



Guide to Boat Insurance:

Coverage for Non-Commercial Boats and Ways to Reduce Costs

Commonwealth of Massachusetts
Division of Insurance

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How to Use This Guide

Your boat is one of your most valuable assets, but can be one of the most vulnerable and can be involved in catastrophic accidents. This guide is intended to describe insurance for boats for private pleasure use and not used for commercial purposes. If you are interested in insurance for commercial operation of boats, contact your insurance producer to discuss other insurance, including marine insurance.

Your style of life may center on your boat and if lost due to fire, windstorm or lawsuit, you want to have the appropriate coverage to replace or repair the boat to use again. Although your homeowners policy may provide some coverage for small boats, it is usually very limited with coverage as low as \$1,000 to pay for physical damage to a boat, outboard motor, trailer and accessories. In addition, if you are in an accident with damage to any other property or if any one is hurt, you are liable for the costs of all damages.

As you consider any insurance, you should be aware that an insurance policy is a legal contract describing the promise an insurance company gives you in return for your payment of regular premiums. **Insurance is not a bank account in which your premiums are stored; it is a legal promise that an insurance company will pay for the costs of certain identified losses that may occur during the policy period.** The insurance you buy will cover your boat for a specific period of time, usually for a year or for a boating season.

To truly understand a particular type of coverage, you should take the time to learn what is and what is not covered. The insurance company offering the coverage or its producer should be able to help you with an analysis of the appropriate coverage for your situation, but it is up to you to choose the right policy to protect your own assets. **It is important that you read your coverage carefully to determine your exact coverage, as well as your rights and responsibilities under the coverage.**

There are appendices at the end of the guide, including a glossary of commonly used terms such as those that appear in bold throughout the guide (Appendix A) and a record of any boat insurance policy that you may purchase (Appendix B).

Disclaimer

This guide is not a legal analysis of your rights under any insurance policy or government program. Your insurance policy, program rules, Massachusetts law, federal law and court decisions establish your rights. You may want to consult an attorney for legal guidance about your specific rights.

This guide includes information, documents, and materials (collectively, the "Contents") that are subject to change without notice. The Massachusetts Division of Insurance cannot guarantee that the contents of this guide are up-to-date or complete and assumes no responsibility for errors or omissions in any Contents, including Contents that are referenced by or linked (by hypertext links) to any other Contents or third party websites. The Massachusetts Division of Insurance makes no representations or warranties of any kind whatsoever for the Contents or for any products or services or hypertext links.

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SECTION I: RISKS TO YOUR BOAT

Why Buy Boat Insurance?

- **Your boat is a valuable asset** - If damaged, it may take many years to repair or replace your boat without the financial protection that boat insurance may provide.
- **Your boat may be where you store other valuable assets** - You may keep your clothes, furniture, or other things inside your boat. Insurance can help repair or replace items that may be damaged.
- **You could be in a boating accident with damage to other boats or property and/or injuries to other persons** - You are liable for all property damage and bodily injury claims that due to boat-related accidents. Boat insurance can protect you from expensive claims on your property.

What Could Happen to My Boat?

Just about anything. Natural disasters, including hurricanes or fires, could destroy your boat. Your boat may be susceptible to electrical fires, burglaries or lawsuits filed by other parties claiming negligence in the use of your boat.

Insurance is intended to address the costs of unexpected damages beyond your reasonable control. It is not intended to pay the expected repairs you need to maintain your boat such as the cost of replacing worn out decks. By purchasing the right insurance policy, you may be able to protect yourself from the financial costs of unforeseen losses. Without appropriate protection, you could lose everything that you have worked to obtain.

Am I Required to Buy Boat Insurance?

Boat insurance is financial protection to cover you and your loved ones from the costs of unexpected events damaging your boat or the costs you may be liable for due to boat-related accidents. There is no law requiring that you purchase insurance for your boat, but it is prudent to consider this coverage to protect the investment you have made in your boat.

While no law requires you to obtain boat insurance, if you need a loan to help pay for your boat, your lender or bank may not loan you money unless you buy and maintain insurance on your boat. If you drop coverage or stop paying for it, some loan agreements permit the lender to accelerate the loan and demand immediate payment of the entire loan balance.

Always remember, that even if your lender requires you to have insurance, the lender cannot require you to obtain the coverage from a particular insurer and cannot require you to insure your boat for more than its value. (The lender may, however, require you to maintain liability insurance for damage caused by the boat.)

SECTION II: INSURANCE FOR YOUR BOAT

How Does an Insurance Policy Work?

An insurance policy is a legal contract between you and an insurance company. You pay a premium to the company in exchange for the insurance company's promise to pay for your covered losses. There is an expectation of good faith, *i.e.*, that you and the insurance company will be fair and honest in your dealings with one another.

How Do I Obtain Coverage for My Boat? Can I Ever Be Turned Down?

Insurance for your boat is offered in a competitive market. You can shop around for coverage through an independent insurance agent or directly from companies available in your area. Please note that an insurance company can decide to turn down your application for coverage.

In order to obtain an insurance policy for your boat, you must fill out an application to help the insurance company learn about you, your boat, and the risks the insurance company will be responsible for if it insures you under an insurance policy. After reviewing the information, the insurance company will use its own standards, known as underwriting guidelines, to decide whether to issue you a policy, and the rate it would charge for any coverage it provides.

If an insurer agrees to consider your application, the producer or company may issue you an "insurance binder", a legally binding statement indicating that you have immediate protection for a specified period of time during which the company will decide whether to issue you a policy. If the company formally accepts your application, it will issue a policy, usually covering a one year period. If your application is rejected, you will need to apply to another insurer.

Can an Insurer Ever Cancel or Nonrenew My Coverage?

Yes, an insurer can cancel or nonrenew your coverage. You should read your policy carefully to determine the conditions for cancellation and nonrenewal. Companies can cancel coverage, but only according to the conditions that are spelled out within the policy.

How Do I Find Companies that May Sell Me Insurance?

1) Licensed Insurance Companies:

There are many insurers licensed by the Division of Insurance that sell property and casualty policies in the Commonwealth of Massachusetts. In order to be licensed, an insurer must demonstrate it meets the state's minimum financial requirements to pay claims now and in the future. It must also agree to participate in the state's guaranty fund designed to protect policyholders if any licensed property and casualty insurance company is financially unable to pay claims. You can check <http://www.mass.gov/?pageID=ocatopic&L=3&L0=Home&L1=Consumer&L2=Insurance&sid=Eoc> for a list of companies in your area.

When considering a company, you may want to contact your neighbors, relatives, and friends for recommendations regarding their insurance company's service and price. In addition, for a fee, you can learn more about the financial strength of a particular insurance company by contacting any of the following insurance rating services

A.M. Best Company	(908) 439-2200	http://www.ambest.com
Duff & Phelps, LLC	(212) 450-2800	http://www.duffllc.com
Fitch Ratings	(212) 908-0500	http://www.fitchibca.com
Moody's Investors Services, Inc.	(212) 553-1658	http://www.moodys.com
Standard & Poor's	(877) 299-2569	http://www.standardandpoors.com
Weiss Research Inc.	(800) 289-9222	http://www.weissratings.com

2) The Surplus Lines Market:

The surplus lines market is an unlicensed insurance market which can be an alternative market to provide coverage for boats that traditional carriers refuse to accept. Although surplus lines companies are permitted to issue policies to Massachusetts residents, they are not licensed by the Division of Insurance, are not regulated by state law and are not members of the state guaranty fund.

What Level of Insurance Do I Need to Protect My Boat?

You should consider a coverage limit that is high enough to help you replace or repair your boat at today's labor and material costs. This cost may be very different from the market value of your boat.

In addition to choosing the type and overall limits to your coverage, you will also choose the deductible level - this is the amount you will be expected to pay out-of-your pocket for covered losses before the insurer pays any claims. The higher the deductible amount chosen – and greater proportion of low-dollar claims that are your and not the insurer's responsibility – the lower the premium that you will have to pay.

Basic Coverages Available

There are differing combinations of coverage that may be offered to protect your boat. Most boat insurance programs are designed for boats up to 26 feet in length with those greater than 26 feet considered yachts and covered under special yacht insurance.

It is important to know which risks a policy covers and which risks are excluded. Each policy protects against a specific number of perils (events that cause damage to property). Examples of these perils include collision, fire, windstorm, theft, lightning or vandalism. Policies specifically exclude coverage for certain events, including, for example, acts of war or damages related to a poorly maintained vessel.

In addition to knowing the risks or perils covered, it is important to consider the expenses that are covered in the event of a covered peril. Each policy usually contains coverage for the following:

- Property damage to your boat
- Personal liability lawsuits arising out of the use and ownership of the boat
- Limited medical payments for certain accidents occurring on your boat

(1) Property Damage

Typically, a boat insurance policy includes coverage for damage to watercraft and can include outboard motor boats, inboard boats, stern drives, jet drives, sailboats, houseboats, jet skis and boat equipment used to transport the above. The coverage also can include equipment that is permanently attached to the boat, such as, anchors, fuel tanks, motors, masts, depth finders, horns, lights, mooring cleats and lines, oars, two-way radios, and spars.

Boat policies do not usually include coverage for personal property, such as clothing, food, jewelry, parasails, stereos and portable television, scuba and other diving gear, water skiing equipment (although some of these can be added by endorsement). Policies also usually do not cover sails, masts or spars while the boat is operating in an official race or speed contest.

(2) Personal Liability Coverage

Most boat insurance policies include personal liability coverage to protect you against a claim or lawsuit resulting from bodily injury or property damage to others caused by your ownership, maintenance or use of the boat. Personal liability coverage limits may differ among companies and a policy may contain company-specific exclusions. You should check to determine what limit is appropriate for you.

(3) Medical Payments Coverage

Medical payments coverage pays for any medical expenses incurred by persons other than family members and those living with you who are accidentally injured while in, upon, boarding or leaving your boat. Basic medical payments coverage limits are usually set at a low dollar amount to cover minor injuries. You may wish to check with your producer or insurance company to determine if the amount of medical payments coverage on your policy is sufficient, or whether a higher limit would be more appropriate for you.

(4) Uninsured Boat Owner Coverage

If purchased, this provides coverage for your injuries resulting from an accident that is the fault of an uninsured boat owner or “hit and run” operator.

(5) Personal Effects Coverage

If purchased, this may provide coverage for your clothing, portable radios, fishing equipment, water skis or other personal items.

What Is My Boat’s Value Under An Insurance Policy?

Your boat’s value can be looked at in three very different ways:

- **Market value** - represents what your property would sell for on the boat market.
- **Actual cash value** - represents what your boat is worth today after adjusting for the normal wear and tear that may have depreciated the replacement value of the boat.
- **Replacement cost value** - represents the cost that it may take to replace or repair your boat if it were destroyed or damaged.

Each of these may be significantly different than the other and should not be confused in determining the amount of coverage that you may need to repair or rebuild your boat. A boat that may sell for \$100,000 may actually cost \$150,000 to replace. Some policies will pay for replacement cost coverage; others may offer actual cash value; and others may use an “agreed value” negotiated by both parties when the policy is issued. You should talk with your producer about how much it may cost to replace your boat when considering the limits of your coverage.

If your coverage is less than the replacement cost, your insurance company is not obligated to pay to replace your boat. In the case of a total loss, the company only needs to pay up to the policy limits. For partial losses, an insurance company may only be obligated to pay a percentage of the loss based on the percentage that your policy limit would pay toward the cost to replace your entire property.

What May Affect the Cost of Insurance for My Boat?

Amount of Coverage: The amount of coverage you buy will affect the price you pay.

Deductible Amount: This is the amount of loss that the covered person is required to pay before the insurance company will pay any losses. The higher the deductible, the lower the price for the insured. An insured should keep in mind, however, that deductibles apply separately to each loss that may occur throughout the year.

Age and Condition of Boat: New or remodeled boats may have certain safety features to reduce risk while older boats may be subject to more damage in case of an accidental event.

History of Accidents: If you have a history of boating accidents, this may be used as a factor in setting your rates, based on the likelihood of your having future accidents.

Navigation Area and Length of Navigation Period: Where you operate your boat and the length of time you use the boat in any particular year can affect your premium.

Discounts: Most insurance companies offer a variety of discounts, including some of the following based upon projected reduced risks for certain features:

- Multi-policy discounts for covering boat insurance and other insurance with the same carrier;
- Safety equipment, including fire extinguishers, burglar alarms and ship-to-shore radios; and
- Taking safety courses offered by the Coast Guard, American Red Cross, U.S. Power Squadron or National Association of State Boating Law Administrators (NASLAB).

How Can I Find Out How Much an Insurer May Charge to Insure My Boat?

When you shop for boat insurance, premium quotations are a useful tool for comparing different companies' products. However, when you ask for price quotations, it is important that you give the same information to each producer or company.

To give you an accurate quote, the producer or company will usually ask for the following:

- A description of your boat;
- If you have security devices;
- A picture of your boat;
- The coverages and limits you want; and
- Any prior property or liability losses.

How Do Insurers Market Insurance Policies?

Insurance companies generally use one of three methods to market their product: direct marketing, independent producers, or exclusive producers. The type of marketing method may or may not meet your needs, depending on the type of services offered. Therefore, you should be aware of each of the three methods and may want to consider these when you decide to buy insurance.

Some insurance companies use **direct marketers** who sell insurance through the mail and by telephone. Some insurance companies sell coverage through producers that only represent their company. These companies call their producers an **exclusive producer force**. If you decide to call producers for prices, ask them how many companies they represent. **Independent producers** represent several companies; therefore, you can get quotes for more than one company from just one producer. Many consumers consider this an advantage.

SECTION III: LOSSES

How Can I Reduce the Insurance Premium for My Boat?

Shop Around: Prices can vary greatly. However, don't consider price alone since service is also important. Quality service may cost more, but it also may be worth it. Be sure to talk to your friends.

Raise Your Deductible: Deductibles are the amounts you may pay out of your own pocket for a loss before the insurance company pays. Although choosing a high deductible may decrease the annual premium cost, you should consider your finances before increasing the deductible beyond what you can live with.

Shop for Discounts: Some companies may offer a discount on your premium if you have two or more policies with them.

Include Insurance Costs in Your Budget: Before you buy a boat, think about how much it will cost to insure. Some insurers may offer discounts on new or remodeled boats because they are likely to be in better condition.

Improve Your Security: Some companies offer discounts for fire extinguishers, burglar alarms, ship-to-shore radios or other security features.

What Should I Do If Anything Happens to My Boat?

Most boat insurance policies generally require you do the following things:

- Give immediate notice of a possible claim to your insurance company or licensed producer. If the loss is a theft, notify the police.
- Protect your property from further loss or damage. If you make temporary repairs, keep a record of what you do and save all receipts for all expenses you incur in undertaking repairs, including, for example, emergency repairs to maintain a boat's seaworthiness.
- Give your insurance producer, claims adjuster and/or insurance company a copy of a list of all damaged, destroyed or stolen property (being sure to keep a copy for yourself), including a picture of the damage..
- Show the damaged property to your insurance producer, claims adjuster and/or insurance company, if asked. Do not dispose of any damaged property until your producer, claims adjuster and/or company says you can.

What If I Have Questions or Problems with the Insurance?

If you are having a problem with your insurance, you should first check with your licensed producer or with the company that sold you the policy. If you feel that the amount of money offered by your insurance company to pay for a loss is not fair or there are other insurer practices that seem unfair or deceptive, there are several alternative courses of action that you may want to consider:

- You can file a complaint with the Massachusetts Division of Insurance during normal business hours at 1-617-521-7794 or can download a complaint from the Division's internet address - www.state.ma.us/doi - and then forward the complaint to the Division as described on the complaint form;
- You can file a claim in small claims court; or
- You can hire a lawyer to consult with and represent your interests in court.

When completing a complaint form or meeting with a lawyer, make sure you have included detailed information about your insurance problem, including the correct name of the insurance company, a complete and accurate description of any company actions to respond to your complaint, a claim number, if you have one, and copies of any relevant documents or correspondence relating to your claim.

Appendix A – Glossary of Common Insurance Terms

Appraisal - A review of a claim to determine the value of a particular item or the loss to damaged property.

Cancellation - Termination of policy during the policy term.

Claim - A request for reimbursement for a loss covered by a policy. For example, a claim for items stolen from the policyholder's boat.

Deductible - An amount that an individual must pay for covered services before the insurance company will begin to make payments.

Depreciation - A decrease in the value of a property due to wear and tear or obsolescence.

Endorsement - Addition to the insurance policy that changes or adds to the provisions or coverage of the insurance policy.

Exclusion - Certain causes and conditions listed in the policy that are not covered.

Independent Producer - A producer who represents more than one insurer.

Inflation Protection - A policy option that provides for increases in benefit levels to help pay for expected increases in the costs of property repairs.

Lapse - Termination of a policy when a renewal premium is not paid.

Market Value - A term that describes what the current value of your boat would be if you were to sell it. This amount is generally not involved in determining what amounts to purchase under a policy.

Non-Renew - Insurance company action to not extend coverage beyond the current policy term. Companies may only nonrenew coverage after making appropriate notices to policyholders.

Personal Property - All tangible property not permanently attached to real property. The boat, like your automobile, and everything attached to it are considered personal property.

Policy - A written contract for insurance between an insurance company and a policyholder.

Premium - The amount of money an insurance company charges, based on a given rate, to provide the coverage described in the policy for a specified period of time, generally one year.

Property Coverage - Protection against the loss or damage to real or personal property caused by specific perils covered in the insurance policy or contract.

Replacement Cost Coverage - Coverage for the cost to completely replace your boat or any part of it.

Underwriting - The process of examining, accepting or rejecting insurance risks, and classifying those selected, in order to charge the proper premium for each.

Appendix B – Facts to Keep Handy About Your Own Policy

For use after you buy an insurance policy. Complete this form and put it with your important papers. You may want to make a copy for a friend or a relative.

1. Insurance Policy Date

Policy Number _____

Date Purchased _____

Premium _____

2. Insurance Company Information

Name of Company _____

Address _____

Phone Number _____

3. Information about Insurance Producer

Producer's
Name _____

Phone Number _____

Address _____

4. Type of Insurance Policy

5. How much is the deductible before benefits begin? _____

6. How do I file a claim? (Check all that apply)

Contact my licensed producer

Contact the company

7. How often do I pay premiums? ___ Annually ___ Semi-annually ___ Other

8. Are my premiums deducted from my bank account? ___ Yes ___ No

Name and address of my bank: _____

Bank account number: _____

9. Where do I keep this policy? _____

Other information _____

10. Friend or relative who knows where my policy is: _____

Address _____

Phone number _____

We Can Help!

The Division of Insurance exists to serve you. The Division can be a source of unbiased information and assistance to you, such as verifying if a producer or insurance company is licensed to do business in the Commonwealth or providing answers to many frequently asked or general insurance questions.

If you have a complaint against an insurer, it is always best to contact your insurance company first and try to settle the matter. Most insurance companies have policyholder service offices to handle your questions. However, if you are still not satisfied, contact the Division's Consumer Service Section staff to help with your problem. Although they cannot represent you legally against an insurance company or adjuster, they can make an appropriate investigation into potential violation of insurance laws or regulations based on your complaint.

The Consumer Service Section can be contacted at 617-521-7794, Monday - Friday 8:45 a.m. - 5:00 p.m. or visit the Section on the Division's web site at www.state.ma.us/doi. You may also contact or send in a consumer complaint by writing to the Consumer Service Section at the Commonwealth of Massachusetts Division of Insurance, One South Station, Boston, MA 02110. For your convenience, a consumer complaint form may be printed from the Division's web site.

This consumer's guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific insurance policy or contract; nor should it be construed as an endorsement of any product, service, person or organization mentioned in this guide.



Boat insurance is an important purchase for many people. Use this brochure as a guide for how to better understand boat insurance, to make decisions that can help lower the cost of your Boat insurance and increase the value you receive.

Although boat insurance is not required by Massachusetts law, if your boat is mortgaged, your lender or bank may require that you buy insurance on your boat to protect the lender's collateral.