

Informed Consumer ...Insurance Made Easy

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"Special Report"

How to protect yourself and your family if you own a boat!

By Tom Baecker
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They are called pleasure boats or pleasure crafts, but, let's face it, sometimes they're a "pain." They are an expensive habit, to say the least -- and potential danger comes with the pleasure.

They are, after your house(s) and maybe your car(s), probably your most valued assets. You can choose to own and operate a boat, yacht or Jet Ski without insurance (although some marinas and yacht clubs won't let you dock your craft unless you have coverage). That wouldn't be a very smart choice, however.

* **Note.** If you have a homeowner's insurance policy, you may have some coverage for your watercraft, but it is very, very minimal. A typical homeowner's policy will pay as much as \$1,000 to repair damage to your boat, but -- guess what? -- That damage has to occur while the boat is at your home. This is not exactly the kind of damage coverage you need. In addition, there may be some liability coverage. Some, but hardly enough. You can gamble and not buy insurance for your watercraft, but it is a big gamble. You're risking not only losing or severely damaging the boat in an accident without compensation, but possibly your other assets if your boat causes damage and/or injuries to other boats and/or boaters.

Lots of Options...How to Choose

Perhaps more than any kind of insurance, it really pays to understand coverage for your watercraft. Depending on the type of craft you have, how fast it moves, where you operate it, etc., you could find that many policies don't provide the coverage you need.

First, you need to know that there are three types of "boats."

- Anything less than 16 feet long is usually called "personal watercraft" by insurers. This includes Jet Skis, Waverunners, Tigersharks, Wet Bikes

and Sea Dog "cycle" style models, as well as Jazz and Rage "mini boats."

- "Boats" are 16 feet to 25 feet, 11 inches.
- Anything at least 26 feet long is classified as a "yacht."

You will find that insurers have varying appetites for these types of watercraft. For this insurance, smaller is often not better. In fact, personal watercraft tends to be more accident-prone than most kinds of boats and yachts.

Some insurers won't provide coverage for your personal watercraft at all or won't unless it is part of a larger policy. For some owners of personal watercraft, an insurer that specializes in this type of risk will be the best bet. Your policy should include coverage for injuries to you and your passengers, the craft itself, liability (for damage and injuries to other crafts and people) and theft.

* **Note.** If you use your watercraft for water-skiing, you need to get coverage for this exposure as well. (It usually needs to be added to a standard policy.) You can also get coverage for the trailer(s) you use to transport the watercraft.

Insurance for Powerboats, Sailboats

In the insurance world, "boats" are usually smaller powerboats and sailboats. Standard policies for boats cover damage to the craft, usually on what is called an "all-risk" basis. In this case, all-risk includes damage caused by fire, lightning, theft, vandalism and windstorms.

The coverage is usually available for the boat itself, outboard motor(s), the boat's trailer and personal property on the craft that is part of the normal operation of the vessel. Some insurers offer separate coverage for fishing equipment, cell phones and computers that are aboard the boat.

The standard boat policy also provides liability coverage, which is usually offered in increments of \$100,000 to as much as \$1 million. Therefore, it is similar to auto insurance liability in terms of what is available.

Most standard policies also cover medical expenses incurred by you, your family and any other passengers on the boat. Some policies also provide coverage for injuries caused by uninsured boaters or by those boaters who don't have enough insurance. If this sounds like uninsured motorist coverage in an auto insurance policy, it basically serves the same purpose.

Insurance for Yachts

If your watercraft is 26 feet or longer, you will need to buy yacht insurance, which provides basically the same coverage as boat insurance, but the terms are different. Under a boat policy, coverage for damage to the craft is called "physical damage."

Under a yacht policy, the term is "hull." Liability coverage under a yacht policy carries the name "property and indemnity," which insurance people often abbreviate to P&I. As with boat liability coverage, P&I is available in increments of \$100,000. Depending on the size of your craft, you can buy P&I limits from \$2 million to as much as \$50 million.

* **Note.** Like boat insurance, you should seek a yacht policy that offers coverage for medical payments (for you and your passengers) and uninsured boaters.

The cost of your boat or yacht policy is based on a variety of factors: horsepower; how fast it moves (it can cost as much as 50% more to insure a speedboat than it does a sailboat of

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similar size); where it is to be used; age of the craft and experience of the vessel's operator.

* **Tip.** Insurers often offer premium discounts of 5% to 20% to those boat/yacht owners who have taken an approved boating safety course. (In some states, such courses are required to operate a boat or yacht.) Premium discounts are available, from some insurers, for newer vessels and protective devices (depth finders, ship-to-shore radios, burglar alarms). You can also save money on the policy by electing to take a higher deductible.

* **Tip.** This is a complex area of insurance with lots of options. Talk to your agent. Let him or her assess the many options out there and find the coverage that best suits your needs and best protects your assets, particularly that pleasure craft you love so much.

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