

Purchase Proper Watercraft Coverage for Your New Boat

This is the time of year when many people start to consider purchasing a sailboat or powerboat. Many people, however, are unaware of the significant loss exposure this creates, and some people mistakenly believe that there is coverage available under their personal auto policy. The auto policy, however, does not provide any liability or physical damage coverage for boats. Other people may look to their homeowners policy for coverage. Most homeowners policies, however, only cover certain low-valued or low-powered boats. Thus, you should contact your agent before buying a boat to discuss the proper insurance protection for it. The following tips will assist you in this process.

- If you purchase a boat valued over \$1,500, you probably lack proper coverage under your homeowners policy for physical damage losses to the boat itself. A separate watercraft or boatowners policy is necessary to cover boats over this value.
- If you are considering the purchase of a sailboat, inquire about its length. If the length is 26 feet or more, there is no liability coverage under your homeowners policy. For motorboats, there are severe horsepower restrictions for liability coverage. For example, only boats with outboard motors of 25 horsepower or less have liability coverage under most homeowners policies. Yet normally any type of powerboat will have a motor with horsepower way beyond this amount. This liability restriction also necessitates the purchase of separate watercraft insurance.
- Ask your agent about the types of boats you are considering. For example, some insurance companies decline to insure personal watercraft such as jet skis and wave runners, since some of these crafts can reach speeds of 60 mph. The United States Coast Guard reports that these crafts account for a disproportionately high number of accidents. Many insurance companies also refuse to cover houseboats, homemade or kit boats, competition bass boats, and speedboats. You may have to pay a steep premium through a specialty insurance company to insure these types of craft.
- Be wary of purchasing older watercraft. Many insurance companies reject boats over 15 or 20 years of age because they normally account for more losses than newer boats. You may have trouble finding insurance coverage for older boats or end up paying an extremely high premium.
- If you do purchase an older boat, consider ordering a marine survey or inspection of it prior to the sale. This survey will point out deficiencies in the boat that may cause you to reconsider the purchase or renegotiate its price.
- Ask your agent about procuring a personal umbrella policy in addition to a watercraft policy, particularly if you purchase a speedboat, a boat designed for water skiing, or some other craft with a higher potential to cause damage or loss of life. The personal umbrella policy provides excess liability limits above those offered by a watercraft policy. In addition, the watercraft liability limits should meet the underlying limits requirements of

any applicable personal umbrella policy. It is usually best to use the same insurance company that writes your homeowners and personal auto policies for your personal umbrella policy.

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