

Cover Me: You Have Insurance... But Are You Covered?

By Jeff Merrill

Boat insurance is a lot like a life jacket—you're always glad you have it, but hope you never need to use it.

But, unlike a life jacket where it's easy to understand its purpose and use, boat insurance is often confusing for many as terms and language can often leave one wondering whether they're covered or not. We decided to pick the brain of one of the real pros in the marine insurance business for some feedback on questions some boat owners may have with regard to their boat's policy. Eric McDowell is Executive Vice President of Christi Insurance Group and is a familiar face around our marinas and tournaments. With over 20 years in the boating industry, Eric offers a wealth of knowledge and experience in the area of marine insurance.

Insuring Your Boat

Regardless of the boat's size or value, several factors need to be taken into consideration when selecting an insurance carrier. Word of mouth from friends with policies written or claim experience with a broker or company can be helpful, though that alone shouldn't be a determining factor. "The financial stability and rating of the insurance carrier as well as experience in the marine market should also be considered," says Eric. "Standard and Poor's and A.M. Best are two excellent resources for locating insurance company ratings." Ratings are indicated by letter with an 'A++' being the highest rating though Eric notes only carriers with a rating of 'A' or better should be considered. He also says if a general insurance company is being considered, inquire if they have a division that specifically handles boats and yachts.

Though a vessel's state or country of registration/documentation has no impact on the cost of a premium, the location of its mooring/dockage plays an important part in determining the cost. "Typically the further south you dock or store the boat, the higher the premium," Eric noted, adding that "where the boat is located during hurricane season will impact the premium." The primary operator of the vessel is seldom an issue as most insurance policies are written to cover all operators of a vessel. According to Eric, "Usually a policy will cover the vessel regardless of who may be at the wheel. The exception would be when a Named Operator Policy is written where all operators of the vessel must be listed and approved by the carrier prior to operating the vessel. In this instance the insurance company may want control of who operates the vessel and usually this occurs with a Lloyd's of London policy for a large yacht or when a high performance vessel is insured." Even if the vessel is not used for charter there are a number of insurance companies which put a specific clause in the policy requiring a licensed captain be either fully employed or aboard the vessel during all navigation. "It's strongly recommended that with any requirement of a full-time captain, the insured be very clear on the wording of the policy," explains Eric.

Part of the fun of owning a boat is exploring other areas to fish and today many boats spend a significant part of the year away from their home port, even outside their home country. Travel to Florida and The Bahamas is quite common, but if you decide to embark on such a trip are you covered? "Often when a vessel is taken outside the USA, except for The Bahamas, many insurance companies will require a full-time captain or crew to be with the vessel," notes Eric, adding travel to another country may require some homework by the policy holder. "Be sure your policy carries an endorsement for the country you're planning to navigate," he says, noting that even though most policies will normally include the coastal waters of the United States and The Bahamas, countries outside of those areas are not usually covered by most carriers. "Endorsements for most areas can be added but will require an additional expense to obtain coverage."

Today's sport fishing vessels are getting larger, and traveling to distant ports is also becoming the norm. Part of the thrill of owning a mega-sport fisherman is the dream of exploring distant waters with the hope of catching the fish of a lifetime, "Some of these locales often lie off the coasts of nations which are not, shall we say, warm to the Stars and Stripes. Here too, it's best to know before you go. There are countries on the prohibited list and often an insurance carrier will not grant permission or provide coverage to visit, even for an additional premium," says Eric. Cuba, Colombia and Haiti are but a few of the countries that prohibit visitors by boat and Venezuela is also now on the prohibited list of some carriers. If in doubt, check with your carrier or broker and be sure to obtain written documentation indicating a waiver has been granted and insurance coverage will be provided to a specific country.

As with most types of insurance, a deductible applies with boat insurance, which requires the policyholder to absorb a portion of the damage costs. Deductibles are pretty consistent across the industry and range from 1%-2% of the insured value of the vessel—even on small boats. Deductibles as low as ½% can also be obtained, though as with any insurance policy, the lower the deductible, the higher the premium. Eric was also quick to note that once again, location of the vessel plays a role in determining the deductible. Vessels docked, moored or stored from North Carolina southward will have a higher Named Wind Storm deductible than those to the north.

Those who decide to employ a full-time crew, whether for charter or personal use also need additional coverage for their employees. "Be sure the policy includes Jones Act coverage," says Eric, pointing out that this is essentially Worker's Compensation for individuals employed as captain and crew. He also notes protection and indemnity coverage must be provided for the captain and crew if you plan on chartering the vessel. For part-time charter boats, many companies now offer coverage for a limited number of charter trips, often up to 25 days per year.

Many of us who keep our boats local are stretching the season even longer into the fall and early winter, so it's important to determine if your policy has a designated lay-up period. Most small boats don't have this clause because the premiums are relatively small and the cost for the time and effort involved with extending a policy on the vessel with a lay-up clause, can often be more than the cost of the extension. For vessels requiring a lay-up period, it's

essential that the policy holder is aware of the timing of the lay-up and abide by its requirements and also to determine whether the vessel requires a land-based lay-up or can be left afloat and decommissioned.

In this day and age of green-this and green-that where everyone has become more environmentally conscious, pollution spills from fuel, oil, waste or other materials used and stored aboard the boat often raise questions about pollution coverage. “Today, most policies include coverage for clean-up from accidental spills of waste and fuel,” says Eric.

In closing it’s important to note that unlike automobile insurance here in New Jersey, unless a boat is financed, it’s not required by law to have insurance—liability or otherwise. Regardless of whom you may choose to underwrite your vessel, having enough protection and indemnity to not only cover your other assets as well is strongly advised. Anything less is like playing Russian roulette.



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