



Whatever Floats Your Boat

“Call me Ishmael.” This well-known opening line from the Herman Melville classic *Moby Dick* is followed by the protagonist’s description of why he longs for the sea. Many boaters share this desire to take to the water in their personal watercraft. While most boat operators will not have the same epic struggle as Captain Ahab, boat operation can be fraught with peril. And procuring boat insurance for policyholders can also be tricky.

Agents who do not normally secure such coverage are at an increased risk for malpractice claims—obtaining coverage for boats is much different than insuring an automobile. In fact, an uncovered boat claim can quickly become a costly nightmare for any insurance agency that does not do its homework when securing such coverage.


Some policyholders fail to understand the importance of purchasing the appropriate coverages to insure the boat and fend off liability claims. As the agent, you may have to help educate your client, who should understand that size, type and value of the watercraft and the water in which they use the boat all affect how much they will pay for insurance and what damages may be covered or excluded.

For physical loss or damage, coverage normally includes the hull, machinery, fittings, furnishings and permanently attached equipment as well as some other items like oars, anchors and dinghies. Physical damage coverage can typically be either an actual cash value policy or on an agreed amount value basis. It is important that you understand and fully explain to a policyholder the difference between the two.

An actual cash value policy may cost less, but will only pay for replacement costs less depreciation at the time of the loss. An agreed amount value basis policy indicates that the policyholder and the insurer have agreed on the value of the watercraft, and in the event of a total loss, the carrier will pay the agreed upon amount. Such policies also replace old items for new in the event of a partial loss, without any deduction for depreciation. In order to determine the value of the boat, the carrier may require that older boats undergo a condition and value survey completed by a qualified surveyor. This will help determine not only the value, but also the seaworthiness of the watercraft. Make sure that the policy has a salvage component, as the cost for rescuing a damaged boat can be high.

Understanding how your client uses the watercraft is also important. For instance, if your client uses the boat for water skiing, make sure it is disclosed on the application. Likewise, if a carrier will only insure a vessel for a limited territory and for a particular time of year, explain these restrictions to the client and document your file accordingly. Just because you are insuring your client located somewhere inland, don’t assume that they won’t be taking their boat to another territory (such as pulling their yacht to Florida for a regatta).

Review the policy with your client, noting that an “all risk” policy does not cover every type of loss. The phrase “all risk” simply means that any risk not specifically excluded from the policy is covered. For example, insurers do not typically insure for wear and tear, marring, denting, animal damage and manufacturer’s defects. Explain coverage options like liability, on-water assistance, medical payments and uninsured/underinsured watercraft bodily injury. Become familiar with any requirements your state may have for insuring such watercraft, and make sure your client understands these regulations.

Followed correctly, these tips can help agents avoid putting themselves and their agencies at risk of an adverse exposure. As in any business, mistakes will happen. When they do, be prepared to demonstrate through documentation that you met the standard of care when servicing your client’s account. 

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Covering PWC Risk

Personal Watercraft (PWC) is a growing subset of boats. Generally, PWCs are defined as motorboats less than a certain length and powered by jet pumps (not propellers), where people stand, kneel or sit on (rather than inside) the boat. PWCs tend to be operated by one person, but may have seats for multiple riders. While PWCs make up a small percentage of boats, they account for many boat accidents, often with severe consequences.

Many people assume that PWCs (and sometimes even smaller boats) are covered under their homeowner’s policy. That might be true in some cases; however, the coverages available under the HO policy tend to be more limited—oftentimes including only liability, not medical coverage for the driver or passengers. If an agent is aware that a customer has a boat or a PWC, they might want to review those limitations with them and explore other options.

—A.V.