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WATERCRAFT EXPOSURES

Approximately 70 million Americans participate in recreational boating each year, according to the National Marine Manufacturers Association, spending over $25 billion for new and used boats, motors and engines, trailers, accessories, and other associated costs. Nearly 13 million boats are registered in the United States and its territories, and it is estimated there are an additional 8 million unregistered boats.

This heavy boating activity has inevitably led to a large number of boating accidents. According to the U.S. Coast Guard, 7740 accidents were reported in 2000. However, the vast majority of boating accidents go unreported.

Watercraft is susceptible to a variety of exposures including property, liability, medical payments, and uninsured boater's loss. Property losses cannot only affect the boat, motor, and trailer, but also equipment.

Uninsured boat owners losses result from damages to an insured that is legally entitled to recover from the owner or operator of an uninsured watercraft. Damages include medical and related costs, loss of income, and pain and suffering. This exposure is large, due to the high number of uninsured boaters.

WATERCRAFT INSURANCE

Consumers often expect their personal auto, homeowners, and personal umbrella policies to provide coverage for their watercraft; however the watercraft coverage provided by these policies is very limited. Even though the liability coverage can be expanded under the homeowners and personal umbrella policies, subject to an underwriter's approval, serious gaps in coverage still exist, particularly on the property side. To properly cover boat-related losses, insurers have developed a wide variety of watercraft insurance products, including the boatowners policy, the outboard motor and boat policy, and the yacht policy.

The most common type of watercraft policy for individuals and families is the boatowners policy. Most boatowners policies combine property, liability, medical payments, and uninsured boatowners coverage. This policy fills the gap found in most homeowners policies, particularly with regard to property coverage. Some boatowners forms allow property-only coverage; however, most policies require both property and liability coverage as part of an indivisible package policy.

Since boatowners policies have no standard rules or forms, and are often not required to be filed with state insurance departments, each insurer often has its own version of the policy. Because of inconsistencies between boatowners policies, it is important to review forms carefully to see that they meet the client's needs.

Some marine policies include implied warranties, such as seaworthiness, legality of the voyage, and no deviation from the established course. With the seaworthiness warranty, the insured warrants that the ship is property constructed, maintained, and equipped for

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the voyage to be undertaken. The warranty of legal purpose means that the voyage is not be for some illegal purpose, such as drug smuggling. The warranty of no deviation means that the vessel cannot deviate from its intended course.

**WATERCRAFT COVERAGE UNDER OTHER POLICIES**

**Coverage Under the PAP**

The Personal Auto Policy does not provide liability or physical damage coverage for boats. An owned boat trailer is covered for liability and can be added to the policy for physical damage coverage as well, but it must be described fully in the PAP's declarations. Otherwise there is no coverage for watercraft on the PAP policy at all.

**Coverage Under the Homeowners Policy**

**Property Coverage Under HO Policies**

Property coverage for watercraft is extremely limited in virtually all homeowners policies, necessitating the purchase of separate watercraft property coverage for most boats.

**Limits**

Most homeowners policies contain a special property limit or sublimit of $1,500 or less on watercraft. The form stipulates that a watercraft is a craft chiefly propelled on or in the water by wind, engine power, or electric motor. This property sublimit refers to watercraft of all types, including jet skis, bass boats, sailboats, and any other kind of boat.

Boat trailers, furnishings, equipment, and outboard motors are specifically included within this $1,500 limitation. An outboard motor is one in which the motor can be removed from the vessel; it has a propeller attached for mounting at the stern of a small watercraft. Some insurers offer endorsements to expand this $1,500 limitation.

**Perils**

The homeowners policy contains many restrictions concerning covered perils for watercraft. For example, windstorm losses to watercraft are covered, but only while the craft is inside a fully enclosed building. Theft loss to boat trailers and watercraft of all types, and their equipment is excluded if the theft occurs off the residence premises.

**Liability Coverage Under HO Policies**

Although still limited, the liability coverage under most homeowners policies for watercraft is broader than the property coverage. Many forms, including the Insurance Services Office, Inc.’s (ISO) policy, contain a separate "watercraft liability" definition and set of exclusions.
Watercraft Exclusion in HO Policy

Coverage under the homeowners policy for bodily injury and property damage liability and medical payments to others is limited. The watercraft exclusion under Section II of the ISO homeowners policy excludes coverage for bodily injury or property damage arising out of the

(1) Ownership, maintenance, use, loading or unloading of;
(2) Entrustment (to any person) of; or
(3) Vicarious liability ("parental liability" was dropped in the current forms) whether imposed by statute or common law (changed from "statutorily imposed" in the current forms) for the actions of a minor using excluded watercraft.

Some independently filed homeowners policies provide an increased amount of coverage for watercraft. However, even these increased limits may not be sufficient.

Exceptions to Watercraft Liability Exclusion

Five types of motor or engine driven boats are excepted from the exclusion, meaning there is Section II coverage for occurrences involving:

1. Boats not owned by an insured (i.e., borrowed or rented boats) that have an inboard or inboard-outdrive engine, or motor power of 50 horsepower or less;
2. Borrowed (but not rented or owned) boats with an inboard or inboard-outdrive engine, or motor power of more than 50 horsepower;
3. Boats owned by, rented to, or borrowed by an insured that have one or more outboard motors, or engines with 25 total horsepower or less;
4. Boats owned by, rented to, or borrowed by an insured that have one or more outboard engines, or motors with more than 25 total horsepower if the outboard engine or motor is not owned by an insured;
5. Boats owned by an insured with outboard engines, or motors of more than 25 total horsepower if: (i) The insured acquires them before the start of the policy period and either (a) declares them at policy inception, or (b) reports the intention to insure them to the insurer within 45 days after the insured acquires the outboard engines or motors; (ii) The insured acquires them during the policy period.

There is liability coverage if the watercraft is stored, liability coverage is provided under the homeowners policy. “Stored” normally means "on dry land." By contrast, "berthed" is the term for a boat docked on water at a marina; and no liability coverage applies under the homeowners policy.

The watercraft exclusion also makes two exceptions for sailing vessels (with or without auxiliary power):

1. Sailing boats that are less than 26 feet in overall length (whether owned, rented, or borrowed);
2. Borrowed (but not rented or owned) sailing boats that are 26 or more feet in overall length.

Whether or not a homeowners policy can adequately cover watercraft depends on the size value and usage of the watercraft. Although a homeowners policy does provide some property and liability coverage for watercraft, the coverage is quite limited. The first way to broaden coverage is to attach a watercraft endorsement to the HO policy. This provides broader liability coverage but does not affect property coverage at all.
ISO HOMEOWNERS WATERCRAFT ENDORSEMENT—
HO 24 75

To expand homeowners liability coverage for watercraft, many insurers offer a watercraft liability endorsement. This endorsement provides full liability coverage to vessels specifically described in the endorsement schedule. The ISO watercraft endorsement is discussed in this section of the course.

HO 24 75 10 00 – WATERCRAFT

SCHEDULE*

SECTION II COVERAGE

SECTION II - LIABILITY COVERAGE

Coverage E - Personal Liability and Coverage F - Medical Payments To Others apply to "watercraft liability" involving a watercraft described in the Schedule above.

For an additional premium, this form expands Coverage E—Personal Liability and Coverage F—Medical Payments to Others to apply to "bodily injury" or "property damage" losses related to the ownership, maintenance, use, operation, loading or unloading of specified watercraft.

TYPES OF WATERCRAFT COVERED

- Watercraft powered by an outboard engine or motor
- Watercraft powered by a combination of outboard engines or motors of more than 25 total horsepower
- Other watercraft, if with inboard or inboard/outboard engine or motor power

The watercraft endorsement schedule consists of 2 parts:

- Outboard engine(s) or motors; inboard or inboard/outboard watercraft:

  The first part is for watercraft with one or more outboard engines or motors of more than 25 total horsepower, or other watercraft with inboard or inboard-outdrive engines or motors. (The outboard motor boat is one in which the motor can actually be removed from the vessel. The inboard motorboat is one in which
the motor is permanently attached to the boat.) Under this provision, the total horsepower should be combined if two or more motors are regularly used together with any single boat owned by an insured.

- Description
- Horsepower
- Length of watercraft
- Outboard engine or motor
- Owner (if not the insured)
- Number of times the watercraft is used during the year

**Sailing vessels with or without auxiliary power**

The second part of the schedule deals with sailing vessels of 26 feet or more in length, with or without auxiliary power.

- Description
- Horsepower
- Length of watercraft
- Number of times the watercraft is used during the year

**EXCLUSIONS**

**SECTION II - EXCLUSIONS**

With respect to the watercraft described in the Schedule, Exclusion B. "**Watercraft Liability**" is deleted and replaced by the following:

**Watercraft Liability**

**A. "Watercraft Liability"**

1. Coverages E and F do not apply to any "watercraft liability" if, at the time of an "occurrence" the involved watercraft is being:

   a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;

   b. Rented to others;
c. Used to carry persons or cargo for a charge; or

d. Used for any "business" purpose.

2. Coverages E and F do not apply to "bodily injury" to any "employee" arising out of and in the course of employment by an "insured" if the employee's principal duties are in connection with the maintenance, operation or use of a watercraft described in the Schedule, that is:

a. A sailing vessel; or

b. Powered by an inboard or inboard-outdrive engine or motor, including those that power a water jet pump.

All other provisions of this policy apply.

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Although this endorsement provides additional watercraft liability protection, there are still important limitations:

1. There is no coverage while watercraft is involved in an organized race or similar competition, including practices for such events. This exclusion doesn't apply to sailing vessels (with or without auxiliary power) or to predicted log cruises (where participants predict how long it should take to reach a selected designation and then attempt to match or beat the time).

2. There is no coverage if watercraft with an inboard or inboard-outdrive engine or motor power or sailing vessels cause "bodily injury" to any employee of an "insured" under the following circumstances:

   - The "bodily injury" is both job-related and occurs while performing those duties for an "insured";
   - The employee’s main duties involve maintenance or use of watercraft;
   - While the watercraft is used to carry persons for a charge or is rented to others.

Even with a standard watercraft endorsement added to the homeowners policy, the Boatowners form is still more comprehensive because it offers both property and liability coverages, uninsured boaters coverage, and coverage for miscellaneous property, substitute, and non-owned boats. The standard watercraft endorsement covers liability exposures only.
WATERCRAFT COVERAGE UNDER THE PERSONAL UMBRELLA POLICY

Most personal umbrella policies provide "following form" liability coverage on watercraft losses. In other words, if the underlying watercraft policy excludes the liability loss, the personal umbrella policy excludes it as well. If the watercraft loss is covered under the underlying policy, the personal umbrella policy provides excess coverage up to its maximum limit (normally from $1 million to $5 million).

In addition, all personal umbrella forms will stipulate that an underlying watercraft liability policy with specified liability limits remain in force on the boat, for the umbrella to apply. The umbrella coverage does not drop down to the primary level. These minimum liability limits are often $300,000 or $500,000, based on the length and horsepower of the boat.

DL 98 15 06 98
PERSONAL UMBRELLA LIABILITY POLICY EXCLUSION – DESIGNATED WATERCRAFT ENDORSEMENT

With respect to the coverage provided by this endorsement, the provisions of the policy apply unless modified by the endorsement.

SCHEDULE

Description Of Designated Watercraft(s):

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

Exclusions

III. Exclusions

The following exclusion is added:

This endorsement permits the umbrella insurer to exclude liability coverage on one or more designated watercraft. There may be cases in which the umbrella insurer does not want to cover exposures it deems riskier than normal. The insured may be able to procure higher liability limits through a watercraft policy instead.
This endorsement excludes bodily injury or property damage from three causes:

- Any loss arising from the ownership, maintenance, use, loading, or unloading of any watercraft described in the endorsement schedule is excluded. Virtually any type of loss regarding this designated watercraft is not covered, with this endorsement attached.

- Any loss alleging negligent entrustment of this boat is excluded under the insured's personal umbrella policy, if this watercraft is listed in the endorsement schedule.

- Any loss arising from vicarious liability, whether or not statutorily imposed, concerning the actions of a minor using any watercraft described in the endorsement schedule is excluded.

A premium credit normally applies to this endorsement, since an exposure is eliminated. However, the exclusion only applies to the watercraft specifically listed on the endorsement.

Most umbrellas make an exception for watercraft liability assumed in a contract. The exception applies to situations in which the person renting or borrowing a watercraft or the owner of a watercraft must hold another party harmless with respect to its use. This feature of umbrella coverage can be of considerable value since watercraft liability policies customarily exclude contractually assumed liability.

In many cases these exclusions mirror those contained in underlying policies. Many umbrellas will follow form with respect to watercraft liability, providing that the exclusion
does not apply to the extent such coverage is provided in a policy listed in the schedule of underlying insurance, and then such coverage will be no broader than that provided in the underlying policy.
BOATOWNERS PACKAGE POLICIES

Introduction

Several insurers have developed boatowners policies to provide coverage for the average boatowner covering family-oriented watercraft.

The combination of exposures to loss connected with ownership of a pleasure boat is similar to that of automobile owners. In response to these coverage needs, several companies have developed package policies for boat owners that, like automobile package policies, include physical damage, liability, and medical payments insurance. Most policies contain similar provisions and conditions, but differences among them should to be considered with the individual boat owner’s insurance needs in mind.

Under most of these forms, the principal property coverages include protection for boats, motors, and boat trailers. Additional Property Coverages include:

1. Miscellaneous Property
2. Substitute Boats
3. Non-owned Boats
4. Newly Acquired Property
5. Emergency Service

Property coverage is usually provided on an "open perils" or "risks not excluded" basis, with standard exclusions for catastrophic hazards such as war and nuclear hazard, as well as for loss caused intentionally, by wear and tear, and by mechanical or electrical breakdown.

Two principal liability coverages are included:

1. Personal Liability
2. Medical Payments (including insureds' boating-related medical expenses)

Under Additional Liability Coverages, defense costs are covered, in addition to the liability limit. Additional liability coverage called "removal of sunken property" pays for the cost of raising, removing, or destroying a watercraft caused by stranding, sinking, or burning, when required by law.

Liability exclusions are usually grouped together under three categories: those that apply to Liability and Medical Payments; those that apply only to Liability; and those that apply only to Medical Payments.

Policies usually include Uninsured Boaters coverage, which covers compensatory damages (because of bodily injury) that an insured is legally entitled to recover from the owner or operator of an uninsured boat, much like "Uninsured Motorist" coverage on the PAP policy.
The Boatowners Program should be distinguished from yacht coverage, which will be discussed later in this course. The Boatowners form is typically used to cover small to medium-sized watercraft, whereas yacht policies generally cover larger watercraft.

**Eligibility**

Eligibility is based primarily on the boat rather than the boat owner; however the boating experience and loss history of those regularly operating the watercraft is also of great interest to the underwriter.

The boats must meet all of the following criteria:

- Owned by individuals for personal pleasure use
- 30 feet or less in overall length
- Capable of maximum speeds not greater than 45 mph (does not apply to personal watercraft, i.e., Jet Skis, Sea Doos, or Waverunners)
- 15 years or less in age
- Valued at $75,000 or less

Coverage for personal watercraft such as Jet Skis, Sea Doos, Waverunners, etc., may be deleted by endorsement, if not needed.

Certain types of boats are not eligible: amphibious vehicles, air-powered boats, iceboats, and submersibles, among others. For a complete list of ineligible boats, consult your insurer.
WATERCRAFT POLICY PROVISIONS

The following is a review of common policy language and provisions in watercraft package policies. Since watercraft policies are non-standard, agents should carefully review the forms from the insurers they use and note any differences.

Most boatowners forms provide property coverage for watercraft (including motors, boat trailers, and miscellaneous property), liability coverage, medical payments, and uninsured boaters coverage. Various definitions and conditions round out the form.

**Insuring Agreement**

This form, subject to all of its “terms,” provides property and liability insurance and other described coverages during the policy period. In return, “you” must pay the required premium. Each coverage described in this form applies only if a “limit” is shown on the “declarations” for that coverage.

These coverages apply: (1) to losses, “bodily injury”, or “property damage” that occur during the policy period; and (2) unless otherwise shown on the “declarations”, only upon the land, “coastal waters”, tributaries, and inland lakes and rivers of the United States of America and Canada.

Most boatowners forms provide coverage on an occurrence basis. The occurrence that causes the damage must be during the policy period. The policy is not intended to cover events on a worldwide basis, so the coverage territory is limited.

**Definitions**

The definitions sections of most boatowner policies are similar.

**Named Insured**

1. The words “you” and “your” mean the person or person named as the insured on the “declarations.” This includes “your” spouse if a resident of “your” household.

The insured includes the named insured’s spouse if a resident of the same household.

**Insurer**

2. The words “we,” “us,” and “our” mean the company providing this insurance.
Boat

3. “Boat” means a watercraft, including sails, spars, fittings, and all permanently attached equipment. It does not include outboard motors.

Some forms not only define “boat,” but also include a provision establishing what related equipment is considered part of the boat. Equipment that is permanently attached to the boat is usually insured as part of the boat. There is, however, some difference among policies in the extent of and the amount of coverage provided for unattached equipment and accessories.

Some forms contain a separate definition for permanently attached equipment, which often includes ship-to-shore radios, depth finders, fish finders, radar systems, and sonar systems. In addition, some forms also stipulate the specific equipment included within the "insured boat" definition, such as the superstructure, spars, sails, propulsion equipment, marine electronics, and others. (A spar is a mast or boom that supports rigging.)

Boat Business

4. “Boat business” means the business or occupation of selling, chartering, renting, repairing, servicing, storing, mooring, or anchoring “boats.” It includes the operation of yacht clubs, shipyards, and marinas.

This is similar to the personal auto policy (PAP) phrase “business of selling, repairing, servicing, storing, or parking vehicles.”

Boat Trailer

5. “Boat trailer” means a trailer designed specifically for the transportation of a “boat.”

Some boatowners policies do not contain a “trailer” definition. The forms may cover any trailers that are properly described on the declarations. Other forms include a specific definition, such as a “vehicle designed to be towed on public roads by a land motor vehicle and which is used to transport covered boats.” Trailers are often subject to a separate deductible.

Bodily Injury
6. “Bodily injury” means bodily harm to a person and includes sickness, disease, or death. This also includes required care and loss of services.

   “Bodily injury” does not mean bodily harm, sickness, disease, or death that arises out of:
   
a. a communicable disease
   
b. the actual, alleged, or threatened sexual molestation of a person;
   
c. mental or emotional injury, suffering, or distress that does not result from physical injury;
   
d. physical abuse;
   
e. corporal punishment; or
   
f. the use, sale, manufacture, delivery, transfer, or possession by any person of Controlled Substances as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812, including any amendments. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic or hallucinogenic drugs. However, this does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.

The definition of “bodily injury” is common to many liability forms. Although it may appear strange to find sexual molestation, physical abuse, etc., in a boatowners form, it is not uncommon for a suit alleging such activities to come within the scope of any and all liability coverages an insured may possess. Mental or emotional injury that results from bodily injury is considered bodily injury, but mental or emotional injury alone is not bodily injury.

**Coastal Waters**

7. “Coastal waters” means ocean waters that extend 15 statute miles from the coastline of the United States of America and Canada.

In many forms, the territory does not include territories and possessions of the United States. In other forms a limited area is specified as the only covered waters.

**Covered Property**
8. “Covered property” means the “boats”, “motors”, and “boat trailers” as described on the “declarations”; “substitute boats”; and property covered under Newly Acquired Property.

Virtually all policies provide coverage on detached or detachable equipment necessary for the operation of the boat. Some policies include a list of covered equipment -- tools, furniture, life preservers, extra fuel tanks, protective coverings, etc. Others simply cover "any equipment necessary for the operation and maintenance of designated boat, motors, trailer;" or "equipment used in connection with the operation of the described boat."

Portable property commonly includes accessories and other detachable equipment used in the maintenance and operation of the craft. Examples include the following.

- Anchors
- Oars
- Lights
- Life jackets and seat cushions
- Fire extinguishers
- Auxiliary fuel tanks
- Tools
- Extra batteries
- Bilge pumps
- Deck chairs
- Skis and surfboards
- Tow ropes

Some forms contain a separate limit for portable or miscellaneous equipment. Other forms include this property within the "covered property” definition and limit.

Declarations

9. “Declarations” are all pages labeled Declarations, Supplemental Declarations, or Schedules that pertain to this form.

Some forms have only one “Declarations” page whereas others have several. It is important to review all of them to be certain they are correct.

Insured

10. “Insured” means:
a. “you”;

b. “your” relatives if residents of “your” household; or

c. persons under the age of 21 residing in “your” household and in “your” care or the care of “your” resident relatives.

With respect to Coverage X, Personal Liability, and Coverage Y, Medical Payments, “insured” also means:

d. persons using or caring for the “covered property” with “your” permission and to which this insurance applies. This does not include persons using or caring for “covered property” in the course of any “boat business” or without the owner’s consent; or

e. a person or organization legally responsible for the use of a covered “boat”, “motor”, or “boat trailer” owned by a person listed in 10.a., 10.b., or 10.c. However, “we” will cover that person or organization only with respect to that property. This does not include persons using or caring for “covered property” in the course of any “boat business.”

With respect to Coverage Z, Uninsured Boaters, “Insured” means only:

f. any person in, upon, or getting in or out of “covered property” or a “non-owned boat”. This includes any person being towed on water skis or similar devices not designed for flight by “covered property” or a “non-owned boat”; or

g. any person for damages in which that person is entitled because of “bodily injury” that is covered under Coverage Z and sustained by a person described in 10.f.

Each of the above is a separate “insured,” but this does not increase “our” limit.

Persons being towed on water skis behind the covered boat are given “insured” status for uninsured boaters coverage. The conditions section will contain another definition of an “insured;” the person who has custody of the insured’s property in event of the insured’s death until a legal representative is appointed, or the insured’s legal representative. These are insureds only with regard to the property covered under the boatowners policy, and liability arising out of that property. Persons using or caring for covered property in the course of any boat business are not insureds.

No matter how many persons are “insureds” under the policy, the limits of insurance will not be increased.

Limit

11. “Limit” means the amount of coverage that applies.
Watercraft policies usually include several different “limits” applying to various types of property and coverages.

**Motor**

12. “Motor” means an outboard motor, including start up equipment and controls, electric harnesses, fuel tanks, and other pressure control tanks.

Many boatowners policies define an outboard motor as the outboard motor specified on the declarations page. This definition often includes fuel containers, electric starting equipment, and controls if the manufacturer supplies these items as part of the outboard motor.

**Non-Owned Boat**

13. “Non-owned boat” means:
   a. a “boat” not over 26 feet in overall length;
   b. its “motor”; and
   c. its “boat trailer”;

   used by “you”, “your” relatives if residents of “your” household, or persons under the age of 21 residing in “your” household and in “your” care or the care of “your” resident relatives.

   This does not include “boats” that are owned by or furnished for the regular use of an “insured.”

Just as a “non-owned auto” is one not owned or furnished for an insured’s regular use, so is a non-owned boat. The non-owned boat could be a boat that the family rents while on a vacation.

This form covers losses to non-owned boats (other than those in the substitute boat definition) up to a specified limit.
Occurrence

14. “Occurrence” means an accident, including repeated exposure to similar conditions, that results in “bodily injury” or “property damage” during the policy period.

This definition is similar to that found in other personal liability coverage forms, such as the personal auto and homeowners.

Personal Watercraft

15. “Personal watercraft” means a watercraft equipped with a water jet pump propulsion system and designed to be operated by a person or persons while sitting, standing, or kneeling on or behind an engine covering.

Examples of these watercraft are jet skis, wet bikes, and wave runners. Many insurers do not wish to insure these watercraft because of their power-to-size ratios, agents should check before binding coverage.

Pollutants

16. “Pollutants” means:

a. any solid, liquid, gaseous, thermal, or radioactive irritant or contaminant, including acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes any materials to be recycled, reclaimed, or reconditioned, as well as disposed of; and

b. electrical or magnetic emissions, whether visible or invisible, and sound emissions.

Some forms include electrical, magnetic, or sound emissions in the definition of “pollutants.” The form provides some liability coverage for the escape of pollutants.

Property Damage

17. “Property damage” means:

a. physical injury or destruction of tangible property; or

b. the loss of use of tangible property whether or not it is physically damaged.
Most forms define “property damage” to include both physical injury and destruction of tangible property as well as its loss of use, whether or not damaged.

**Substitute Boat**

18. “Substitute boat” means a “boat”, “motor”, or “boat trailer” not owned by “you” and used by an “insured” as a temporary replacement for a covered “boat”, “motor”, or “boat trailer” that has been lost or destroyed or is undergoing maintenance, service, or repairs.

A substitute boat, like a temporary substitute auto, is one that takes the place of the insured boat while the insured boat is unavailable because of loss, damage, repairs, or servicing.

Often defined as a non-owned craft used by an insured as a temporary replacement for a covered boat that is being serviced or repaired due to a covered loss.

**Terms**

19. “Terms” means all provisions, limitations, exclusions, conditions, “declarations”, and definitions that pertain to this form.

The watercraft policy uses the word “terms” to describe all of its provisions, limitations, exclusions, conditions, declarations and definitions.
PROPERTY COVERAGES

In most boatowners policies, the first section of the form concerns property coverage. Forms may refer to this as physical damage coverage, hull insurance, or comprehensive coverage. Property coverage in boatowners policies often provides indemnity for collision losses along with the traditional comprehensive perils such as fire, theft, and windstorm.

Principal Property Coverages

PRINCIPAL PROPERTY COVERAGES

Property coverage is generally written on an all-risk basis and it covers boats, motors, and boat trailers, all of which must be described in the declarations. Nearly all forms also include portable property and other miscellaneous property coverage. Property coverage is subject to a deductible and a set of property exclusions.

Boats, Motors and Boat Trailers

1. Boats -- “We” cover the “boats” described on the “declarations” for which a “limit” is shown.
2. Motors -- “We” cover the “motors” described on the “declarations” for which a “limit” is shown.
3. Boat Trailers -- “We” cover the “boat trailers” described on the “declarations” for which a “limit” is shown.

Boats, motors, and boat trailers must be individually shown on the declarations page, with a limit of insurance applying to each. Coverage is on a per item, rather than a blanket basis, so selecting and indicating appropriate limits is imperative for coverage to apply. Any deductible shown on the declarations applies.

Additional Property Coverages

ADDITIONAL PROPERTY COVERAGES

Each of the following is an additional amount of insurance:
Miscellaneous Property

1. Miscellaneous Property -- “We” cover boating equipment; accessories; and other detachable equipment owned by “you” and used in the maintenance or operation of a “boat”. This includes similar property that belongs to others in the care, custody, or control of an “insured.”

“We” also cover personal property owned by “you” and “your” guests while on a “boat.”

“We” do not cover animals; fuel; furs; goldware; guns; jewelry; money; photographic equipment; precious or semiprecious stones; precious metals; securities; silverware; travelers checks; valuable papers and other documents; or watches.

Unless otherwise shown on the “declarations,” the most “we” pay under this coverage is:

a. $500 for loss or damage to equipment, accessories, and property in, on, or cast overboard from a “personal watercraft” while the “personal watercraft” is in use; or

b. $1,500 for loss or damage to all other equipment, accessories, and property.

This coverage applies to property such as boating cushions, life jackets, water skis, and other boating paraphernalia. The property may be either owned by the named insured, or owned by others and in the care of an insured. Additionally, certain personal property belonging to the named insured and guests is covered.

Many boatowners forms contain a separate section for other property coverages. Common additional coverages include the following:

- **Personal effects**—this includes sports equipment, clothing, and other personal property. Property not covered is often specified, including guns, jewelry, money, animals, valuable papers, property thrown overboard, contact lenses, and prosthetic devices. Some forms limit this coverage to 10 percent of the boat limit or $10,000, whichever is less.

- **Equipment on shore**—any equipment that is separated, stored away from the boat; the limit is often subject to a specific percentage of the boat value.

- **Recovery**—the costs incurred to recover the insured boat in the event of sinking or stranding, provided the cause of loss is covered. This is not, however, an additional amount of insurance.
• **Reasonable repairs**—the reasonable cost of necessary repairs taken to protect the insured property from further damage, provided the damage is caused by a covered peril. This is sometimes referred to as sue and labor charges.

• **Fishing tackle**—includes insured's and guest's tackle while on board the covered craft up to a specified amount, but no coverage is provided for a mysterious disappearance loss.

Excluded from coverage are cameras, portable radios, fuel, and, in most cases, all sporting equipment, including scuba gear, fishing tackle, etc., but specifically including water skis and similar equipment.

This coverage usually has two limits; one applying to property lost from or damaged by a personal watercraft while the watercraft is in use, and the other applying to all other equipment. These limits may well be inadequate, and can be increased in $100 increments. Any deductible shown on the declarations applies.

**Substitute Boats**

2. Substitute Boats -- “We” cover “substitute boats”. “We” pay no more than the “limit” shown on the “declarations” for the “boat”, “motor”, or “boat trailer that has been lost or destroyed or is undergoing maintenance, service, or repairs.

   Any payment “we” make under this coverage is excess over all other insurance.

Substitute boat coverage is restricted to the property limits of the boat being repaired and is excess over any other insurance. Some forms do not provide coverage for a loss to a substitute boat.

**Non-owned Boats**

3. Non-owned Boats -- “We” cover “non-owned boats” other than “substitute boats” up to $10,000.

   Any payment “we” make under this coverage is excess over all other insurance.

Non-owned and substitute boats are distinguished from each other in the boatowners policy. If the insured has a substitute boat, motor, or trailer -- one that replaces a covered boat, motor, or trailer that is out of service because of loss, damage, repairs or maintenance -- then coverage applies to that boat, motor or trailer up to the limit of insurance shown on the declarations.
Some forms place restrictions on this coverage in regard to length. In addition, many forms stipulate that a non-owned boat does not include boats that are owned by, or furnished for, the regular use of any insured. Non-owned coverage is excess only. Some forms do not provide non-owned coverage at all.

A non-owned boat could be one rented to the insured while on vacation, or a borrowed boat or motor. A non-owned boat is not one that is owned by or regularly furnished to an insured, however, so if the insured usually borrows a resident relative’s boat, no coverage applies. Non-owned boats are limited to those less than 26 feet in length. Coverage for non-owned boats, motors, or trailers, however, is limited to $10,000. The $10,000 is excess to any other insurance on the non-owned boat. Any deductible indicated on the declarations applies to this coverage.

**Newly Acquired Property**

4. Newly Acquired Property -- “We” cover “boats” up to 26 feet in length, “motors,” and “boat trailers” that “you” acquire during the policy period.

   This coverage applies for 30 days after “you” acquire the “boat”, “motor”, or “boat trailer” or until “you” report the newly acquired property to “us”, whichever occurs first. This coverage does not extend beyond the end of the policy period.

   “You” must pay any additional premium due from the date “you” acquire the “boat,” “motor,” or “boat trailer.”

   The “limit” that applies to this coverage is the greater of the sum of the “limits” shown on the “declarations” for “boats,” “motors”, and “boat trailers”, or $25,000.

The boatowners policy provides coverage for newly acquired boats, motors, or trailers. There is usually no distinction between an additional boat and a replacement boat, as there is in the PAP coverage for newly acquired vehicles.

Coverage on newly acquired property varies somewhat. Some policies provide coverage only for replacement property; others insure both replacements and additional property. The limit of liability on newly acquired property in most policies is limited, and the acquisition must be reported to the company within a specified number of days, ranging from 15 to 60. The insured is usually required to pay an additional premium.

For coverage to apply, the newly acquired boat must meet a certain criterion: no longer than 26 feet in length. In the form shown above, coverage, limited to $25,000 or the sum of the limits shown on the declarations, applies for 30 days after the acquisition or until the newly acquired property is reported to the insurer, whichever occurs first. Coverage does not extend beyond the end of the policy period. The deductible shown on the declarations applies.
Emergency Service

5. Emergency Service -- “We” will pay up to $50 for the cost of towing and labor arising out of the disablement of a covered “boat.” However, this does not include the cost of:

a. the delivery of gas or oil; or
b. changing a “boat trailer” tire.

The labor costs are covered only for labor performed at the place of disablement. No deductible applies.

The policy covers reasonable costs incurred resulting from specified emergency services. These cover the cost of towing and labor (up to a specified amount) arising out of the disablement of the boat. Labor costs covered are those incurred when the labor is performed at the place of disablement. Generally, these "emergency services" include labor, towing, and delivery of gasoline, oil, or a loaned battery, but not the actual cost of these items.

This is the only additional property coverages to which no deductible applies. Coverage can be expanded to include delivery of fuel or changing a trailer tire, and the amount of this coverage can be increased.

Covered Causes of Loss

PERILS COVERED

1. Except as provided in 2. below, “we” cover external risks of direct physical loss to “covered property”, “non-owned boats”, and property covered under Miscellaneous Property unless the loss is caused by a peril that is excluded.

2. “We” cover risks of direct physical loss to “covered property”, “non-owned boats”, and property covered under Miscellaneous Property caused only by fire or lightning while this property is:

Under the physical damage provisions of most boat owners package policies, open perils coverage (similar to "Comprehensive" or “Other than Collision” coverage on the PAP) is provided on the boat described in the policy, its motors if any, the trailer used to transport it, and equipment and accessories involved in the use and maintenance of the boat.
Watercraft Rented to Others or Used To Carry Property or Passengers for a Fee

a. used to transport people or goods for a fee;
b. rented to others; or

The intent of the boatowners policy is to cover pleasure use only and avoid covering most business-related exposures. (Boats used for rental, delivery, or livery purposes are normally covered under specialized marine policies.) If the named insured suffers a loss while transporting goods for compensation, coverage is excluded. Likewise, if he rents his boat to a business associate, who causes a loss, property coverage is excluded. However, if the insured allows his neighbor to borrow the boat or, if the insured suffers a boating accident while entertaining some business clients on his boat, coverage applies since no money is exchanged.

Racing

c. used in, or in the practice or the preparation for, an organized or official racing, speed, pulling or pushing, demolition, or stunt activity, test, or contest. However, this does not apply to sailboats.

Since the exposure to loss increases dramatically when a boat competes in any official race or official speed test, however, this is a common exclusion in boatowners policies. A few forms, however, make exceptions for losses to sailboats, and some forms also make exceptions for predicted log cruises. In a predicted log cruise the operator or captain of the boat follows a given course and has to predict what time to the second he or she will arrive at designated points, which is less risky. Nonofficial or impromptu races are also not excluded.

Perils Covered

Coverage for insured property is usually on an open perils basis, except for certain described exceptions when coverage is limited to fire or lightning. This exception does not apply to sailboats.

Some forms, however, provide named perils coverage, listing the following, or similar, perils.

- Collision
- Impact with an animal
- Explosion or earthquake
- Fire
- Malicious mischief or vandalism
- Missiles or falling objects
- Riot or civil commotion
- Theft or larceny
- Windstorm, hail, water, or flood
- Glass breakage

**Perils Excluded**

**PERILS EXCLUDED**

“We” do not pay for a loss if one or more of the perils excluded in 1. and 2. below apply to the loss. Such losses are excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded peril.

Most policies contain customary exclusions such as wear and tear, latent defect, mechanical or electrical breakdown, and war and nuclear hazards. Other usual exclusions apply to damage resulting from repair or servicing, freezing or ice; and illegal activities of persons to whom the insured property is entrusted.

Because of the non-concurrent causation language which prefaces the excluded causes of loss, no matter what causes or contributes to the resulting excluded loss, there is no coverage. The loss is still excluded.

**Intentional Acts**

1. “We” do not pay for a loss to “covered property”, a “non-owned boat”, or property covered under Miscellaneous Property that is caused by or results from:

The boatowners policy, like nearly all other types of insurance policies, is designed to cover accidental-type losses only. Any loss arising from an intentional act is excluded under virtually all boatowners policies.

The exclusion, in some forms is more specific precluding a loss arising from any act committed by or at the direction of an insured with the purposeful intent to cause a loss.

Boatowners policies generally contain a host of property exclusions, due to the comprehensive nature of most property coverages. The following exclusions are representative of those found in most boatowners policies, policies vary.
Illicit Transportation or Trade or Any “Boat Business”

a. any cause while the property is used in illicit transportation or trade or any “boat business”.

Intentional Act

b. an act committed by or at the direction of an “insured” and with the intent to cause a loss.

Boatowners policies customarily exclude coverage for any loss arising out of the use of the boat for commercial purposes.

Freezing or Overheating

c. freezing or overheating.

Repair or Services

d. a process to repair, adjust, service, or maintain the property. If a fire or explosion results, “we” do cover the loss caused by the fire or explosion.

If the boat is damaged while being repaired, coverage is excluded unless a fire or explosion results, but this coverage applies only to the fire or explosion damage itself.

In common with many inland marine forms, the boatowners policy does not cover losses resulting from repairing or servicing the covered property. The wording used is “a process to repair...” which makes it clear that responsibility for those losses rests with the entity making the repair or performing the service. But if the servicing or repairing results in fire or explosion, those losses are covered.

War

e. war. This means:

1) declared war, undeclared war, civil war, insurrection, rebellion, or revolution;
2) a warlike act by a military force or by military personnel;  
3) the destruction, seizure, or use of the property for a military purpose; or  
4) the discharge of a nuclear weapon even if it is accidental.

Most forms define war to include declared war, undeclared war, civil war, insurrection, rebellion, revolution, and the discharge of a nuclear weapon, even if it is accidental. This exclusion is nearly absolute, since war is a catastrophic or intentional act. Few if any of the boatowners forms contain any type of terrorism exclusion, however due to the events of 9/11 some insurers may have added exclusions for terrorist acts.

Civil Authority

f. civil authority. This means:

1) seizure or destruction under quarantine or customs regulations;  
2) risks of contraband or illegal transportation or trade; or  
3) confiscation or destruction by order of a government or public authority. “We” do pay for loss that results from acts of a civil authority to prevent the spread of fire.

Civil authority excludes loss due to the actions of a governmental body or agency. The exclusion is often subdivided into three parts. First, a loss due to seizure or destruction under customs regulations is excluded. Second, any loss arising from illegal transportation or trade is excluded. Third, any damage to, or destruction of, property by order of civil authority is excluded. In the unlikely event that the police ordered the destruction of a boat, coverage is excluded. The one exception to this exclusion pertains to a loss resulting from acts of a civil authority to prevent the spread of fire or pollution.

Boats are often used, unfortunately, in the illegal drug trade. If an insured boat is used for illegal purposes and is confiscated by the government, the insured cannot collect from the insurer for this loss.

Nuclear Hazard

g. nuclear hazard. This means nuclear reaction, nuclear radiation, or radioactive contamination, whether controlled or uncontrolled. “We” do not pay for a loss that results from these perils even if it is caused by, contributed to, or aggravated by a covered peril. A loss caused by these perils will not be considered a loss caused by fire, explosion, or smoke. “We” do cover the loss caused by a fire that results from the nuclear hazard.

This excludes coverage for a loss arising from any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled and no matter how it is
caused. Nuclear hazard is a catastrophic peril and therefore not appropriate for insurance coverage.

Wear and Tear and Non-Accidental Losses

2. “We” do not pay for a loss to “covered property,” a “non-owned boat,” or property covered under Miscellaneous Property that results from or is confined to the following perils:

a. normal wear and tear of the property;
b. gradual deterioration of the property;
c. hidden or latent defect in the property;
d. a quality, fault, or weakness in the property that causes it to damage or destroy itself;
e. corrosion or rust;
f. mechanical or electrical breakdown or failure of the property. This includes rupture or busting by centrifugal force. However, “we” do pay for an ensuing loss that is otherwise covered by this form; or

g. marine life.

Certain things that are bound to damage property over time are uninsurable such as normal wear and tear. These exclusions preclude coverage for non-accidental-type losses, including the following:

- Wear and tear
- Deterioration
- Wet or dry rot, including mold
- Marring, denting, or scratching
- Corrosion or rust
- Weathering
- Dampness of atmosphere
- Latent defect—concealed or inactive flaw
- Inherent vice—defect in the intrinsic constitution of property
- Physical defect
- Insects, birds, rodents, vermin, marine life (e.g., barnacles), and other animals

Boatowners policies are designed to cover accidental and external causes of loss, rather than losses of an internal nature or maintenance losses.
**Mechanical Breakdown or Failure**

Loss due to mechanical or electrical breakdown or failure is usually excluded in the policy, including any rupture caused by centrifugal force. However, any ensuing loss from mechanical breakdown is usually covered.

**Neglect**

This excludes losses within the control of the insured. It stipulates that a loss, which results from the named insured’s failure to use all reasonable means to save and preserve property, is excluded. This exclusion is sometimes called the “failure-to-maintain” exclusion.

**Voluntary Parting with Covered Property**

Theft by trickery is not covered. Any type of voluntary parting of covered property on the basis of a fraudulent scheme or false pretense falls into this category. Such losses can be prevented by the exercise of caution on the insured’s part.

**Specified Types of Theft**

Some forms exclude loss from theft under certain circumstances, such as theft of equipment without visible signs of forced entry and theft of outboard engines which are not properly locked.
LIABILITY COVERAGES

Boatowners policies normally include personal liability along with defense costs, medical payments, and additional liability coverages.

Liability coverage is an important part of the boatowners policy, although some insurers may not require liability coverage under this form, if the named insured has adequate limits under his or her homeowners policy. Most insurers, however, require the boatowners policy to provide both property and liability coverage as part of a package policy.

The base limits, which may be increased, are usually $100,000 bodily injury and property damage liability, and $1,000 medical payments. Bodily injury or property damage that occurs during the policy period and is accidentally caused is covered. Although the insuring agreement states that the loss or damage must arise out of covered property or a non-owned boat, which can include a boat that is a substitute for an insured boat.

PRINCIPAL LIABILITY COVERAGES

Personal Liability

1. Coverage X -- Personal Liability -- “We” pay, up to “our” “limit”, all sums for which an “insured” is liable by law because of “bodily injury” or “property damage” caused by an “occurrence” arising out of “covered property” or a “non-owned boat”.

The liability insuring agreement includes the insurer's promise to pay covered damages that an insured becomes legally obligated to pay arising from the operation, maintenance, or use of the described watercraft, its equipment, or newly acquired watercraft. In some forms, it provides liability coverage arising out of non-owned watercraft, subject to certain restrictions. Liability applies only to losses resulting in bodily injury or property damage.

Defense

“We” will settle or defend a claim or suit seeking damages if the claim or suit resulted from “bodily injury” or “property damage” not excluded under this form. “We” may make investigations and settle claims or suits that “we” decide are appropriate. “We” do not have to provide a defense after “we” have paid an amount equal to “our” “limit” as a result of a judgment or written settlement.
The term "bodily injury" is defined differently, depending on the form. It usually means bodily harm, sickness, or disease, including required care, loss of services, and death. The bodily injury, in nearly all cases, must be physically manifested. Pure mental anguish, not accompanied by any physical manifestation, would likely not be considered "bodily injury."

"Property damage" normally is defined as physical injury to, or destruction of, tangible property, including loss of use. "Tangible property" is "that which may be felt or touched ... although it may be either real or personal" (Black's Law Dictionary, 7th ed.).

The bodily injury or property damage must be caused by an occurrence. An "occurrence" is usually defined as an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results during the policy period in bodily injury or property damage. It includes an accident that is sudden and definite as to time and place, as well as one involving repeated exposures to the same harmful condition.

Most boatowners policies provide payment for defense costs in addition to the policy limits. This additional obligation, in essence, creates two separate and important obligations in the liability section of the policy—the duty to indemnify and the duty to defend. The duty to defend is broader than the duty to indemnify and it even extends to cases for which it is unclear as to whether coverage applies. A few boatowners and yacht forms include defense costs within the liability limit.

The insurer's duty to defend or settle ends only when the limit of liability has been exhausted by the payment of a judgment or settlement.

**Medical Payments**

2. **Coverage Y -- Medical Payments --** "We" pay the necessary medical expenses if they are incurred or medically determined within three years from the date of an accident causing a covered "bodily injury" and arising out of "covered property" or a "non-owned boat".

   Medical expenses means the reasonable charges for medical, surgical, X-ray, dental, ambulance, hospital, professional nursing, and funeral services; prosthetic devices; hearing aids; prescription drugs, eyeglasses, including contact lenses; and first aid at the time of the accident.

The liability section also includes medical payments coverage. This coverage applies to either an insured person or an insured's guest. Some forms stipulate that it applies to any person while on, boarding, or leaving the covered boat. Some restrictive forms provide medical payments only for non-insureds.
The insurer pays any necessary or reasonable medical expenses incurred or medically ascertained within 3 years from the date of the accident. (Some forms only cover medical expenses within 1 year from the date of the accident.) These expenses must arise out of the ownership, maintenance, or use of the boat, motor, or trailer. Medical expenses mean reasonable costs for medical, surgical, X-ray, dental, ambulance, hospital, professional nursing services, prosthetic devices, and funeral services. Some forms also include chiropractic treatment, prescription drugs, eyeglasses, contact lenses, and first aid at the time of the accident.

Medical payments or medical expense coverage is no-fault coverage paid regardless of the insured's legal liability. By maintaining a good relationship between the claimant and the insured/insurer, lawsuits are often avoided.

Medical payments provisions of the boatowners package policy customarily pay the "reasonable and necessary" medical expenses of any person who suffers injury because of an accident while in, on, boarding, or leaving the insured boat. Some policies specifically exclude water skiers for medical payments coverage, either in the language of the policy itself or by endorsement. Policies usually provide medical payments coverage for any person whose accidental injury arises out of "ownership, maintenance or use" of the insured boat. Others provide medical payments for "any person while aboard, boarding, or leaving insured watercraft."

**Additional Liability Coverages**

**ADDITIONAL LIABILITY COVERAGES**

These coverages are subject to all the “terms” of Coverages.

Payments under these coverages are in addition to the “limit.”

**Claims and Defense Cost**

1. Claims and Defense Cost -- If “we” defend a suit, “we” pay:
   a. the costs taxed to an “insured”;
   b. the costs incurred by “us”;
   c. up to $50 per day for the actual loss of earnings by an “insured” for time spent away from work at “our” request;
   d. the necessary costs incurred by “you” at “our” request;
e. the interest that accrues after the entry of a judgment, but ending when “we” tender or pay up to “our” “limit”;

f. the premiums on appeal bonds or bonds for the release of attachments up to “our” “limit”; however, “we” are not required to apply for or furnish bonds;

g. the premiums up to $500 per bail bond required of an “insured” because of an accident or violation of a law arising out of the use of “covered property” or a “non-owned boat”; however, “we” are not required to apply for or furnish bonds; and

h. prejudgment interest awarded against an “insured” on that part of the judgment “we” pay. If “we” offer to pay the “limit”, “we” will not pay any prejudgment interest based on that period of time after the offer.

Additional liability coverages provided under the boatowners liability section often include the following:

- **Expenses incurred by the insured at the insurer’s request**, including loss of earnings up to a specified amount such as $50 or $100 per day (e.g., attendance at the trial)

- **Premiums on bonds** required in a suit the insurer defends; however, the insurer is not obligated to provide the bond itself

- **Prejudgment interest**—interest accruing on the amount of a legal award from the time of the injury or damage to the time the judgment is entered by the court

- **Postjudgment interest**—interest accruing on the amount of a legal award from the time of the judgment until the time the judgment is paid

Claims and defense costs are in addition to the limit of liability shown on the declarations. However, the insurer does not have to continue providing a defense once it has tendered its limit of liability. The insurer will pay interest -- either prejudgment, or accruing after the entry of a judgment. Once the insurer either offers to pay, or pays up to the policy limit, no further interest is payable.

Boatowners package policies typically agree to pay costs incurred by the insured due to legal liability for bodily injury or property damage arising out of ownership or use of the insured boat. Included in property damage is coverage for the insured’s liability for loss of use of the other party’s property. Most companies limit this coverage to loss of use of tangible property that has been damaged. Boatowners liability coverage includes the cost of defending suits against the insured for such injury or damage and expenses that the insured incurs at the insurer’s request.

Coverage extends to the use of the boat by others with the permission of the named insured. (Some policies exclude any paid captain or crewmember and any employee of a marina or service facility.) Most policies also cover the insured’s legal liability arising
out of the use of a non-owned boat with the owner’s permission, although most exclude coverage for damage to the non-owned boat itself. Some policies, however, limit this coverage to "rented" watercraft.

Life salvage is another expense for which a boat owner may become legally liable -- compensation paid to others who act to save human life in the event of an accident on water. A few policies contain a specific coverage of this exposure, with some insurers offering coverage for first aid expenses only.

**Removal of Sunken Property**

| 2. Removal of Sunken Property -- "We" pay the cost incurred for the raising, removal, or destruction of “covered property” or a “non-owned boat” caused by its stranding, sinking, or burning, if required of an “insured” by law or governmental authority. This includes the cost of unsuccessful attempts to raise, remove, or destroy this wreckage. Unless otherwise shown on the “declarations,” “we” will not pay more than 25% of the “limit” that applies to the lost or damaged property. |

Various laws or governmental authority may require that a stranded or sunk boat be removed or raised, particularly when the craft is obstructing navigation. This coverage provides insurance for this expense. Some forms limit this coverage to a certain percentage, such as 25 percent of the affected property limit; other forms include this within the overall property limit, without a sublimit.

A typical wreck removal coverage agreement applies to the reasonable cost incurred for the attempt or actual raising, removal, or destruction of the wreck. Generally, loss must be caused by an insured peril and the removal or destruction must be by law or governmental authority. In some cases the limit for this coverage is 5% of Coverage A limits, and is an additional amount of insurance. Some policies provide coverage for the cost of removal of a sunken or stranded boat, regardless of legal liability, if the loss is caused by a covered peril.

**Exclusions that Apply to Liability and Medical Payments**

Boatowners policies normally include three sets of exclusions in the liability section. One set applies to personal liability and medical payments. The second set applies only to personal liability. The last set applies only to medical payments. There are often variations on these exclusions across different forms.

| EXCLUSIONS THAT APPLY TO LIABILITY AND MEDICAL PAYMENTS |

"We" do not pay for “bodily injury” or “property damage”:
Common exclusions, applicable to personal liability and medical payments, preclude coverage for bodily injury and property damage from the following:

**PUBLIC LIVERY**

1. that occurs while “covered property” or a “non-owned boat” is being used:
   a. to transport people or goods for a fee;

Liability arising from the charter or commercial use of the insured craft, unless the insurer agrees in advance to this use in writing. Many forms specify that incidental business use, such as entertaining clients on the craft, is *not* considered commercial use.

**ILLEGAL TRANSPORTATION OR TRADE**

b. in illegal transportation or trade;

**BOAT BUSINESS**

Liability for any illegal transportation or trade is excluded.

c. in any “boat business”: or

Liability of any person while employed or engaged in the business of selling, repairing, servicing, moving, or storing of watercraft; this exposure is better covered under a specialty marine policy.

**RACING, DEMOLITION OR STUNTING**

d. in, or in the practice or the preparation for, an organized or official racing, speed, pulling or pushing, demolition, or stunt activity, test, or contest. However, this does not apply to sailboats.
The boatowners policy excludes coverage while the covered boat is used as a livery conveyance, and while the boat is being used for any racing or stunting activity. Sailboats being used in a race are excepted from the exclusion.

**INTENTIONAL ACT**

2. that results from an intentional and malicious act by or at the direction of an “insured”; that is expected by, directed by, or intended by an “insured”; or that is the result of a criminal act of an “insured”.

This exclusion applies even if:

a. the “bodily injury” or “property damage” that occurs is different than what was expected by, directed by, or intended by the “insured”; or

b. the “bodily injury” or “property damage” is suffered by someone other than the person or persons expected by, directed by, or intended by the “insured”.

However, this exclusion does not apply to “bodily injury” or “property damage” that arises out of the use of reasonable force to protect people or property.

The boatowners policy excludes coverage for intentional bodily injury or property damage even if the outcome is different from what was intended. The exclusion does not apply to bodily injury or property damage arising out of the use of reasonable force to protect people or property.

**WAR**

3. that results directly or indirectly from war. (This includes undeclared war, civil war, insurrection, rebellion, revolution, warlike acts by a military force or military personnel, or destruction, seizure, or use of property for a military purpose. Discharge of a nuclear weapon is deemed a warlike act even if it accidental.)

There is no coverage for bodily injury or property damage resulting directly or indirectly from war.

**Property which is Rented, Hired, Transported or Used in Business**

4. while “covered property” or a “non-owned boat” is:

a. rented to others;
b. hired out or chartered for the use of others;
c. being transported by a land vehicle or a trailer; or
d. used for business by an “insured”

There is no coverage while the insured boat or a non-owned boat is being transported on a trailer or another land vehicle.

Use without Permission

5. to anyone using “covered property” or a “non-owned boat” without the permission of an “insured”.

There is no coverage for anyone using watercraft without the insured’s permission.

Pollution

6. that results from the actual, alleged, or threatened discharge, dispersal, seepage, migration, release, or escape of “pollutants” into or upon land, water, or air. “We” do cover the discharge, dispersal, seepage, migration, release, or escape of “pollutants” it is sudden or accidental.

Broadened pollution coverage—some forms exclude pollution liability. These same forms often add back a nominal amount of coverage for “fuel spill” and some will cover pollution liability which is “sudden and accidental.” Many yacht policies provide additional insurance pertaining to a boatowner’s obligation under the Oil Pollution Act of 1990 (a federal act that makes vessel owners responsible for losses from certain substances) and other federal/state acts.

Water-skiers or Persons being Towed

7. to persons while they are being towed by a “personal watercraft”.

8. to persons while they are being towed by “covered property” or a “non-owned” boat in or on a parasail, hang glider, or a similar device designed for flight.

Many forms also exclude any loss involving water skiing, being towed by a personal watercraft, or being towed while up in the air. This coverage can sometimes be added back via endorsement for additional premium.
Professional Service

9. that arises out of the rendering of or the failure to render a professional service.

An exclusion that is common in liability policies and applies to both liability and medical payments coverage is for rendering or failing to render professional services. This exposure is best insured elsewhere.

Nuclear

10. that results directly or indirectly from an “occurrence” for which an “insured” is also an insured under a nuclear energy liability policy or would be an insured but for the exhaustion of its “limits”. (A nuclear energy liability policy is a policy issued by American Nuclear Insurers, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada, or their successors.)

Another common occurrence is for any liability arising out of an occurrence for which an insured is also an insured under a nuclear energy liability policy.

Additional Exclusions – Liability Only

ADDITIONAL EXCLUSIONS THAT APPLY ONLY TO LIABILITY COVERAGE

“We” do not pay for:

Contractual Liability

1. “bodily injury” or “property damage” liability assumed under any contract or agreement, except a written contract relating to a dock rental or boat storage indemnity agreement.

Liability assumed under any contract, except for liability assumed under a dock rental indemnity agreement.

This exclusion applies if the insured were to charter a boat for his own use, with or without a captain or crew. The insured would likely need to procure coverage through the owner of the chartered craft. These charter agreements normally provide (a) hull
insurance covering the boat to its full value, (b) protection and indemnity insurance with high liability limits, and (c) additional insured status to the charterer (party who charters the boat for his own use).

The exception to a hold harmless agreement is a written contract relating to a dock rental or boat storage agreement. Some liability forms state that a hold harmless agreement can either be written or simply a verbal agreement, while others clearly state that a contract must be written.

**Owned Property**

2. “property damage” to property owned by an “insured”.

Insureds cannot be liable for property damage to their own property.

**Property in Care, Custody or Control**

3. “property damage” to property occupied or used by an “insured” or rented to or in the care of an “insured”. However, “we will cover “property damage” to a launching ramp, dock, or boat storage house rented solely to an “insured”.

The property coverages in the boatowners policy provide physical damage coverage for covered property. Other property owned by an insured or in an insured’s care may be covered on other forms, such as the HO policy.

Property damage to property owned by, rented to, used by, or in the care of the insured. The insured cannot collect on liability for himself due to his negligent actions.

Because of this exclusion, loss arising from the ownership, maintenance, or use of non-covered watercraft, is vital for the insured to add all owned boats to his or her boatowners policy. (Many forms stipulate that when the insured acquires a new boat, he or she must notify the insurer within 30 days of the delivery of the property and pay the increased premium. In addition, some forms restrict newly-acquired boat coverage to craft under a certain length, such as 26 feet.)

**USL&H, Workers’ Comp, etc.**

4. “bodily injury” to a person if benefits are provided or are required to be provided by an “insured” under the U.S. Longshoremen’s and Harbor Workers’ Compensation Act, workers’ compensation, non-occupational disability, or occupational disease law.
Bodily injury to any person if benefits are provided or are required to be provided by an insured under (a) the Longshore and Harbor Workers Compensation Act (known as LHWCA, a federal law which provides no-fault workers compensation benefits to employees, other than masters or crew members of a vessel, injured in maritime employment); (b) any state workers compensation law; (c) a nonoccupational disability law or occupational disease law; or (d) any similar law. This reinforces the fact that the boatowners policy is not intended to cover commercial or business-related events.

Yacht policies often include coverage for liability under the U.S. Longshore and Harbor Workers’ Compensation Act, which provides for compensation to those persons engaged in maritime employment. This is rarely offered for boatowners policies. The insured's liability may arise out of either the Jones Act or the Federal Longshore and Harbor Workers Compensation Act. If coverage is included, the policy agrees to pay for injuries to workers, according to the schedules in the two laws.

**Fines, Penalties or Taxes**

5. fines, penalties, or taxes.

The policy does not cover any fines, penalties, or taxes assessed against an insured.

**Consequential Injuries**

6. “bodily injury” to an employee of an “insured” if it occurs in the course of employment, or consequential injuries to a spouse, child, parent, brother, or sister of such injured employee.

   This exclusion applies where:

   a. the “insured” is liable either as an employer or in any other capacity; or
   b. there is an obligation to fully or partially reimburse a third person for damages arising out of the injuries described above.

There is no coverage for bodily injury to an employee of the insured, or for consequential injury, such as loss of consortium, to a relative of the injured employee. There is no coverage whether a claim is made against the insured as an employer, or in some other capacity.
Bodily Injury to Resident Relatives

7. “bodily injury” to “you”, “your” relatives if residents of “your” household, or persons under the age of 21 residing in “your” household and in “your” care of the care of “your” resident relatives.

There is also an exclusion for coverage due to bodily injury to the insured or to resident relatives. This is also referred to as the intrafamily exclusion.

Another exclusion in some forms is the intra-family exclusion in the liability section of coverage for bodily injury to the named insured or any relative if a resident of the same household. Their purpose is to prevent collusion among family members who could profit by being both insureds and claimants under one policy. Although these exclusions have been in use for many years, they are still being tested in the courts with mixed results.

Additional Exclusions - Medical Payments Only

ADDITIONAL EXCLUSIONS THAT APPLY ONLY TO MEDICAL PAYMENTS COVERAGE

“We” do not pay for:

Common exclusions, pertaining only to medical payments, include the following:

USL&H, Workers’ Comp, etc.

1. “bodily injury” to a person who is entitled to benefits that are provided or required to be provided under any U.S. Longshoremen’s and Harbor Workers’ Compensation Act, workers’ compensation, non-occupational disability, or occupational disease law.

Commonly excluded from medical payments coverage in boat owners policies are persons eligible for benefits under state or federal compensation laws and employees of the insured injured in the course of their employment.
Trespassers

2. “Bodily injury” to a person who is in or on “covered property” or a “non-owned boat” as a trespasser.

Bodily injury to a person who is a trespasser in or on covered property or a non-owned boat is not covered.

Additional Exclusions

Other exclusions applicable to liability coverage also apply to medical payments -- use of the insured boat for commercial purposes or in a race, or responsibility for payment assumed under contract.
UNINSURED BOATERS COVERAGE

"Uninsured boaters" insurance pays an insured damages for accidental bodily injury that the insured is entitled to recover from an uninsured boater.

Boatowners policies usually offer only a limited amount of uninsured boaters coverage. The typical limit is $5,000 to $10,000.

Some policies include uninsured boaters coverage within the liability section, rather than as a separate section, while others add it by endorsement for an additional premium.

State laws applicable to uninsured motorists coverage do not apply to uninsured boaters coverage.

Coverage Z -- Uninsured Boaters -- “We” pay, up to “our” “limit”, all compensatory damages that an “insured” is legally entitled to recover from the owner or operator of an uninsured “boat” because of “bodily injury” sustained by an “insured” and caused by an accident arising out of an uninsured “boat”.

Uninsured watercraft or uninsured boaters coverage pays compensatory but not punitive damages arising from bodily injury the insured is legally entitled to recover from the owner or operator of an uninsured watercraft. The other party’s liability for these damages must arise out of the ownership, maintenance, or use of the uninsured watercraft. Many boat operators go without liability coverage. Under most policies, underinsured coverage is not covered.

Boatowners coverage does not include uninsured motorists property damage coverage. Damage to the boat or hull is insured under the property or physical damage coverage of the boatowners policy.

Any judgment for damages arising out of a suit brought without “our” written consent is not binding on “us.”

Judgement from suit brought without the insurer’s consent is not covered.

Definition of Uninsured Boat

An uninsured “boat” is a “boat” that causes “bodily injury” to an “insured” and:

1. for which no “bodily injury” liability bond or policy applies at the time of the accident;
2. that is a hit and run “boat” and the owner or operator of that “boat” cannot be identified; or

3. for which “bodily injury” coverage is in force at the time of the accident but the insuring company:
   a. becomes insolvent; or
   b. denies the coverage. However, this does not include a “boat” that is covered under Coverage X of this form if “we” deny coverage for the accident under the “terms” of Coverage X or Y.

Some forms contain a separate definition for an "uninsured watercraft," including watercraft of any type:

- To which no bodily injury liability policy applies at the time of the occurrence;
- That is covered by an insurer which denies coverage or becomes or is insolvent;
- Which is a hit-and-run watercraft whose owner or operator cannot be identified.

Definitions often stipulate what types of watercraft are not "uninsured watercraft" as well. This can include watercraft that is:

- Owned by, rented or chartered to, furnished, or available for the regular use of an insured;
- Owned by any governmental agency.

**Uninsured Boatowners Exclusions**

**EXCLUSIONS THAT APPLY TO UNINSURED BOATERS COVERAGE**

“We” do not pay for “bodily injury” to a person:

Uninsured boaters coverage contains several exclusions. The insurer will not cover bodily injury to a person:

**Owned but Not Insured**

1. who occupies, or is struck by, a “boat” that is not covered under Coverage X and that is owned by:
   a. “you”;
b. “your” relatives if residents of “your” household; or

c. persons under the age of 21 residing in “your” household and in “your” care or the care of “your” resident relatives.

Under uninsured boaters coverage, there is no coverage for injury arising from occupying or being struck by an uninsured boat owned by an insured. This prevents someone who owns more than one boat from insuring only one boat and claiming coverage for all the boats.

**Hired, Livery or Business Use**

2. while that person occupies “covered property” or a “non-owned boat” that is:

   a. used to transport people or goods for a fee;

   b. rented to others;

   c. used for business by an “insured”; or

   d. hired out or chartered for the use of others.

There is no underinsured boatowners coverage for a boat used as a livery conveyance.

**Trespassers**

3. who is in or on “covered property” or a “non-owned boat” as a trespasser.

As under the medical payments section, coverage does not apply to trespassers.

**Voluntary Payment or Settlement**

4. or that person’s legal representative who settles a “bodily injury” claim without “our” consent.

There is no coverage if a claim for bodily injury is settled without the insurer’s consent.
**Racing**

5. while “covered property” or a “non-owned boat” is used in, or in the practice or the preparation for, an organized or official racing, speed, pulling or pushing, demolition, or stunt activity, test, or contest. However, this does not apply to sailboats.

There is no coverage if the boat, other than a sailboat, is used for any racing activity.

**Government Owned**

6. who is struck by an uninsured “boat” that is owned by a governmental unit or agency.

There is no coverage if the bodily injury arises from being struck by a boat owned by a governmental unit or agency. This is because a government is presumed to either carry insurance or self-insure.

**ARBITRATION**

If “we” and an “insured” do not agree whether that person is legally entitled to recover damages under uninsured Boatowners Coverage Z or as to the amount of damages, either party may make a written demand for arbitration.

In that event, each party will select an arbitrator and notify the other of the arbitrator’s identity within 20 days after the receipt of the written demand. The two arbitrators will select a third. If they cannot agree within 30 days, either may request that selection be made by a judge of a court having jurisdiction. Arbitration will take place in the county in which the “insured” lives, unless both parties agree otherwise. Local rules of law regarding procedure and evidence will apply.

A written agreement by two of the arbitrators will be binding as to whether the “insured” is legally entitled to recover damages and the amount of damages.

Each party will pay the expenses it incurs and bear the expenses of the third arbitrator equally.
The boatowners policy provides for arbitration in the event of dispute over coverage for an uninsured boaters loss. Written agreement by two of the three arbitrators is binding. Uninsured Boatowner Coverage includes a mandatory arbitration clause.

**Duties in Event of Loss or Claim**

In event of a loss, the insured must fulfill certain duties. These are as follows.

**Notice**

1. Notice -- In case of a loss, the “insured” must promptly give “us” or “our” agent notice (“we” may request written notice) and give notice to the police when the act that causes the loss is a theft or crime.

   The notice to “us” must state:

   a. the name of the “insured”, the policy number, and the time, place, and the details of the loss; and

   b. names and addresses of all known witnesses and potential claimants.

In the event of a loss, the insured must promptly give notice to the insurance company as well as the police.

**Cooperation**

2. Cooperation -- The “insured” must cooperate with “us” in performing all acts required by this form.

The insured must also cooperate fully with the insurer in settlement of the claim.

**Volunteer Payments**

3. Volunteer Payments -- An “insured” must not make payments, pay or offer rewards, or assume obligations or other costs, except at the “insured’s” own cost. This does not apply to costs that are allowed by the “terms” of this form.

If an insured makes any payments or assumes any allegations voluntarily, the insurer is not obligated to pay these expenses or reimburse the insured.
Repairs

4. Repairs -- The “insured” must take all reasonable steps to protect property covered under this form at and after an insured loss to avoid further loss. “We” will pay the reasonable costs incurred by “you” for necessary repairs or emergency measures performed solely to protect property covered under this form from further damage by a peril insured against if a peril insured against has already caused a loss to property covered under this form. The “insured” must keep an accurate record of such costs. However, “we” will not pay for such repairs or emergency measures performed on property that has not been damaged by a peril insured against. This does not increase “our” limit.

The insured must do temporary repairs and repairs and protect the property from further damage. The insurer agrees to pay the insured for the cost of these procedures.

Other Duties – Property Coverages

5. Other Duties -- Property Coverages -- At “our” request the “insured” must:

a. give “us” a signed and sworn proof of loss, within 60 days after “our” request, that shows:

1) the time, place, and the details of the loss;
2) the interest of the “insured” and of all others in the property. This includes all mortgages and liens;
3) other policies that may cover the loss;
4) changes in title or use;
5) detailed estimates for repair of replacement; and
6) in detail, the quantity, description, cost, amount of loss, and actual cash value of the property involved in the loss. The “insured” must give “us” copies of all bills, receipts, and related documents to confirm these;

b. submit to examination under oath in matters that relate to the loss or claim as often as “we” reasonably request. If more than one person is examined, “we” have the right to examine and receive statements separately from each person and not in the presence of other “insureds”;

c. show the damaged and undamaged property as often as “we” reasonably request and allow “us” to inspect and take samples of the property;

d. show records, including tax returns and bank records of all canceled checks, that relate to the value, loss, and costs, and permit copies to be made of them as often as “we” reasonably request; and
### Other Duties – Liability & Medical

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<td><strong>e.</strong></td>
<td>assist “us” to enforce any right of recovery that the “insured” may have against a party causing the loss.</td>
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Insureds have an affirmative duty to assist the insurer to obtain subrogation of the amounts paid against the party actually causing the loss.

### Other Duties – Uninsured Boatowners

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<td><strong>7.</strong></td>
<td>Other Duties -- Coverage Y -- In case of an accident, the injured person or someone acting on behalf of that person must:</td>
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<td>a.</td>
<td>give “us” written proof of claim (under oath if “we” request) as soon as practical; and</td>
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<td>b.</td>
<td>authorize “us” to get copies of medical records.</td>
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The injured person must submit to physical exams by doctors chosen by “us” when and as often as “we” may reasonably require.
Under the Uninsured Boatowners coverage, the injured party, or someone acting on their behalf, must cooperate in the settlement of the claim.
LOSS SETTLEMENT PROVISIONS

Property Loss Settlement

Policies also differ as to how losses will be settled. Some offer replacement cost coverage, some actual cash value, and still others “agreed value.” Often the settlement provision depends on the type of boat. Yachts are often subject to agreed value settlement in case of a total loss. Other policies pay replacement cost on partial losses, or reserve the right to repair the boat in “accordance with customary repair practices.”

Loss settlement provisions also vary according to what type of property is damaged. Some policies offer replacement cost with no deduction for depreciation, except for sails, protective covers, and batteries. For these items, the policies contain specific depreciation schedules, which state that a certain percentage will be deducted for each year of age of the items -- regardless of their condition.

Valuation

There are three approaches to valuing property under boatowners policies. These include the actual cash value (ACV) approach, the replacement cost approach, and the stated value approach.

1. Property Coverages

   Actual Cash value includes a deduction for depreciation, however caused.

Actual Cash Value

Many boatowners policies establish simple and straightforward loss settlement provisions. The loss, however, may not exceed the amount to repair or replace the covered property, less the deductible.

“Actual cash value” means that a deduction will be taken for depreciation. The usual way of obtaining this figure is replacement cost less depreciation, rather than market value.

Replacement Cost

Some boatowners policies offer replacement cost protection for partial losses. This amount is paid without deduction for depreciation. Many insurers place an age restriction on replacement cost coverage for partial losses to outboard motors (e.g., 1 year or 3 years of age). Older outboard motors are adjusted on an ACV basis. In addition, this replacement cost provision often does not apply to sails, canvas, and riggings.
Some forms also allow replacement cost options on personal effects for an additional premium, comparable to replacement cost coverage for loss to personal property under a homeowners policy.

In addition, total loss replacement coverage is offered by some insurers. This optional coverage, which is accompanied by an increased premium, is normally available only when the totaled vessel is 2 years old or newer, although some allow the option for boats up to 4 years old. The replacement is the cost of a new vessel that is, to the extent possible, the same make, class, size, and type with comparable equipment and features.

**Stated Value**

Some boatowners policies contain the stated value or agreed value provision, particularly when it is difficult to determine an exact value of the boat. The owner and the insurer agree to this figure at the inception of the policy.

Policies often include a stated limit of liability on losses of equipment and accessories, either a dollar amount or a percentage of the value of the boat. These limits can usually be raised, subject to payment of additional premium. A few policies have a blanket physical damage limit that includes the values of boat, motor(s), and boat equipment.

One form organizes the agreed value coverage into two parts—(a) total loss and (b) other than total loss. In the event of a total loss, the limit of liability is the amount listed on the declarations. This figure is reduced by any salvage value, if the named insured retains the salvage. In the event that the craft is not totaled, the insurer pays the ACV of the stolen or damaged property, or the amount necessary to repair or replace the property, whichever is less. The agreed value option is more common in yacht policies than in boatowners policies.

**Deductible**

a. **Deductible** -- This applies to all the Principal Property Coverages and all the Additional Property Coverages except Emergency Service. “We” pay only that part of “your” loss over the deductible. Not more than one deductible applies per loss. When a loss affects two or more items with different deductible amounts, the highest deductible applies.

Property coverage is subject to the deductible specified in the declarations. Deductibles for smaller boats range from $100 to $2,500, while larger boats are often $1,000 or more. Some deductibles are a percentage of the hull limit, ranging from 1 to 10 percent. Some insurers provide “split” deductibles—one applicable to boats and motors, one applicable to miscellaneous property such as accessories, and one applicable to the boat trailer. In addition, some insurers impose separate deductibles for certain perils, such as windstorm or machinery damage. Special deductibles sometimes apply to unattached equipment (or to trailers) also.
A deductible applies to all property coverages and all additional property coverages except for emergency service. In event of a covered loss involving different property, the highest deductible applies.

**Loss to Parts**

b. Loss to Parts -- If there is a loss to a part of an item that consists of several parts when it is complete, “we” pay only for the value of the lost or damaged part of the cost to repair or replace it.

If a part of an item is damaged, the insurer is not required to pay the cost of the entire item. Instead they will pay the cost of the part only.

**Insurable Interest**

c. Insurable Interest -- Even if more than one person has an insurable interest in the property that is covered, “we” pay no more than the amount of “your” interest in the property.

In event of a covered loss, no more than the named insured’s interest in the covered property will be paid.

**Breakage of Glass**

d. Breakage of Glass -- When breakage of glass is covered, “we” pay to replace the damaged glass with safety glazing materials if required by code, ordinance, or law.

The insurer agrees to replace broken glass with safety glass where required by law.

**Loss Statement Terms – Described Boats**

e. Loss Settlement Terms -- Boats Described on the Declarations -- Subject to 1.a. through

1.d. above, the following applies:
The first of the loss settlement provisions pertains to “boats”; “watercraft, including sails, spars, fittings, and all permanently attached equipment.”

### TOTAL LOSS

1) **Total Loss --** If there is a total or constructive total loss to a to a “boat” described on the “declarations”, “we” will pay no more than the “limit” shown on the “declarations” for that “boat” even if the expense of recovering, repairing, replacing or rebuilding exceeds that “limit”.

When a total or constructive total loss appears ambiguous, the insurer will pay “no more than the “limit.”

### OTHER LOSS REPAIRED OR REPLACED

2) **Other Loss Which You Repair or Replace --** (This does not apply to canvas, sails, or rigging.) If there is a loss to a “boat” described on the “declarations”, other than a total or constructive total loss, which “you” repair or replace, “we” will pay the cost of repair or replacement, without deduction for depreciation, but not exceeding the lesser or:

   a) the “limit” shown on the “declarations” for the damaged “boat”;
   b) the replacement cost of the damaged part of the “boat”; or
   c) the amount spent to repair or replace the damaged part of the “boat” with material of like kind and quality according to the manufacturers’ specifications or accepted repair practices.

If a loss or damage is not total, and the insured chooses to repair or replace, then the lesser of the amount of insurance, the replacement cost of the damaged part of the boat, or the amount spent to repair or replace “with like kind and quality” is the amount that will be paid. Sails, canvas, or rigging are not subject to this provision.

### OTHER LOSS NOT REPAIRED OR REPLACED

3) **Other Loss Which You Do Not Repair or Replace and Loss to Canvas, Sails, or Rigging --** If there is a loss to a “boat” described on the “declarations”, other than a total or constructive total loss, which “you” do not repair or replace, or loss to canvas, sails or rigging, “we” will pay the lesser of:

   a) the “limit” shown on the “declarations” for the damaged “boat”;
   b) the actual cash value of the damaged part of the “boat” at the time of the loss; or
c) the amount needed to repair or replace the damaged part of the “boat” with material of like kind and quality according to the manufacturers’ specifications or accepted repair practices.

The final loss settlement provision for boats described in the declarations applies to canvas, sails, riggings, or loss or damage not repaired or replaced. The insurer pays the lesser of the limit of insurance, the actual cash value of the damaged part of the boat at the time of loss, or the amount needed to repair or replace with like kind and quality.

**Loss Settlement Terms – Other Boats**

f. Loss Settlement Terms -- Other Boats -- Subject to 1.a. through 1.d. above, if there is a loss to a “boat” other than a “boat” described on the “declarations”, “we” will pay the lesser of:

1) the “limit” that applies to the damaged “boat”;  
2) the actual cash value of the damaged part of the “boat” at the time of the loss; or  
3) the amount needed to repair or replace the damaged “boat” with material of like kind and quality according to the manufacturers’ specifications or accepted repair practices.

These provisions pertain to substitute, non-owned boats, or newly acquired boats. Substitute boats are covered for no more than the amount shown on the declarations for the boat the substitute replaces. Newly acquired boats are covered for no more than the greater of the sum of the limits on the declarations or $25,000. Non-owned boats other than substitute boats are covered for no more than $10,000. These amounts are the “limits” that apply to the damaged boat. The insurer selects the lesser of three amounts in settling the loss.

**Loss Settlement Terms – All Other Property**

g. Loss Settlement Terms -- All Other Property -- Subject to 1.a. through 1.d. above, if there is a loss to property other than a “boat”, “we” will pay the lesser of:

1) the “limit” that applies to the damaged property;  
2) the actual cash value of the damaged property at the time of loss; or  
3) the amount needed to repair or replace the damaged property with material of like kind and quality to the extent practical.

The final property provisions apply to motors, trailers, miscellaneous equipment, and property of others or of the insured. The limits of insurance are shown on the
declarations for motors and trailers; other property is limited to $500 or $1,500 (unless increased). Again, the insurer pays the lesser of three possible amounts.

**Liability Loss Settlement**

2. Liability Coverages

Provisions are broken down into 3 sections:

**Liability**

a. Liability Coverage -- The “limit” shown on the “declarations for Liability Coverage X is the most “we” pay for each “occurrence”. This applies regardless of the number of:

1) persons insured under this form;
2) parties who sustain injury or damage;
3) claims made or suits brought;
4) “boats” or premiums shown on the “declarations”; or
5) “boats” involved in the accident.

Liability coverage is on a per-occurrence basis. The limits will not be increased beyond what is indicated on the declarations no matter the number of claims or claimants arising out of any one occurrence. The provision stating that the limit does not change no matter how many boats are shown on the declarations is the boatowners equivalent of an auto anti-stacking provision. The limits will not be increased no matter how many boats the insured has covered.

**Medical Payments**

b. Medical Payments Coverage -- The “limit” shown on the “declarations per person for Medical Payments Coverage is the most “we” will pay for all medical expenses payable for “bodily injury” to one person as the result of an accident. Medical expenses payable under Coverage Y will be reduced by the amount payable or paid for the same expenses under Uninsured Boatowner Liability Coverage.

If a “limit” is shown on the “declarations” per accident for Medical Payments Coverage, that “limit” is the most “we” pay for any one accident.

The payment of a claim under Medical Payments Coverage does not mean “we” admit “we” are liable under Liability Coverage.
Any medical payments made as the result of bodily injury will be reduced by any amounts paid or payable under uninsured boaters coverage.

**Uninsured Boatowners**

3. Uninsured Boatowners Coverage -- The “limit” shown on the “declarations” for Uninsured Boatowners Coverage is the most “we” pay for each accident. This applies regardless of the number of:

   a. persons insured under this form;

   b. parties who sustain injury or damage;

   c. claims made or suits brought;

   d. “boats” or premiums shown on the “declarations”, or

   e. “boats” involved in the accident.

   Amounts otherwise payable for damages under coverage Z will be reduced by:

   a. amounts paid because of “bodily injury” by or on behalf of persons or organizations who may be legally responsible. This includes amounts paid under Coverage X; and

   b. amounts paid or payable for “bodily injury” under any U.S. Longshoremen’s and Harbor Workers’ Compensation Act, workers compensation, non-occupational disability, or occupational disease law.

   Amounts payable under Uninsured Boatowners Coverage will reduce the amounts that person is entitled to recover for the same damages under Liability Coverage and Medical Payments Coverage.

The limit of uninsured boaters coverage is the most the insurer will pay for any one accident involving this coverage. If another coverage applies -- whether the legally responsible party’s coverage, the insured’s liability coverage, or any amounts payable under workers compensation or U.S. Longshore and Harbor Workers’ Compensation Act, then any amount so payable reduces the uninsured boaters payment for the injury.

**Insurance Under More than One Coverage**

4. Insurance Under More than One Coverage -- If more than one coverage of this form applies to a loss, “we” pay no more than the actual loss.
Even if more than one coverage contained in the boatowners form applies to a loss, no more than the actual amount of the loss will be paid.

**Insurance Under More Than One Form**

5. **Insurance Under More Than One Form or Policy --**

   a. **If this form and any other form or policy issued to “you” by “us” apply to the same loss or claim, “our” maximum “limit” under all such insurance will not exceed the highest applicable “limit” under any one form or policy.**

If there is another policy in force not issued by the same insured, the boatowners form pays on a pro-rata basis, except for substitute or non-owned boats, in which case the boatowners insurance is excess.

   b. **If other insurance that applies to the loss or claim is provided under a form or policy that has not been issued to “you” by “us” for:**

      1) **Property Coverage -- “We” pay “our” share of the loss. “Our” share is that part of the loss that the “limit” of this form bears to the total amount of insurance that applies to the loss. However, this form is excess over all other insurance for loss to “substitute boats” or “non-owned boats.”**

In the event the insured has coverage under both the boatowners and any policy from the same insurer, the amount paid will not exceed the highest limit under any one form. The limits are not stacked.

   2) **Coverages X and Z -- This form is excess over the other insurance. However, if the other insurance is specifically written as excess insurance over this form, the “limit” of this form applies first.**

If a covered liability or uninsured boaters claim is made, the boatowners form is excess over any other insurance, unless the other form is specifically written to be excess; in which case the boatowners form responds on a primary basis.

   3) **Coverage Y -- With respect to a person who is an “insured” as defined in 10.a., 10.b., or 10.c. under Definitions, this form is excess over the other insurance. However,**
if the other insurance is specifically written as excess insurance over this form, the “limit” of this form applies first.

Medical payments coverage is payable on an excess basis to insureds, unless the other insurance form is specifically written as excess, in which case the boatowners form responds on a primary basis.

Restoration of Limits

6. Restoration of Limits -- A loss “we” pay under this form does not reduce the applicable “limit” unless it is a total loss to an item described on the “declarations”. In the event of a total loss to an item described on the “declarations”, “we” will refund the unearned premium on that item.

Restoration of limits states that in event of a covered total loss to property described on the declarations, the insurer will refund any unearned premium for that item. Otherwise, the limits of insurance on the policy are not diminished.

Payment Provisions

Your Property

1. Your Property -- “We” adjust each loss to “your” property with “you”. “We” pay a covered loss within 30 days after an acceptable proof of loss is received and the amount of the loss is agreed to in writing. If “you” and “we” do not agree, “we” pay within 30 days after the filing of an appraisal award with “us”. Payment is made to “you” unless a loss payee is named. At “our” option, “we” may:

   a. pay the loss in money; or

   b. rebuild, repair, or replace the property. “We” must give “you” notice of “our” intent to do so within 30 days after “we” receive an acceptable proof of loss.

   “We” may take all or part of the damaged property at the agreed or appraised value. Property paid for or replaced by “us” becomes “ours”.

The loss payment provisions give the insurer two ways to settle a loss. First, the insurer may elect to make a monetary settlement. Second, the insurer may elect to repair, replace, or rebuild the damaged property. The insurer, following settlement of a covered loss, may also choose to take the damaged property, in which case salvage rights go to the insurer.
Property of Others

2. Property of Others -- At “our” option, a covered loss to property of others may be adjusted with and paid:
   
a. to “you” on behalf of the owner; or
   
b. to the owner. If “we” pay the owner, “we” do not have to pay “you”.

When a loss occurs to property of others, the insurer may settle the loss with the insured, or with the owner of the damaged property.

Liability Coverage

3. Coverage X -- A person who has secured a judgment against an “insured” for a loss covered by the Personal Liability Coverage provided by this form or has liability established by a written agreement between the claimant, an “insured”, and “us” is entitled to recover under this form to the extent of coverage provided.

In the event of a covered liability claim, the claimant is entitled to recover to the extent of the judgment or agreement; within the applicable limit of liability.
Conformity with Statute

1. Conformity With Statute -- “Terms” of this form in conflict with the applicable laws are changed to conform to such laws.

The conformity with statute provision recognizes the fact that boats are movable property and may be operated not only in different territories within the United States, but may also be operated outside the country.

Misrepresentation, concealment or Fraud

2. Misrepresentation, Concealment, or Fraud -- This coverage is void as to “you” and any other “insured” if before or after a loss:

   a. “you” or any other “insured” has willfully concealed or misrepresented:

      1) a material fact or circumstance that relates to this insurance or the subject thereof; or
      2) an “insured’s” interest herein; or

   b. there has been fraud or false swearing by “you” or any other “insured” with regard to a matter relating to this insurance or the subject thereof.

All coverage is void if it is discovered that any insured has concealed or misrepresented a material fact, an insured’s interest, or committed fraud or false swearing.

Recoveries

3. Recoveries -- This applies if “we” pay for a loss and lost or damaged property is recovered, or payment is made by those responsible for the loss.
a. The “insured” must inform “us” or “we” must inform the “insured” if either recovers property or receives payment.

b. Property costs incurred by either party are paid first.

c. The “insured” may keep the property. The amount of the claim paid, or a lesser amount to which “we” agree, must be returned to “us”.

d. If the claim paid is less than the agreed loss due to a deductible, or other limiting “terms, the recovery is prorated between the “insured” and “us” based on the interest of each in the loss.

In the event a deductible applies to a loss so that the claim paid is less than the agreed loss, any recovery is prorated between the insured and insurer based on the interest of each.

Subrogation

4. Subrogation -- If “we” pay for a loss, “we” may require that “you” assign to “us” the right of recovery up to the amount “we” pay. “We” are not liable for a loss, if, after the loss, an “insured” impairs “our” right to recover against others. “You” may waive “your” right to recover, in writing, before a loss occurs. If “we” pay a loss to or for an “insured” and the “insured” recovers from another party for the same loss, the “insured” must pay “us” as stated in 3. above.

Subrogation does not apply to Coverage Y.

The subrogation provision does not apply to medical payments. If an insured acts in any way to impair the insurer’s right to recovery, the insurer can deny payment.

Suit Against the Insurer

5. Suit Against Us -- No suit may be brought against “us” unless all the “terms” of this form have been complied with and:

a. Property Coverages -- The suit is brought within two years after the loss.

If the applicable law makes this time period invalid, the suit must be brought within the time period allowed by the law.

b. Coverage X -- The amount of an “insured’s” liability has been fixed by:
1) a final judgment against an “insured” that is the result of a trial or
2) a written agreement of the “insured”, the claimant, and “us”.

No person has a right under this form to join “us” or implead “us” in actions that are brought to fix the liability of an “insured”.

The suit against us condition contains two provisions -- one that applies to property coverages, and the other to liability. In event of a covered property loss, a suit against the insurer must be brought within two years after the loss, unless this period is altered by law. In event of a covered liability loss, suit against the insurer cannot be brought until the amount of the insured’s liability is determined by either a final judgment against the insured resulting from a trial, or by an agreement among the insured, insurer, and claimant.

Bankruptcy of an Insured

6. Bankruptcy of an Insured -- Bankruptcy or insolvency of an “insured” does not relieve “us” of “our” obligations under this form.

Even if the insured files bankruptcy, the insurer is still liable for payment under the policy.

Death of the Named Insured

7. Death -- On “your” death, “we” will cover the following as an “insured”:

a. the person who has custody of “your” property until a legal representative is qualified and appointed; or

b. “your” legal representative.

This person or organization is an “insured” only with respect to property covered under this form and liability arising out of that property.

This coverage does not go beyond the end of the policy period.

If the insured dies, the policy recognizes the person who has custody of their property and the insured’s legal representative as an insured.
Liberalization

8. Liberalization -- If “we” adopt a revision which broadens coverage under this edition of “our” form without an additional premium, the broadened coverage will apply to “your” policy as of the date “we” adopt the revision in the state in which the “boats”, “motors”, and “boat trailers” described on the “declarations” are normally kept. This applies only to revisions adopted 60 days prior to or during the policy period shown on the “declarations.” This does not apply to changes adopted as a result of the introduction of a subsequent edition of “our” form.

Any time the insurer revises the policy to provide broader coverage on new policies at no additional cost, it will automatically apply to policies already in force.

Conditions that Apply to Property Coverages

Abandonment of Property

1. Abandonment of Property -- An “insured” may not abandon any property to “us” unless “we” agree to it in writing.

An insured cannot merely turn over damaged property to the insurer and demand a settlement. The insurer may take salvage as its option.

Approval

2. If “you” and “we” do not agree on the amount of the loss, the actual cash value of the property, or the cost to repair or replace the property, either party may demand that these amounts be determined by appraisal.

If either party makes a written demand for appraisal, each will select a competent independent appraiser and notify the other of the appraiser’s identity within 20 days after the receipt of the written demand. The two appraisers will select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, “you” or “we” can ask a judge of a court of record in the state where the property is located to select an umpire.
For each item of property, the appraisers will determine:

a. the amount of the loss;
b. the actual cash value of the property; and
c. the cost to repair or replace the property.

Each amount will be stated separately. If the appraisers submit a written report of an agreement to “us”, the agreement will establish these amounts. If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. A written agreement by two of these three will establish the amounts stated above.

Each appraiser will be paid by the party selecting that appraiser. The compensation of the umpire and the other costs of the appraisal will be shared equally by “you” and “us.”

The appraisal provision helps settle disputes between the insured and insurer regarding the amount of a covered loss. The coverage itself is not a subject for appraisal.

**Benefit to Others**

3. Benefit to Others -- Coverage under this form will not directly or indirectly benefit others who have custody of property covered under this form.

According to the benefit to others provision, anyone handling someone else’s property for a profit should have their own insurance. The insurance cannot relieve the responsibility to maintain insurance of those who take custody of property in order to perform some function for which they will be paid.
MARINE REPRESENTATIONS/WARRANTIES

Many boatowners policies contain conditions specific to marine risks, which were historically referred to as warranties. A warranty is a clause stipulating that before the insurer is liable, a certain condition affecting the risk must exist. The traditional doctrine of warranty is very strict: any breach of a warranty by an insured allows the insurer to void the policy. State laws and court decisions have mitigated the stringent effects of this doctrine, particularly in boatowners policies. The general rule concerning representations is that if the named insured lies on the application and these falsehoods are *material* to the risk, the insurer can later deny a claim relating to this issue. The test of materiality focuses on whether the insurer would have written the policy at the same price or at all if the truth were known.

The following marine-related representations/warranties are common in the conditions section of boatowners policies:

**Territorial Limits**

Also found among the general conditions is the territorial limit of coverage, which may vary in accordance with the type of boat being insured. Some policies limit coverage to inland waters of the continental United States, Hawaii, and Canada. Others include coastal waters to a specified distance from shore. Some boat forms contain no territorial limitation. Other companies allow for the purchase of an endorsement expanding the territorial limits.

Some forms specify that coverage applies only within the United States, Canada, and their inland and coastal waters. One form defines "coastal waters" as "ocean waters that extend 15 statute miles from the coastline of the U.S. and Canada."

Other boatowners forms provide a wider coverage territory or greater specificity, for example:

- Atlantic and Gulf Coastal/tidal waters between Eastport, Maine, and Brownsville, Texas
- Coastal/tidal waters of the Bahamas
- Pacific coastal/tidal waters between Vancouver Island, British Columbia, and San Quintin, Mexico
- Inland waters of the continental United States and Canada, including the Great Lakes

**Seaworthiness Representation**

This representation stipulates that the named insured will keep his or her craft in a safe and navigable condition whenever afloat or being operated. Seaworthiness involves such factors as (1) maintaining a sound hull and properly running engines, and (2) ordering proper supplies and sufficient fuel for the voyage.
**Lay Up Period**

In some cases, the named insured represents the craft will *not* be in operation during certain periods, such as winter months. Premium credits are often provided, based on the percentage of time the boat is inactive. Some insurers designate the lay up period for boats in certain waters in their underwriting guidelines.

Some insurers require that the boat be removed from the water and stored in a safe location during the lay up period. The lay up location often has to be identified on the application. This provision is more common on yacht policies, but is occasionally found on boatowners policies.

**Private Pleasure Warranty**

All policies contain some type of "pleasure use warranty," which excludes both liability and physical damage coverage while the boat is being used for commercial purposes. Some policies allow a limited number of charters (up to a certain number of days per year) if such charters are for pleasure purposes and the named insured or a licensed captain operates the boat.

Some insurers offer boat owner insureds the option of occasional use of the boat to entertain the insured's business clients.

This representation provides that the named insured warrants that the covered boat be used for private pleasure only. Any commercial use, without the insurer's consent, may void coverage from the policy inception. Most forms, however, stipulate that business entertainment for which there is no direct remuneration is considered private pleasure use. Some insurers may also allow a "fish and sell" endorsement for occasional commercial fishing, sometimes known as an “excess catch” endorsement.

**Safe Powering**

In this representation the named insured represents that the motor's horsepower for the covered boat does not exceed the manufacturer's recommended safe powering limit. Approval from an underwriter prior to policy inception for any exception to this rule is normally required.

**Safety Device Representation**

If the insured receives a premium credit for a safety device, he or she agrees to maintain these devices in working order and to notify the insurer promptly of any changes made to the device or to its removal. This provision is sometimes included in the property coverages section rather than in the conditions section.
OUTBOARD MOTOR AND BOAT POLICY

The outboard motor and boat policy is designed for persons who own motorboats or sailboats with adequate personal liability coverage under their homeowners policy, but need broader property coverage. These forms are not as common as the boatowners policy due to the relatively low liability limits available on the homeowners policy.

This inland marine form provides coverage on either an "all risk" or "named perils" basis, with the all risk approach being the most common. Many of the features contained in the boatowners property coverage apply to the outboard motor and boat policy.

YACHT POLICY

Yacht policies are similar to boatowners policies in that they both provide package coverage, including property, liability, and uninsured boaters protection. However, yacht policies are normally considered ocean marine insurance and include some of the terminology and features found on policies for large commercial vessels.

Some insurers specify in their underwriting guidelines the types of boats applicable to the boatowners policy and to the yacht policy. Some insurers use one form for both small craft and large yachts. These forms are very flexible and coverage can be modified by endorsement to meet the needs of insureds.

Variations Between Boatowners Policies and Yacht Policies.

Property Variations

Yacht policies often use ocean marine terminology whereas boatowners policies often use inland marine terminology.

Boatowners policies also often specify three main property coverages—boats, motors, and trailers. In contrast, yacht policies only identify yachts and trailers since larger boats do not have a separate outboard motor.

Yacht policies often provide broader property coverage than boatowners policies, particularly under the hull coverage extensions. In addition, some yacht policies may pay for the recharge of fire extinguishing equipment, coverage that is rarely seen in boatowners policies.

Yacht policies are normally written on an agreed value basis, with a specified property limit. Boatowners policies, however, are usually written on an ACV basis.

Breach of warranty coverage is fairly common on yacht policies, as compared to boatowners forms. A lender often requires this insurance when an owner finances his boat. This protects the lender if the owner breaches a policy warranty, and the policy is
voided due to this breach. The lender will still be paid equal to the coverage amount, which should equal the outstanding loan balance.

The standard deductibles often differ between the two forms. Boatowners policies typically have a flat deductible such as $250, $500, or $1,000. The yacht policy deductibles range from 1 percent to 10 percent of the hull value, with premium credits applicable for the higher deductibles.

**Liability Variations**

Liability coverages provided under both forms are similar. However, many yacht policies adopt the ocean marine terminology of "protection and indemnity" (P&I), which covers bodily injury and property damage losses the insured is responsible for. The liability exclusions are similar between the two policies, although the pollution exclusion found on many yacht policies is often absent under boatowners policies. Some yacht policies excludes any "bodily injury, property damage, or clean up costs that result from the discharge, dispersal, release, or escape of pollutants into or upon land, water, or air." Some yacht insurers provide coverage for "sudden and accidental" pollution events.

One key liability difference between the two forms concerns coverage under the Longshore and Harbor Workers Compensation Act (LHWCA). Both policies normally exclude any losses under (a) the LHWCA; (b) workers compensation law, (c) nonoccupational disability law; or (d) occupation disease law. However, the yacht policy often includes a LHWCA coverage option which is rarely offered for boatowners policies.

The LHWCA provides no-fault workers compensation benefits to employees, other than masters or crewmembers of a vessel, who are injured in the course of maritime employment.

In order for longshoremen's coverage to apply, it must be designated on the declarations. This coverage is normally part of, and not in addition to, the watercraft liability limit.

The owner of boats with paid captain or crew could be obligated under general maritime law, including the Jones Act. The Jones Act of 1920 provides seamen with coverage for on-the-job injuries. It is important that boatowners with captain and/or crew provide coverage for this legal liability. Some yacht policies cover this exposure, or exclude it but offer buy back coverage. This coverage is rarely, if ever, offered on a boatowners policy.

Some yacht policies offer collision liability, commonly known as "running down" coverage. This coverage only addresses collision with another vessel. It falls under the physical damage section of the form, even though it is a liability coverage. This separate coverage extends the insured's P&I coverage for other types of bodily injury or property damage. This coverage is rarely, if ever, found on boatowners policies.

Much higher watercraft liability limits are normally available under the yacht policy than the boatowners policy. Many boatowners policies set upper limits of $300,000 or
$500,000. In contrast, liability limits in excess of $10 million are common with large watercraft.
UNDERWRITING AND PREMIUM CONSIDERATIONS

Whether a company writes boat insurance as a specialty line, or as an accommodation for desirable personal lines business, the Boatowners Program can be a valuable addition to its portfolio.

**Underwriting Criteria**

Although underwriting criteria may vary from insurer to insurer, there are some common points:

- First, the watercraft itself, the length, maximum speed, value, and type of boat.
- Next, the operator(s) of the boat to be insured, their experience, water safety courses, motor vehicle record, and any previous boating losses.
- Also important is where the boat is to be operated. Each territory may be subject to its own hazards, and the underwriter will consider these when reviewing an application.

Underwriting boat insurance is similar to underwriting automobile insurance. The main considerations in underwriting are the operators, type of vehicle/boat and usage, as well as location where it will be operated.

**Operators:**

The underwriter will want to know the boating experience of all operators, particularly their experience with watercraft similar to that which is being insured. Of primary concern will be their loss history, including their motor vehicle records.

Youthful operators can increase the exposure to loss with regard to boating, just as they do for auto insurance.

**Type of boat:**

The description, age, and particularly the condition of the boat are very important in underwriting this coverage.

The boat should be physically inspected, or at least underwriters should obtain photos of the craft and any explanatory literature that might be available. With larger watercraft, a marine survey may be required.

**Navigational territory:**

Characteristics of various territories differ significantly, and some territories are subject to rapid changes in weather that can lead to rough water conditions.
Other underwriting considerations

The hazards commonly associated with boating are fire, collision, striking a submerged object, and theft. Small boats that can be towed by a trailer are vulnerable to theft. Underwriters must consider the precautions the owner takes for storing the boat and whether there is security in the area or facility.

The fire hazard can be reduced through annual inspections of the fuel lines, cooling system, and electrical wiring. Also, it is important to consider the construction, occupancy, protection, and exposure of the storage facility.

Causes of collision include use of alcohol, lack of experience, boating in overcrowded areas, or excessive speed.

Inland lakes are the primary area of concern with respect to submerged objects. Man-made lakes, abundant in some states, often contain submerged tree stumps. Periods of low water levels pose a threat of hull damage and bodily injury liability claims.

Liability exposures include bodily injury to passengers, third parties in other watercraft or on docks or piers, swimmers, scuba divers, and water skiers. Property damage liability can result not only from collision but also from a boater's creating a wake that damages another boat.

Boating safety courses are offered by the U.S. Coast Guard and U.S. Power Squadron. Some states require that youthful operators complete a boating safety course before they can legally operate certain powerboats, including personal watercraft. Boaters who have completed boating safety courses are ordinarily much less of a risk.

Rates are based on limits selected, type of property to be insured, and the navigational territory. Premiums are then modified based on the age of the boat, safety equipment, and the operator’s completion of safety courses.

A marine underwriter needs to obtain a complete picture of the applicant's overall watercraft exposures to make all underwriting decision. To accomplish this task, the underwriter uses information from a variety of sources, particularly the application, driving record(s), credit report, loss report, and marine survey.
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