

OWN A BOAT? MAKE SURE YOU HAVE PROPER COVERAGE

By Gary Sorenson, CEA, CLCS, PLCS, President
Insurance Brokers of Minnesota, Inc.

Summer is the time of year to enjoy your boat. Many people, however, are unaware of the significant loss exposures associated with boat ownership, and some people mistakenly believe that there is coverage available under their personal auto policy (PAP).

Virtually all PAPs do not provide any liability or physical damage coverage for boats. Other people may look to their homeowner's policy for coverage. But most homeowners policies only cover losses arising from certain low-valued or low-powered boats. **You should contact our agency before buying a boat to discuss the proper insurance protection for it. Consider the following tips to assist you in this process:**

- If you purchase a boat valued over \$1,500, you probably lack proper coverage under your homeowner's policy for physical damage losses to the boat itself. A separate watercraft or boat owner's policy is necessary to cover the physical damage to 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 probably is no liability coverage under your homeowner's policy. For motorboats, only insureds who own or lease boats with outboard motors of 25 horsepower or less have liability coverage under most homeowners policies. This liability coverage restriction also necessitates the purchase of separate watercraft insurance.
- Ask us about the types of boats you are considering. Some insurance companies, for example, decline to insure personal watercraft such as jet skis and wave runners, since some of these crafts can reach speeds of 60 mph. 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 experience a higher loss frequency 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. Marine surveys point out deficiencies in watercraft that may cause you to reconsider the purchase or renegotiate its price.
- If you don't already have one, **buy 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.** Umbrella policies are relatively inexpensive, and since most forms do not have limitations with respect to watercraft, they will provide excess limits above the liability coverage in the watercraft policy. In addition, you should use the same insurance company that writes your homeowner's and personal auto policies for your personal umbrella policy.