

Watch the Hull: Insurance for Boats and Other Recreational Watercraft

Although most states still do not require a license to operate a recreational watercraft, don't let that fool you into thinking insurance must not be necessary either. Not every state requires insurance, but operating a watercraft carries many of the same risks that are attendant when you operate a vehicle on the land, plus a few others.

If you have a homeowner's policy, you may already have some coverage for your boat. For example, a standard policy typically will pay up to \$1,000 for any damage to your boat sustained while it is stored at your house. And the liability coverage in a homeowner's policy may provide limited protection if you injure others by your negligent operation of a watercraft.

But in an era when boat prices can range from that of a used car to that of a large home, you may decide you need added protection. Recreational boat insurance is similar to automobile insurance. You can purchase liability coverage and physical damage coverage. Some policies also offer medical payments, uninsured boater coverage, and legal defense coverage.

Physical Damage

You might think the biggest peril facing a boat owner is sinking. A typical policy will cover sinking, but also damage due to fire, lightning, hurricane, tornado, hail, wind, explosion, vandalism, capsizing, theft, or a collision. Coverage also extends to onboard accessories such as outboard motors and sails.

Typically not covered are mechanical breakdowns, wear and tear, damage sustained during restoration or repair, war, nuclear hazards, or carrying people and property for a fee. Coverage may also be excluded if you use your boat in a professional race.

If a qualified peril befalls your boat, depending on the policy and the boat, you will receive either a settlement that replaces your lost property, an agreed upon value, or actual cash value. The age of the boat may affect its insurability. Your policy will state which method will be used to settle your claim. Obviously, replacement value is the most desirable, and it may even be required if you financed the boat with a lender.

Liability Coverage

Liability coverage typically comes with limits ranging from \$100,000 to \$300,000 because claims for bodily injury and property damage can easily run in that range. Carrying inadequate coverage can imperil your personal assets, such as a home or personal savings. You may want to consider adding an umbrella liability policy if you have significant personal assets to shield from an injured party.

In the event of an accident, the liability portion of your policy will cover injuries to other people, death, property damage, as well as legal consequences. This coverage extends to family members and those who operate your boat with permission.

Typically not covered are damages to other property you own or control, intentional damage or injury, damage by users who do not have permission, or injury to someone who is eligible for workers compensation benefits.

Some insurers offer discounts if you renew the policy after a year without making a claim, or if you take an approved boating safety course.

Yachts and Personal Watercraft

A watercraft from 16 feet to less than 26 feet is typically considered a boat. Yachts are recreational boats 26 feet and longer. A personal watercraft (PWC) is the type of motorized vehicle sold under brand names such as Jet Ski or Wave Runner.

Yacht policies are similar to boat policies, but the coverage may instead be called "hull insurance" and "property and indemnity coverage." Because yachts may be operated offshore and can reach places which are far more dangerous than the inland waters where smaller watercraft typically operate, some policies will limit the territory where a yacht can be sailed. If a yacht is berthed in a place where winter weather is severe, there may be limitations on the time of year it can be used, as well. If the area is at risk for hurricanes, optional coverage can be purchased to pay for hauling the boat out of the water if a hurricane is approaching, and refloating it afterward.

Because of their speed and maneuverability, PWC present a greater risk than other recreational watercraft and account for a disproportionate number of accidents. Although some companies won't write a policy for a PWC, some companies are beginning to specialize in this type of watercraft because of its growing popularity.

Whether you own a luxury motor yacht or a small runabout, you may want to consider buying watercraft insurance appropriate for your situation. It may relieve you from some of the worry of operating your boat and allow you even greater enjoyment.

