

A white sailboat is docked at a pier, with its reflection visible in the calm water. The boat's mast and rigging are prominent, and the scene is bathed in a warm, golden light. The background shows a distant shoreline with trees and buildings.

# **A CONSUMER'S GUIDE TO BOAT INSURANCE**

from YOUR North Carolina Department of Insurance

**CONSUMER'S GUIDE**

# A MESSAGE FROM YOUR INSURANCE COMMISSIONER



Greetings,

The North Carolina Department of Insurance recognizes that insurance is a complex issue, and it is our desire to keep consumers informed. This brochure will help explain the basics of watercraft insurance and provide insurance tips.

North Carolinians from all over the state enjoy boating on lakes, rivers, and the ocean. However, from 2002 through 2006, there has been an average of 152 boating accidents in North Carolina reported annually. Insurance can protect not only the physical damage to your boat but also the liability created by at-fault accidents while using your boat.

This guide is intended to help you understand your insurance policy, but it is not a substitute for reading your policy contract. In all instances, your written policy contract language will prevail. It is to your benefit to always read the initial policy and your renewal policies.

Your Department of Insurance is available to assist you with these complicated matters. I want every North Carolinian to know that help is available by calling our toll-free number 1-800-546-5664 or by visiting the Department's Web site [www.ncdoi.com](http://www.ncdoi.com).

Sincerely,

*Wayne Goodwin*

### ■ **INSURANCE POLICIES FOR WATERCRAFT**

These policies are commonly referred to as boatowners policies and yacht policies. Boatowners policies are typically used to cover smaller watercraft (usually less than 26 feet), and yacht policies are generally provided to cover larger, more expensive watercraft. The coverages usually provided by boatowners and yacht insurance policies are physical damage, liability and medical payments. Uninsured boat and employer's liability insurance might be available as well.

Boatowners policies are not standardized like the automobile and homeowner's insurance policies are in North Carolina. Each policy can be different and it is advisable to read your policy carefully to make sure you are satisfied with your coverages.

#### **PHYSICAL DAMAGE**

Most physical damage coverages are based on the "Actual Cash Value" (ACV) of the boat and motor. An ACV policy pays the boat's current replacement cost minus depreciation. An insurer may offer an "Agreed Value" policy that pays for replacement or repair without depreciation based upon the agreed-to value of the boat. Physical damage coverage typically allows for the repair or replacement of your boat if it is damaged or destroyed by fire, theft, lightning, vandalism, collision or windstorm (including damage from hurricanes and tornadoes). Covered items include the boat itself, inboard and outboard motors, the boat's trailer, and may include some personal property kept aboard the boat. However, your personal effects (items not used in the normal operation of your boat and not permanently attached) are not covered. Some insurance companies offer separate coverage (requiring an additional premium) for fishing equipment, cell phones and computers that you use aboard the boat.

#### **LIABILITY**

Your liability coverage will pay for bodily injury and property damage for which any covered individual becomes legally responsible. This coverage generally includes a provision to remove or destroy a wrecked or sunken vessel, if required by law. The boatowners and yacht insurance policies may also contain a "life salvage" provision, which will reimburse the costs incurred by others to save the lives of insureds involved in a boating accident.

#### **MEDICAL PAYMENTS**

This coverage pays for reasonable and necessary medical and funeral expenses due to a boating accident. The coverage is usually limited to \$1,000 per person; however, the limit may be increased for an additional premium.

### ■ **COVERAGE AVAILABLE UNDER THE HOMEOWNERS POLICY**

Your homeowner's policy covers personal liability and medical payments involving the ownership, maintenance, loading and unloading of a boat. This coverage, however, is limited to:

- boats with inboard or inboard-outboard motors equal to or less than 50 horsepower not owned by an insured,
- boats with inboard or inboard-outboard motors with more than 50 horsepower not owned by or rented to an insured,
- boats with outboard motors equal to or less than 25 total horsepower,
- boats with outboard motors with more than 25 total horsepower not owned by or rented to an insured,
- sailing vessels fewer than 26 feet, or
- sailing vessels of more than 26 feet not owned by or rented to an insured.

## PERSONAL LIABILITY

This section of the homeowner's policy will provide bodily injury and property damage coverage when you or a resident of your household are legally responsible for injury to others and/or damages to their property. Also, the policy will provide a (legal?) defense and will pay damages as the insurance company deems appropriate. There are some exceptions: liability coverage will not protect you in all situations, such as an intentional act. All of the exclusions and specific language can be found in your policy. Please read your policy carefully.

## MEDICAL PAYMENTS TO OTHERS

As provided under the homeowner's policy, this coverage pays for reasonable and necessary medical expenses for persons, other than resident members of your home, who are accidentally injured by the activities of an insured.

Medical payments coverage does not apply to your injuries or injuries of those who reside in your household. Business activities are also excluded. All of the exclusions and specific language can be found in your policy. Check with your agent or insurance company to discuss the specific limit of medical payments coverage desired.

## WATERCRAFT ENDORSEMENT

You can remove the limitations of your homeowners policy by purchasing the Watercraft endorsement (HO 24 75 10 00). This endorsement requires an additional premium and is subject to your company's underwriting rules and guidelines.

Note: Outboard motors of more than 25 horsepower are covered by your homeowner's policy if:

- You acquired them before the policy period and (a) you declared them when you applied for the policy or (b) your intention to insure the vessel is reported to the insurance company in writing within 45 days after you acquire the outboard motor(s).

- You acquire them during the policy period.

Premiums are typically based on the type and length of the boat plus the motor type and horsepower. Companies may also take into account:

- age, value and condition of the boat
- type of use
- boat storage location
- owner's driving record and boating experience
- prior claims

Some suggestions for finding insurance coverage include:

- Ask the agent or company that provides your automobile or homeowners policy if they write this type coverage.
- Ask the boat dealer or your boat's lien holder.
- Contact agents located close to boating marinas.
- Look in the Yellow Pages of your phone book.

## ■ INSURANCE TIPS

- You can lower your insurance premium by increasing your deductible. In doing this you will want to consider how much of a loss you can afford to absorb if you have a claim.
- Keep your coverage current. Check with your agent at least once a year to make sure that your policy provides adequate coverage.
- All newly acquired boats should be promptly reported to your insurance representative.
- Shop around.
- Make sure you are dealing with licensed agents and companies. You can check this by contacting the North Carolina Department of Insurance at 1-800-546-5664.

- Pay your premium in full. Also, pay before the due date to avoid the risk of cancellation. There is NO GRACE PERIOD. If possible, use a check or money order. Keep receipts of payment in a safe place.
- Pay your premium even if you disagree with your insurance company, then pursue your disagreement. Failure to make premium payments may cause cancellation of your policy.
- Read your policy and make sure that it lists all coverages you have requested. Know exactly what your policy does and does not cover.
- Know the name of the insurance company insuring your boat as well as the name of the agency and agent. This information is found on your policy.
- Be aware of side effects that may occur when taking certain over-the-counter or prescription medications.
- Do not overload your boat.
- Know local boating regulations and familiarize yourself with the area in which you are boating.
- Use caution when towing a skier.
- Be careful when around swimmers.
- Always carry the required safety equipment, such as a first aid kit, emergency flares, beacon lights, etc.

For additional information visit the U.S. Coastguard Office of Boating Safety (USCG) Web site at [www.uscgboating.org](http://www.uscgboating.org).

## ■ BOATING SAFETY TIPS

- Make sure everyone wears an appropriate personal flotation device (PFD or life jacket) for the type of watercraft and type of sport being pursued.
- Take a boating safety course.
- Do not consume alcohol before or while operating a boat.

## IF YOU HAVE QUESTIONS...

The Consumer Services Division of the Department of Insurance is here to help.

800-546-5664	Toll free
919-807-6750	Outside of North Carolina
919-715-0319	TDD (Telephone Device for Deaf Callers)
919-733-0085	Fax

You can find additional information as well as a downloadable copy of our complaint form on the North Carolina Department of Insurance Web site at [www.ncdoi.com](http://www.ncdoi.com).

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