015.

Under English law today:

• breach of warranty suspends cover rather than discharges it entirely
• cover may be reinstated if the breach is remedied
• insurers may be prevented from relying on breaches irrelevant to the loss

These reforms reflect a shift toward causation and proportionality in English insurance law.

The Emerging Role of Causation

A key feature of the English Insurance Act is the introduction of a causation-based test. Insurers cannot rely on a breach if the insured can show that the breach could not have increased the risk
of the loss that actually occurred.

This principle is now central to how warranty disputes are likely to be assessed under English law, particularly in yacht insurance where warranties often relate to operational matters.

What the English Courts Are Saying: Key Cases

While there is not yet a reported yacht-specific case directly addressing these provisions, recent English law decisions in the marine insurance market provide important guidance.

Lonham Group Ltd v Scotbeef Ltd [2025] EWCA Civ 203

The English Court of Appeal considered whether certain policy terms were warranties or representations and concluded that warranties had been breached, allowing insurers to deny liability.

The case reinforces that, under English law, classification remains critical—if a clause is a warranty, the consequences of breach can still be significant.

MOK Petro Energy v Argo (The “F1”) [2024] EWHC 1935

(Comm)

One of the first English Commercial Court cases to consider the Insurance Act's warranty provisions in a marine context. The court confirmed that the reforms introduce a more nuanced, fact-specific analysis rather than removing insurer defences entirely.

The relationship between the breach and the loss remains central.

Warranty Structures in Yacht Policies (Including R12 Conditions)

In practice, many yacht policies—particularly those based on Institute Yacht Clauses—contain provisions that operate in a similar way to warranties, even if not always labelled as such.

Common examples include:
• Navigation limits (e.g. trading areas or seasonal restrictions)
• Laid-up or out-of-commission periods
• Minimum manning or crew qualification requirements
• Survey, class, or maintenance compliance
• Use restrictions (e.g. private vs charter use)

Under R12-style conditions and related clauses, compliance with such provisions is often framed as a condition of cover or liability. Under English law, breach may:
• suspend cover during the period of non-compliance
• give rise to disputes as to whether cover applies at the time of loss
• be subject to the Insurance Act causation test, depending on how the clause is characterised

The distinction between a warranty, condition precedent, or risk-defining clause is therefore critical.

Why This Matters for the Yacht Sector

Although recent cases do not involve yachts directly, their implications under English law are clear.

In a large-loss scenario—whether fire, grounding, or collision—the outcome of a claim may depend on:
• how a clause is drafted and characterised
• whether any breach was ongoing at the time of loss
• whether the breach could realistically have increased the risk

Importantly, these outcomes may differ where policies are governed by other legal systems.

A Practical Example

Consider a navigation warranty restricting a yacht to Mediterranean waters during winter months.

• **Under the pre-2015 English law regime:**
a breach could automatically discharge insurers

• **Under the current English law framework:**
the focus shifts to whether the breach increased the risk of the loss that actually occurred

For example, a weather-related loss outside agreed limits may be treated differently from an unrelated onboard incident.

A More Complex Claims Environment

Recent case law suggests that the Insurance Act has not reduced the importance of warranties under English law, but has made disputes more technical and fact-sensitive.

Key trends include:
• increased scrutiny of policy wording and structure
• greater reliance on causation analysis and expert evidence
• more scope for dispute and negotiation in high-value claims

At the same time, outcomes may vary significantly depending on the governing law of the policy.

Conclusion

While the yacht sector has yet to see a landmark case on breach of warranty, recent developments under English law provide a clear indication of how such disputes are likely to be approached.

For those operating in the yacht insurance market, the message is clear:
warranties—and warranty-like provisions—remain central to coverage, but their effect now depends on drafting, context, and the applicable legal framework.

Ensuring clarity at placement stage—particularly as to governing law—has never been more important.