HOW TO INSURE

Coastal Property

12-hours CE
(includes 3 hours Ethics)

STUDY MANUAL

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You must correctly answer at least 70% of the multiple-choice questions to earn 12-hours P&C CE which includes 3 hour Ethics. Best of luck to you! Eddie

How to insure Personal Lines Coastal Property

Fred has it all.

An uncooperative ex-wife, kids in college, cars, boats, expensive gun collection and a lakefront home with all the toys.

Now he has invited his girlfriend to move in with all her possessions and her kids, ages 13 & 15.

What could go wrong?

Let us count the ways in this entertaining yet educational tutorial series.

PERSONAL LINES COASTAL PROPERTY

"How to Insure" Training Courses

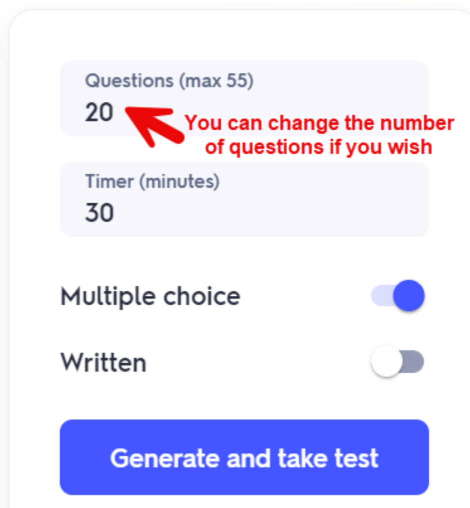
The "How to Insure" Online Training Courses are a practical hands-on program that explores the insurance needs of a customer. Each course follows a producer as he or she uses the Risk Evaluation System to work with a client in a specific industry. These courses are risk-specific, not coverage-specific and are designed to be introductory, not in-depth. They can help a producer, CSR and others in an agency gain the confidence necessary to pursue and work with a different industry niche.

This course will follow Margaret as she prepares to call on Ginger and Fred, a couple she met while taking scuba diving lessons. Ginger has recently moved from her apartment into Fred´s lakefront home and they have many questions. Margaret wants to be prepared.

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz questions, the correct answers will be shown.

You may also create “Flashcards” by clicking the **“+”** at the top right of the test **before** you generate it.

Have fun learning for a change!



Risk Overview - A description of a particular risk and its potential exposures.

Description of operations:

An owner-occupied coastal property provides living accommodations for an individual, a couple, one or more adults raising children, or a multi-generational family. Coastal property is located adjacent to a navigable body of water such as a river, ocean or lake. Owner occupied means that the property owner(s) occupy the property and that the premises are not leased or rented out to others. It may be a secondary or vacation home and be unoccupied during part of the year.

Property exposure

includes the dwelling, its contents, and any related non-business structures (including contents) located on the premises. Coastal property is subject to climate damage in good and bad weather. If the property is ocean front, the deterioration is more rapid due to the salt content in the water.

Damp conditions and high water tables require contractors with knowledge of the area to prevent structural problems. Inadequacy of below ground construction increases the likelihood of water damage and mold problems. Maintenance is a priority since structures can deteriorate rapidly due to exposure to water and wind. As coastal property is often located far from adequate public fire protection and inaccessible by fire equipment, any fire may result in a total loss. Existing water sources may be unavailable for fighting a fire. Isolated properties can also be subject to vandalism and theft. Central station alarm systems and caretakers can be used to reduce some of the isolation issues. The premises should be built to current code and have the recommended protections such as shutters, vegetation trimmed away from the structures, and construction appropriate for the area. Piers, docks, boat houses and other smaller structures in the water or by the waters can be swept away even in minor flooding and wind conditions if not properly secured

Inland marine exposure

includes the standard homeowner's exposure of antiques, electronics, furs, and jewelry but will also include equipment used to maintain and care for a boat or yacht and other water-related equipment.

Boats and yachts exposure

may be a canoe, a pontoon boat, a fishing boat or a yacht. Many coastal property owners own a vessel and dock it on their owned premises or at a nearby marina. Boats and yachts represent property and liability exposures whether they are stored in or out of the water. Some vessels may be transported over land or by water during the off season to be used at other locations.

Personal liability exposure

is heightened because of the potential for water-related incidents. Although owners may not be responsible for injuries involving natural bodies of water, they may be held responsible for injury due to additions they make such as piers, docks, swings, ladders and other equipment used in and around the water. Pools, trampolines, tree houses, playground equipment, non-licensed motorized vehicles and similar attractions must be secured to prevent young children from gaining unsupervised access.

Automobile liability exposures

are from household members driving owned, rented or borrowed vehicles or from loaning their vehicles to others outside the household. It is important to know who drives the vehicles, their driving experience and record. The type of vehicle, miles on the road each year, and type of driving must be considered when evaluating the exposure. Younger drivers have significantly higher rates of accidents and fatalities than most drivers.

However, older drivers may continue to drive even when their faculties and reflexes are impaired. Any driver impaired by alcohol or drugs is especially hazardous.

Coastal property owners may tow boats under difficult road conditions. The vehicle used to tow a boat should be properly equipped, the boat trailer should have the appropriate markings and signaling devices, and all tie-down straps should be checked regularly for wear and damage.

Minimum recommended coverage:

Homeowners Policy, Flood Policy, Wind/Hail Policy, Personal Auto Policy, Personal Umbrella Policy, and Boat Owner/Yacht Policy

Other coverages to consider:

Personal Inland Marine Policy

QUIZ: RISK OVERVIEW

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz questions, the correct answers will be shown. If you are ready, the first update and quiz is ready.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER

Quiz questions are good re-enforcers of the material covered. If you were able to answer all of the questions correctly, please continue. If you were not able to answer all of them correctly, feel free to restart the quiz and try again

Now that she has the basic knowledge of the industry, Margaret is familiar with the ACORD forms, but she wants something with more meat that is specific to coastal properties operations. She chooses the questionnaire.

Margaret considers the minimum recommendations from the narrative but then makes changes based on her knowledge of Ginger and Fred. She builds the questionnaire and reviews each section carefully in order to be comfortable with the questions she is asking.

GENERAL INFORMATION - PERSONAL

Account: ____

Account Number: ____

Agency: ____

Agency Number: ____

Producer: ____

Producer Number: ____

Named Insured(s):

____

____

Mailing address:

____

____

WHY?

The insured´s correct and legal name is needed because policy loss conditions provide for payment for only the financial interest of the named insured shown and to individuals related to the named insured. If the named insured is incorrect, payment may be denied.

One reason the mailing address is important is that cancellation notices are mailed to the address listed on the policy. If a notice is mailed and is not delivered because the address is incorrect, the cancellation is valid but the insured won´t know about it.

Home: Telephone: ______________________________ Email: ____ Fax: ________

Work: Telephone: ______________________________ Email: _________ Fax: _

Cell phone numbers:

Named Insured: ________________________________ Spouse: ________ Others: _____

____

WHY?

Communication between insured and agent is vital. Telephone and fax numbers plus email addresses enable the agency to maintain contact with the insured to discuss new products and to maintain the relationship.

Marital Status:

_______ Married ______ Single ______ Divorced ______ Separated _______ Widow ______
Other Describe other: ____

If married or separated, name of spouse:

____

WHY?

Marital status is very important. The named insured´s spouse living in the same household as the named insured is included as a named insured. If a separation or divorce occurs the unnamed spouse is no longer covered.

Since the named insured´s spouse residing in the same household is automatically covered as a named insured, he or she does not need to be named on the policy. However, by listing both spouses as named insured, coverage continues for both parties in the event of a separation, divorce or death.

Note: A named insured´s "significant other' has no coverage under the named insured´s policy unless specifically listed.

List below all people who currently reside in the household. This should include:

- Family members
- Persons under 21 in the applicant's care. This includes foster children.
- Other residents who are not related. Some examples are significant others, roomers, boarders, tenants, and domestic employees.

Name: ____ Age: _
Relationship to Applicant: _________________ Occupation: _________________
WHY?

Children are insureds as long as they reside in the named insured´s household and are under 21 years old. A child related to the named insured and attending school full time is covered until he or she turns

24. However, if the child is not related to the named insured, he or she loses their insured status at the age of 21 whether a student or not.

List below all family members who do not currently reside in the household including noncustodial children, college students away at school, or any family who lives in an assisted living / skilled care facility.

Name: ____ Age: ______

Relationship to Applicant: _________________

WHY?

Everyone who lives in the house should be identified and their relationship to the named insured established. Gaps in coverage in the Homeowners policy may occur if the named insured incorrectly assumes that everyone is covered.

Is any property held in a trust? ___________ Yes _____ No If yes, answer the following:

Trust Name: ____

Trustee(s): ____

Property: ____

WHY?

Property held in trust is normally insured under a separate policy. If the named insured owns such a property, the information about the trust should be obtained, a coverage needs analysis completed and recommendations given to the named insured in order to avoid a coverage gap.

Is the residence a historical landmark or showcase home? ____________________ Yes _____ No If yes, answer the following:

Are tours conducted? ______________ Yes _____ No How many tourists visit annually? ______

What is the maximum number of visitors on a single day? _______ Is the property used for community activities? _____________________________________ Yes _____ No

If yes, answer the following: Describe the activities.

____

How often is the property used for this purpose? ____________

What is the maximum number of visitors who might attend? _________

WHY?

When a home is opened to the public, the potential for property and liability losses increase. While the insurance policies may cover any losses, nothing will repay the aggravation over a lawsuit or loss of a valuable heirloom. The insured should be aware of potential losses that could occur when opening a home to the public so that preventative action can be taken.

Does the applicant belong to a homeowners or condominium owners association? _____ Yes __ No

If yes, attach a copy of the Association agreement and bylaws.

WHY?

The homeowners´ association bylaws should be read carefully in order to understand exactly what the homeowner has agreed to do. Many homeowners receive a copy of the bylaws when closing the home sale and forget them until a problem arises. Coverage gaps may exist if the bylaws require the homeowner to assume any degree of responsibility for community buildings, maintenance of premises or other operations.

Is the residence located in a flood plain? ________________ Yes _____ No

If yes, does the applicant carry flood insurance? __________________ Yes _____ No

WHY?

Coastal properties are usually located in a flood plain and must purchase a policy through the National Flood Insurance Plan (NFIP) to be covered for flood damage. The limit may not be high enough for all damage, but it is a start and excess coverage may be available.

Even if a coastal property is at an elevation above the highest expected storm surge, purchasing this coverage should still be considered, especially since rates and premiums are lowest for risks at elevations not considered at risk.

Is the residence located in a known earthquake area? ___ Yes ___ No If yes, does the applicant carry earthquake insurance? __ Yes __ No

WHY?

Earthquakes are rare but cause extensive damage when they occur. Since the Homeowners policy excludes loss or damage caused by any earth movement, coverage is only available if earthquake insurance is purchased. Earthquake coverage should always be recommended even though many insureds will reject it because of the additional premium and a perception of limited value.

Does the applicant carry firearms or have firearms in the residence? ______________________ Yes ________ No

If yes, complete the firearms supplement.

WHY?

More often than not, firearms in the residence are used against a member of the household than against an intruder. All weapons should be stored unloaded in a locked receptacle and kept away from children. Unexpected and accidental discharge of firearms can cause property damage, bodily injury and even death. The firearms supplement will help develop the information needed to insure the firearms themselves.

Have there been any water-related (including backup of sewers or drains) losses? ______ Yes __ No

If yes, answer the following:

List items damaged by water that remain in the residence.

Is there any evidence of water leaking or seeping in the residence?

_______ Yes _____ No

Are there odors in the residence that could suggest the presence of mold? ______ Yes __ No

WHY?

Water-damaged property that is not replaced can breed unseen mold. The mold spores can cause hidden damage to the structure and health problems for the household´s residents.

Seepage and leakage indicate problems with the foundation or the plumbing that should be corrected.

Mold is a major health concern that will cause problems in the future. The insured should be willing to take corrective action to correct any mold condition in order to protect the family from health problems and to prevent property damage to the structure.

Are underground or above ground storage tanks on the premises?_ Yes __ No

Are flammables, chemicals, or fuel stored on the premises? ______ Yes __ No

If yes, describe the property stored, where it is stored, and procedures to prevent ignition.

WHY?

Tanks containing fuel or chemicals contribute to the fire load of a premises. All tanks should be inspected regularly and have barriers to prevent vehicles from accidentally colliding with them. If the tanks are no longer used for chemical or fuel storage, they should be drained and washed of any residue to eliminate them as sources of ignition.

Is lead paint in the residence? _____________ Yes _____ No

WHY?

Lead exposure can cause brain damage in young children. Lead paint should be removed or sealed. Lead flakes from window and doors seals are considered a primary source of lead ingested by small children. If the lead is not eliminated, demolition costs are substantially higher and the amount of time needed to return the home to an acceptable condition is increased.

Are chemicals sprayed on the premises? ________________ Yes _____ No

If yes, describe the chemical(s) sprayed and state whether the applicant or contractor does the spraying.

WHY?

____

Chemical spraying has both short-term and long-term effects. The short-term effect is property damage caused by over-spray and bodily injury to neighbors and guests. The long-term effects can include environmental damage due to leaching. It is important to know the chemicals used and contractual agreements with the contractor that would protect the insured.

Does the applicant own, lease, or rent additional residences?_____ Yes __ No

If yes, prepare a separate questionnaire for each residence. Does the applicant own rental property? ____ Yes _____ No

If yes, prepare a questionnaire for rental property.

QUIZ: GENERAL INFORMATION - PERSONAL

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER]

DWELLING - COVERAGE A AND ADDITIONAL STRUCTURES - COVERAGE B

DWELLING - COVERAGE A

Location Address:

What is the approximate size of the lot? ____________________________________acres What is the dwelling's square foot area? ____ ***WHY?***

The address identifies the particular location that is covered. If it is incorrect, coverage can be and probably will be denied.

Does the applicant own the dwelling? _______________ Yes _____ No

If no, answer the following:

Who owns the dwelling? ____

Is the applicant contractually obligated to insure the dwelling? Yes ____________________ No

If yes, attach a copy of the contract.

WHY?

The owner of record has the financial interest in the property. If the named insured is not the owner of record, a contractual relationship between the owner and the named insured must exist to prove the named insured´s financial interest in the property. Verbal *understandings are usually not enough. Making sure that the named* insured has a financial interest in the dwelling is important. This status should be verified when life changes such as death, divorce, separation, and retirement occur because financial interest must exist at the time of loss.

Identify the type of dwelling.

__________________________ Single family _ Duplex _______ 3-family ______

4-family ___________________ Other Describe other. _____________________

What is the dwelling's construction?

_______ Wood frame _______ Masonry veneer ________ Masonry ________ Other

Describe other. ____

____

What is the dwelling's roofing material? ____

WHY?

Construction is one of the most important elements in both rating and the underwriting process, so knowing the construction is essential. In some cases, additional investigation is needed to determine if the construction is standard masonry or masonry-veneer. Unusual types of construction must be identified and evaluated early in the process because of the impact on valuation, rating and the amount of time required to repair or replace it.

Roofing material varies by type of home and location. If the roofing is unusual for any reason, it may affect the valuation of the dwelling.

The roof is the first line of protection against loss due to weather conditions as well as loss due to fire from an adjacent building or structure.

When was the dwelling built? ______________________

What is the dwelling's number of stories? ______________________ Provide the year when each of the following was updated.

Heating ______________ Electrical _________ Roof _________ Plumbing ____________

What type(s) of fuel is/are used for heating? If more than one, provide the percentage of each.

_______ % Electric ______ % Natural Gas ________ % LPG ______ % Fuel Oil _______ % Wood __ % Solar ________ % Other

Describe other. ____

WHY?

Nothing about a house lasts forever, so regular updates must take place. Of particular importance are the heating, electrical, and plumbing systems and the roof since failure of these features will result in significant loss to the property.

Identify the number of the following in the dwelling.

_______ Wood burning fireplaces __________ Wood stoves

Is either used as the primary source of heating? __________________ Yes _____ No

Year the chimney was last inspected/cleaned: ____________________

WHY?

There are significant losses due to wood burning stoves and fireplaces. While many are due to improper chimney installations, most are due to poor maintenance. Chimneys should be inspected annually. How often the chimney is cleaned depends on how the fireplace is used. The chimney should also be repaired so that the masonry protection remains intact.

Does the dwelling have an operating alarm system? __________________ Yes _____ No

If yes, answer the following:

Type of alarm: ____________ Fire _____ Burglar ______ Carbon Monoxide

Does the police department or an alarm company monitor the alarm?

_______ Yes _____ No

Does the dwelling have an operating fire suppression system?

_______ Yes _____ No

If yes, is the system monitored and inspected regularly? ___________________ Yes _____ No

WHY?

Every house should have a fire alarm to alert the residents of fire or smoke. The first goal of the alarm is to save the lives of the individuals in the house. The second goal is to prevent small losses from becoming total losses. If natural gas, LPG, fuel oil or wood is used in a home, there is the potential for carbon monoxide poisoning. A carbon monoxide alarm is particularly important because the fumes are odorless and colorless but deadly.

Identify which and the number of these rooms that are in the dwelling: Bedroom _ Bathrooms ___________________________ Living Room

Dining Room _______ Kitchen _______ Family Room Great Room ___________________________ Library/Study _______ Sauna

~~Exercise~~ Room ___________________ Recreation Room ___________ Sun Room Home Office _______ Other _______ Other _______ Other

~~Describe~~ other. ____

WHY?

Some carriers compute estimated replacement cost by square footage while others use number of rooms. In addition, the number and types of room can be used in estimating personal property limits.

Identify the automobile parking arrangements and the number of spaces available.

On-street parking _______ Off-street parking _______ Carport ~~Attached~~ garage _______ Detached garage

Reserved space(s) in parking garage

Has the applicant made any improvements or betterments to the dwelling while he or she occupied it? __________________________ Yes _____ No

If yes, describe the improvement(s) and include the date(s):

What is the maximum time the dwelling is unoccupied? _______________________ days Is a caretaker on premise when the dwelling is unoccupied?______________________ Yes ______ No

WHY?

When improvements or additions are made to a home, the valuation of the home must be increased in order to prevent underinsurance issues.

ADDITIONAL STRUCTURES - COVERAGE B

Location Address:

Which of the following structures are at this location address and are not attached to the residence?

Structure	Year Built	Construction	How Used	Rebuild After Loss? (Y/N)
Garage	______	______________	___________	______________
Gazebo	______	______________	___________	______________
Pool (above ground)	______	______________	___________	______________
Pool (in ground)	______	______________	___________	______________
Pool House	______	______________	___________	______________
Guest House	______	______________	___________	______________
Greenhouse	______	______________	___________	______________
Pump House	______	______________	___________	______________
Play Equipment	______	______________	___________	______________
Satellite Dish	______	______________	___________	______________
Fence	______	______________	___________	______________
Storage Unit	______	______________	___________	______________
Outdoor Fireplace	______	______________	___________	______________
Barn	______	______________	___________	______________
Tennis Court	______	______________	___________	______________
Piers, Wharves, Docks	______	______________	___________	______________
Other:	______	______________	___________	______________

WHY?

The structures listed are included under Additional Structures but coverage is limited to 10% of the limit for Coverage A. The value of all structures the insured would replace after a loss must be determined and limits increased where necessary.

QUIZ: DWELLING - COVERAGE A AND ADDITIONAL STRUCTURES - COVERAGE B

Fred´s ex-wife was never listed as a named insured on the lakefront property because, in a prenuptial agreement, she agreed that she had would have no financial interest in the property. Since the divorce, she has been trying to break the entire agreement. The roof was damaged when both were still living in the house but submitted after Fred´s wife had moved out. The insurance company is requiring both parties to agree to the settlement before issuing the check, but Fred´s ex-wife will not sign.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER

PERSONAL PROPERTY - COVERAGE C AND LIVING EXPENSES - COVERAGE D

PERSONAL PROPERTY - COVERAGE C

Location Address:

____

____

Dwelling square foot area: ____

Identify the type of dwelling.

_______ Single Family __ Duplex ___________ 3-Family ______ 4-Family ______ Other

Describe other. ____ ***WHY?***

Addresses are very important. An incorrect address, even an incorrect apartment number, can result in a claim being denied. It can also cause problems in underwriting because information is gathered for the address provided. Rejection may occur because of claims at the incorrect address.

What valuation is to be used for personal property?

_______ Actual Cash Value ________ Replacement Cost

WHY?

Personal property is valued at actual cash value unless endorsed to replacement cost valuation. Most insured´s are not satisfied with claims adjustments based on actual cash value settlement because they do not want to replace their damaged property with used property.

Does the applicant have any of the following types of personal property?

Jewelry valued in excess of $1,500	____ Yes	____ No
Firearms valued in excess of $2,500	____ Yes	____ No
Silverware valued in excess of $2,500	____ Yes	____ No
Furs valued in excess of $1,500	____ Yes	____ No
Property used in business	____ Yes	____ No
Collections	____ Yes	____ No
Antiques	____ Yes	____ No
Fine Arts	____ Yes	____ No
Unusual property that should be scheduled	____ Yes	____ No
More than $250 in cash on the premises	____ Yes	____ No

If the answer to any of the above is yes, complete the appropriate supplement.

WHY?

The policy has limitations on all the listed items. If a loss occurs, the insured is not compensated for the full value of the property unless the policy was endorsed appropriately or the property was specifically covered by a separate policy. The insured must be informed of these limitations before the policy is issued so that alternatives can be discussed before a loss occurs.

Is any personal property regularly off premises? __________________ Yes _____ No If yes, where will it be and what is the value?

$ _________________ College student $ ______________ Storage facility

$ _________________ Another residence $ ___________________ Gym/Club

$ _________________ At work $ ________________ In a vehicle $ ______________ Other

Describe other.

____

____

WHY?

When personal property is at an insured location other than the main location, it is automatically covered but is subject to a limit of 10% of the personal property limit. The insured should consider where they have their personal property and if the 10% is an acceptable limit.

Parents with college age children should be aware of the age limitation in the definition of insured.

Do the applicant and/or other household members regularly travel abroad?

_______ Yes _____ No

If yes, list the countries visited.

____

WHY?

Personal property is covered anywhere in the world without exception. If an insured regularly travels to other countries, the insurance carrier needs that information as part of their underwriting. If a loss occurs overseas, the agent needs to know who to contact and how to gather appropriate information to submit a claim.

LIVING EXPENSES - COVERAGE D

Location Address:

____

How many individuals live in the primary residence? _____________________

____

WHY?

Relocating a family after a loss is difficult and the more people involved, the more difficult it is. The loss of use limit is based on the dwelling limit and should be evaluated based on how difficult it may be to find appropriate living accommodations.

Does the applicant own other dwellings? ________________ Yes _____ No

If yes, could the applicant live in those dwellings after a loss to the primary residence? __ Yes __ No

WHY?

If the insured can live in other owned property after a covered loss, he or she may select a smaller limit than if such arrangements were not available. However, it is important to know the circumstances under which the property may not be available. If the other owned property is not always available, the higher limit should be purchased.

Could the applicant live with family or friends following a loss?

_______ Yes _____ No

If yes, what is the longest the applicant could live there? ___________________________

WHY?

Family and friends often open their homes and hearts for a short period of time after a loss. As the days become weeks and months, most families choose a different alternative. It is usually best to assume that friends and family will provide shelter for only a short period and another alternative should be considered for longer periods.

Are there hotels, motels, or lodging in the immediate area? ____________________ Yes _____ No Are there apartments or rental housing in the immediate area?

_______ Yes _____ No

Would the applicant rebuild the primary residence following a loss? ______________________ Yes ________ No

If yes, how long would it take to rebuild the primary residence after a total loss? __

WHY?

The limit needed is based on the length of time needed to rebuild and the availability of suitable accommodations. The worst case scenario should be considered when determining the length of time to needed to rebuild. Losses never occur at convenient times. Fires often occur in the winter which is not the best season to repair or rebuild a house. Wind losses are usually widespread and affect the entire community which strains available supplies and resources, increasing the time needed to rebuild.

QUIZ: PERSONAL PROPERTY - COVERAGE C AND LIVING EXPENSES - COVERAGE D

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER

PERSONAL LIABILITY

ON-PREMISES EXPOSURES

List all animals kept at the primary residence.

Type: ____ Breed: ___________________________
Age: ___________ Weight: ______ Gender (M or F) Neutered/Spayed (Y/N) ***WHY?***

Pets are important to their owners. Unfortunately, some pets are nuisances and can cause significant personal liability losses. It is important to be aware of all animals kept on premises. This includes snakes and reptiles and other caged animals since escape is always a possibility.

Is any of the following outdoor equipment on the premises? Trampolines _ Yes __ No

If yes, provide the diameter of each trampoline. ______________________________

Playground Equipment ____________ Yes _____ No

If yes, provide the height of each separate item. _________________________________ Tree House ______________ Yes _____ No

If yes, provide the height and dimensions. _________________________________ Swimming Pool ____________________ Yes _____ No

If yes, complete the swimming pool supplement.

WHY?

These are attractive nuisances that encourage younger children in the area to trespass. The insured should have barriers to trespassing since he or she could be held responsible for any injury that occurs because of youthful trespassers.

Do activities that regularly involve non-family members take place at the residence? ____ Yes __ No

If yes, describe.

____

____

WHY?

The more functions conducted at a residence, the more chances for guests to be injured.

Do any household members host a blog, group forum, or other type of Internet activity that goes beyond individual/personal usage?

________ Yes _____ No

WHY?

Internet usage allows for the free exchange of ideas. However, when an insured hosts a blog or group forum, problems with slander, libel and other issues may arise.

Are there bodies of water (such as rivers, creeks, lakes, or ponds) on the premises? ___ Yes ___ No

If yes, describe the exposure and any protection that surrounds it.

____

____

WHY?

Bodies of water encourage types of behaviors that can lead to serious bodily injury. It is important to identify the type of water exposure and measures taken by the insured to restrict access to trespassers and to protect family and friends from accidents.

Are any other features of the applicant's property unusually appealing yet dangerous for children or adolescents?

_______ Yes _____ No

If yes, describe the feature and measures to limit or prevent access to it.

____

____

____

WHY?

A homeowner must always be aware of potentially dangerous situations for young people. Physical barriers are often required to prevent access to these areas because warning signs are usually not effective, especially for nonreaders and adventuresome preteens.

Are there any devices that swing over water? _________________ Yes _____ No

If yes, are they secured in a way such that they cannot be used without the insured's supervision? ____________________ Yes _____ No

WHY?

Ropes and other devices that swing over water are enjoyable for the participants. Unfortunately, ropes break. The insured is responsible for the condition of any such device if it is on the insured premises – even if installed by others or if being used without permission.

The insured should have a way to disengage the device so it cannot be used without

permission and an appropriate level of supervision.

Does the insured have a dock or pier? _______________ Yes _____ No

If yes, does the insured inspect the dock/pier area when each "season" begins and make any repairs necessary? ____ Yes _____ No

Does the insured have to permit public access to waterfront areas around the residence? ______ Yes _________________ No

WHY?

Docks and piers can deteriorate over the winter. The insured should have procedures in place to inspect and repair any pier or dock before opening it for regular use by guests, family and friends.

Certain communities require public access to privately owned waterfront property. If so, the access area should be free of hazards that could cause injury. The access should not be blocked or changed in a way that would increase the waterfront hazard.

OFF-PREMISES EXPOSURES

What are the occupations of household members?

Name: ____ Occupation: ___________________
Name: ____ Occupation: ___________________

WHY?

The insured´s occupation is important when considering liability coverage because of the people that insured may encounter while working. Some occupations have job duties that are more well defined in time and place than others. As an example, if an insurance agent goes out with a close friend, who also happens to be a client, and the agent injures the client, which policy should respond – commercial or personal?

List all organizations where household members take active roles as unpaid volunteers. Describe their job duties.

Name: _________________ Organization: __________________ Job Duties: ______________

Does the organization provide liability and directors and officers liability coverage for its volunteers? _________________________ Yes _____ No

WHY?

The more an insured is engaged in volunteer activities, the more opportunities the insured has for inappropriate interactions with others, which increases the chance of lawsuits. On the other hand, the more an insured is involved, the greater likelihood of a positive perception of them. Knowing the type of organization and its functions can help an agent make coverage and limits recommendations.

Directors and officers liability is becoming a major concern. Many volunteer organizations provide the coverage for their members. If this is not done, a recommendation to provide the coverage should be made.

Does any applicant act as a trustee or executor of an estate?

_______ Yes _____ No

If yes, answer the following questions:

Does the trust or estate provide a bond and other insurance for the applicant’s benefit? __ Yes __ No

Describe the trust or estate property.

____

____

WHY?

A trustee or executor is responsible for another person or another person´s property. Liability can be imposed on the trustee or executor because of these duties. Coverage for such liability should be provided by an insurance policy held by the estate. However, if that coverage is not provided, the trustee or executor´s policy may need to respond. Short-term estate situations are better than long-term and ones subject to independent monitoring and control, such as a bank, are preferable to ones that lack such review.

CONTRACTS

Does the applicant hire others for construction projects, landscaping, housekeeping, babysitting, etc.? ____ Yes _____ No

If yes, answer the following questions.

Is there a written contract? _______________ Yes _____ No

Does the contractor provide a certificate of insurance for work it performs? ______ Yes __ No

WHY?

Contracts should always be in writing. They should be signed by all parties and kept for future reference. When any work is performed by others on the insured premises, certificates of insurance should be obtained. These protect the insured if property is damaged, persons are injured, or a worker is injured while doing the work.

DOMESTIC HELP

Does the applicant employ domestic help? _________________ Yes _____ No If yes, answer the following:

List the name of each individual, the duties performed, if the individual lives on premises, and the number of hours the individual works per week.

Name: ____________________________________ Duties performed: ______________________ Live on prer

If yes, list the carrier’s name and the policy period.

____ ____

WHY?

Domestic workers present the insured employer with unique exposures. Their actions can cause lawsuits against the insured or they may be injured on the job and sue the insured. There is no coverage for injury to the worker if the insured is required to provide workers compensation coverage. If the insured employs any full-time staff, a workers compensation policy could provide excellent protection for the employee´s benefit and

also protect the insured from any protracted legal battles if the employee is injured.

VACANT LAND

Does the applicant own vacant land? ____ Yes ____ No

If yes, list the vacant land's location or legal description, a description of it, and its total acreage.

Location/Legal Description: ____ Description: _

Vacant land owned by an insured is considered a residence location under a Homeowners policy as long as it is remains vacant. It cannot even be used as farm land. Once vacant land is being used for any purpose, it is no longer covered under the Homeowners policy. All vacant parcels of land should be listed and describe so all interested parties know they exist and can then evaluate the vacant status periodically.

QUIZ: PERSONAL LIABILITY

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER

PERSONAL UMBRELLA UNDERLYING

List all policies that provide liability coverages for the applicant. Insurance Coverage: __________

Primary Carrier: ____

Limits: ____

WHY?

Umbrella coverage applies only to the policies listed on the underlying coverage section of the Umbrella policy. Umbrella coverage does not apply to any underlying policy not listed on the underlying coverage section.

List countries where the applicant and/or family members travel to regularly.

Family member name: ______________________________ Country (ies): _____________________

WHY?

Umbrella policies have territorial definitions that may differ from those of the underlying policies. Listing countries helps to identify the possible need for a territorial endorsement.

PERSONAL LIABILITY

List all liability exclusions attached to the homeowners or personal liability policy (ies).

____

____

List or describe any special liability amendments to the homeowners or personal liability policy (ies).

____

____

WHY?

The Umbrella is a separate policy and requires endorsements similar to those in underlying policies.

The Umbrella policy must be endorsed or amended to match those of the underlying primary policies if coverage is to apply at all limits.

Is there an owned, hired, or leased watercraft exposure? ___________________ Yes _____ No

If yes, describe the watercraft, its location, and the duration of the exposure.

____

____

WHY?

When a Watercraft policy is listed as an underlying policy, umbrella coverage may still not apply under the umbrella. The umbrella exclusions should be reviewed and the policy amended as necessary to provide the watercraft coverage. A separate Umbrella or Excess policy may be required if the umbrella carrier is unwilling to add the watercraft exposure.

Is there an owned, hired, or leased aircraft exposure? ___________________ Yes _____ No

If yes, describe the aircraft, its location, and the duration of the exposure.

____

____

WHY?

Aircraft exposures are not covered by most umbrellas even if the underlying policy schedule includes an Aircraft Liability policy.

Coverage must be purchased under a separate policy.

What is the annual cost of on-site contracted labor?

$ ________________ Yard/Garden/Pool $ _____________ Housekeeping

$ ________________ Child Care $ _____________ Additions/Repairs

$ ________________ Other Describe other.

____

The insured has a higher exposure to loss when there are many subcontractors working on the property at the same time.

List organizations in which the applicant or family members are officers or directors.

Name: ____________________________________ Organization: __________________________

Title: ____________________________________ Term of Service: _______________________

WHY?

Individuals functioning as directors or officers of an organization may be sued by stakeholders for not conducting the business of the organization properly. The organization should have coverage for all officers and directors. In the past, the personal

umbrella of the individual covered the exposure. However, the recent directors and officers scandals have caused most personal Umbrella policies to exclude coverage for directors and officers liability.

PROFESSIONAL LIABILITY

List all household members with current professional credentials or licenses.

Name: ________________________________ Credential/License: ________________________

If any, does the employer provide professional liability coverage?

_______ Yes _____ No ______Yes, but only when acting on the employer's behalf

Do the individuals with professional credentials or licenses purchase professional liability coverage? ____ Yes _____ No

WHY?

Most personal umbrellas exclude professional liability. Excess coverage should be purchased through the insured´s professional provider or a specialty market.

BUSINESS RELATED

Does the applicant conduct any business-related activities on its premises?

_______ Yes _____ No

If yes, describe all such activities.

____

____

Do commercial business policies cover these activities? ____ Yes ____ No If yes, provide the named insured on the policy, the carrier, and the limits.

Named Insured: ____

Carrier: ____ Limits: ________________________

WHY?

The umbrella, like the underlying Homeowners policy, excludes all but the most minor business activities that take place at the insured´s residence. If the underlying policy is broadened to include business operations, the umbrella must be similarly endorsed.

The best way to provide coverage for an insured who conducts business on premises is usually with a Commercial Lines policy. However, when the personal and commercial lines exposures are insured by different companies, the claims process can be complicated and confusing because of the overlap of coverages.

AUTOMOBILE

List all exclusions attached to the personal automobile policy(ies).

List or describe any special amendments to the personal automobile policy(ies).

How many vehicles does the applicant own or lease in the following categories?

Vehicle Type Vehicle Type Vehicle Type

________ Private Passenger ______ SUV _______ Pickup Truck

________ Other Types of Trucks ___________ Van ______ Bus

Identify the number of operators in each of the following categories. Types of Operators

________ Youthful (16-25) __________ Over 65 ______ Suspended license

________ Excluded under Primary ______ Other

Describe other:

____

WHY?

The Umbrella policy is not a following form product. As a result, any exclusion, extension or special amendments used on the underlying primary policy must also be to the attached Umbrella policy. If the underlying coverages are unique, purchasing an excess policy rather than an Umbrella policy may be the most effective way to address coverage gaps.

Specific vehicles, classes of vehicles and operators are not listed on the Umbrella policy. Underwriting and rating need to know this information in order to determine exposures and develop premium charges.

RECREATIONAL VEHICLES

List all exclusions attached to the policy(ies).

____

____

List or describe any special amendments to the policy(ies).

____

____

How many vehicles does the applicant own or lease in the following categories?

Vehicle Type

________ Motorcycle ________ All-Terrain Vehicle (ATV) ______ Snowmobile

________ Camper ______ Race Car ______ Dune Buggy

________ Personal Watercraft ______ Other Describe other:

____

Identify the number of operators in each of the following categories. Types of Operators

________ Youthful (16-25) __________ Over 65 ______ Suspended license

________ Excluded under Primary ______ Other Describe other:

____

____

WHY?

Recreational vehicles may not be treated the same way by the underlying and the Umbrella policies. A coverage gap occurs when the underlying policy provides coverage and the umbrella does not. If the underlying policy does not provide coverage but the umbrella does, the insurance company may be providing coverage without full knowledge of the exposure involved. In addition, different carriers may have similar exclusions with slightly different wording, so it is important to carefully compare exclusions to discover coverage gaps.

EMPLOYERS LIABILITY

Does the applicant employ domestic staff? ________________ Yes _____ No If yes, answer the following.

Is there a commercial workers compensation policy that covers the employees? _ Yes __ No

If yes, provide the named insured on the policy, the carrier, and the limits. Named Insured: _______

Carrier: ____ Limits: ________________

List the name of each individual, the duties performed, if the individual lives on premises, and the number of hours the individual works per week.

Name: ____

Duties performed: ____

Live on premises? (Y/N) Hours worked per week: ____________________

What is the annual payroll? $____

WHY?

Residence employees are granted special status under most underlying personal liability policies. Certain exclusions do not apply to them. The personal Umbrella policy must be compared with the underlying policies to be sure similar coverage applies. If a Workers Compensation policy is purchased, a commercial umbrella will be needed for the excess employers liability coverage.

QUIZ: PERSONAL UMBRELLA

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER

PERSONAL AUTO DRIVER INFORMATION

List ALL residents of the household, including students who live away from home, non-custodial children, and domestic help.

Name: ____________________________ Relationship: ___________ Date of Birth: ___________

Type of Driver's License (if any): ________ Live in household? (Y/N)

Attach a separate listing with the same information for additional residents, as needed.

WHY?

Every resident of the household has access to a vehicle – even those not licensed because most households do not keep car keys hidden. In addition, children away from home may borrow a vehicle if they do not have their own vehicle. These issues increase the automobile exposure. Updating this listing helps in evaluating coverage gaps.

Does any resident regularly travel outside the United States?

_______ Yes _____ No

If yes, answer the following:

Does that resident drive vehicles when outside the United States?

_______ Yes _____ No

Does that resident purchase insurance coverage in those countries?

_______ Yes _____ No

WHY?

Most policies limit their coverage territory to the United States, its territories and possessions, Puerto Rico and Canada. There is no coverage in Mexico. If the insured plans on driving a vehicle in another country, he or she should obtain automobile insurance in that country. Even though Canada is part of the territory, a Canadian policy should be purchased if the insured travels there regularly because of differences in laws and coverages.

Do any resident regularly rent (not lease) vehicles for either short-term or long-term use? Yes ___ No

If yes, describe the types of vehicles rented, the rental agreements, duration of rental, and locations where the rental takes place.

____

____

WHY?

Coverage for any rented vehicle depends on the signed rental agreement and the applicable state laws. Since there are many different types of rental arrangements, the best answer when asked about rental coverage is "it depends."

VEHICLE INFORMATION

List ALL vehicles that any of the individuals listed above own or operate. Include vehicles supplied by their employers. If two or more individuals use the same vehicle, enter all applicable operators using the numbers from the driver information listing.

Item Year and Make Operator(s) Owner Covered by this policy? (Y/N)

1. ________________ ______________ __________________________

Attach a separate listing with the same information for additional vehicles, as needed.

WHY?

It is important to keep track of every vehicle in the household because coverage follows the vehicle. Uninsured vehicles on the insured's premises can cause a coverage problem

when an insured uses it "in an emergency" and discovers it has no coverage. Most Personal Auto policies penalize the insured if all vehicles are not covered on the same policy. As a result, it is important to be aware of situations where the household vehicles are not all covered under the same policy.

If this policy is not to cover a listed vehicle, list the vehicle # and the policy that covers that vehicle.

Vehicle #: _________ Insurance Carrier: ____________________ Policy Number: _____________

WHY?

While it is preferable for all household residents to insure their vehicle under the same policy, doing so is not always possible. When there is more than one policy, it is important to identify the vehicle, the carrier and the policy number for reference in case of a loss.

Are any vehicles used in connection with business activities?

_______ Yes _____ No

If yes, give the vehicle number, identify the business, and describe how the vehicle is used.

____

____

____

WHY?

Private passenger cars, vans and pickups used in business are covered under the PAP as long as they are not used for livery or automobile-related operations. However, this does not mean that all insurance companies want to insure business use automobiles on their personal auto policies. It is important that all information regarding the business use of a vehicle be provided in advance so that the insurance company can evaluate the exposure, provide the proper coverage and make an appropriate premium charge.

Is any vehicle used to plow snow for others? _________________ Yes _____ No

If yes, answer the following:

Identify the vehicles used?

____

Is the blade permanently attached? _________________ Yes _____ No

What are the annual receipts from show plowing? $______________________________________

Identify the type(s) of customers:

_________Personal ____Commercial ____Governmental entities Is any vehicle used to tow for others?

If yes, answer the following: Identify the vehicles used:

____

Is the towing mechanism permanently attached? ___________________ Yes _____ No

What are the annual receipts from towing? $____

Identify the type(s) of customers:

_________Personal ____Commercial ____Governmental entities

WHY?

Some insureds have snowplowing and towing equipment for their personal use. Others use this equipment as part of a moneymaking operation. The exposure changes significantly when money is charged and many insurance companies will require such vehicles be insured under a commercial auto policy.

Is any vehicle regularly used to transport children and others, other than shared car-pooling arrangements? ____________________________ Yes ____ No

If yes, answer the following: Identify the vehicles used:

____

What are the annual receipts for transporting people? $__________________________________

Identify the type(s) of customers:

_______Personal ____Commercial ____Governmental entities

WHY?

Transporting children can be an incidental or severe exposure, depending on the number of children, their ages and abilities, other adults in the vehicle, and the reason for the transportation. The exposure must be evaluated thoroughly in order to determine if the transportation is of a personal or commercial nature.

Is any vehicle used in racing activities? _______________ Yes _____ No If yes, answer the following:

Identify the vehicles used:

____

Describe the racing activities.

____

WHY?

There is no coverage when a vehicle is used for racing. As soon as a vehicle enters a racing facility with the intent to race, prepare or practice, coverage ends.

Are any vehicles temporarily out of service? ________________ Yes _____ No

If yes, identify the vehicle(s). Explain why it is out of service and the length of time it is expected to be out of service.

____

WHY?

The personal auto policy can be used to cover antique and classic cars. However, the comprehensive and collision is not usually appropriate and the premium for the liability coverage is usually excessive because of the way the vehicles are used. Numerous markets specialize in providing the appropriate coverage for these vehicles.

Are any vehicles antique or classic cars? _______________ Yes _____ No

If yes, identify the vehicle. Describe the vehicle's restoration and customization, how it is used, and its annual mileage.

____

WHY?

When a vehicle is temporarily out of service, coverage can be suspended in return for a premium reduction. The suspension must be for at least 30 days. Comprehensive coverage usually continues during the period of suspension but most other coverage ceases until reinstated.

QUIZ: PERSONAL AUTO

Fred owns a Lexus, Ford and a Saturn. Adelle has her Mustang and Monica owns a Honda. Fred has given Ginger keys to all of his cars because her car was totaled in a freak accident. Ginger is teaching her daughter, Corinthia, to drive in the Saturn.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER

PERSONAL LINES WATERCRAFT

List all owned watercraft.

Unit Year: _____ Manufacturer: ___________________ Type: ____________________

1. Power Type: _______________ Horsepower: __________ Length: __________

WHY?

Homeowner's policies exclude liability coverage for watercraft with horsepower of 50 or more or sailing vessels over 26 feet. In addition, theft coverage does not apply to any watercraft when not on the premises and only limited coverage for other causes of loss. If an insured has watercraft values in excess of $1,500, a separate watercraft policy should be considered.

Using the unit number from above, where does each watercraft operate? (%)

Unit #1 On Premises –Lake/River: __________ On Premises -Ocean: __________

Off Premises –Lake/River: ________________________ Off Premises -Ocean: __________

WHY?

The location of the watercraft significantly impacts the pricing. Watercraft operated from the owner´s pier on an enclosed lake is less likely to sustain a loss than one docked away from the premises on the ocean.

Using the unit number above, what is the watercraft's lay-up period and where is it stored during lay-up?

Unit # Lay-up time period Lay-up location

1. ____________________ ____

WHY?

Premium is usually charged for the period the watercraft operates. The policy is issued with specific lay-up periods when the watercraft does not operate. The lay-up periods should be set to anticipate early removal or late lay-up since liability coverage ceases based on the dates shown in the policy.

The more protected the environment during lay-up, the more reasonable the pricing. When a watercraft is stored indoors, it is preferable that the building is used only for storage. All off-season repair should be conducted in a building located away from the storage building.

Is the watercraft available for charter by others? __________________ Yes _____ No If yes, identify the watercraft and describe the type of charter.

____

____

WHY?

The Homeowners policy does not cover any vessel that is chartered to others. Chartering boats to others significantly increases the exposure to the watercraft owner. The charter should always be with crew as a protection for both the vessel and the individuals who have chartered the vessel. A written contract should detail all conditions of the charter including the responsibilities and expectations of each party.

Is any watercraft used for business purposes? __________________ Yes _____ No

If yes, identify the watercraft (s) and describe the business purpose.

____

____

WHY?

The Homeowners policy does not cover privately owned watercraft used for business purposes. This can be a murky area. When a professional invites a business client along with other friends for a boat ride, is the vessel being used for business purposes? The professional may be using the boat ride to solidify a business relationship as well as to develop and strengthen a friendship.

Is the watercraft available for rent or loan to others? ___________________ Yes _____ No

If yes, identify the watercraft and describe the rental or loan terms and conditions?

____

____

WHY?

The Homeowners policy does not cover any vessel rented or loaned to others. When a watercraft is rented or loaned without crew or captain, there is a significant concern for the safety of the person renting the vessel, the vessel itself, and the public at large. All loans and rentals should only be conducted with a signed agreement between the parties and only if the insured is aware that the other party has full knowledge of the operations of the vessel and the waters they are navigating.

Is any watercraft used for racing? _______________ Yes _____ No

If yes, identify the watercraft, the operator(s), the frequency, and the types of events?

____

____

WHY?

There is no coverage under a Homeowner's policy for any racing activities. The watercraft specialty markets will want as much detail as possible in order to provide coverage for any and all racing events.

List all operators who are in the household. Including students who are away at school.

Name: _______________________________________ Age: ____ Years of Experience: _________ Student? (Y

WHY?

The insurance policy does not restrict the watercraft coverage to a particular operator. Listing all members of the household provides an idea of who might operate the vessel. This information is also helpful if a separate watercraft policy is purchased because age and experience is important when evaluating a request for coverage.

Does any operator use non-owned watercraft? __________________ Yes _____ No If yes, identify the operator(s) and describe the type of watercraft.

____

WHY?

The "one size fits all' approach does not apply to watercraft. Each type of vessel requires a different level of knowledge and expertise in handling it. The more horsepower and streamlined the boat, the more difficult it can be to control. If members of the household regularly use non-owned watercraft, the exposure needs to be evaluated because the Homeowners policy grants coverage for much larger non-owned watercraft than it does for owned watercraft. The contract between the owner of the non-owned watercraft and the insured is important because it details and specified the duties and responsibility of each party.

Is watercraft taken outside United States territorial waters? ____________________ Yes _____ No

If yes, identify the operator(s) and the watercraft. Describe their navigation routes.

____

____

WHY?

The Homeowners policy does not provide any coverage outside the United States territorial waters. Separate watercraft policies can provide such coverage but only if endorsed to do so. Normally, if coverage is desired to expand outside of the United States, the ports of call will need to be specified and the policy appropriately endorsed.

QUIZ: PERSONAL LINES WATERCRAFT

Fred owns a 28-foot pontoon boat that he uses around the lake. He also has a cabin cruiser boat that he keeps at a marina on the ocean. He is planning on purchasing a catamaran and two kayaks for Ginger and her children to use.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER

IN-HOME BUSINESS

Is the business at the primary residence operated on a full-time basis? ______________________ Yes ______

Are there other separate business locations? ________________Yes _____No Business name: ____ ***WHY?***

The unendorsed Homeowners policy does not provide the coverages needed for a full-time business that is located in a residential structure. It provides only $2,500 in business personal property coverage, no outbuilding coverage and no liability coverage.

However, the Homeowners policy can be endorsed to provide coverage for some businesses or a commercial lines policy can be purchased.

Any location situated away from the residence must be identified. The insured must then decide if property and/or liability coverage is to apply to the location.

Describe the business.

____

What is the form of ownership?

_______ Proprietorship _ Partnership _____________ Joint Venture _______ Limited Liability Corporation __________ Other

Describe other:

____

WHY?

The Homeowners policy in-home business endorsement has guidelines as to the types of operations eligible for coverage. If an operation is not eligible for, or if the coverage

available in the endorsement is not sufficient for the exposure, then a commercial lines policy is needed to provide the coverage. A thorough description of the business provides a guide to the most appropriate coverage form to consider. Attempts to place a business operation on a policy that is not appropriate will create coverage gaps and ill feelings between all parties to the transaction.

Limited Liability Companies (LLCs) are becoming popular with home-based businesses because the entity gains the benefits of both a sole proprietorship and a corporation. This relatively new form of business is growing rapidly due to the simplicity of filing, liability protection, and tax advantages.

List the household member(s) who own the business:

Name Age % Owned

______________________________ ______ __________

Do individuals who do not reside on the premises own any part of the business? _ Yes __ No

If yes, identify them and describe their relationship to the other owners and how they are involved with the business.

Name Relationship Involvement

__________________________ ____________ ____________________________

List household members(s) the business employs. Name Age

______________________________ _____

Does the business employ individuals other than household members?

If yes, describe their relationship to the owners and the job(s) they perform. Name Relationship Job(s) performed

__________________________ ____________ ____________________________

WHY?

If the business is to qualify for coverage under the home business endorsements on a Homeowners policy, the named insured must be an owner and any other owner must be a family member.

If there are more than three employees, the business operation may not be added to the Homeowners policy using the in home business endorsement. A commercial policy should be purchased instead. An important point to note is that a workers compensation policy covering the business is required in most states, regardless of the number of employees. A Homeowners policy does not provide coverage for business employees.

When did the business begin? _______________

If the applicant sells products, what are the gross annual sales?

$__________________

If the applicant provides services, what are the gross annual receipts?

$___________________

What is the business personal property's actual cash value?

$______________________

Describe the business personal property.

____

WHY?

Business receipts are used as one eligibility criteria for home-based businesses to be covered under the Homeowners policy. The ISO eligibility is $250,000 or less but this limit does vary by insurance carrier.

The unendorsed Homeowners policy provides a limit of $2,500 on business personal property. The in home business endorsement has provisions to increase the limit. The insured should be aware of limitations this form has for certain types of property such as computers, computer data and business records. If the business personal property exposure is high, the Homeowners policy may not be appropriate especially since the homeowner special form personal property provides only broad form coverage while the business personal property under a BOP provides special coverage.

What is the maximum actual cash value of property of others on the premises? $_

Describe the property of others that could be on the premises.

____

What is the square foot area of the business operation? ____________________________________

WHY?

Personal property of others in the care, custody and control of the insured is included as part of business personal property. Because of this, the business personal property limit should be increased to reflect the value of personal property of others.

An in home business should be incidental to the home occupancy. If the business part takes up more space than the part used as a residence, the in home business endorsement is not appropriate. A commercial insurance policy should be written instead.

If the business is retail (other than crafts and food), answer the following: Is the product distributed under the applicant's own private label?

_______Yes _____No

The inventory is stored in (check all that apply):

_______ Residence ____ Attached garage

____ Other structure(s) on premises _ Other structure(s) off premises The customer receives the product by:

_______ Mail/UPS ____ Customer pickup ____ Owner delivery

____________________________ Contract delivery ______ Other Describe other:

____

Does the applicant sell the product at fairs, flea markets, or similar events? _____Yes __ No

Do customers come to the applicant's residence to purchase the product? ______Yes __ No

WHY?

A retailer must have stock on its premises and must have a method of getting the product to the customer. The method(s) used are part of the exposure for the insured and the answers to these questions could lead to the need for additional coverage. If a product is sold under the insured´s private label, the insured may have a liability exposure similar to that of a manufacturer, depending on the contract between the insured and the manufacturer.

If the business is service, answer the following:

Does the work involve: ______________Installation _______ Consultation _______ Instruction
Does the applicant travel to jobsites? __ Yes ___________ No

If yes, describe the vehicles used.

Unit Number Vehicle description

____________________________ ____
Does the applicant have a professional liability exposure? ____________________Yes _____No

WHY?

Service businesses usually do their work away from the insured location. This results in off-premises and automobile exposures that must be evaluated. Since professional liability is specifically excluded, separate coverage should be obtained.

If the business is crafts, answer the following:

Does the applicant sell the product at fairs, flea markets, or similar events? _____Yes __ No

The customer receives the product by:

_______ Mail/UPS ____ Customer pickup ____ Owner delivery

___________________________ Contract delivery ______ Other Describe other:

____

WHY?

Craft businesses normally start out as hobbies. When the insured discovers that the craft items are popular, he or she may begin selling items at local fairs and other events and may eventually even travel out of state to sell them. Since craft items tend to be unique, customers may request special orders requiring delivery to them.

This transit exposure may require the purchase of a separate inland marine coverage form. The insured may need to increase the business personal property limit before the Christmas shopping season or for other popular festivals, or risk being underinsured.

If the business is food-related, answer the following: Is food prepared on the premises? _Yes __ No

Is food prepared under a private label? _______________ Yes _______No Is food served off premises? ______________________________Yes _____No

Does the applicant provide delivery service? ___________________ Yes _____ No If yes, describe the vehicles used.

Unit Number Vehicle description

_______________ ____

WHY?

Food items require a high degree of care when being prepared and served. Local ordinances may require an insured selling food products from home to meet health department standards.

Refrigeration, proper separation of food items from cleaning supplies, proper dishwashing and hand washing techniques, and proper stock rotation arrangements must be in place.

If the business is an office, answer the following:

Is the applicant a telecommuter for another business? ____________________Yes No

Does the applicant have a professional liability exposure? _________________Yes No

Does the applicant have access to confidential information?

____________ Yes _____ No

Do clients come to the residence to conduct business? ____________________ Yes _____No

WHY?

Office exposures are the most common and the most limited exposures of a home business. If an insured is a telecommuter, the company supplying the work should include clear standards and guidelines to be followed in addition to the work to be done. If the insured has access to confidential information, the procedures established by the company supplying the data must be followed.

QUIZ: IN-HOME BUSINESS

Fred works for a large corporation full-time. He has always done woodworking as a hobby but thanks to Ginger´s encouragement, he has started to sell some of his pieces. The trip to California will include stops at local craft shows to sell additional pieces. Right now, Fred is operating the business as a sole proprietor but might start an LLC if the pieces are well received. Margaret encourages Fred to consider adding an in-home business endorsement to his Homeowners policy.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS CHAPTER

Margaret is now ready to develop a Client/Agent Coverage Agreement to take with her to the client. This will allow her to recommend coverages and allow Ginger and Fred to accept or reject the recommendations. Before making a recommendation, she selects the Supplement so that she can review the various coverage definitions.

Margaret looks over the coverages on the list. She decides she really needs to know more about the Flood Insurance Policy. She selects it and reviews the definition.

Flood is an excluded cause of loss under most personal lines property policies. This coverage gap can be filled by purchasing a National Flood Insurance Policy. The limits under the NFIP may not be sufficient for many homeowners so there are excess limits available from certain companies.

OVERVIEW OF THE NATIONAL FLOOD INSURANCE PROGRAM

The massive financial resources needed to handle catastrophes such as floods are limited in the private sector. A single loss event may simultaneously affect hundreds or even thousands of homes and businesses. Further, the amount of damages suffered by each property owner is severe. Therefore, the federal government has primarily handled insuring flood damage; they are considered an insurer of last resort. The job was accepted in earnest in 1968 with the passage of the National Flood Insurance Act, which had a twofold purpose:

· To provide insurance coverage to certain persons whose property has been substantially damaged by flooding

· To encourage communities to practice building and land use methods that help mitigate (ideally eliminate) damage from flood

COVERAGE

This insurance covers direct physical loss to insured property by flood. It also covers the reasonable expenses for sandbags, construction materials and even the human labor in handling the materials used to minimize damage to flood-imperiled damage. The reimbursement for labor uses the prevailing federal minimum wage. The maximum amount payable is the minimum building deductible amount applicable.

The Standard Flood Insurance Policy is designed to cover one- to four-family residences and their contents from flood damage. The policy will also protect tenants' personal property and residential condominium unit owners. In the latter instance, the policy can be used to insure a unit owner's individual interest in the structure and in the building's common elements (areas jointly owned by all unit owners).

NATIONAL FLOOD INSURANCE PROGRAM STANDARD (DWELLING FORM) POLICY COVERAGE ANALYSIS

This policy protects consumers against loss to their property from flooding. The policy is offered under the National Flood Insurance Program (NFIP), but specifically under the Federal Emergency Management Agency (FEMA). The authority to offer this coverage is drawn from the National Flood Insurance Act of 1968. The policy refers to this act and states that the coverage relies directly upon the Act and its amendments.

The standard policy makes several references to the National Flood Insurance Act, but their mention still permits a reader a fair chance of understanding how coverage applies. However, the policy also includes over a dozen specific references to Title 44 of the Code of Federal Regulations and the Coastal Barrier Resources Act. These latter references actually act as barriers to a fair understanding of how the specific policy wording should be applied or interpreted. We found that this information may be located by, first, logging onto the part of the FEMA website that hosts the National Flood Insurance Program; however, the information appears only to be available by accessing regulatory databases and pulling up the individual citations. The various users of the dwelling flood policy might be better served if they were provided with supplemental information concerning these regulations.

ISO offers a flood insurance policy for use by the private market that can be an alternative to the NFIP.

In previous editions, the policy began with an "Introduction." It has been removed and now begins with an Agreement section. (2021 Change)

I. Agreement

A. The Dwelling Property form states that coverage applies to several instances:

1. It covers residential buildings that, by design, may accommodate up to four units for family occupancy (which are not a condominium building or individual condo unit).

2. Single units contained in condo buildings are also eligible under the dwelling property policy.

3. A final instance that is eligible for the dwelling property's protection is personal property as long as it is contained inside a building.

This part of the agreement results in this form dovetailing with the program's general property form.

Related Article: National Flood Insurance Program General Property Policy Coverage Analysis

B. The provisions of the original National Flood Insurance Act (1968), its subsequent revisions, and Code of Federal Regulations under Title 44 apply to all protection against flood loss provided by this policy.

C. 1-3. The insuring agreement obligates the policy to pay for direct flood losses that damage covered property. The coverage is contingent upon the policyholder having provided accurate underwriting (application and/or loss) information, compliance with applicable policy provisions and, naturally, payment of the policy premium.

Example: An insured's home is covered by a Standard Flood Dwelling policy. After several days of heavy rain, a creek overflows, and the waters reach the insured's yard, which includes a very large, dead tree. The flood-soaked soil around the tree becomes too loose to support the tree. It falls over and destroys the home's front porch. The flood waters never reach the house, and the damage to the home was INDIRECTLY caused by the flood, so there is no coverage under the flood policy.

D. The policy is subject to review at any point of time, and if merited by such a review, the policy may be revised.

E. The building described in the applicable flood insurance application is the only building eligible for coverage under this policy. No protection applies to any other buildings the insured owns. Therefore, separate policies are required.

F. This is the adverse situation that is covered in Item E. Only a single flood policy is applicable to a single, owned property. Regardless of how multiple polices may have been processed, just one flood policy's Coverage A building limit is available to respond to flood loss.

G. This is an important exception to the situation described in item F. There is an instance where two flood policies can acceptably cover a single property. Both a Dwelling Policy and a Residential Condominium Building Association Policy may apply to an individual condominium unit owner.

This is a logical exception since the condominium property exposure can only be sufficiently covered by policies that protect the distinct unit owner and jointly owned property interests.

The Insuring Agreement consists of parts A through G. (2021 Edition Change)

II. Definitions

A. Under this policy:

"You," or "your" means the Insured (including resident spouse and any described payee [loss payee, mortgagee]). Mortgagees and loss payee that are not described but are discovered after a loss are also insureds.

Example: Insured A's home is covered for $125,000, and he has a $77,000 1st mortgage, a $35,000 2nd mortgage and an $18,000 secured loan from a remodeling company. A flood rolls through the area and completely destroys the home. The remodeler's interest may not be fully recoverable because its interest would be acknowledged only AFTER the obligation to the first and second mortgagees are met.

Example: Larrimoh Curly's home is covered by a Dwelling Policy for $95,000. The home has no mortgagee, but Larrimoh's friend, Shemp, a skilled carpenter, has made several thousand dollars' worth of improvements in the home. Larrimoh has an oral agreement to cover Shemp's interest in the home. In this instance, Shemp's interest in the home would be covered if evidence could be produced that would cause the insurer to determine he was a loss payee.

The Dwelling policy shares an important insight. It mentions that some terms may be more difficult to understand as they may have their origins in various court cases, laws, or regulations.

Note: Policy language such as this could be helpful in managing policyholder expectations. Attempts to gain greater understanding in insurance contracts should be a goal.

"We," "our," "us," means the insurance company providing the coverage.

B. Flood – refers to:

1. Normally dry areas that have temporarily been covered in whole or in part by any of the following:

- Overflowing inland or tidal waters,
- An accumulation of water that is both rapid and unusual.
- Surface water runoff that comes from any source. (Heavy rains could be a source.)
- Mudflows (a separately defined term)

However, the incident is a flood only if one or both of the following occur:

- Two or more normally dry acres are inundated
- Two or more properties are inundated, with at least one belonging to the named insured.

2. The collapse or subsidence of shores. However, the collapse or subsidence must be due to the action of flood-level water, such as erosion, or be due to an waves or currents that exceeds anticipated levels due to overflow of inland or tidal waters.

C. The following are also defined under this policy:

1. Act

The National Flood Insurance Act of 1968 as well as any and all changes made to the Act since its introduction.

2. Actual Cash Value

The full replacement cost of an item minus the amount of physical depreciation that exists at the time a covered loss (flood) occurs.

3. Application

The written statement the insured person completed and signed (or which has been signed by an agent) for the purpose of getting a flood policy and which the insurer relied upon to issue the coverage and to determine the policy premium.

Note: The application is considered part of the policy, so any inaccurate statements may, if discovered, either alter the premium or, more seriously, void coverage.

4. Base flood

This is determined by community or area. The flood that becomes the standard of measurement for a covered occurrence. Specifically, the flood that has a probability of one percent of being either equaled or exceeded during a given calendar year.

5. Basement

ANY area of a covered building that has a floor that is below ground level (subgrade) on all sides.

Note: It is important to understand that absolutely any area that is subgrade on all sides is, by policy definition, a basement; this applies even if the area is a sunken portion of a ground level floor or even if the area is completely “finished.”

Example: M.C. Moper, the famous Utah rap artist, just had a new home built. The highlight of his home is the great room. The room is on the ground floor and combines the living and dining areas in one enormous room. However, the middle of the room, nearly 800 square feet, is three feet below the rest of the room. M.C. completely carpeted the area that holds his state-of-the-art recording studio and entertainment center. This beautifully finished and furnished sunken area is considered a basement by M.C.’s flood policy.

6. Building

As far as the flood policy is concerned, any of the following are considered buildings:

· A structure that has two or more rigid walls that are on the outside to which a roof is secured. It must be permanently attached to its site.

· A structure built on a chassis and transported to the site in one or more parts. When it arrives at its site it must be attached to a permanent foundation. This could be called either a mobile home or a manufactured home.

· A travel trailer on a chassis but attached to a permanent foundation. It cannot have wheels. It must be subject to an applicable community's floodplain and construction regulations.

It’s important to realize that gas or liquid storage tanks, recreational trailers as described above and recreational vehicles DO NOT qualify as buildings eligible for coverage under the flood policy.

7. Cancellation

Coverage that terminates before the policy’s ending date.

Example: A flood policy has a term of June 30, 2023, to June 30, 2024. The policy’s expiration date is June 30, 2024. Therefore, any date in which the policy coverage ends after June 30, 2023, and before June 30, 2024, qualifies as a cancellation date.

8. Condominium

Any multi-unit residential structure where the single units are individually owned and the group of owners share interest in the building’s outer structure and common property areas.

9. Condominium Association

An entity where all the members are individual unit owners who assume positions that make decisions regarding the operation and upkeep of:

a. its condo members’ jointly owned property with elements of a building (specifically, the building, halls, walls, rooms, etc.) that enclose the individual condo units.

b. other buildings that individual condo unit owners have the right to use due to their active status as association members.

10. Condominium Building

Refers to a building that consists of individually owned and occupied interior spaces combined with jointly owned (typically exterior) building elements.

The joint ownership in common elements is both equal and indivisible and applies to areas such as roofs, hallways, walls, lobbies, points of ingress and exits, etc. (2021 Ed. Added term).

11. Declarations Page

The policy coverage page that summarizes the coverage provided by the policy and includes the identifying information on the insured and the covered property as supplied by the policy application.

The definition states that the declarations must be computer–generated, which means that handwritten or typed declarations would not qualify as declaration pages.

Note: This is an important fraud prevention step. Often flood insurance is not desired until flooding is imminent so some individuals might be tempted to hand write or type declarations just before (or just after) a flood has occurred and back date it appropriately.

12. Deductible

This is the financial amount of any eligible loss that the insured is obligated to handle as an out-of-pocket expense. The obligation must be met before any payment obligations under the policy is due. (2021 Ed. Added term).

13. Described Location

The site that contains the structural or personal property that is covered by the flood policy. It must be shown on the declarations.

14. Direct Physical Loss by or From Flood

An insured property loss or damage that is caused directly by flooding. Physical changes to the property must be demonstrated.

15. Dwelling

A residence constructed with the intent to house up to four families. It also refers to a single condo-unit.

16. Elevated Building

Any building with its lowest floor existing above the ground. The lowest floor may be supported by walls (foundation or shear), posts, piers, or similar items. There can be no basement.

17. Emergency Program

The first phase for a community that has begun the process of joining the NFIP. Only limited flood coverage is available under the ACT during this (essentially a probationary) period.

Note: The term, “expense constant,” no longer appears among the policy’s definitions. (2021 Edition Change)

18. Federal Policy Fee

A fixed amount that is charged each policy term to pay for government flood program costs that are NOT covered by the expense constant. These are non-refundable.

19. Improvements

Any additional structural features that are part of either the covered dwelling or an apartment in which the named insured resides.

20. Mudflow

A liquefied flow of mud that is moving over normally dry areas, but it does not include other types of earth movement.

21. National Flood Insurance Program

The flood coverage and land management program was originally authorized and subsequently amended as the National Flood Insurance Act of 1968 and is currently administered based on Title 44 of the Code of Federal Regulations, Subchapter B.

22. Policy

The set of documents including the actual flood policy, declarations page and application, as well as any endorsements or renewal certificates. Only the one dwelling that is described in the application can be insured under a policy.

Note: This means that multiple policies are required, individually, for multiple buildings.

23. Pollutants

Any substance that is a solid, liquid, gaseous or thermal irritant or contaminant. Smoke, vapor, soot, fumes, acids, alkalis, chemicals, or waste are all examples of such irritants/contaminants. The term waste includes not only disposed material but also materials to be recycled, reconditioned, or reclaimed.

24. Post–FIRM building

A building that was started, built, or experienced substantial improvement after either 12/1/74 or the date that its community's initial FIRM (Flood Insurance Rate Map) became effective. The later of the two dates apply.

25. Principal Residence

This appears to set parameters for determining, among various residencies, which would be the main location.

a. When a loss occurs, it is where the policyholder or spouse resided 80% or more in the 365 days before that loss date.

b. When a loss occurs, it is where the policyholder or spouse resided 80% or more in the time period before that loss date. This is applied only when the location has been owned less than a year by either the policyholder or spouse. (term added, 2021 Change)

26. Probation Surcharge

An additional flat charge that's made every term for a policy when it is covering a property located in a community that has been placed under probation. In essence, it is a premium surcharge that results from any deficiency that created the probation action. In the previous edition, this was titled Probation Premium. (2021 Edition Change)

27. Regular Program Community

Any community that has a FIRM and has full flood coverage available at regular premiums.

28. Special Hazard Area

An area that is particularly vulnerable to flood damage AND which is designated with a special zoning code on either a FHBM or a FIRM.

Special Flood Hazard area (zones)

A

A1–30

A99

AE

AH

AO

AR

AR/A

AR/A1–A30

AR/AE

AR/AH

AR/AO

V

VE

V1-V30

29. Unit

A single unit that is part of a condominium building.

30. Valued policy

A policy that has a limit of insurance that was determined as a mutually agreed-upon amount to be paid if the insured suffers a total loss.

Under this definition the statement is made that “The Standard Flood Insurance Policy is not a valued policy.”

III. Property Covered

Coverage A – Building Property

The Standard Policy pays for direct damage (caused by flood) to the following types of property:

1. The building (dwelling) at the location appearing in the declaration.

It must be BOTH designed and used primarily as a residence. It is also limited to a maximum of four families. Further, the building does not qualify for coverage under the dwelling flood policy if it is a condominium.

Example: Jane and her family live in a small warehouse used exclusively as a residence. Joe and Emma live in a single-family home that has been converted, with the majority of its space now existing as a copier and printing shop. Neither of these situations qualifies as a covered dwelling under the NFIP.

The dwelling policy will also provide coverage (up to 45 days) for a qualified dwelling when it is at another location due to it being removed per the policy’s Property Removed to Safety provision.

2. Additions and Extensions.

Parts of an eligible building that have been added or that extend the property can be covered as part of the building to which they are attached or as a separate structure. This option is available only IF the addition or extension is connected by a rigid exterior wall, stairwell, roof, elevated walkway, or load-bearing interior wall. If the addition/extension is connected by a non-load bearing interior wall, it is part of the building to which it is connected and may not be separately covered. The ability to separately insure an extension could be important if the maximum coverage available is not enough to cover both the extension and the building to which it is attached.

3. Appurtenant structures, detached garages and carports that are located at the property address.

These structures have a limited amount of coverage against flood protection. HOWEVER, the protection is not automatic and a serious trade-off exists. The policyholder can elect to apply up to 10% of the dwelling insurance limit to cover losses to appurtenant structures. Whatever amount paid for damages to this property REDUCES the amount available for the dwelling.

Example: Teri Shortsyte's home is protected by a flood policy with the following limits:

Dwelling	$72,000
Contents	$33,000

The day an adjuster comes to look over her flood loss, Teri says that she wants her detached garage covered. Teri is happy that her garage is repaired, but later, she is upset to discover that her home is estimated to need repairs in the amount of $72,000; only $65,200 is available because it costs $7,000 to pay for the garage.

Besides the need to balance the positive aspect of this option against the limitation illustrated in our example, consideration must also be given to some conditions. The option of applying part of the dwelling limit to other structures cannot be exercised when the structure is used or held to be used in any of the following ways:

· As dwelling space

· In business or farming

4. Materials and Supplies

When such property is intended for building onto or repairing the covered dwelling or an appurtenant (related to the premises) structure, it also qualifies for protection against flood damage. However, the protection exists ONLY IF the material is stored in an enclosed building that MUST meet the flood policy's definition of "building." There are several more conditions to qualify for coverage. The materials must be in an eligible building that is either of the following:

· Located at the covered dwelling's address

· A location that's next to the dwelling address.

5. A building that is in the course of construction (as well as one being modified or repaired) is subject to the following conditions:

a. The coverage that applies to buildings that haven't been walled and roofed is only valid during the time that the dwelling is being actively built. There is a liberal exception. The coverage still exists for construction that is interrupted by a work stoppage of up to 90 days.

b. A building which is not yet walled and roofed may not be covered depending upon whether its lowest level is beneath the applicable base flood elevation. What is considered the lowest level depends upon whether the building is elevated or not, as well as its zone. The point of measurement is as follows:

A

A1–30

A99

Must not be below the base flood elevation

AE

AH

AO

AR

AR/A

AR/A1–30

Must not be below the adjusted wave action effect base flood elevation

AR/AE

AR/AH

AR/AO

V1–30

VE

V

Limitation does not apply

Essentially, the lowest floor level is the bottom of the lowest horizontal structure in zones VE or V1-30 and is the top of the lowest floor for all the zones highlighted in green above. (2021 edition change).

6. A manufactured (including mobile) home as defined in the section of terms.

Such property is eligible for coverage; however, special restrictions apply when the property is located in areas designated as especially vulnerable to flooding. The property must be anchored based on one of the following:

· Using over-the-top or frame ties to ground anchors

· According to the specifications of the manufacturer

· Based on the community's floodplain management requirements. This item is waived if the building has been continuously covered under the NFIP since 9/30/82.

7. Fixtures eligible for coverage under Coverage A – Building Property.

This portion of Coverage A extends coverage to individually owned personal property that is NOT covered under Coverage B – Personal Property. The property involves items that, while not structures, are generally attached to structures, incorporated into structures, or share a sense of permanence that makes them stride the line between structures and personal property. Specifically, coverage may be available for:

· Furnaces

· Permanently attached/installed:

o Wall mirrors

o Paneling

o Corner cupboards

- o Bookcases
- o Wallpaper
- · Carpet (IF installed over unfinished flooring)
- · Venetian Blinds
- · Central Air Conditioners
- · Awning and Canopies
- · Elevator Equipment
- · Fire Sprinkler Systems
- · Built-in Dishwashers
- · Garbage Disposals
- · Outdoor Antennas IF attached to buildings
- · Pumps and Machinery
- · Built-in Microwaves
- · Water Heaters
- · Ranges and Stoves
- · Radiators
- · Kitchen Cabinets
- · Light Fixtures
- · Plumbing Fixtures
- · Refrigerators

8. Property Located in Lower-Levels

a. Certain items located in basements or the lowest level of an elevated post-FIRM building qualify for coverage. Eligibility depends on whether the property is installed where functionally intended and, if applicable, is connected to a proper power source. The eligible property includes:

Attached stairwells / stairways

Central Air Conditioners

Cisterns and sump pumps

Drywall for basement

Electrical outlets / switches

Foundation structures that support a covered building

Fuel, fuel tanks

Furnaces, water heaters

Heat pumps

Junction and breaker boxes

Newer elevators, dumbwaiters & equipment

Nonflammable insulation

Solar energy system pumps / tanks

Utility connections

Water softeners, filters, and faucets

Well water tanks/pumps

Note: The limitation applies only if the elevated post-FIRM building is located in one of the following zones – A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-30, V1-V30 or VE. It applies to all basements regardless of zone.

b. Coverage also extends to related clean-up costs involving the above items.

Coverage B – Personal Property

1. Personal property is eligible for coverage when any of the following apply:

- Owned by a named insured
- Owned by family members who live in the same home as the named insured

The coverage intent of the standard flood policy can be considered as “minimalist.” Its concern is for owned property and on-premises exposures.

Example: Meg Multipul’s home is insured by a dwelling flood policy with a dwelling limit of $95,000 and a personal property limit of $40,000. A flood loss damages $21,000 worth of contents in her home, consisting of:

Item	Value
Appliances, digital recorders, TVs	$5,000
Clothing	$2,500
Sports equipment	$500
Office equipment and supplies	$3,000
Furniture	$6,000
Books	$4,000
Total	$21,000

The adjuster sent to inspect the loss has no problem with most of the claim except the office equipment and supplies. He informs Meg that because the equipment and supplies are related to her copier shop business (so are NOT incidental to her residence), they are not covered by her flood policy.

An insured can choose to have coverage under the policy extend to personal property that belongs to house guests or servants. The coverage maximum is controlled by the policy’s insurance limits.

2. Personal property subject to the Property Removed to Safety provision is covered while at that temporary location but only for 45 days from the date on which it was moved.

3. At the time of loss, the personal property is required to be within a fully enclosed building at the described address or within a temporary location. If the property is in an incomplete building, it must be secured against floating to qualify for coverage. If it floats away, it is considered not to have been secured against floating.

Example: Let's use Meg's $21,000 property loss again. This time, the loss consists of the following:

Item	Value
Appliances, DVD players, TVs, digital recorder	$5,000
Clothing	$2,500
Sports equipment	$500
Personal property belonging to a visiting friend	$3,000
Furniture	$6,000
Books	$4,000
Total	$21,000

However, in this situation, instead of a personal property limit of $40,000, her limit is only $20,000. The good news is that Meg can arrange for all of her friend's loss to be covered. The bad news is that Meg will have to decide if she can afford to have $1,000 of her own loss go unpaid.

4. The protection provided by this coverage part extends to the following property as long as it is fully owned by the insured AND it is NOT protected under Coverage A:

- Clothes Washers
- Clothes Dryers
- Food Freezers
- Food that is in any type of freezer
- Air Conditioning Units
- Portable Dishwashers
- Carpeting
  - o Non-permanent wall-to-wall over unfinished flooring
  - o Any type over a finished floor
- Outdoor Equipment and Furniture
- Portable Microwaves
- Cook-out Grills, Ovens, and similar equipment

Note: Outdoor equipment and furniture are only covered when stored INSIDE a dwelling or a building at the same property address, as long as the building is fully enclosed.

Example: Tim and Jane Gullywashur are glad that they have a flood policy that protects their home and contents against flood. Having gotten plenty of warning, they are now staying with friends who live on higher ground in a neighboring town. The Gullywashurs were able to bring several suitcases full of clothing and small property with them. They also had time to lock their beautiful new walnut deck furniture in a large, fenced enclosure (including a solid cover) that the previous property owners used as a kennel. In this case, although the deck furniture is secured against floating away and the fence structure has four walls and a solid roof, no damage to this property is covered. The fencing is not an enclosed structure that helps to protect against water damage.

5. Personal Property Located in Lower-Levels

Certain items located in basements or the lowest level of an elevated post-FIRM building qualify for coverage. Eligibility depends on whether the property is installed where functionally intended and, if applicable, is connected to a proper power source. The eligible property includes air conditioners that are portable or window units, washers, dryers, food freezers that are not walk–in models and frozen food that is kept in a covered freezer.

Note: The limitation applies only if the elevated post-FIRM building is located in one of the following zones – A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-30, V1-V30 or VE. It applies to all basements regardless of zone.

6. Tenants

If the insured is a tenant, any owned property, including a stove or refrigerator, that qualifies as personal property under the flood policy qualifies for coverage. Coverage also extends to improvements made by that insured. However, coverage for improvements is limited to a maximum of 10% of the applicable personal property limit. However, any payments made decrease the amount of coverage available for personal property loss.

7. Unit owner

If the insured is a condo unit owner, besides the personal property coverage, up to 10% of the personal property limit may be applied to cover interior structures that are deemed to belong to that unit owner.

Note to items 6. and 7: The 10% extensions may be used at the option of the insured. However, such use reduces the amount available for covering other property.

You may have noticed that the above property is very similar to the property listed as eligible for coverage under Coverage A – Building Property. The difference is that while Coverage A is designed to cover permanent property in the nature of structures, Coverage B is meant to cover property that is portable. This coverage part has some other limitations that restrict coverage.

8. Special Limits

The policy restricts total coverage to $2,500 for the following property:

· Rare books

· Furs and articles for which the fur represents the principal value

· Jewelry, gems, watches, valuable stones, and precious metals

· Memorabilia, photographs, and collectibles such as sports cards, porcelains, and similar items

· Any personal property when its use is connected to any commercial operation

· Artwork. Examples would be:

- paintings
- etchings
- pictures
- tapestries
- art glass windows
- statuary

- marbles bronzes

Example: Ms. Vera Tray Sheek is horrified to discover the following flood damage to her personal property

Item	Value
A first edition of The Old Man and the Sea	$2,600
A mink-trimmed stole	$3,300
A ruby necklace	$3,900
An antique print	$19,200
Total	$25,100

Vera cries when she reads about her policy limitation. She tells her insurance agent:

"I can't believe that each of my treasures is just insured for $2,500! I can't replace them for $10,000!" Vera's insurance agent goes to his medicine cabinet for some smelling salts before explaining to Vera that the total amount that she can recover for ALL four items is not $2,500 apiece but $2,500 total.

9. Antique Limitation

For all intents, antiques are treated the same as regular property. The Dwelling Property Policy pays losses involving such property according to its functional value.

Example: One item destroyed when Tara's office was flooded was an antique typewriter, circa 1900, that she had on display. Though it was appraised at a value of $1,900, the insurer's adjuster included a payment of $38, the value of a routine, used modern typewriter.

Coverage C – Other Coverages

1. Debris Removal

In the policy, this item is displayed as brief parts a. through c. Losses normally include many instances of insured property being covered in debris. Coverage C's coverage intent is to reimburse an insured for the expense of picking up and disposing of the debris. The coverage will pay for handling:

- Any foreign (not owned by the named insured) debris that is lying on the described premises
- Debris of insured property, wherever it may be
- The labor cost of an insured or insured household member who performs any debris removal. The payment is according to the applicable federal minimum wage.

Example: Jim's home collapses, and after the flood waters recede, he finds that his entire yard is covered in the remains of his home's walls. Jim and his teen daughter spend about 15 hours cleaning and moving the debris. Their insurer reimburses them for their work.

This is not additional insurance. Any payment made under Coverage C reduces amounts available to pay for losses under Coverages A and B.

2. Loss Avoidance Measures

This coverage reimburses the named insured for the following expenses related to mitigating or preventing a flood threat. These are not additional amounts of insurance but are sublimits that reduce the limit of liability available to pay for flood damage.

a. Sandbags, Supplies and Labor

(1) A maximum of $1,000, if available, for the cost of sandbags, fill materials to create a temporary levee, pumps, plastic sheeting, lumber, and the related labor costs. The labor costs use the prevailing federal minimum wage in determining the value.

(2) The policy requires that the insured building actually face possible flood damage. To be reimbursed, the local authorities must have issued an evacuation order for the area around the covered location, and the location must have evidence of flood damage.

Editor's note: The additional requirements seem somewhat strict, considering they put significant restraints on mitigation measures. The coverage amount is very modest, and any reimbursement reduces the policy's available coverage limit.

b. Property Removed to Safety

The policy also provides a maximum reimbursement of $1,000 for expenses related to removing eligible property from a location that is threatened by flooding. The cost of moving a moveable home is included in this item. The property that has been removed is eligible for coverage away from the described location for up to 45 days from the removal date. However, the new property location must either be above-ground or out of any special flood hazard area (as defined by the policy). A reminder that's, again, significant, any payment reduces the policy's available Coverage C. limit.

3. Condominium Loss Assessments

The standard policy will also cover certain condominium arrangements.

a. When the applicable flood policy is written for a condominium unit owner, the policy's entire Coverage A limit is available to respond to assessments that are issued by the condo association. However, the assessment must conform to what is permitted by the association's bylaws and the unit owner's deed. Naturally, the assessment must be due to covering damage to condo property that is owned in common, and the loss has to be due to flood activity.

b. Coverage is still unavailable if the damage assessment involves:

· Levying by any unit of government

· Finally, the assessment is disqualified for coverage if it is an attempt to make up for a loss to Condo Association property that was not paid because it was the portion that fell below the policy's deductible.

· Personal property, even if the property is owned jointly by the association

· Any amounts that exceed the total amount of coverage available to condominium buildings under the Flood Act for a single, eligible flood loss. This applies to any unit where both the coverage of a dwelling policy and a Residential Condominium Building Association Policy (RCBAP) exists. (2021 Change)

· Any amounts paid for damage to property that was already reimbursed due to payment received under a Residential Condominium Building Association Policy (RCBAP) exists. (2021 Change)

c.1. Any amount paid under this coverage reduces the total available coverage for an eligible flood loss.

2: The recovery limitation regarding amounts available for a condominium building or a tenant applies to those provided by any combination of NFIP policies and NOT amounts received from other coverage sources.

Example: The Greater Mudhole Condo Association has just sent out assessments to help pay for the damage to the association's Community House. The assessments involve recoupment for the following:

· Flood damage to the Community House entryway, door, oak flooring, and steps

· Flood damage to lounge furniture, televisions, appliances, and spoiled food

· The loss of one month's income from three rentals of the Community House for wedding receptions, which were canceled because of the Community House's unavailability.

The assessments were necessary because they were not covered by the condo association's flood policy. The policy was issued in the name of Richard Mudhole, the condo's builder. The policy had limits of $1,500,000. The value of the association's common property equaled $2,750,000.

Note: The NFIP's available association policy could have been written for up to $3,000,000.

There are 100 members in the condo association. The assessments were sent to the 40 members who joined the association in the latest and final phase of the condo development. Although the Community House is jointly owned by all 100 members, only the newest members were assessed because they weren't around when the older members were assessed for damages that occurred four years ago, and Mr. Mudhole wanted to be fair.

In the above case, there are several reasons why the individual unit-owners' assessments would not be eligible for coverage under their individual flood policies. The items that would disqualify the reimbursements include the following:

· The Condo Association Policy was written in the name of the condo builder, not the association

· The loss was not assessed to ALL of the association's members

· The loss assessment included amounts loss to ineligible property (Community House Furnishings) and indirect damage (loss of rental income).

Example: Hal Oneplace's Condo Association just sent him an assessment notice for flood damage to a utility shed that stores lawn maintenance equipment for the Condo grounds. The shed was built and is owned by Hal's condo neighbor. The Association decided to assess everyone in order to help the member who built the shed for the good of the Association.

In this case, coverage for the assessment would not be eligible for coverage under the dwelling flood policy. Although the shed suffered direct damage, it is property that belongs to another individual. While the property confers a joint benefit, it is not jointly owned. There is also the question of whether the association would have the authority to make an assessment under this circumstance.

Coverage D – Increased Cost of Compliance

1. General

The Dwelling Property Policy provides coverage to address some costs incurred to conform to state and local requirements involving repairing or rebuilding covered property damaged or destroyed by flood. Any payment is required to be related to qualified activities such as floodproofing, relocation and demolition. These activities are covered ONLY for residential structures that have acceptable basements as defined in the FEMA regulations and for nonresidential structures.

2. Limit of Liability

If and only if a flood policy includes protection under Coverage A, a total of $30,000 is provided under this provision to handle flood program compliance issues. The compliance costs must be associated with requirements under the flood act, and the $30,000 maximum applies regardless of how it may be provided under Coverage A and or Coverage D. No deductible applies for a Coverage D claim.

Example: Greg Poorchoyse and Pam Gudsalect are next door neighbors with identical older homes. Greg owns flood policy A, and Pam owns flood policy B:

Coverage Part	Greg – Policy A	Pam – Policy B
Coverage A	$150,000	$130,000
Coverage B	$35,000	$35,000
Coverage C	Applies	Applies
Coverage D	NONE	$30,000

Both Greg's and Pam's homes suffered a near total loss of $125,000 (apiece) during a recent flood. They both find out that, according to flood readiness regulations, they cannot rebuild their homes unless they treat their foundation walls with waterproof materials, add draining tiles and add soil around their property in order to create a greater slope for drainage. The additional requirements bring the total expense to repair their homes to $138,000. Under Greg's policy, this additional coverage is not covered, and he will have to come up with the additional dollars out of his own pocket. Under Policy B, Pam's additional cost is handled in full under Coverage D.

3. Eligibility

a. A qualifying structure must meet a number of NFIP program requirements.

(1) It must qualify as a repetitive loss structure. Besides being covered under a NFIP policy, it must have suffered covered flood losses a minimum of twice in the ten years immediately prior to the last reported claim. In addition, the following must be met:

· The previous loss amounts must have, at least, been equal to 25% of the covered structure's market value.

Example:

Scenario 1: Ron Soggyplace's home has had flood insurance since he bought his home twelve years earlier, and it has come in handy. Eight years ago, he had a $5,000 flood loss, which, at the time, equaled about 15% of his home's market value. Last week Ron's home suffered a much larger flood loss which is estimated at $25,000, about 40% of his home's current market value. Ron gets the news that his town is enforcing a substantial damage provision, which will require him to add some floodproofing features (that will cost an additional $9,000) to his home. While the total $30,000 in losses he suffered in the last eight years does not equal 50% or more of his home's current value, it DOES exceed, on average, 25% of the existing and current market value of his house, so, his home qualifies as a "repetitive loss structure." Let's look at the same situation but change one important feature.

Scenario 2: Ron Soggyplace's home has had flood insurance since he bought his home twelve years earlier, and it has come in handy. Eight years ago, he had a $5,000 flood loss, which, at the time, equaled about 15% of his home's market value. However, the loss did not qualify for coverage under his flood policy, so he had to take out a bank loan to make the repairs. Last week

Ron's home suffered a much larger flood loss which is estimated at $25,000, about 40% of his home's current market value. Ron gets the news that his town is enforcing a cumulative, substantial damage provision which will require him to add some floodproofing features (that will cost an additional $9,000) to his home. In this case, while Ron's loss situation triggers the town's cumulative, substantial damage provision, it does not qualify for protection under Coverage D – Increased Cost of Compliance because the NFIP DID NOT PAY the first loss.

· The community where the losses occurred must be enforcing a law that is equal to the cumulative or substantial damage provision that is encoded in its floodplain management law

(2) If not meeting the standards under a. (1), a structure that experienced flood damage equal to or greater than 50% of its market value. The market value used is based on the value of the structure at the time of the previous flood loss. Again, a state or community must be exercising its own cumulative or substantial damage provision against the structure.

Example: Tonya Dri-Lot never thought she would need her flood insurance policy, but she's glad her agent convinced her to buy it. Tonya's home was inundated with floodwaters for a couple of weeks. The damage was very serious, estimated at $47,000, which equals nearly 65% of her home's current market value. Because of her city's substantial damage provision, it looks like she'll have to count on another $7,500 in costs for her home to comply with city flood management standards. In this case, assuming Tonya has sufficient Coverage D limits, the additional costs are covered by her flood policy.

Again, a state or community must be exercising its own cumulative or substantial damage provision against the structure.

b. Coverage D will also pay for compliance expenses to meet the NFIP's minimum standards as stated in the Code of Federal Regulations. Payment may also be made for expenses to meet standards that are higher than those required by NFIP regulations if they exceed:

(1) The standards listed above in item 3.a.(1)

(2) The increase in cost of elevation or floodproofing needed to have a damaged home comply with FEMA base flood elevations in any risk zone. However, the cost has to be the result of a state or community adopting and enforcing the FEMA recommendations. This exception includes situations where elevations that are being increased in zones B, C, X or D are being switched to base flood elevations UNLESS the elevations are derived by the state or community instead of elevations recommended by FEMA.

(3) The increase in costs of elevation or floodproofing that is needed to have a damaged home EXCEED FEMA base flood elevations IF it is done to comply with state or local "freeboard" (required height of construction above expected water level) requirements.

Coverage D will also pay the additional costs (subject to its insurance limits) when c. or d. below apply:

c. The increased cost is created in an unnumbered A zone where the elevation or floodproofing is done to comply with the base flood elevation recommended according to federal, state, or local elevation data.

d. The incremental costs of elevating or floodproofing to meet state or local floodplain management laws after a covered structure has been demolished or relocated, and the costs are incurred while the structure is being rebuilt either at the same site or at another site

Note: Item d. is subject to item Exclusion D.5.g. below

e. Payment may also be made to help with compliance costs for rebuilding a structure at an elevation that meets the applicable community's base flood elevation (if the base flood level meets

NFIP requirements). Payment is also made in instances where a damaged or destroyed home that previously received a variance (an exception or waiver) must now conform to local or State standards.

Focus on Repetitive Loss Structures: In July 2003, Congress passed H.R. 253, titled "Two Floods and Your Losses Are Out of the Taxpayers' Pocket Act." The legislation was passed in response to the fact that, although repetitive loss structures are a small percentage of those vulnerable to flood loss, the class loss experience is disproportionate. Rather than take advantage of procedures meant to reduce the chance of future loss, such owners often just depend upon flood coverage to handle any damage. The Act provides an incentive to take mitigating action, such as elevating or moving the structure. If recommended action is not taken, property owners risk the chance or paying much higher flood insurance premiums or face the loss of flood insurance and/or federal disaster assistance.

4. Conditions

This section contains a fairly straight-forward explanation of a couple of stipulations involving loss payments under Coverage D – Increased Cost of Compliance.

a. A covered structure must suffer direct damage from flooding. The flood loss must be accompanied by an increase in claim costs. The increased cost must be due to the enforcement of a law or regulation involving floodplain management. The items eligible for coverage include increased costs to:

· Elevate

· Floodproof

· Relocate

· Demolish (including clearing the site, discontinuing utilities, and properly abandoning utilities located on the loss site), a covered structure including any combination of the above activities.

b. The building that is rebuilt or repaired must have the same use and occupancy as the building that was damaged or destroyed UNLESS a change is made because of an ordinance or law.

Example: Kevin Hektyk's home was, in essence, destroyed by a flood. Kevin, an urban "graffiti" artist, used a couple of rooms in his old home as a studio and exhibition room. Being both bold and creative, Kevin got permission to rebuild his two-story home with the ground floor rebuilt as one, gigantic room, without the "superfluous" middle-class amenities such as a bathroom or a kitchen. The rebuilding costs were much higher in order to properly reinforce the foundation and floor joists so the bottom floor could support the conventional upper story. The adjuster denied the additional construction costs but did praise Kevin for his vision and said he'll come to his next showing.

5. Exclusions

This section explicitly states that it refers to Coverage D – Increased Cost of Compliance. This may seem insignificant, but it certainly aids the understanding of the provision and should be used in the other provisions. Regardless, there is NO COVERAGE for costs created by authorities enforcing:

a. Community floodplain management laws or ordinances. This exclusion applies only to communities under the NFIP Emergency Program.

Since the flood coverage in such communities is limited, it is logical to restrict strained insurance resources to cover direct losses.

b. Pollution related regulations that mandate an insured to do any of the following related to the impact of pollutants:

- Test for
- Clean up
- Monitor
- Contain
- Treat
- Detoxify
- Neutralize
- Respond to
- Assess

Note: The dwelling form flood policy uses the same description of pollutants found in standard ISO property and casualty insurance policies.

c. A loss in value to any covered structure or building when compliance with flood regulations creates the reduction.

Note: Though a claim involving such an occurrence is possible, it is difficult to see how a party might expect coverage since the policy is restricted to covering direct flood damage and certain indirect, increased construction costs. Another consideration is this: If the policy states that this specific "loss" is excluded under Coverage D, can a claimant argue that it IS covered elsewhere under the policy?

d. The loss of residual value of the undamaged portion of a covered structure that must be demolished or relocated because of complying with a flood regulation.

e. The Coverage D compliance costs will not be paid unless both the following conditions are met:

(1) Until the covered building actually undergoes the required elevation, floodproofing, demolition or relocation

(2) The required compliance activity takes place within a maximum of two years from the loss date.

Note: This is really more a condition than an exclusion.

This is quite a logical exclusion. The insurer is not obligated to pay for activity that either doesn't actually take place AND doesn't take place in a timely manner. This protects the insurer against paying for either unnecessary costs or, due to prolonged delay, for unnecessarily increased compliance costs.

f. Any code upgrade requirements that are not part of a state or local floodplain management law or ordinance.

This concerns updating a structure's plumbing, electrical system, etc., that may be required in various ordinances or laws but that are not specifically flood related.

Example: Lynn Skofflaw is rebuilding the home that was decimated by flooding. Her home is being rebuilt from the foundation. Besides having to elevate her home to comply with Floodville's anti-flood provisions, she also has to use state-of-the art wiring and high-voltage capacity circuits, which are part of the Floodville 2005 upgrade ordinances. When Lynn asks that the additional $4,000 in costs be added to her flood claim, she's told that it isn't a direct cost of flood compliance, so it's not covered.

g. If an improvement or addition is made following a flood loss, the costs needed to bring that improvement or addition into compliance with a state's or local community's floodplain management laws or ordinances are excluded.

Example: Let's use Lynn Skofflaw again. This time, to make the most of a bad situation, Lynn decides to have an addition built onto the home (naturally, at Lynn's expense). A Floodville inspector points out that the addition must also be modified to comply with anti-flooding ordinances. Lynn requests her insurer to pay for the additional $1,550 cost, but it is not eligible for reimbursement.

h. Loss due to any ordinance or law that the insured was required to comply with before the current loss.

Example: Andy Sloff's home was flooded by the overflow from Shallow Lake. Because it took several days for the water to subside, Andy's home was substantially damaged. The insurance company estimated the loss to be about $52,000, or nearly 70% of the home's current market value. It also included an estimate of $3,000 in work needed for the rebuilt home to comply with local flood ordinances. The day that an insurance company adjuster came by with a check, Andy said:

"I can't believe it! When the town told me to have the work done to comply with the ordinances last year, the estimate I got was just for $1,700." The adjuster took the check back and said he'll issue a new one after deducting the portion meant to cover the compliance work.

i. Any rebuilding activity to standards that does not meet the NFIP's minimum requirements.

This includes any situation where the insured has received from the state or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation.

In other words, even when a policyholder suffers a serious loss, which includes a requirement to improve the structure to meet local flood standards but not the minimum standards set by the NFIP, the dwelling policy's Coverage D will not cover the increased cost even when the policyholder has a variance not requiring him or her to meet the higher standard.

It would appear that this exclusion would come into play under rare circumstances. However, there may be an instance such as the following.

Example: Lowlee Motivaytid's home suffered flood damage equal to 65% of the current market value of his home. Circle-land's anti-flood regulations required him to elevate and floodproof his home according to Circle-land's independently derived standards, which were below the NFIP standards. Lowlee's flood policy has Coverage D limits of $10,000. The increased cost to comply is $8,000 to meet Circle-land's standards and $12,000 to meet the NFIP standards. Lowlee decides to avoid out of pocket costs that would be created by meeting NFIP standards and rebuilds his home according to Circle-land requirements. Lowlee is shocked to discover that, since his compliance efforts do not meet NFIP standards, he'll have to handle the entire $8,000 as out-of-pocket expenses.

j. Increased Cost of Compliance for garage or carport

There is no protection under Coverage D for increased costs to bring carports or garages in compliance with state or local ordinances.

k. Any instance involving property that is protected by a Group Flood Insurance Policy issued pursuant to 44 CFR 61.17.

Simply, any structure insured under the specified group policy is not eligible for protection because that would result in duplicate coverage.

l. Assessments made by a condominium association or individual condominium unit-owners to pay increased costs of repairing commonly owned buildings after a flood in compliance with state or local floodplain management ordinances or laws.

Example: Jan Cubbihole was still in the process of getting her condo back in order after suffering a big flood loss when she got a notice from her Condo Association. Leekalot Landings is assessing all of the condo owners for damages to the Leekalot Disco Lounge (the condo was built in the late ‘70s). Jan is in no mood to dance when she reads in her dwelling policy that the $2,345 assessment isn’t covered.

One might argue whether this is a fair exclusion, say in the instance where all of the condo association members have paid for an adequate amount of coverage under Coverage D – Increased Cost of Compliance. However, the exclusion is, at least, consistent with the policy’s approach to bar the ability of a condo association to get coverage via individual condo owner flood insurance policies.

6. Other Provisions

There are two items under this part.

· This item tells the policyholder that any increase in cost of a serious loss does not affect any insurance-to-value calculation that is made to see if the insurance coverage qualifies for reimbursement on a replacement cost basis; nor for coverage as described under Article 8 concerning losses involving land subsidence, sewer backup or water seepage.

· This item is a notice that all of the policy’s remaining conditions and provisions apply to Coverage D.

IV. Property Not Covered

This section explains the types of property and situations that are not eligible as covered property. The dwelling form standard policy does NOT COVER:

1. Personal property that is in the open.

If the property is not in a building, it isn’t covered. This provision is pretty logical since such property is very vulnerable to loss and is also highly portable; so, an insured should be encouraged to protect such property by moving it into a fully enclosed building.

Note: Depending upon circumstances, moving such property may qualify for expense reimbursement under the policy's "Property Moved" provision.

2. A building and personal property inside a building located entirely in, on, or over water or seaward of mean high tide if the building was newly constructed or substantially improved after September 30, 1982.

It appears beachfront housing may not qualify for coverage depending on when it was built or the tide. An ongoing problem with the flood program is responding to losses involving property located in areas that are practically guaranteed to suffer substantial flood damage. One goal of the NFIP is the attempt to discourage such building activity or, at least, to place the loss exposure in the property owner’s hands.

3. Damage to open structures and damage to personal property located in, on, or over water. Boat houses and structures in which floating boats are kept or stored are also ineligible.

4. Recreational vehicles are barred from coverage. Their ineligibility is not affected by whether they still have wheels or are part of a permanent foundation. However, travel trailers within the definition of building in II.B.6.c are covered.

5. Any self-propelled vehicle or machine and motor vehicle, including their parts and equipment. There are two exceptions. When they are inside the building, motorized equipment pertaining to the service of the described unit or building or designed to assist handicapped persons is covered.

6. Land and its value is not covered. Living and growing property such as lawns, trees, shrubs, plants, and crops are ineligible. In addition, animals are not covered.

7. Valuable papers and currency such as manuscripts, accounts, bills, deeds, evidence of debt, money, medals, postage stamps, securities, bullion, and similar property, including records.

8. Wells, septic tanks, septic systems, and all other underground structures and equipment are ineligible property

9. Surfaces outside a covered property's perimeter walls are not insured. Examples are walks, walkways, decks, driveways, patios, and other surfaces; they are not affected by their type of construction nor by whether they are covered.

Hopefully, it's evident that this provision continues the policy's trend of narrowly defining the subject of insurance: the residence structure, selected other structures and certain classes of personal property.

Example: Ned Duz loves his first home, which he bought at a bargain since it was a "fixer-upper." Ned made sure he got a flood policy, and he has been busy making the outside of his house look as good as his neighbors' property. Unfortunately, the morning after he just had a new cement driveway poured, his neighborhood was flooded with standing water for an entire day. While Ned's home just lost some old carpeting he was planning on removing, and it has to have a few panels of drywall replaced, his new $5,000 driveway was ruined. The damaged driveway is not eligible for coverage under his flood policy.

10. Containers

Another ineligible item is a tank for storing gas or other liquids.

Example: Tess and Durberval are converting their home from heated by a wood-burning stove to an oil-heated home. The excavating contractor leaves the oil tank next to their detached garage until they can dig a hole and install it. One night, a flash flood sweeps up the heavy tank and smashes it into one of the excavator's trucks. The tank's seam is ripped open and sinks, embedding itself in a neighbor's front lawn. There would not be coverage for the tank.

11. Property below ground, meaning a building or unit and its contents, including personal property and machinery and equipment.

Underground homes or structures, including contents, are not covered by the dwelling policy if slightly half or more of the structure's actual cash value is located below the base flood elevation or the adjacent ground level; this depends upon whether the home is part of the Regular or Emergency Flood Program. This exclusion does not apply when a home has used earth in an approved manner for insulation. An insured would have to have documentation to prove that the home and insulation installation met with building construction and energy conservation standards as well as with the NFIP's applicable elevation requirements. In other words, taking the world's best built bi-level home and covering it with clay-packed soil would not qualify for coverage under the flood program even if the earth packing saved on air-conditioning costs.

Note: This exclusion is an all-or-nothing premise. If the structure's features cause it to fail to qualify for coverage, then ALL of the accompanying structures and contents are ineligible.

12. Other ineligible structural property for protection includes fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks.

13. Aircraft and watercraft are not covered; the exclusion extends to related furnishings and equipment.

14. Indoor and outdoor swimming pools. Similar, ineligible property includes recreational hot tubs and spas, included their related (plumbing) equipment. This does apply to such items when a part of a bathroom.

15. Buildings and their contents made ineligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act, 16 U.S.C. 3501 et seq., and the Coastal Barrier Improvement Act of 1990, Pub. L. 101- 591, 16 U.S.C. 3501 et seq. Unless such property has stickers that identify it as being ineligible under these Acts, an insured would have to get her hands on a copy of this information. It’s unlikely that ignorance of these regulations would result in the property being covered.

16. Personal Property in which an insured has a joint ownership interest due to membership in a condominium association.

Example: Jan files a claim for a flood loss that included the destruction of a very expensive home entertainment system. Her insurer turns the claim down when it was discovered that she owned the system along with the other members of her condo association. She pitched in on the cost of the system located and used in the association's clubhouse.

V. Exclusions

A. The Dwelling Form Standard Flood Insurance Policy will not compensate, reimburse an insured, nor provide an allowance for:

1. Loss of revenue or profits

There is no opportunity under the flood policy to be reimbursed for potential profits that are lost because of a covered event.

2. Loss of access to the insured property or premises (described location)

This is rather similar to exclusion example A.1. The difference is that this is an indirect source of loss that does not or may not involve any loss to any covered property.

3. The insured’s loss of use of the insured premises (described location) and/or the covered property.

While an insured can suffer genuine economic harm from a flood that prevents an insured from using his residence or property, such loss is indirect; so, it would not qualify as a recoverable loss.

4. Loss resulting from interruption of business

Another source of indirect loss is the loss caused by unrealized opportunities. Again, since this is not a direct loss of tangible, insured property, no claim for such losses can be filed under the flood policy. Actually, they can be submitted; they just won’t be honored.

Example: Jill Rightkounter is a self-employed accountant living with out-of-town relatives until the flooding in her hometown recedes. Jill is unable to get to her home/office for three weeks. When she does get back into her office, she’s upset to find that several persons called in to request her services. She returns the calls, but since so much time has passed, they all found other accounting services. Jill estimates that she lost more than $6,000 in potential business. This indirect loss is not covered.

5. Additional living expenses incurred while the insured building is being repaired or is uninhabitable for any reason.

The flood policy is priced to handle direct damages to an insured residence or personal property from flood waters. The policy is NOT structured to pay for higher expenses suffered by a person whose home can't be used because flooding has made it (temporarily) unusable as a residence.

6. Any increased cost of repair or reconstruction as a result of any ordinance regulating reconstruction or repair, except as provided in Coverage D – Increased Cost of Compliance.

It is important to review what protection is provided by Coverage D. Otherwise, any legal requirement that adds to the cost to repair or replace a damaged home is not covered. Why is there a need for such an exclusion? The rating for any insurance policy relies upon having solid information about the maximum exposure to loss. Laws or rules that substantially change an insurer's exposure, without adjusting their premium for the increased exposure, are a threat to an insurer's ability to provide coverage to all of its customers.

7. Any other situation that creates economic loss

It appears that this exclusion prevents an insured from filing a claim to recover for any type of financial loss that, while connected or related to a flood loss, is not eligible for coverage under the flood policy.

B. Flood in Progress

The starting time for coverage is 12:01 A.M. on the first day of the policy period. This same stipulation exists concerning any increase in coverage (that is requested). Neither coverage NOR a higher limit of coverage applies to a flood loss that has already occurred.

Example: Kerry's claim for flood damage filed during a spring storm earlier in the year was denied. Her flood policy was duly issued and in force at the time of the damage, and Kerry wanted an explanation. She later received a letter that the effective date of her policy indicated that the flood damage resulted from area flooding that had begun several days before the policy's inception. The denial was due to the damage being from a flood in progress.

C. Losses involving earth movement. Examples of earth movement are the following:

- Earthquake
- Sinkholes
- Land destabilization or movement caused by underground water accumulation
- Gradual erosion
- Land subsidence
- Landslide

An exception is made for the limited types of earth movement which ARE covered. You must refer to the definition of flood in order to understand this exception.

D. Losses involving other causes, including:

1. Weight or the pressure of ice

2. The effects of freezing and thawing

3. Rain, snow, sleet, hail, or water spray

Policyholders under the flood program have to look elsewhere for damage caused to their property from these perils. The flood policy's rating is designed to cover its definition of the flood hazard.

4. While the flood policy does provide coverage for damage caused by flooding, it does not cover losses involving any of the following:

· Water

· Moisture

· Mildew

· Mold

This is the case IF:

· The loss is a result of a condition that is confined to the described location. A flood that is only at the insured's location is NOT covered. The definition of flood requires a more widespread water loss.

· The condition is under the insured's control. Circumstances that may be considered to be under an insured's control are defects in design or structure, mechanical deficiencies, failure, or stoppage, as well as broken water lines, pumps, sewer lines, drains, fixtures, or equipment.

Example: Greg's rental home is covered by a standard flood policy. Greg is surprised that his claim is denied after a claims adjuster inspects the damage to the interior of his rental and his (landlord) furnishings. The adjuster tells him that since he didn't repair an instance of maintenance-related cracking in his foundation, it was insufficient to hold out the water, and the loss is not covered.

5. Water and Water-borne material

The flood policy does not cover damage from water or water-borne material seepage, sewer backup or sump pump backup. However, if a flood is in the area and is the proximate cause of such activities, it is covered.

6. The pressure or weight of water UNLESS such damage is due directly to flooding.

7. The flood policy normally excludes flood losses that are due to the failure of a covered property's heating, cooling systems or of its loss of power. HOWEVER, such losses can qualify for coverage when it is an eligible flood physically damages power, heating, or cooling equipment on the described location. This means that no coverage is available when the flood at an off-site premises caused the failure.

8. Loss from theft, fire, explosion, wind, or windstorm is not covered

This is a logical exclusion because the flood coverage is meant to dovetail with other policies that respond to non-flood sources of loss to insured property.

9. A loss caused intentionally by the insured or any person on the insured's behalf (agent)

This exclusion makes sense as it is based upon the very foundation of insurance coverage: that the loss be accidental in nature. Creating a loss on purpose is the ultimate slap in the "face" of an insurance policy and is, understandably, excluded.

Example: The Arguetons and their neighbors worked hard for hours and successfully protected their property with sandbags. The bags were put up in time to hold back flood waters created by a heavy snow thaw from the surrounding hillsides. Cliff Argueton, still angry with his parents for grounding him for missing several curfews, pulls down several bags from the wall in front of his parent's home. Although he regrets his actions while watching the water cascade into the front of his house, his bigger regret is that the damage is not covered.

10. A loss caused by the insured's modification to the insured property which materially increases the risk of flooding.

Example: Tired of maintaining his home's lawn, gardens and landscaping, Jim has everything ripped out, and he then paves over the entire area surrounding his home. His lawn and gardening days are done. However, he now has to invest in sandbags since rains result in serious amounts of water draining into his home. The several flood losses he has suffered since the “Big Pave” are ineligible for coverage.

E. There is no coverage for flood damage to any property that is located on property that is leased from the Federal Government under the following circumstances:

· The property has been flooded by the Federal Government

· There is a hold harmless agreement that relieves the government from liability under the flood policy

Further, in the above situation, no claim can be made for any indirect losses or expenses related to the property being flooded.

Example: Bert and Kimmy Bravewoods have leased a cabin from the government in the heart of the Cooterland National Forest Preserve for the last two years. The preserve is near the Cooterland Reservoir, which overlooks the town of Drencherton. Without any notice, a couple of the preserve’s rangers evacuate the Bravewoods from their cabin with only time to grab the bare essentials. The rangers mention that the reservoir’s level has been rising and is threatening Drencherton. Shortly after arriving at a ranger’s post, which overlooks their area of the preserve, the Bravewoods witness their leased cabin and all of their belongings being deluged by a controlled flood caused by draining the reservoir in order to protect Drencherton. The Bravewoods are told that the preserve hasn’t had to be flooded in nearly ten years. The fact doesn’t console the Bravewoods, who know that they’ve signed a hold harmless agreement, so their flood loss isn’t covered.

F. Finally, there is no coverage for the expense of having to monitor or test for property that may have been contaminated. However, some coverage is permitted when the testing/monitoring is mandated by an ordinance or law.

VI. Deductibles

A. As is the case with most policies, the insured is responsible for sharing part of any eligible loss. The amount that appears in the declarations applies to eligible losses, and the policy begins payment above that amount. Double that amount applies to loss involving buildings under construction that have less than two exterior (rigid) walls in place.

Example: Carson’s home is destroyed by a flood. His policy declaration lists a deductible of $1,000:

Scenario: His home was two years old – Deductible Paid, $1,000

Scenario: He was building a new home, and prior to the flood, the construction had just completed one exterior wall – Deductible Paid, $2,000.

B. Unlike many other property policies, this policy applies its deductible separately to its structural and personal property coverages.

C. The policy’s deductible does not apply to the following provisions:

Loss Avoidance Measures

Condominium Loss Assessments

Increased Cost of Compliance

Related Article: National Flood Insurance Program Limits

VII. General Conditions

This article’s contents concern either coverage or contractual issues.

A. Pair and Set Clause

If an article that is part of a pair or set is lost, the insurer has the option of paying an amount equal to the cost of replacing the lost article, less depreciation, or an amount that represents a fair proportion of the total value of the pair or set that the lost article bears to the pair or set.

This provision gives an insurer the flexibility of handling the loss of such an item as individual property. Yes, the insurer tries to settle the loss while considering the fact that a piece is part of a pair or set. However, the insurer is not obligated to automatically settle such losses as though the insured has lost the full value of the pair or set. Traditionally, earrings were seen as either having full value as a set or no value as single pieces, but fashion has changed this to the point that single earrings often retain full value because they can be worn individually.

Note: In previous editions, Item B. Concealment, Fraud and Policy Voidance appeared here. (2021 Edition Change)

B. Other Insurance

1. If a loss that is covered by this policy is also covered by other insurance, whether collectible or not, the insurer is obligated to pay no more than would be covered under this policy. It is limited to the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance. However, this proportion amount applies only if neither of the following applies:

- If there is other insurance in the name of the insured covering the same property protected by this policy that states it is excess, then this policy is primary, and the proportionate sharing does not apply.
- This policy is primary, but the deductible amounts differ. After it meets its own deductible, it pays until the other insurance's deductible is satisfied. Once the other insurance's deductible is met, all losses are then shared in the proportion the remaining limit on this policy bears to the amount of insurance that remains available from both policies.

This provision is similar to those found in other types of insurance policies. It is intended to take the existence of other sources of coverage into consideration when determining loss payments. This preserves the larger goal of not permitting individuals to "profit" from insurance and to protect the flood program's capacity by restricting it to provide only its share of coverage to an eligible loss.

2. If this policy exists along with an NFIP policy issued to a condominium association, it affects the response to a loss. If a covered loss occurs to a condominium unit owner and both the flood dwelling and association policies apply to it, then the dwelling policy acts as an excess source of protection.

A different response results with a condo association assessment that is due to an unpaid loss involving an association policy. The dwelling policy acts on a primary basis if the assessment arises from the condo association not covering a loss because its limit did not meet the amount required of it by NFIP rules. Specifically, this applies if the association policy limit was less that the maximum amount of permitted coverage or at least 80% of the covered property's replacement value (whichever amount is larger).

Note: This provision is triggered regardless of another source of coverage's collectability. On its face, this would mean that the amount of coverage under the flood policy would contribute proportionally even if another source can't be collected.

Example: Prissa Guile's home is protected by a dwelling flood policy for $75,000. Prissa also bought a "Structures Insurance Contract" from Up 'n' Gone Insurance Collective with limits of $25,000. After a serious flood loss, estimated at $20,000, Prissa discovers that the collective is insolvent and no insurance protection will be paid. However, since the collective is still considered a separate source of protection, Prissa is only able to collect $15,000 under her flood policy. The reduced settlement represents the flood policy's 75% contribution to the loss.

Note: The result illustrated in the example is theoretical. The Other Insurance provision also states that the flood policy will pay its share of the entire amount of insurance that applies to a loss. When another source of protection is uncollectible, then the flood insurance is the only protection available. So, it may be argued that full, rather than proportional, protection is the policy's obligation.

3. If this policy and another NFIP policy contributes to an eligible loss, the amount of payment faces a cap. A maximum of $250,000 applies. That is the highest amount available for payment for a single unit within a condo. (2021 edition change).

C. Amendments, Waivers, Assignment

The named insured has the right to transfer this policy to another if the transfer is done in writing. The transfer will take place at the same time as the transfer of title. This right is NOT permitted if the building is in the course of construction or if the policy applies only to contents.

This condition is unique in that a named insured can assign its policy to the entity purchasing the property insured under this policy without prior notice to the insurance company. Most insurance policies do not permit any assignment of coverage due to the need to specifically underwrite the named insured. However, problems can arise.

D. Insufficient Premium or Rating Information

Note: In previous editions, this appeared as Item G. Reduction and Reformation Coverage. (2021 Edition Change) It appears to be formatted and labeled differently. It is likely an attempt to provide more clarity in the explanation of how the condition applies.

1. Applicability

In any instance and at any time, action will occur should it be discovered that the premium paid for a given policy is not enough to provide the amount of coverage as it was originally written. The procedures vary according to circumstances, but the appropriate measures will be applied, regardless of the cause of the inadequate payment. Exceptions are granted for situations involving flood program rate increases as well as those not covered under the provision's applicability section.

2. Reforming the Policy with Reduced Coverage

Under this provision, subject to its parts, d.1. and d.4., when the premium received by the insurer is inadequate for the amount of coverage originally arranged, protection will be reduced to conform with the amount actually received.

a. The first step is to apply all fees and surcharges to the premium on hand. This will allow a calculation of what level and kind of coverage may be purchased by the remaining net amount.

b. The net payment on hand, net of charged costs, will be refunded if the amount is too low to purchase any coverage. This sub-part then mentions that the policy will be cancelled and is ineligible for any claims payment unless the policy's coverage is raised to the amount the policyholder originally intended to arrange.

c. The resulting limits (after reformation occurs) will be according to the available premium. None of the (reformed) limits will be greater than the policyholder's original request.

Note: In our opinion, the NFIP should reconsider this part's language. It strikes us as inconsistent, considering it addresses the action of lower, reformed protection.

3. Discovery of Insufficient Premium or Rating Information

The insurer has the right to take appropriate action once it becomes aware that the premium it received was not enough to sustain the cost of the requested protection amount. The policy may, according to the amount actually received, be reformed so that the coverage amount and scope match. The insured has options that are discussed in the rest of the section.

a. Insufficient Premium

Once the problem is discovered, the insured will get a notice to send in the additional premium. A notice of additional premium due is also sent to any mortgagee or trustee that appears on the policy. The billing may be for the extra amount due for either the entire term or for the amount due for the time period after a premium-bearing endorsement that changes coverage has been processed. The billing will be adjusted according to any applicable errors in fees or surcharges.

(1) If payment is received in time, coverage is restored according to the amounts originally requested. The coverage restoration is effective either on the inception date of the policy term or, in the case of an endorsement form, the endorsement's effective date.

(2) If the additional amount is not received in time, coverage will continue at the reduced amount, or, if applicable, the loss will be settled according to the reduced amount.

The amount of time granted to make payment under items (1) and (2) is 30 days from the date of the additional premium billing.

(3) Any additional premium may be paid out of any proceeds paid for a loss that is based on the policy's originally requested coverage amount.

This item is a commendable feature of the policy. Traditionally, insurers that receive inadequate premium arrange to use the premium received as a paid–up amount and then terminate coverage. The flood policy treats such payments differently. Instead of terminating coverage, the coverage is kept in force, but according to the amount of coverage supported by the lower premium amount.

Example: Harlan received notice from his insurer. The premium he paid to secure coverage was not enough to pay for the $128,000 flood policy on his home. He is also told that if an additional premium is not received, the policy will be reformed to a limit of $109,000. A week after getting the notice, he sends an additional payment to preserve the $128,000 limit.

b. Insufficient Rating Information

The flood insurer may find that it didn't have the information necessary to correctly rate the policy. In that case, the policyholder will be asked to send any needed information. It must be sent within 60 days of the insurer's request.

(1) Receipt of the information within deadline

In this case, the correct additional premium will be calculated. The billing will be handled as outlined above in item D.3.a.

(2) Non-Receipt of the information within deadline

In the instance that the needed information fails to be received by the insurer in time (60 days from the date requested), protection will be reduced to that amount available according to the premium in hand. Further, non-payment of any additional premium will freeze any claim payments if any loss occurs.

4. Coverage Increases

This provision addresses requests for coverage increases when all authorized parties have failed to send in either required additional premium or additional rating-related information according to the policy's stipulated time to do so.

In this instance, any desired increase in coverage can only occur:

When the request is made by separate endorsement that is subject to a processing waiting period

Any information that had been requested by the insurer prior to the endorsement request must first be sent in

5. Falsifying Information

This warns of the consequences of knowingly supplying or hiding significant information with regard to securing flood coverage. It references the policy's provision 8.a.

This is a way to emphasize the point that policyholders must secure coverage in good faith. On the other hand, does it truly affect understanding? It merely points to a standalone provision that addresses situations that can result in loss of coverage. It's best for insurance contracts to avoid, essentially, unnecessary provisions.

Note: In previous policy editions, items E. Cancellation of Policy by You and F. Nonrenewal of the Policy by Us followed. They were removed from this section. (2021 Edition Change)

E. Policy Renewal

1. This condition tells an insured that he or she has to take the bulk of responsibility for keeping the flood insurance in force and to pay careful attention to the policy effective dates that appear on the policy declarations page. Coverage for a given policy term expires on 12:01 a.m. on the last day of the policy's term.

2. In simplest terms, the insured has to pay the renewal premium within 30 days of the policy expiration date or coverage ends as of the policy's expiration date.

In the event that a payment is BOTH received and accepted by the NFIP, a renewal policy will be sent to the insured.

3. If the insurer has either failed to send a renewal notice before the policy expiration or it used an errant address that delayed proper delivery prior to a renewal date, the following procedures will be followed:

- If, within a year from the policy's expiration date an insured or his agent tells the insurer that they never received a renewal notice and the insurer is able to confirm that a notice was not received, the insurer will send a second billing notice.
- The second notice will have a separate 30-day grace period. If it is paid in time, the coverage will renew. If it is not paid, the policy remains expired.

4. Recertification – An insured may be required to confirm that all of their rating information is still correct. The NFIP uses a Recertification Questionnaire for this purpose.

F. Conditions Suspending or Restricting Insurance

This is a harsh condition. It states that the flood policy will NOT pay for a loss that occurs after an insured either knows about or is responsible for an increase in the property's vulnerability to flooding.

Example: Jorda and Kylie were devasted when their flood claim was denied. Most of their home was damaged during a deluge. However, at the time of the loss, they were doing extensive landscaping and rebuilding a retaining wall that also significantly protected their home from high water. Their insurer's position was that the wall's condition contributed to the flood damage.

G. Requirements in Case of Loss

Should a flood loss occur to the insured property, the following actions must be taken by the named insured:

1. Notify the insurer in writing promptly

2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that the insurer may examine it

3. Prepare a complete inventory of the damaged property. The inventory has to describe all quantities, descriptions, loss amounts and ACV of each item, along with any documentation (i.e., receipts).

4. Within 60 days following the loss the proof of loss must be sent to the insurer. A valid proof of loss is a written statement about the amount being claimed under the policy. This document must be signed by the insured, and it is a sworn statement which must include the following information:

a. The date and time of the loss

b. An explanation that can be brief about how the loss happened

c. The named insured's (financial) interest in the property damaged and any other interests in the damaged property.

d. Details about any other insurance covering the property. This means the named insured is required to fully disclose all information on any other source of coverage. The insurer wants to be in the position of deciding on whether other sources apply. The policyholder is not to make this decision.

e. Details of any changes in ownership, use, occupancy, location, or possession of the insured property since the policy was issued

f. Building specifications and repair estimates

g. Names of mortgagees or all others who might have a lien, charge, or claim against the property insured under this policy

h. Details about whoever was occupying any insured building at the time of loss. This should include the purpose for which it was being occupied.

i. The inventory of damaged property as explained in item J. 3 above.

5. Document the loss with all related bills, receipts, and similar documents for supporting the amount being claimed. The named insured is to use its own judgment in determining the amount of loss but then justify it.

6. The named insured is required to cooperate with the adjuster or representative as they investigate the claim.

Note: Under item 7. which follows, although the insurer supplies an adjuster to handle the loss, this person has very limited authority; this is especially true regarding questions about the eligibility of the loss for coverage under the policy.

7. The adjuster investigating the claim may provide a proof of loss form and may even help in its completion. However, this is a matter of courtesy only, and the insured must still send a proof of loss to the insurer within 60 days after the loss, even if the adjuster does not furnish the form or help in its completion.

8. The adjuster is not authorized to approve or disapprove claims or guarantee whether the claim will be approved.

9. This item is the complete opposite of item 7. The insurer may choose to waive the requirement that the insured files a signed proof of loss statement. Instead, the insured may be required to sign and swear to an adjuster's report of the loss, which includes information about the loss and the damages sustained. The company will rely on the adjuster's report to handle the claim.

H. Our Options after a Loss

An insurer has a wide variety of options on the type of information they may request from an insured. The frequency and the complexity of the requests may be according to company policy or, more typically, are controlled by the loss circumstances. Such requests may involve the following:

1. Display the damaged property. The insurer reserves control over the manner and timing of such displays. The insurer also establishes a right to question an insured under oath about the loss circumstances and amounts. At its discretion, the insurer may request substantial amounts of documentation (financial records, bills, notices, receipts, vouchers, etc.) and also claims a right to copy materials that it decides are relevant to their investigation.

If a condo association is involved in a loss, the insurer may request any and all association documents, particularly rules and bylaws. Interest in this information is due to the fact that such agreements typically contain important references to insurance matters, such as who is responsible for what property, assessments, etc.

2. This provision also mandates the insured to furnish the insurer with a complete inventory of the damaged property, including the total loss claimed, the itemized costs involved, information on replacement and repairs, any quantities involved and applicable actual case value property values.

3. Options to Replace:

As long as it reacts within 30 days of getting (an acceptable) proof of loss, the insurer may elect among several options to respond to a flood loss. The insurer may replace, rebuild, or repair the damaged property. It may then take possession of damaged property at the value both parties agree upon or established through an appraisal. The possession may either be in part or in whole.

Here, the insurer has re-asserted its right to find the least expensive option of reimbursing an insured for an eligible loss. While an insured may dispute this right, it is a valid method for an insurer to control its total obligation for settling claims.

I. No Benefit to Bailee

This merely states that the named insured is the only insurable interest protected by this policy.

J. Loss Payment

1. Once the named insured files a proof of loss and the insurer accepts it as valid, the insurer is obligated to pay for the loss within:

- 60 days if the named insured submitted the Proof of Loss
- 90 days if the signed adjuster's report was used instead of the proof of loss

Note: This part of the policy can be misleading as there are administrative rules that decide such items as when the NFIP can make a final loss determination.

2. If the proof of loss (claim) is wholly or partially denied, the named insured has the following options:

- Accept the denial

· File an amended proof of loss but must do so within the time period allowed by the Administrator.

· Exercise their other rights under this policy.

K. Abandonment

The named insured does not have the right to abandon any covered property to the insurer, even if it is damaged. This clause works in hand with the provision on salvage.

L. Salvage

If the insurer gives its permission, the named insured may be allowed to keep “salvaged” property. Nevertheless, the insurer will have to adjust any loss payment to reflect the fact that the salvage property was kept by the insured.

Note: This would include future payments. In essence, salvage property could conceivably become ineligible property.

M. Appraisal

If the insurer and the named insured do not agree on the value of the covered property or the amount of the loss (as applicable on either an ACV or replacement cost basis), each party has 20 days (after receiving a written request from the other party) to select an appraiser. The two appraisers will select an umpire.

If they do not agree on an umpire within 15 days, the two appraisers will ask a judge of a court of record of the state where the appraisal is pending to make the selection. Each appraiser will submit their own suggestions of value for each item of property, with any disputes submitted to the judge. The insured and the insurer are bound by the written agreement of any two of these three persons. Each party will pay its appraiser, and the two parties will share the cost of the umpire and related expenses equally.

N. Mortgage Clause

This condition states that it applies only to the covered building and only when that building has a mortgage interest (a trustee’s interest also qualifies) shown in the policy or if the insurer finds out about the mortgage interest before any loss is paid. The rest of this condition is VERY long-winded, but it states, in essence:

· Any loss payment will be made to either a mortgagee or trustee in accordance with how their interests appear.

· The property interests are paid in order of precedence.

· The maximum amount of payment is limited to the mortgagee/trustee’s actual financial interest.

· No act of the borrower affects the insurer’s obligation to pay the lender or trustee’s financial interest in the policy except when the policy premium is not paid. In the Reduction and Reformation of Coverage the mortgagee is given a separate payment notice which can be paid to protect its financial interest.

· The mortgagee can maintain the policy even when there’s an increase in hazard or a change of title IF they notify the insurer of this change.

Note: The policy can be rendered void if the mortgagee doesn’t pay the additional premium necessary to cover the exposure to a higher hazard of loss.

· The mortgagee is entitled to a separate 30-day advanced notice of cancellation.

· The insurer may, under certain conditions, acquire the mortgagee's right to recover against a party that damaged the covered property.

· The existence of subrogation doesn't affect the mortgagee's right to full payment under the policy.

Related Court Case: "Mortgagee Position After Nonrenewal of Policy Is Examined"

O. Suits Against Us

While the insured may file suit against the insurer, the right is limited by the following:

· The suit has to be filed within one year after being notified that the claim is denied

· All other policy conditions, such as appraisal, must be satisfied

· The suit has to be filed in the district court where the covered property is located

P. Subrogation

Often, when a loss occurs, the damage may involve more than the force of nature. It could well involve another party that has some level of responsibility. This is a party that may be sued to recoup a loss payment. Recognizing this, the insurer, after making any valid loss payment, assumes the insured's right to take legal action against other parties. This transfer of rights (subrogation) is automatic. This right is so important that if an insured knowingly does anything to harm them, the insurer may possibly seek recoupment from the insured.

Should the named insured receive any payment from other parties, the insured must pay back to the insurance company what it paid on the loss. The remaining payment then belongs to the insured.

Q. Continuous Lake Flooding

1. This describes a loss situation where a property covered under a flood policy becomes uninsurable through the NFIP. When a property is experiencing an extended and uninterrupted period of flooding (90 days or more) and which, in all likelihood, is eligible for the maximum payout provided by the policy, the named insured may request to receive payment without waiting for the waters to recede and going through the loss adjustment process.

Example: Pam's home is in a hopeless situation. Pam lives roughly a mile from Ol' Flooduh Lake, which overflowed its banks in late March and flooded Pam's home. It is now almost August, and the lake's waters still flow through the upper story of her home. Pam decides that the house is ruined, and she elects to be paid the $72,000 limits of her flood policy. Before receiving settlement, Pam has to sign a special release.

The release mentioned above stipulates the following conditions, which must be accepted by an insured to receive payment under the continuous flooding condition:

1. To make no further claim under this policy.

2. Not to seek renewal of this policy; and

3. Not to apply for any flood insurance under the Act for property at the location of the insured building.

The release mentioned above stipulates the following conditions, which must be accepted by an insured to receive payment under the continuous flooding provision:

a. No additional claim may be made under the policy

b. No attempt may be made for renewal policy coverage

c. Not to apply for any flood insurance under the Act for property at the location of the insured building

d. The named insured may not attempt to be reimbursed from previous premium payments.

Note: This option does not have to occur within a single policy period to be exercised. It could start a month before the expiration of one policy term and then be exercised in the third month of the renewal policy term. The controlling condition is the length of the continuous inundation.

2. When the inundation of water is from a closed-basin lake, the insured has the option to claim based on T. 1 above or based on the information within this item. A closed basin lake is naturally occurred and has no water outflow, so that water in the lake is reduced only via evaporation. To qualify, the area of the lake must be or has been in the past at least one square mile.

a. A loss qualifies under this provision if lake waters either actually damage or are a certain threat to damage a covered structure. The policy will pay for loss on the presumption that the structure is a total loss.

b. Prior to approving a claim under this part of the policy, the name insured must meet several requirements, including:

· Accepting payment that incorporates a salvage value of the affected property (the policy refers to a negotiated salvage)

· Cooperate in identifying and labeling their site as having special status within the applicable community's flood map including allowing an easement surrounding the property. The loss site then only becomes usable for certain purposes, such as agriculture or recreational, but not as permanent residential space. Further, if insurable property is placed on the location (which would be deemed an area of special consideration [ASC]), it would not be eligible for coverage if flooding occurred due to any authorized flood control activities.

· Comply fully with part 1. of the continuous lake flooding provision

c. Unless an extension is granted, the named insured must agree to relocate the covered building completely away from the ASC, and this must occur no later than 90 days after having a claim payment approved

d. The named insured must secure both an elevation certificate and a floodplain development permit from the area's floodplain administrator for the building's new location. Final claim payment cannot occur without this step's completion.

e. The authorities that have jurisdiction of the property's new location have to accommodate the named insured's use of the new location (via land ordinance or moratorium), which aligns with the easement granted for the payment agreement, must monitor and report to FEMA concerning any flood provision violations and must comply with the restricted land use of the vacated ASC, even if that area falls into ownership by a non-profit organization.

f. No claim payment may be approved without the applicable State fully complying with FEMA's policies established for closed basin lakes

g. Continuous flood coverage is required for the relocated property, but a 60-day period of non-coverage is granted in situations involving transfer of property

h. The T. 2 part of the condition is in effect only if applicable community receives documentation of the policy provision compliance from the applicable FEMA Regional Director.

R. Loss Settlement

1. This provision concerns itself with the basis to be used after a loss occurs to eligible property. Settlement will occur according to:

· The cost to repair or replace the damaged property

· A special loss settlement basis that exists for damaged manufactured, mobile or travel trailer residences

· The actual cash value of the damaged property

a. The replacement cost basis applies to single-family residences but is contingent on two important items:

· The residence must be the named insured's principal residence

In order for a dwelling to be considered the principal residence, the named insured or spouse must have lived at that location 80% of the 365 days before a loss or, if the residence has been owned for less than 365 days, must have lived there the entire period since gaining ownership.

· The amount of insurance appearing on the limit portion of the declarations must represent at least 80% of the home's full replacement cost OR, if not, be the maximum amount of insurance that can be purchased under the NFIP rules.

Item 2. provides more detail on replacement cost.

b. Special Loss Settlement applies to manufactured or mobile homes and travel trailers. It is described in more detail in item 3 below.

c. An actual cash value provision is used for single-family homes that are NOT subject to either replacement cost or special loss settlement. This basis is described in item 4. below.

2. Replacement Cost

A loss under the replacement cost provision obligates payment for damage that is net of the applicable policy deductible. However, no consideration is made for value lost due to wear and tear and age (depreciation). Any payment is subject to the least of the total available amount of coverage written for the damage, replacing the damaged portion with similar property, or repairing the damaged property (for use as a dwelling).

Sometimes, it is necessary to rebuild the destroyed property at a different site. In such instances, the flood policy will act as though the original location was the site of construction. In other words, additional costs created by the use of a different site have to be handled by the insured.

Also, for any settlement payment that exceeds $1,000 or 5% of the covered structure, the payment is essentially frozen until rebuilding actually begins.

A policyholder can file for immediate payment based on the damaged property’s actual cash value and has up to 180 days after the loss date to advise the insurance company of an intent to make an additional claim based upon the replacement cost provision.

A unique situation may arise when the residence is in a community that is moved out of the Emergency Flood Program into the Regular Flood Program during that residence’s policy term. When this occurs, the maximum amount of protection available is based on what was available under the Emergency Flood Program at the beginning of the policy term and not available under the Regular Flood Program that was in effect at the time of the loss.

3. Special Loss Settlement

This settlement basis applies to manufactured or mobile homes and travel trailers. However, in order to qualify, the structure must be at least 16 feet wide, be used as a principal residence and have a total living area of at least 600 square feet. Principal residency is established in the same manner as it is for dwellings qualifying for replacement cost coverage.

When such property is severely damaged or destroyed, the insurer may choose the least expensive of three options:

· Pay the applicable policy limits

· Pay 1.5 times the property's actual cash value

· Pay its replacement cost

Example: Mindy's double-wide mobile home is destroyed by a flood. The home was swept off its concrete pad and smashed, then inundated by a mudflow. The home's actual cash value at the time of loss was $39,000. The limit on her flood policy was $45,000. The insurer pays Mindy $45,000 since that amount is considerably less than $58,500 ($39,000 multiplied by 1.5).

If the amount of damage is at the level where it makes economic sense to repair, the loss will be settled according to the policy's replacement cost provisions in item 2. above.

4. Actual Cash Value (ACV)

The following types of property must be settled on actual cash value:

a. Dwellings

Residences that, when a loss occurs, have a written liability limit that represents less than 80% of its full replacement cost and does NOT at least meet the maximum coverage permitted under the NFIP are settled on an actual cash value basis. Payment (subject to the applicable policy's limit that appears on the declarations) is based on the greater amount represented by the following:

· The damaged area's actual cash value

· The calculated proportion of the repair/replacement cost for the damaged area – net of deductible, but without consideration of depreciation

The proportion calculation depends on the relationship of the dwelling's 80% replacement cost value to the maximum amount of permitted NFIP coverage.

If 80% Of Applicable Dwelling's Replacement Cost Value Is:

Less Than Permitted Maximum NFIP Coverage Proportion Is Calculated By:

More Than Permitted Maximum NFIP Coverage Proportion Is Calculated By:

Dwelling ACV ÷ (Dwelling Full RC X .80)

Dwelling ACV ÷ Amount of Maximum Coverage Permitted by NFIP

b. Dwellings that are 2, 3 or 4 family units

c. Any unit not used for only a single-family dwelling

d. Garages but only when detached

e. Carpets, their pads, and any appliances

f. Outdoor equipment such as awnings, antennas, and other items

g. Abandoned property that is considered debris on the described location

h. Any dwelling that is not the named insured's principal residence.

5. Amount of Required Insurance

In developing the amount of needed coverage to be used in determining the 80% replacement rule, the following certain values are removed:

· Footings, foundations, piers

· Structural supports that are beneath the dwelling's lowest floor or, if there is no basement, are contained within the foundation

· Excavations, underground drains, flues, pipes, and wiring

Note: No calculations should include consideration of any amount of coverage provided by the policy's Increased Cost of Compliance provision.

VIII. Policy Nullification, Cancellation, And Non-Renewal

Note: In previous editions, this section appeared as item B. Concealment, Fraud and Policy Voidance under VII. General Conditions. (2021 Edition Change)

A. Policy Nullification for Fraud, Misrepresentation or Making False Statements

1. This policy is voided, will become ineligible for either renewal or replacement if any insured or its insurance agent has done any of the following regarding this particular policy or any other NFIP insurance:

· Lied about or concealed any material fact

· Committed any fraudulent act concerning this insurance

· Made a false statement

Insurance policies are contracts where the party providing the insurance protection is highly dependent upon an applicant for information concerning the insurance worthiness of their property. The NFIP is so sensitive about this contractual issue that, unlike most property and casualty programs, the application is made into a legal part of the insurance contract. An applicant who decides to either hide or lie about information that would affect the insurer's decision to accept or properly rate a flood policy faces the prospect of losing their coverage, even at the time of a loss.

Example: Chandler bought a home as well as a flood insurance policy. Months later, he files a claim to recover damages for a flood loss. His policy is voided when his insurer discovers that Chandler's mortgage closing documents included an engineer's report with a list of measures needed to correct some drainage problems that contributed to past flood loss severity. The voiding decision was due to his hiding the information.

2. If a policy is voided this provision, it is no longer eligible to be written or continued under either a new or a different, existing flood policy. (2021 Change)

3. If a policy is voided, the move takes place as of date of a given wrongful act.

4. A party whose policy is voided also faces the punishment of not being eligible for reinstating, renewing, or replacing the coverage. Further, proof of any fraud may also result in a guilty person being fined or even jailed.

B. Policy Nullification for Reasons Other Than Fraud

Part B. is a new sub-part. In previous editions, this appears, in much briefer form, as item 4. in B. Concealment, Fraud and Policy Voidance under VII. General Conditions. (2021 Edition Change)

1. Coverage may be revoked, meaning that it is as if no protection existed from the beginning of the policy period. Complete revocation, or voiding, may occur under various reasons:

a. Protection may be voidable if, at the time the policy was written, it was part of a nonparticipating community and, subsequently, the community does not join or reenter the NFIP prior to a loss.

b. If the policy was written on property being of a type that is not eligible for coverage under the NFIP is a reason that may trigger voidance.

c. Lack of holding an insurable (ownership or financial) interest in the covered property triggers voiding. (2021 Change)

d. Coverage is voided if any premium payment that is submitted along with a flood coverage application does not clear. (2021 Change.)

e. Voidance also occurs if notification, before the requested policy date, is made that the policy is not needed and there is no requirement or agreement that creates an obligation to secure flood coverage. (2021 Change.)

2. When a policy is voided according to the earlier part of this provision, the entire amount of premiums, fees and surcharges that were paid will be fully refunded. If a claim was paid under a policy that is later voided, the full amount paid out for the loss must be returned to the insurance company. (2021 Change.)

C. Cancellation of Policy by You

Note: In previous editions, this appeared as item E. under VII. General Conditions. (2021 Edition Change)

An insured under the general property flood policy may choose any time to cancel his or her coverage. Any refund will be handled according to NFIP rules.

D. Cancellation of Policy by Us

1. Cancellation for Underpayment of Amounts Owed on Policy

This appears to be a restatement of any reference to the information that appears in the policy under VII.D.2. Coverage may be cancelled if the amount of premium paid is not enough to purchase any flood coverage and the policyholder (or other party with an insurable interest) fails to pay the additional amount that is necessary to secure the coverage amount originally requested.

2. Cancellation due to Lack of an Insurable Interest

a. If a policyholder loses his or her insurable interest in the covered property, the policy will be cancelled by the insurer. With regard to buildings, their sale, removal, or destruction equates to the loss of insurable interest. If contents are involved, it is their sale, removal or another party taking over ownership, which constitutes a loss of insurable interest.

b. If permissible under NFIP rules and regulations, a former policyholder may be granted a partial premium refund.

3. Cancellation of Duplicate Policies

In previous editions, this provision appeared as item U. Duplicate Policies Not Allowed under VII. General Conditions (2021 Change)

a. This is a restatement of an earlier part of the policy that prohibits flood coverage by more than a single policy on a given, covered property. Further, any payments for an eligible loss may only be made under a single policy.

b. Should a case arise where eligible property is insured under more than one policy, a single policy will be selected to continue, and the others will be canceled according to stipulations found under NFIP program applicable rules and guidelines.

c. Either a partial or full refund is made after policy cancellation. It may involve fees, premiums, and surcharges. This action is controlled by NFIP program applicable rules and guidelines.

4. Cancellation Due to Physical Alteration of Property

a. The NFIP is intended to issue policies to cover eligible structures and contents. With regard to the former, cancellation will occur if the property is modified to the point that it loses its eligibility.

b. Either a partial or full refund made after policy cancellation. It may involve fees, premiums, and surcharges. This action is controlled by NFIP program applicable rules and guidelines.

In previous editions, this provision appeared as item U. Duplicate Policies Not Allowed under VII. General Conditions (2021 Change)

E. Nonrenewal of the Policy by Us

This condition explains that coverage will not be renewed if the community where the covered property is located no longer participates in the National Flood Insurance Program or if the covered building is classified as ineligible. Another serious issue that triggers nonrenewal would be the insured's refusal to supply any information the insurer has asked for in order to properly rate the policy's premium. A failure to supply the information by the date the insurer sets qualifies as not supplying the information.

VIII. Liberalization Clause

Essentially, if the insurer makes a change in coverage under the flood program and that change represents a benefit to the named insured and does not require a premium payment, the named insured automatically receives the benefit. If applicable, the benefit would apply to any loss that occurs after the benefit has been introduced to the flood program.

This condition allows changes to be made to the flood program without having to immediately correct the wording of policies that are produced and distributed prior to any changes.

Because many policies are issued prior to their policy term, the liberalization clause applies not only to changes that happen during the policy term but also up to 60 days prior to the policy term.

IX. What Law Governs

This is another notification to remind the policyholder that the coverages and application of the policy are controlled by FEMA regulations and the National Flood Insurance Act, as well as Federal common law. The current edition of the Dwelling Policy was produced in 1998, reflecting the frequency in which revisions are made by FEMA. Of course, the Liberalization Clause does help to protect insureds against "negative" coverage developments that may occur.

In previous editions, this policy ended with "CLAIM GUIDELINES IN CASE OF A FLOOD," which provided tips for dealing with a flood loss. That information has been removed. (2021 Change)

The Residential Condominium Building Association Policy is available to insure the condominium association's residential condominium building. A Flood Insurance Policy for General Property is available for non-residential structures and their contents, including commercial and manufacturing properties.

The NFIP Program also has a Preferred Risk Policy, available to one- to four-family residential buildings located in flood zones not designated as high hazard (non-SFHA). The Preferred Risk Policy is not available for condominiums.

WAITING PERIOD

The NFIP uses a 30-day waiting period to avoid instances of arranging for flood insurance only when disaster is imminent.

However, there is no waiting period when either new coverage is sought during the initial 30 days of a community entering the NFIP or when a new owner applies and pays for coverage before the closing of a mortgage loan.

EXCLUSIONS

The policy excludes losses caused by:

- Theft, loss of profits, fire, windstorm, wind, explosion, earthquake, land sinkage, land subsidence, landslide, land movement resulting from subsurface water accumulation, gradual erosion, or any other earth movement, except such mudslides or erosion as are covered under the peril of flood
- Rain, snow, sleet, hail, or water spray; or by freezing, thawing, the pressure or weight of ice or water, sewer backup or seepage of water unless the insured property has first been damaged by flood
- Water, moisture, or mudslide damage created by a condition confined to the insured building or that is within the insured's control
- A flood which is already in progress as of 12:01 A.M. of the first day of the policy term
- A flood which is confined to the insured premises unless the flood is displaced over two acres
- Modification to the insured property, which materially increases the risk of flooding
- Intentional actions by the insured or a member of the household
- Power, heating, or cooling failure (unless the system was directly damaged by a flood)
- Flooding of property leased from the federal government when the flooding is caused by the federal government

DEBRIS REMOVAL COVERAGE

The policy covers expenses for removing debris from or on the covered building or contents. But this coverage is provided as part of the policy’s insurance limits and is NOT additional coverage.

PROPERTY NOT COVERED

A Standard Flood Insurance Policy is designed to provide basic protection to contents. Therefore, similar to other types of policies that protect buildings and property, it has a laundry list of items that do not qualify for coverage. Essentially, it does not cover items that are not feasible for coverage under the program, nor does it act as a source of possible redundant protection already provided by standard commercial property and residential property forms.

DEDUCTIBLES

In prior years, under the regular program, there was a minimum policy deductible of $500 for each loss to a building and contents. Under the NFIP Emergency Program, there was a minimum deductible of $750 for each loss to a building and its contents.

Now, a loss deductible applies separately to each building and personal property loss, and the minimum deductible depends on the Program Type, Rating Zone, and Coverage Limit.

For the Emergency Program, the minimum deductible is $1,500 for coverage of $100,000 or less and $2,000 for coverage over $100,000.

The Regular Program has several rating points that must be considered to apply a minimum deductible. In general, the minimum deductible for the Regular Program is $1,000 for coverage of $100,000 or less and $1,250 for coverage over $100,000.

MORTGAGEE INTEREST

If the flood policy is canceled for non-payment of premium, coverage will stay in force for 30 days from the Final Notice mailing date to protect the insurable interest of the mortgagee (or trustee). The mortgagee (or trustee) also has the right to submit a proof of loss when it is notified that the insured has failed to do so, but it must do so within 60 days of receiving the notice. The other applicable policy obligations and provisions then apply to the mortgagee.

OTHER INSURANCE

The company is not liable for a greater proportion of any loss, less the amount of deductible, from the peril of flood other than the amount of insurance the policy bears to the whole amount of (primary) flood insurance covering the property regardless of whether the insurance is collectible. If the total amount of primary flood insurance on a covered property exceeds what is allowed under the National Flood Insurance Act, the company's proportion of coverage is based on the TOTAL amount of insurance allowed. In certain instances, the insured may request a partial refund of coverage. Other insurance considerations may become more of an issue with the developing private flood insurance market.

IN EVENT OF LOSS

Payment of any loss under a flood Insurance policy does not reduce the insurance applicable to another separate loss during the policy term. Losses from a continuous or protracted occurrence are considered to be a single occurrence. An insured's responsibilities after a loss (reporting a loss, proof of loss, cooperating with insurer, etc.) are quite similar to provisions found in other standard commercial and residential property policies.

An insured under a flood policy can't file a legal action against the company until he or she has complied with every applicable policy provision. If a suit is filed, it has to be done within 12 months of the day after being notified that all or part of a claim has been rejected.

CANCELLATION PROVISIONS

A flood insurance policy may be canceled at any time at the request of the insured. However, the premium paid for the remaining policy term is fully earned if the insured retains an interest in the covered property. Considering the premium to be fully earned removes an incentive for persons to just carry coverage during parts of the year that are storm or flood prone. The NFIP provides a form for insurers that list valid, company-requested cancellations.

OTHER ASPECTS OF THE NFIP

WRITE YOUR OWN (WYO)

The Write Your Own (WYO) Program is a cooperative effort between the insurance industry and the Federal Insurance Administration. WYO allows participating insurance companies to write and service the Standard Flood Insurance Policy in their own names but is still subject to all of the NFIP's rules and regulations. Participants receive an expense allowance for policies written and claims processed while the Federal government retains responsibility for underwriting losses. An insurance producer has the option of placing flood insurance directly with the NFIP Servicing Agent or with one or more WYO companies. Each WYO Company determines its own procedures for developing and compensating its agents.

COMMUNITY RATING SYSTEM

The Community Rating System (CRS) was created by the Flood Insurance Administration (FIA) to provide insurance rate credits for voluntary flood mitigation projects that exceed the NFIP's minimum requirements for floodplain management. Under the CRS program, qualifying projects can include future flood reduction measures for existing structures, construction of new buildings, and campaigns to increase community awareness about flood insurance.

MORTGAGE PORTFOLIO PROTECTION PROGRAM

The Mortgage Portfolio Protection Program helps mortgage lenders review their loan portfolios and identify properties in Special Flood Hazard Areas (SFHA). The homeowner is notified and then required to buy a flood insurance policy. If the owner buys insurance, the lender is permitted to place flood insurance on the property. Force placing flood coverage is to be done as a last resort.

Note: A mortgagor must disclose the need for insurance to the borrower, provide information regarding the necessary amount of insurance, and provide information on the applicable property's flood zone.

SEVERE REPETITIVE LOSS STRUCTURES

Severe Repetitive Loss Structures are properties (located nationwide) that the NFIP has identified as having suffered substantial, repeated flood losses. The NFIP created this category due to the elevated level of loss represented by a relatively small group of properties. These properties are now segregated and monitored after placement in a special facility. The program has had some effect on this group of out-sized flood exposures.

The term Severe was added to the Repetitive loss structures.

Margaret can use the definition to help introduce the topic but needs to know more in order to actually recommend the coverage. She clicks the link to PF&M so she can learn more about flood coverage.

"Navigating the Seas of Watercraft Insurance: A Comprehensive Guide for Insurance Agents"

This ebook covers everything insurance agents need to know about insuring watercraft, including different types of coverage, common risks, and best practices for helping clients choose the right policy. It would be a valuable resource for agents looking to expand their knowledge and better serve their clients in the watercraft insurance market.

As you go through the eBook and have enjoyed a few topics, I give you the opportunity to test your understanding of what you just read by clicking a link.

The link will take you to a quiz with 10 multiple-choice questions & 4 possible answers.

It is not mandatory to take the quizzes but it sure is fun (especially if you turn on the music, memes & sound effects.

To get the most out of this eBook, you need to sign up for a FREE account at https://quizizz.com/

Watercraft (Yacht) Policy

Watercraft policies are available to cover both boats and yachts. All watercraft policy covers both the liability and the hull damage coverage for owned and leased watercraft. The yacht policies eligibility is much larger and anticipates more extensive exposures.

ISO Watercraft Policy Overview

INTRODUCTION

The ISO Watercraft Policy provides protection to watercraft as well as against a craft owner's liability to third parties for both injuries and damage to their property.

ELIGIBILITY

Individual companies have the authority to develop their desired criteria. However, this policy is designed for boats used for pleasure and recreation, not commercial use.

This coverage is not for commercial entities. Individuals who own or who lease a watercraft on a long-term basis may purchase the coverage. Married individuals and their spouses who own or who lease a watercraft on a long-term basis may also purchase the coverage. If multiple individuals own a watercraft jointly, they are also eligible to purchase the coverage but only if the Joint Ownership Coverage Endorsement WT 03 01 is attached.

Watercraft and outboard motors are eligible property. Trailers and accessories that are related to the watercraft are also eligible.

POLICY MAKE-UP

The ISO Watercraft Policy consists of the following forms:

- Watercraft Declarations
- WT 01 00–Watercraft Policy
- Policy Cover Page or Jacket

This form is designed by individual insurance companies for their own purposes and may include a table of contents or index to meet the requirements of some states.

WATERCRAFT POLICY

The ISO Watercraft Policy covers property and liability exposures typically faced by many pleasure boat owners. The optional endorsements available to use with it should be examined and used to tailor the coverage to meet the needs or requirements of a given owner.

ISO Watercraft Policy Analysis

Many persons who need protection for watercraft property and its related liability handle things by modifying their homeowner policy. However, a separate policy is a more comprehensive method. In addition to offering broader coverage, a dedicated policy is necessary because many types of boats do not qualify for coverage under a homeowner form. HO coverage is restricted to boats of modest size, power and value.

Agreement

Under the watercraft policy, the carrier obligates itself to provide coverage, according to the stated terms and conditions (including relevant exclusions). This obligation is triggered by the insured paying the applicable premium and doing so on time. Insureds must also comply with other policy provisions.

Example: Terrance and Julia Bowsprit are insured under a policy with an inception date of 4/2/21 to 4/2/22. Their insurer sends a renewal policy with 4/2/22 to 4/2/23 effective dates. On June 9, 2022, the Bowsprits' powerboat collides with a sailboat, demolishing the latter's hull. They turn in a claim, but it's denied as the Bowsprits had failed to pay the renewal premium.

Definitions

This section precedes the policy's coverage parts and consists of the following defined terms (which, in a typical policy, may appear either in boldface or in quotation marks):

A. "You" and "your" are references to the insured who appears in the policy declarations (or schedule) and that person's spouse. However, the spouse must live in the same household as the listed insured.

When a marital relationship ends, the status of the former spouse who leaves the residence remains as an insured temporarily. Such persons stop being an insured when the earliest among the follow takes place:

- After 90 days of having left the residence
- At the applicable policy term's expiration date
- At the moment the former spouse becomes a named insured under another policy

Example: An insured and her spouse are insured and have a small yacht with a policy term of 5/2/22 to 5/2/23. On 7/5/22 the couple splits up, with the husband leaving (the wife was the named insured). On 10/25/22, the husband brings a girlfriend onto his wife's boat and the girlfriend is injured while on board and sues. The husband no longer qualifies under the definition of "you" or "your" because he is no longer a member of the named insured's household.

B. "We", "our," and "us" mean the company that issues and maintains the watercraft coverage.

C. The following terms have a meaning while used within the policy:

1. "Bodily injury" refers to sickness, disease, or bodily harm. This definition even includes death if it is a direct result of sickness, disease or bodily harm.

Example: Klarence is insured under a watercraft policy. While cruising, he slams into a rowboat, crushing it and throwing its two occupants into the water. A couple months later, Klarence gets a notice from a lawyer. He represents the family of one of the injured fishermen. The family is suing him for medical treatment and related expenses. Three weeks after the initial notice, he hears from the same lawyer. The family's suit has been amended since the injured fisherman died from related wounds that became infected.

2. "Business" means any trade, profession or occupation. In other words, it is any activity that is intended to generate income.

Example: Lucy loves her trusty outboard and also loves to be helpful. At her favorite lake:

Scenario 1: Lucy gives boat rides to others from one point of the park surrounding the lake to another for free – losses involving this activity would not be considered commercial activity.

Scenario 2: Lucy provides a ferry service, moving others from one point of the park surrounding the lake to another for a fee – losses involving this activity would be treated as business related.

3. "Family member"–persons also qualify as insureds under the watercraft policy if such persons are blood relatives, married to a person defined as the named insured, or who is an adoptee, ward or foster child of a named insured. But this expanded insured status only applies when they ALSO live with the named insured.

4. "Newly acquired property" - refers to watercraft, outboard motors or a watercraft trailer. This property qualifies as newly acquired on the date that it becomes a possession of a named insured during the applicable policy period.

Note: This term does not apply to personal watercraft (another defined term).

The watercraft policy provides only temporary protection to such property. If a named insured acquires additional property after the policy period begins, that property is covered for a maximum of 14 days after the date it came into the insured's possession. It also enjoys the same scope of coverage as the broadest amount that applies to the same type of property appearing on the applicable policy schedule.

Example: Jamie has a watercraft policy effective 4/1/25 – 4/1/26.

Jamie Jamer's Watercraft Schedule

Equipment	Liability	Physical Damage
2006 Lakelord OB Motorboat	$100,000	$8,900
1985 Slymline OB Motorboat	$100,000	NA

On 6/12 Jamie is on her favorite lake with her newest outboard motorboat—a '14 model for which she paid $12,000 on May 31. Unfortunately, Jamie is talking excitedly with a friend as she brings it in to dock and she slams the boat against the wharf. Because one of her boats has physical damage coverage and the loss was within 14 days of purchase, the accident is covered.

After having a new item for more than 14 days, that property can gain coverage ONLY by being reported to the insurer and added to the policy.

5. "Non-owned watercraft" is any boat, motor or boat trailer that is in the possession of a named insured, that insured's spouse or relative; however, it is not owned or is regularly available to any of those parties.

Non-owned watercraft is eligible for coverage due to it representing a very minor exposure under the watercraft policy. That is the reason that merely "not owning" such property is not the only criterion for classifying it. This definition excludes coverage for situations where an insured has constant use of property that belongs to other persons. It is logical to exclude such exposure since protection is the responsibility of property owners.

6. "Occupying" is defined as instances of a watercraft that someone is in, upon, getting in, getting on, getting out or getting off.

Example: Betsy is filing a claim under her watercraft policy. Her friend, Jim, is suing her because, while he was climbing onto her boat, he slipped and fell backwards onto the pier. The loss should qualify for coverage because, at the time of the accident, Jim was occupying the covered property.

7. "Outboard motor" refers to motors designed to facilitate the movement of a boat via its being attached to the outside of a craft. The term also includes fuel tanks, pressure-control tanks, starters (electric) and other, motor-related controls.

8. "Personal Watercraft" means any object powered by an inboard motor, propelled by a jet of water, carrying at least one person and used for recreation. Riders may be accommodated in a sitting, standing or kneeling position.

WT 05 01–Personal Watercraft Coverage

The unendorsed Watercraft Policy excludes coverage for items it deems to be "personal watercraft." The term means any object powered by an inboard motor, propelled by a jet of water, carrying at least one person and used for recreation. Riders may be accommodated in a sitting, standing or kneeling position.

This optional endorsement permits an insured who owns such property to add protection under his or her watercraft policy.

Schedule

This portion of the form allows entry of the following information:

- Property description
- Inclusion of passenger hazard
- Limits of Liability (for liability medical payments, uninsured watercraft and physical damage)
- Deductible

Note: Limits and deductibles may be selected separately for each property item scheduled.

I. Definitions

The form replaces the Watercraft Policy's definition of "your covered watercraft." Under this endorsement, the term refers to the property appearing in the separate schedule or on the Watercraft Policy declarations. Newly acquired personal watercraft are covered, but only for 14 days following the acquisition unless reported to the insurance company. The term also applies to personal watercraft in an insured's possession because it is a substitute for such property that is unavailable. If the substitution is due to covered property that is broken, undergoing repair, being serviced, or has been lost or destroyed, the substitute property qualifies as a covered item.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

II. Part A - Liability Coverage

A. Coverage

This form amends coverage under the Watercraft Policy by substituting its own definition of "insured." In this case, the term applies to the named person and any family member while using personal watercraft owned by the insured, any other person while using the insured's personal watercraft, as well as any entity that has liability related to an insured's actions in connection with personal watercraft.

Example: Glen belongs to the Rainland Sailing Club. He is one of the volunteers for the Club's annual charity sailboat race. His job is to patrol the area on jet skis to help keep the race's starting area clear. While attempting to ask a couple to row out of the area, he crosses their path too closely. Glen creates a wake that capsizes the rowboat and injures its passengers. The boaters sue Glen as well as Rainland Sailing. Glen's insurer defends both parties.

B. Exclusions

This section of the form alters the Watercraft policy by modifying the exclusions so that the endorsement responds to loss involving personal watercraft that is described either in the form or on the declarations. It also adds an exclusion that denies liability coverage for any insured who injures another party that is either riding on or is being towed by any described personal watercraft.

"Jet Ski" Exclusion Held To Apply To A Variety Of Similar Watercraft

A Yamaha Wave Runner was involved in an accident causing personal injuries. The owner's homeowner's insurer denied coverage on the basis of a personal liability exclusion for bodily injury or property damage arising out of watercraft "designated as an airboat, air cushion, jet ski or similar type of craft." The insured filed a declaratory judgment action, claiming that the Wave Runner was not, as the insurer contended, a "jet ski or similar type of craft."

The trial court considered several facts in determining that the Wave Runner was not excluded from coverage. Its competitor, the Kawasaki Jet Ski, which could be operated only from a standing position, was the only such watercraft in existence when the insurer incorporated the pertinent exclusion in its policies. The Yamaha Wave Runner, introduced later, could be operated from a sitting position as well as a standing position, giving it the character of a family rather than a young person's watercraft.

The court concluded that the Wave Runner was not clearly excluded from coverage. The insurer appealed a judgment for the insured. The appeal court noted evidence, from brochures and otherwise, that the two craft compared were operated in the same manner. It said that the average person could not differentiate between them. Each was propelled by a water jet pump. "They look alike, are powered alike and are driven alike." Furthermore, the court said, "the term 'jet ski' is often used as a generic term...." with respect to various personal (one person) watercraft.

The judgment of the trial court was reversed in favor of the insurance company and against the insured.

Note: This additional exclusion only applies when the endorsement indicates that the “Passenger Hazard” coverage has NOT been selected.

III. Part B - Medical Payments Coverage

This form adds medical payments coverage by wording that makes the coverage applicable only to the named insured and family members who are injured while operating owned personal watercraft. The modification makes it dovetail with the Watercraft Policy’s protection for boats, boating equipment and trailers.

9. "Property damage" means the loss of use of, damage to or destruction of tangible property.

10. "Watercraft trailer" is a trailer with a purpose of transporting watercraft via a non-commercial motorized vehicle (van, car or pick-up truck).

11. "Covered Watercraft" refers to either the watercraft that appears on the declarations or schedule, watercraft an insured secures after the policy period begins (but only up to 14 days of its acquisition date) and any outboard motor that is shown on the declarations. Leased watercraft, motors and trailers, if under a written agreement for a period of at least six months, is treated as owned equipment.

Note: The policy addresses replacement watercraft via its definition of newly acquired watercraft.

PART A – Liability Coverage

A. Insuring Agreement

1. The watercraft policy covers both "bodily injury" and "property damage" for which a covered person is legally obligated to pay because of an accident involving a covered watercraft (craft that is specifically described in the policy or schedule). The agreement also obligates an insurer to defend a claim or lawsuit. However, once the policy's limit of liability has been exhausted, the insurer's obligation to continue paying to legally defend an insured ends.

Example: Bill Badboater is being sued for colliding with another boat. Bill’s insurer defends his suit and dutifully pays lawyer fees and court costs. Bill’s policy has a combined single liability limit of $100,000. The claimant is suing for $300,000 in damages and her claim is bolstered by a very credible group of witnesses. After a careful evaluation of the case, Bill's insurer determines that it isn't viable to refute the amount of damages being claimed and that their effort, even if made, couldn't guarantee a victory. The insurer offers to pay out the full policy limits. The claimant accepts their payment but continues the suit for the additional damages. The cost of continuing any defense is now Bill's responsibility.

The watercraft policy contains a, potentially, unlimited defense obligation since it has no specific monetary limit on the amount paid to defend a covered person. However, the policy does allow a company to have some control over their financial duty to protect a covered person in a given claim. A company does not have to provide a defense under ALL situations. An insurer doesn't have to defend any "bodily injury" or "property damage" loss that isn't covered by the policy. The insuring agreement also gives the insurer the right to offer a settlement as it sees fit. If a settlement or judgment completely depletes the applicable policy limit, that also ends the insurer's obligation to provide a legal defense.

2. Under the liability section, the definition of an insured includes:

a. You (the person or persons appearing on the policy) and relatives (as defined by the policy). Coverage exists only with regard to such persons owning, using or maintaining covered property. Coverage also applies to a loss involving a non-owned watercraft used by an insured.

b. Any person using a watercraft that qualifies as a covered craft.

Example: Fred's "Horizon Bounder" is insured under a watercraft policy. One day, his neighbor, Jeri, asks to use his boat for a Saturday fishing trip. While returning to shore, Fred's neighbor fails to see a canoe in time. He smashes into the canoe and injures its owner. The watercraft policy would cover the loss but only up to the policy limit.

c. Other persons or organizations are eligible for coverage against damages which they cause, but for which a named insured, a resident spouse or a "family member" is responsible because of their acts or omissions in providing the watercraft.

d. Other persons or organizations also are covered for their acts or omissions in providing a watercraft to a named insured, a resident spouse or a "family member" who causes damage or injures others with that non-owned craft or its trailer.

Boat Owner's Liability Insurance Held Primary Over Permissive Operator's Homeowners Insurance

A young woman was operating a boat with the permission of its owner when it struck another boat, resulting in the death of a passenger. The estate of the deceased filed a wrongful death suit against the woman. The owner of the boat that she was operating was added as a defendant by virtue of a Michigan law imposing liability on the owner of a boat that is being operated by another person with the consent of the owner.

A boat owner's protection policy carried by the owner included liability coverage in the amount of $300,000. The young woman was an insured under the provisions of a homeowner's policy ($300,000) and a personal umbrella liability policy ($1 million) carried by her parents. The boat insurer undertook defense of the suit and paid $300,000, the amount of a negotiated settlement.

The insurer then sought to collect the entire amount it paid for the settlement, plus $26,000 expended for investigation and defense, from the insurance company that provided homeowners and umbrella liability coverage for the young woman. Motions for summary judgment were filed by both insurers. Their respective obligations were disputed.

It was noted that the "other insurance" clauses in the policies were virtually identical, each purporting to be excess over other valid and collectible insurance. It was also noted that the boat operator's insurer said that it was never approached by the owner's insurer to defend, and that its consent to the mediation settlement had not been sought.

The court followed what it called the majority approach, concluding that the boat insurer was the primary insurer, having issued a policy specifically to cover liability arising from boating accidents involving the described boat. It said that other insurance would have covered the young woman's liability if the boat policy were not in force.

The Michigan law imposing liability on a boat owner for negligence on the part of another, operating a boat with the owner's consent, supported the position taken.

The motion for summary judgment by the homeowners and umbrella liability insurer was granted.

B. Supplementary Payments

This section advises the insured of several, additional coverages that are available. The amounts that may be paid under this section have the added benefit of NOT reducing the policy's other insurance limits.

1. The watercraft policy makes a maximum of 10% of the policy's Part A insurance limit available to cover expenses the insured is required to incur because of the Maritime Salvage Law when a covered watercraft is wrecked. Funds are available for addressing the costs to raise, move or destroy the craft.

Example: Two months earlier, Wanda's sailboat was among the many boats at Municipal Pier that were destroyed during a severe storm. She receives a notice from her city's Recreation and Parks Dept. that she has been charged $2,300 for the cost to have her boat wreckage cleared. Wanda's policy will respond to this expense.

2. One supplemental coverage will pay for the cost of bail bonds, but this coverage is limited to a total of $250. Also, the bond must be connected with an accident covered by this policy.

3. The policy pays for the costs of premiums on appeal bonds and attachment bonds, but only those involved in a suit that the insurance company is defending.

4. The Watercraft policy also pays for any interest on judgments that have been entered. However, any payment obligation ends if the policy's limit of insurance is reached.

5. The watercraft policy pays for loss of earnings caused by hearings or trial attendance and other reasonable expenses caused by an insurance company's request.

Example: June Unlukki is asked to appear at a preliminary hearing involving her boating accident where she collided with a group of swimmers. June gets permission to take an unpaid day off from work to attend and testify at the trial. The insurer says that they will pay for her loss of a day's wages.

Concerning loss of pay, the policy pays a maximum of $200 per day because of lost earnings; this supplemental coverage does not include loss of other sources of income.

6. Finally, under Supplementary Payments, the policy will pay any reasonable expenses that are due to activity requested of an insured by the insurer.

Example: Sammi Kollum's insurer is defending a lawsuit filed against him for an accident that occurred during an out-of-state boating trip. Sammi's insurer has arranged for him to travel to a lawyer's office in that state so that he can participate in a deposition. The insurance company assures Sammi that they will pay for all expenses including travel, meals, hotels, etc.

C. Exclusions

1. The following situations do not qualify for protection under this section of the policy:

a. The Watercraft Policy doesn't provide liability protection to insureds who intentionally injure other persons or damage another party's property. Because this point sometimes causes confusion, it's important to examine what is meant by intent.

Example: Jimmy is on his way home from a really horrible day of fishing. Jet skiers have discovered his favorite fishing spot, ruining his day. As he nears the dock, he sees a couple of jet skiers who, at the rate Jimmy was originally traveling, should have passed safely in front of him. Jimmy floors his throttle and races forward. Both skiers are shocked and then collide with each other as they try to avoid Jimmy's boat. Unfortunately, Jimmy ends up striking both skiers too. In this case, the intent lies with Jimmy's frame of mind. Yes, he intentionally sped up toward the jet skiers, but what he meant to do was to harass them, not cause the injury and property damage that resulted. Certainly, one could argue that what happened was foreseeable, but in Jimmy's mind, it was still an accident.

b. BI to either a named insured or a relative is ineligible for coverage.

Example: John's PondPounder Inboard/Outdrive boat is insured under a Watercraft policy. While using the boat, it suddenly loses power and Kevin, John's son, is pitched onto the deck. He is treated for a broken leg. The medical expense is not eligible for reimbursement.

This particular exclusion also denies coverage to the named insured and the named insured's household when a third-party attempts to file a claim or lawsuit for damages or costs that third party owes for injury to the named insured or the named insured's family member.

c. The policy won't respond to loss of or damage to property that is rented to, cared for or used by anyone in the insured household. In other words, the Watercraft policy can't be used directly or indirectly to pay for first party injuries or property claims.

d. No coverage is provided to a person who suffers bodily injury if that person's loss should be handled by other sources as specified under Workers Compensation, the Jones Act or other disability/disease (both occupational and non-occupation) laws.

e. Coverage is not permitted for an insured's watercraft or its trailer while it is rented to others.

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Example: Jeff rents George's 17 ft. outboard boat and pays an agreed rental fee before getting the boat. Jeff then goes out to connect the boat trailer to his SUV. While checking the trailer, he trips and slams his face against the hull. The related medical expense does not qualify for coverage under George's policy because the injury was connected to the rental.

The exclusion applies to ALL incidences related to the rental. It also applies to using covered property to transport persons or cargo as well as to chartering the property.

f. Unless the person doing maintenance to the named insured's watercraft is the named insured, an insured relative or an agent/employee of the named insured or relative, no coverage applies for injury or damage involving a person in the watercraft business (sales, service, repairs, deliveries, storing, mooring, etc.)

Example: Aaron and Patty decide to eat out at the "Floating Asia Dinery" and, as required, they were helping a "Dinery" employee aboard so he could moor their boat to the restaurant's dock. The employee slips while boarding, breaking an arm. His injury would not be eligible for coverage under Aaron's policy.

g. Unless the activity involves the exception appearing in exclusion 1.f., no BI or PD protection applies to losses that involve business use of a watercraft, even when the activity consists merely of maintaining a watercraft that is used in business. However, if the watercraft is used for non-compensated business entertainment there is coverage.

Example: Clyde Speartide reports a loss under his watercraft policy. He and another boat collided, due to Clyde attempting to pass it on his way to a lake's far shore.

Scenario 1: While investigating the loss, Clyde's insurer discovers that Clyde was operating an informal water taxi. The claim was denied.

Scenario 2: While investigating the loss, Clyde's insurer discovers that Clyde was entertaining a business client. The claim is covered.

h. No protection is available to any loss that is connected to watercraft that is operated without the express permission of an insured party. The exclusion doesn't apply to situations where permission is implied, such as use by an insured's family member.

Defendant Not Considered Driver With Permission

Phil Brondes, Jr.(Brones) purchased a boat in 1979. He kept it in Toledo during the summer and in Florida during the winter. During the winter of 1979-1980, he experienced some mechanical difficulty while the boat was in Florida, and had it shipped from Florida to Brenner Marine in Toledo for necessary repairs.

Brondes was personally acquainted with Selz, the store manager and primary service manager of Brenner Marine. He directed Selz to make the boat operational for the upcoming summer season. The repairs were completed on June 15, 1980, and the boat was placed in a berth at Brenner Marine, where it remained until June 25th when Selz and some friends used Brondes' boat.

Selz and his passengers traveled about five or six miles from the marina, and then water-skied for about an hour. The boat, driven by Selz, then collided with a pontoon boat occupied by Norman Peiffer, Connie Peiffer, Walter L. Scott and Ida M. Scott. Brondes' insurance carrier, Frankenmuth Mutual (Frankenmuth), denied liability for injuries because Selz had not obtained Brondes permission to take the boat.

Frankenmuth filed for declaratory judgment to determine whether its policy covered the accident, and named as defendants Selz, his homeowners' carrier, Brenner Marine, and their carrier (Buckeye), the Scotts and the Peiffers.

The trial court found that Selz had neither the express or implied permission of Brondes to operate his boat at the time of the accident; therefore, Frankenmuth did not cover the accident. The court further ruled that Selz was not operating the boat within the scope of his employment so as to make Brenner Marine or Buckeye liable. The court decided that only Selz's homeowners policy covered the accident.

On appeal, the higher court found that Selz and Brondes were close friends who had waterskied many times together. In addition, Brondes had offered Selz the use of the boat while Selz was on vacation in Florida, but Selz did not take advantage of the offer. It was also shown that Selz had never before operated the Brondes boat without him being present. Brondes testified that the personnel at Brenner Marine had his permission to test-drive the boat, if they believed it was necessary to make the boat operational but the court pointed out that a test drive would have required approximately 20 to 30 minutes to complete. In this case, the accident occurred more than an hour after Selz had taken the boat out, while he and friends were water-skiing.

The judgment of the lower court was affirmed.

i. Either BI or PD related to an insured person who also qualifies for coverage under nuclear activity policy is not eligible for duplicate coverage under the watercraft policy. The exclusion applies even if the source of nuclear activity protection no longer has available limits (due to exhaustion by payment/settlement).

2. The following situations don't qualify for liability protection related to watercraft use, maintenance or ownership:

a. No protection applies to loss involving property that is defined as personal watercraft, such as ski-doos, that are owned by insured or family members.

b. The Watercraft policy is intended to protect boats (and trailers) that are specifically listed and rated. Therefore, coverage does not apply to watercraft that an insured owns but has not added to the policy.

c. No coverage exists for watercraft that is regularly available for the named insured's use or that is owned by a named insured's family member. However, an exception exists for a loss involving such property that is merely related to it being maintained or occupied by an insured.

The exception makes sense. It permits the watercraft policy to provide protection to instances that DO NOT involve significant, unrated exposures.

d. Except for sailboats, any boating loss (injury or damage) related to using a covered watercraft for any racing or similar activity does not qualify for coverage. The exclusion even extends to preparations or practices for such activities. In other words, the only activity that MAY be covered might be an impromptu (unplanned, spur-of-the-moment) event.

Examples:

Scenario 1: James and his friend happen to spot each other on the lake. They are both on their way back from fishing. Suddenly, James' friend revs his outboard and takes off with James doing the same. About a minute later, James catches up and then collides with his friend's boat. The loss and injury would be eligible for coverage.

Scenario 2: James and his friend meet each other on the lake. Both recently bought new boats and boasted about them. A day earlier, the two agreed to a race. Both boaters rev up their outboards and take off. James' friend takes the lead and, about a minute after starting the race, James catches up and then collides with his friend's boat. The loss and injury would NOT be eligible for coverage.

D. Limit of Liability

1. This provision explains that the monetary limit that appears on the policy declarations page is the maximum amount of coverage that applies to the damages from any single loss. This maximum is not affected by the number of watercraft, insureds, or claims involved. This arrangement is true of both bodily injury and property damage claims. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum.

2. The Watercraft policy's Limit of Liability section explains that, regardless of whether coverage exists under more than one coverage part, no duplicate payments will be made. This limitation means that, even if portions of a single claim qualify for coverage under the policy's liability as well as Medical Payments and/or Uninsured Watercraft coverage, an insured will not be paid more than once for any portion of his loss. This clarifies the purpose of the Watercraft Policy to indemnify rather than enrich a claimant for their accidental loss.

E. Other Insurance

In the event that other sources of liability insurance exist, the liability portion of the watercraft policy will pay on a basis that equals its share of the total amount of insurance available to cover an eligible loss involving an owned watercraft. If the loss involves a non-owned craft, the Watercraft Policy responds on an excess basis, paying only after the primary policy has paid its limit. This policy will also respond on an excess basis to any other source of coverage for ANY watercraft while it is being transported by a land motor vehicle.

Example: Let us examine a boat loss that totals $10,000 in damages. The loss is covered by a watercraft policy and some other source of coverage and both sources have coverage limits greater than the loss amount.

Scenario 1: The loss involves a boat owned by the insured and the watercraft policy and the other coverage source offer the same coverage limits. In this case, payment would be:

Watercraft Policy Payment:	$5,000
Other Source Payment:	$5,000

Scenario 2: The loss involves a boat owned by the insured and the watercraft policy and the other coverage source offer different coverage limits. Let us assume that the Watercraft's limit represents 40% of the available coverage. In this case, payment would be:

Watercraft Policy Payment:	$4,000
Other Source Payment:	$6,000

Scenario 3: The loss involves a boat that is NOT owned by the named insured and the watercraft policy and the other coverage source offer the same coverage limits. In this case, payment would be:

Watercraft Policy Payment:	$0
Other Source Payment:	$10,000

Note: If a nonowned boat is involved, it would not matter if the watercraft policy and the other source had different limits. The other source would have to pay out its complete limit before the Watercraft Policy would contribute any payment.

PART B – Medical Payments Coverage

A. Insuring Agreement

1. The watercraft policy covers medical payments up to the amount shown in the policy (declarations page or elsewhere). The payments are for medical expenses connected to injury suffered by a person who qualifies under this section as a covered person. Any paid expenses must not be extraordinary costs and they have to have been incurred no later than three years from the date of a covered accident. Eligible expenses include funeral costs as long as the injury or death is related to use or ownership of a watercraft (including craft maintenance).

2. The following qualify as insureds under the medical payments section:

- You (the person or persons appearing on the policy) and any person who is a family member (as defined by the policy) of the named insured, but only while occupying or being towed by a watercraft or while in the water and being struck by a watercraft.
- Any person (except insureds and their household relatives) while occupying, being towed by, or when in the water and struck by a craft that qualifies as a covered watercraft.

Example: Bill's cabin cruiser is insured by a watercraft policy, which includes Medical Payments Coverage. Laura, Bill's daughter, is at a beach party. She is injured during horseplay that occurs on the party host's boat. Laura would be eligible for medical payments coverage.

Example: Bill is enjoying a swim near his cruiser. As he heads back to his boat, a teen operating a jet ski sideswipes him, breaking a leg. Bill's medical payments coverage would be available to handle treatment costs.

B. Exclusions

Under this section, there are a variety of situations that do not qualify for coverage:

1. No coverage applies to losses involving a personal watercraft that is owned either by the named insured or a named insured's household relative.

2. No protection applies to losses that involve business use of a watercraft. Business use includes an insured that rents out his property, transports persons or property for a fee, or chartering the property.

Example: Jeff rents George's sailboat and, while attempting to adjust the boom, he trips and breaks his ankle. Jeff's injury is not covered under the medical payment portion of George's watercraft policy.

3. No coverage applies to losses involving watercraft that is acting as a residence or a premises.

4. No coverage is provided to a person if that person's loss should be handled by other sources as specified under Workers Compensation, the Jones Act or other disability/disease (both occupational and non-occupation) laws.

5. The Watercraft Policy is intended to provide coverage involving boats that are specifically listed and rated. Therefore, coverage does not apply to injuries suffered on watercraft that the named insured owns but has not added to the policy. It also would not apply to a craft that is regularly available for the named insured and family members to use.

6. Similar to item 5., coverage does not apply to injuries suffered while either occupying or being struck by watercraft that is owned by a family member or which is regularly available to a family member. Both of these are situations where coverage is denied because another party should be providing separate insurance, particularly the actual owners of such watercraft.

7. Medical payments coverage does not apply to persons who are injured while operating a covered watercraft without the insured's permission. However, this exclusion is void for family members using an insured-owned, listed watercraft.

Example: Brenda and Paula, as a prank, decide to move a friend's boat from his slip to an empty one on the other side of the dock. While entering the boat, Paula stumbles and breaks her wrist. The injury's treatment is not eligible for coverage.

8. No coverage exists in instances where a watercraft is occupied while being used for commercial/business activity involving an insured. An exception exists for business-related entertainment. However, the exception only applies to such instances that do NOT involve direct compensation.

9. Except for sailboats, any boating loss (injury or damage) related to using a covered watercraft for any racing or similar activity does not qualify for coverage. The exclusion even extends to preparations or practices for such activities. In other words, the only activity that MAY be covered might be an impromptu (unplanned, spur-of-the-moment) event.

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Note: The policy has a specific exception for sailboats or to predicted log cruises. Why this exception? Because these activities do not significantly increase the chance for loss that an insurance company assumes when it decides to provide watercraft coverage.

10. No coverage exists for loss involving ANY instance of nuclear discharge or any sort of war/military activity.

11. No coverage exists for any loss related to any instance of nuclear activity, such as nuclear reactions, radiation or radioactive contamination.

C. Limit of Liability

The monetary limit that appears on the policy declarations page is the maximum amount of coverage that is possibly available to a single injured person related to a single, eligible incident. This maximum is not affected by the number of crafts, insureds, or claims involved, nor the number of crafts or premiums appearing on the declarations page. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum. Therefore, even if there are losses that might qualify for coverage under another section of the policy, duplicate payments will NOT be made.

D. Other Insurance

In the event that other sources of medical payments insurance exist, the Medical Payments section of the Watercraft Policy will pay on a basis that equals its share of the total amount of insurance that is available to cover an eligible loss involving an owned watercraft.

Example: Jason is eligible for medical payments coverage and two other sources of recovery. Source 1 has limits of $3,500; source 2 (the limits under his Watercraft medical payments section), $5,000; and source 3, $6,500. The total amount available is not $15,000 (the sum of the three sources). The medical payments portion of the policy will pay only on a basis that equals its share of the total amount of available protection. In this case, the policy would pay approximately 33% of the loss (limit of $5,000 divided by total amount available of $15,000).

If the loss involves a non-owned craft, the watercraft policy responds on an excess basis, paying only after the other available coverage has paid its limit.

PART C

In the actual policy, this portion of the policy is not used, but is designated for use in the future.

PART D – Coverage for Damage to Your Watercraft

A. Insuring Agreement

1. Typically, a watercraft policy's physical damage section will provide protection against a wide variety of loss sources that may damage or destroy covered property. Under this policy, protection against tangible, accidental loss is provided for any property that meets its definitions of:

- "your covered watercraft"
- "boating equipment"

However, coverage is subject to the policy's applicable deductible. That deductible only applies once per a given loss. In other words, if an insured suffers a loss to her boat and then, on another date, to her boating equipment, the deductible would apply to each loss. If she experienced a loss to her boat AND equipment in a single loss, then the deductible would only be applied once.

2. The Watercraft policy defines what it means by boating equipment, but only with regard to the coverage offered under this section. The policy does not consider outboard motors to be boating equipment. However, it does classify property that is owned by the insured and which is related to the covered watercraft due to being a part of its normal operation or maintenance as boating equipment. This status is conferred whether such equipment is used within or outside of the applicable, covered watercraft.

The policy offers the following items to illustrate what is considered to be boating equipment:

Anchors	Electronic navigation equipment	Life preservers	Pumps
Batteries	Fire extinguishers	Lines	Sails
Covers	Flares	Oars	Seat cushions
Dinghies	Horns	Oar locks	Tenders

Items similar to the above would also qualify as boating equipment.

B. Additional Coverages

1. Salvage Expense Coverage

Should circumstances dictate, this policy will provide a maximum of one-quarter of the liability limits that apply to this section. The amount is to handle the expense related to salvage law. More specifically, it handles salvage liability that is imposed by maritime law, such as a responsibility to recover items that have gone overboard.

2. Towing and Assistance Expense Coverage

This coverage responds to a number of expenses that may be caused when a loss disables covered watercraft. It pays for transporting the craft to where repairs may be made; delivering fuel, oil or repair parts; the cost of labor to make repairs at the location where the covered craft is disabled; and roadside repairs for any watercraft trailer that is listed under covered property.

Note: Only a modest amount of $500 is available for all expenses related to a single event. Further, only $1,000 is available during a single policy period. However, no deductible is applied to this protection and it doesn't affect the policy's limit of liability.

3. Personal Effects Coverage

Like towing and assistance coverage, a total of $500 is available for covering loss to personal effects; no deductible applies and it has no affect on the policy's other insurance limits. Unlike it, there's no $1,000 policy period aggregate limit. It protects against loss or destruction of an insured's personal effects. It can pay for property belonging to an insured as well as to third parties (when the named insured requests). The protection applies to property such as the following while located on, in or during the time it is loaded or unloaded from a covered watercraft.

Items that qualify as personal effects:

Cameras	Cell phones	Fishing equipment	Water skiing equipment
Clothing	Coolers	Portable radios	Sporting equipment

Items that do NOT qualify as personal effects:

- Animals
- Boating equipment
- Fuel
- Jewelry
- Money
- Watches
- Permanently attached equipment

C. Exclusions

There are a variety of instances when physical damage protection is denied, specifically the following:

1. Loss involving business activity which includes insureds who rent their craft to others, who receive income from transporting property (cargo) or persons or who make their craft available for charter trips.

Example: Linzie's sailboat is damaged when the pilot smashes into a steel dock. Linzie's insurer turns down her claim when they find out that the boat was being returned by a group who frequently rent the boat.

2. Losses that solely involve the following are disqualified from coverage:

a. Any source of loss that can be attributed to regular wear and tear, aging, property defects and/or due to breakdown are excluded

b. Loss that is attributable to the insured's failure to properly maintain covered craft

c. Damage from scratching, marring, denting and chipping

d. Damage caused by either extreme heat or freezing

e. Loss due to temperature extremes including improper winterizing. However, an exception exists for damage occurring to winterized craft IF the process was performed by a competent source.

f. Damage caused by icing to a covered craft either while afloat or while moored

g. Loss that is indirect, due to loss of use or similar incidents

h. Loss caused by the physical nature and defects of the covered property (inherent vice/latent defects)

i. Breakdowns, both electrical and mechanical

3. There is no coverage for loss related to using or preparing watercraft for racing; however, there is an exception for sailboats. It is likely that the exception is due to the fact that, even in racing, the handling of a sailboat is not likely to significantly increase the exposure to loss; also, sailboat operators tend to have much more experience in boating than their motorized peers.

4. Loss due to any type of war, military activity, nuclear or radioactive activity or event is ineligible for coverage, including a loss that is covered by any special nuclear energy policy

5. Loss or damage (including confiscation) of property by any government agent due to an insured's illegal activity.

Note: This exclusion does not affect payments to which loss payees may be entitled. However, such payments would likely result in subrogation activity by the insurer against the insured.

6. Diminished value is not covered

Example: Lindsay's boat, a 2012 Puddlepup, was just repaired by her insurer. A week after she gets it back, she decides to sell it and she goes to a nearby dealer for help on establishing a sales price. The dealer says that, since it had been damaged and repaired, she should list it for at least $2,500 less than a comparable boat that had never been in an accident. This loss in her boat's market value is not eligible for coverage.

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D. Liability Limits

The maximum watercraft policy limits that can possibly apply to a given loss are the lowest among the options of the actual dollar amount appearing on the declarations, the stolen or damaged property's actual cash value or the amount needed to properly repair or replace the property.

The policy makes specific mention of the following:

- Any loss that is considered 'total' will take into consideration the property's physical condition just prior to the time, including depreciation when determining that property's actual cash value.
- Should a replacement result in the use of property that has a greater value than the property that was lost or destroyed, the insured will be responsible for that difference in value.

Note: Replacement assumes that the property used is of similar type and quality of the damages or lost property.

E. Payment of Loss

This provision discusses a company's options in settling a loss. The insurer may handle a loss by a cash payment or it may repair or replace the property. If the loss is due to the theft of a covered craft and it is recovered, the insurer must pay the expense of returning it to either the named insured or to the latest address shown on the declarations page. Also, the insurer must repair any damages caused by the theft. Further, should the company exercise the right to keep the property, it must be at a price that's acceptable to both parties. Cash payments made by the insurer will also include any applicable taxes.

F. No Benefit to Bailee

The watercraft policy's intent is to perform its contractual obligations to the named insured and other parties defined in the definitions, insuring agreements and other policy provisions. To do otherwise would be to open the policy up to parties who haven't been rated or underwritten for coverage and for more exposures than contemplated. Other parties may benefit unintentionally from the policy without this provision. Such persons or organizations can't piggyback their obligations to the watercraft policy.

G. Other Sources of Recovery

This provision is to make sure that any payment under the Physical Damage coverage takes other sources of loss payment into account. If other insurance policies, provisions or sources of recovery apply to a physical damage loss, the policy will only pay its proportion of the total available coverage. But the proportional payment is only for owned crafts. If other sources of payment exist for a loss involving a non-owned craft, this policy responds on an excess basis. It is excess over every other available source of payment, including the policy of the owner of the craft.

Note: The provision to pay its proportionate share on owned-craft losses effectively assures that the policy won't pay more than the limits of liability listed on the declarations page. Of course, it has no other way to control the amount paid by other sources.

H. Appraisal

1. This system works quite similarly to an arbitration clause, except that the only point of dispute is the amount of payment, rather than whether any payment is due. This provision may be invoked when the company and the insured don't agree on the amount of the loss. Each party must select its own qualified appraiser. The two appraisers then select an umpire. The appraisers submit their opinion of the actual cash value and the amount of the loss. If they don't reach an agreement, they submit this information to the umpire. An agreement by any two persons establishes the amount for the insurer and the insured.

The company and the insured have to pay for the expenses of their own appraiser, as well as equally share the expenses of the umpire. No other insurer rights are affected by their agreeing to an appraisal. For instance, if another party has some responsibility for the loss, the insurer, after paying the appraised amount of loss, may still subrogate the claim.

2. It is becoming more common for such clauses to state that participation in the process does not harm any other rights belonging to either party.

Example: Henrietta and Concrete Bay Insurance disagree on the amount of damage suffered by her boat. The two parties submit to an appraisal and the appraisers agree that the loss amount should be $21,700. However, Concrete Bay continues to investigate the loss and, later, decides to deny the claim because the appraisal process did not affect its on-going right to dispense with the claim as it saw fit.

PART E – Duties after Accident or Loss

This section explains what an insured must do in order to fulfill his obligations once a loss occurs. It is important that these conditions be met, since failing to comply may relieve an insurer from having to pay for a loss.

IMPORTANT - The insured risks endangering his or her coverage by failing to comply with any post-loss duties.

1. Notification. The insurer must be provided the accident details as soon as possible. The notification may be to an agent, and, ideally, should include the identity and addresses of any people hurt in the accident, as well as accident witnesses.

Item 1 is critical, because it initiates the entire claims process, and it gives the insurer its first and best opportunity to control the expense of the claim.

2. The following are also critical responsibilities owed by any person seeking coverage under the policy.

a. Assist the insurer in the claim's investigation and settlement, as well as help with defending against any claim or suit.

b. Immediately send the company copies of ANY material received that's related to the accident.

c. Agree to attend as many:

(1) Physical exams, involving doctors selected by the insurer and/or

(2) Interviews under oath

as are reasonably requested by the insurer. These requirements are at the insurer's expense.

d. Permit the insurer complete access to medical and other records that relate to the accident.

e. Give the insurer any requested proof of loss.

3. If the loss involves physical damage to a covered boat, the insured is further obligated to:

a. Protect their property from further loss. The company is obligated to reimburse the insured if any additional expense is involved.

b. Quickly notify the authorities (police or coastguard) if the covered craft or other property vehicle is stolen.

c. Allow the company to inspect and evaluate the damaged property BEFORE it is repaired or removed.

d. Provide the insurance company with an inventory of damaged personal effects IF a request is made to do so.

Preserving the damaged property after a loss is extremely important.

Example: Tina returns to the dock in the late morning and strikes a piling. The damage appears minor, but it does include a gash near the bow. Since she's in a hurry to get some family errands done, she loosely ties off her boat and decides to check it again the next morning. That evening, the area experiences high winds and, the next day, Tina is surprised to find that the boat has a larger hole and is two-thirds submerged. When she reports the loss, including the details of her post loss action, she is warned that she may have to handle the aggravated cost of the damage repairs.

Note: Having any damage repaired or getting rid of damaged property before allowing the insured to look over the property is an extremely serious breach of contract. It could easily result in an insurer's refusal to make payment. If the insured craft is repaired or disposed of, the insurer has no chance to evaluate whether coverage was due, nor determine how much was due.

PART F – GENERAL PROVISIONS

A. Abandonment

This provision merely states that the insurer has no obligation to accept covered property that has been abandoned by an insured.

B. Bankruptcy

This provision states that an insured's bankruptcy or insolvency doesn't release the company from any obligations under this policy. This fact appears clear enough but a situation could easily end up having to be resolved in the courtroom.

Example: An insured's watercraft policy is cancelled for nonpayment and, a day later, the insured suffers a boat loss. The insured has documents proving that his bankruptcy prevented payment of the policy premium in time. The insured files suit, alleging that this provision can be interpreted as still obligating the insurance company to adjust the loss and offer a settlement.

C. Changes

1. This states that the policy is a complete agreement that can't be changed, except by the company issuing an endorsement.

This is important. If the insured were allowed to change the policy, the most common changes would involve waiver of premiums for life, guaranteed renewals and unlimited liability limits. Note that, from a consumer's point of view, these would be good policy features; it's just that the provisions would make it a little tough to earn a profit. Fortunately, insurers are eager to help their customers make valid changes to their policy to fit their current circumstances.

2. This provision also explains that the policy premium was based on a certain set of facts. If any of this information changes, it could affect the rating of the policy, and the insured's premium may be changed. Items that could cause the policy's cost to change include the acquisition of additional watercraft, changes in household residents (craft operators) and any address change. Other items that may affect policy premium are changes in the type of watercraft, change of rating territory, and changes in deductibles or limits.

This provision makes a reference that falls outside of the policy. It states that if a rating change is necessary, the change will be performed in compliance with the applicable company's filed rating plan and rules.

3. Changes in coverage are typically introduced by an insurer via adopting a new edition of a program and policy forms or by using an amendatory endorsements. In case a change occurs that broadens coverage for policies in the insured's state, but is NOT accompanied by a premium adjustment, the change will automatically apply to all policies as of the effective date of the change.

D. Financial Responsibility

In instances where the watercraft policy is used as a certified source of financial responsibility in a given state, this provision acts to make this policy's provisions comply with state requirements. However, such compliance is only with regard to meeting financial responsibility demands.

E. Fraud

This provision explains that, if an insured speaks or acts with the intent to mislead others regarding any loss or claim, the insurer can deny coverage. Of course, this part of the insurance contract is implied throughout the policy.

F. Lay-Up Period

Under this provision, the named insured is informed that no coverage exists if the applicable watercraft is operated during the term of any lay-up period that appears in the policy. This provision is also considered breached if the covered craft is not stored at the location indicated in the declarations.

Coverage for operation during the lay-up period may apply in two instances. One, when the insurer consents to its use in writing. Two, if the craft is operated due to an emergency; but only if the insurance company is notified within 10-days of the emergency use.

G. Legal Action Against Us

This provision of the Watercraft Policy stands as a tool to make a lawsuit the last recourse to resolving a dispute between the 1st and 2nd parties to the contract.

1. The provision forces the parties to use all of the tools within the policy before a suit is attempted. In other words, an insured, disputing the existence of liability or the amount that should be paid, cannot skip arbitration or appraisal or cooperation with the company or providing proof of loss, etc., and go straight to filing a suit. Further, even after compliance with all of the policy provisions has occurred, no action can be filed unless there's been a written agreement that the "insured" is responsible for a loss payment OR the amount of the payment has been settled via judicial proceedings.

2. This provision denies any person or organization's right to bring action against the insurer to determine if the "insured" is liable for an accident. This part is needed to limit the persons who may rightfully expect performance under the boat contract. Without this clause, the policy would be forced to provide protection to parties who, rightfully, should secure their own coverage.

H. Loss Payable Clause

When another party has a separate financial interest in the covered craft (typically due to its holding a loan with regard to the property), it has separate policy rights. This provision advises that, should any payment be made, it will be distributed in accordance to the extent of that party's financial interest.

The loss payee may have its own coverage continued even if the insured is involved in concealing information or committing fraud. However, this exception does not apply if the act involves conversion, embezzlement or secretion of applicable property.

If coverage is terminated, the insurer has the obligation to provide separate advance notice to the loss payee and it will be in the same manner that is provided to the insured.

If the insurance company pays a loss to the loss payee under an instance where coverage has been terminated or voided for the insured, the insurer is entitled to pursue recovery of that amount by using the loss payee's separate subrogation rights.

I. Our Right to Recover Payment

1. This provision of the policy typically states that, while an insurer will fulfill any valid obligation to make payment under the policy, when payment is made, it acquires the insured's right to recover payment from another responsible party. Just as important as acquiring this right is the duty it imposes on the insured. The insured must cooperate fully with the insurer to pursue recovery AND must be certain that he or she does nothing to undermine this right. However, this provision doesn't apply under the physical damage coverage part when the responsible party is a person who operates the covered watercraft with an insured's permission.

There is one exception. The right to recovery still exists against a permissive user who is in the watercraft business, such as having possession of the craft related to sales, lease, maintenance, repairs, mooring, etc.

2. Another part of this provision explains that if the company compensates the insured for a loss and then collects payment from the responsible party for the same damages, the insured HAS to hold onto the money on behalf of the insurance company and then reimburse the company up to the amount of the settlement.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS]

J. Out of State Coverage

In case of a loss occurring in a state or province that is different than the one where the policy was issued, the policy is treated in accordance to that state or province (with regard to handling the loss).

1a. If that location has a financial responsibility or similar law, the contract will be handled as if its limits were at the amount necessary to comply with the law (if the written policy limits are LOWER than what is required).

1b. If that location has a compulsory insurance or similar law, the contract will be handled as if its coverage provisions were the type necessary to comply with the applicable law's minimal requirements (if the written policy's coverage scope is less than what is required).

2. No duplicate payments for the same elements of loss will be permitted.

K. Policy Period

This policy's coverage only applies to accidental loss that takes place in the time period specified in its declarations.

L. Policy Territory

Coverage is granted only to loss that occurs within either of the following:

- The territory shown in the declarations
- When no territory is specified, coverage applies to loss if covered when it occurs on land, inland waters, or coastal waters within 12 miles of the shore or, in the Great Lakes BUT ONLY when within the U.S., its territories or possessions, Puerto Rico or Canada.

M. Termination

The watercraft policy addresses both cancellation and non-renewal of coverage. However, a detailed discussion of this topic is fairly academic, since it may be the most frequently amended or replaced policy provision. This provision is necessary due to various state requirements, as well as individual company preferences. It is critical to keep in mind that state and company rules are what must be followed when terminating a customer's coverage.

1. Cancellation

a. The insured has it simple. All she or he has to do is either return the policy to the company or send prior written notice of the date the policy is to be canceled. The insured can request cancellation at any time during the policy period.

b. It's a little more complicated for the insurer to cancel coverage. The company has to mail written notice to the named insured at the address shown on the policy declarations page. The insurer must give 20 days advance notice of cancellation. However, if it is within the first 60 days that the policy has taken effect (and it is NOT either a renewal or continued policy) or it is for not paying the premium, the insurer may give 10 days advance notice.

2. Non-renewal

This option to end coverage is just a company privilege. However, if an insured sent in advance a written notice not to renew coverage at the policy's expiration date, it technically would be an insured's request to non-renew.

In any case, if a company doesn't want to continue coverage, it has to give an insured at least 20 days advance notice of non-renewal.

Note: It is critical that you understand the rules of your company and state provisions, since the differences center around the amount of notice and the specific reasons for non-renewing.

3. Automatic Termination

This section of the termination provision allows for coverage to end without any written request or notice being required. If a company sends a renewal policy, and if the insured or insured's representative doesn't accept it, coverage ends at the latest expiration date. Nonpayment of the renewal premium is considered non-acceptance. If an insured obtains another insurance policy, coverage automatically terminates at the effective date of the replacing coverage. Automatic termination also occurs should a third party become owner of the covered watercraft or when this coverage is replaced by another policy. Another reason for automatic termination is when a covered craft suffers a total (including constructive total) loss.

4. Other Termination Provisions

a. This provision informs the insured that a cancellation notice may be delivered or mailed and that proof of mailing acts as sufficient proof of notice. IMPORTANT: Many states mandate how the notice has to be delivered (for instance, registered or certified mail), so you need to be aware of state law and any form that amends or replaces this provision.

b. The insured is also told that the company may be refunding the premium if a policy is canceled, but that the refund transaction has no effect on the cancellation. In other words, an insured may not claim that, after receiving legal notice as well as any other notification requirements, the cancellation is voided because of a delay in returning the premium.

c. This is a technicality but, in the event that a policy is cancelled, the cancel effective date that appears in any notice becomes the official end of the applicable policy period.

N. Transfer of Your Interest in This Policy

1. A policyholder can assign his or her rights and duties under the watercraft policy to another person, BUT ONLY with the written permission of the insurer.

There is one exception to the rule of having to get the insurer's permission to assign a policy: if the policyholder dies. In this event, this policy provision automatically transfers coverage either to a surviving spouse (if he or she lives at the same address) or the deceased's legal representative. Either party achieves the status of named insured. However, the legal representative is protected only to the extent of his or her duties to maintain or operate the covered watercraft.

2. The insurer will only recognize such a transfer until the policy's expiration date. The working assumption is that appropriate coverage reflecting the change in circumstances will be obtained or that coverage will either be terminated or allowed to expire.

O. Two or More Watercraft Policies

In the case that the same insurer provides more than one policy that applies to a watercraft loss, the insurer is only obligated to provide, at most, the maximum amount of coverage that would be provided by the policy with the highest applicable limit.

COVERAGE FORMAT

The ISO Watercraft Policy is made up of the following, separate sections:

- Insuring Agreement
- Definitions
- Part A–Liability Coverage

- Part B–Medical Payments Coverage
- Part C–reserved for future use that is activated when WT 04 01–Uninsured Watercraft Coverage Endorsement is attached
- Part D– Coverage for Damage to Your Watercraft
- Part E–Your Duties After an Accident or Loss
- Part F–General Provisions
- Definitions
- Property Coverages
- Liability Coverages
- Uninsured Boater Coverage
- Loss Duties
- Settlement provisions, additional exclusions and limitations
- Other Policy Conditions

ISO Watercraft Policy Analysis

Many persons who need protection for watercraft property and its related liability handle things by modifying their homeowner policy. However, a separate policy is a more comprehensive method. In addition to offering broader coverage, a dedicated policy is necessary because many types of boats do not qualify for coverage under a homeowner

Boat Exclusion Not Affected By Fact That Outboard Motor Could Not Generate 50 Hp At Time Of Loss

In 1995, Andrea Dickens was a guest on the pontoon boat owned by the Robertsons. The boat was being driven by a 50 hp outboard motorboat. While it was piloted by Bob Robertson, Andrea fell from the boat and was severely cut by the outboard motor's propeller blades.

The Robertsons had a homeowners policy issued by Safeco Mutual Insurance. The policy had common language that excluded liability for watercraft, including boats powered by motors having 50 or more horsepower. Based on this exclusion, Safeco denied coverage for the Dickens' lawsuit against the Robertsons for Andrea's injuries.

The Robertsons appealed after a jury decided that the loss was excluded from coverage by the homeowner’s policy. Rather than dispute that the exclusion applied to motors with 50 or greater horsepower, the Robertsons contended that their motor was incapable of producing 50 hp at the time of the loss. This contention was proved by professional tests. The higher court considered the contention, but was of the opinion that the exclusion applied to the motors original, certified rating of 50 hp. It did not appear to be reasonable to make the policy language subject to post-loss engine/motor testing. The trial court decision was affirmed in favor of the insurer.

Agreement

Under the watercraft policy, the carrier obligates itself to provide coverage, according to the stated terms and conditions (including relevant exclusions). This obligation is triggered by the insured paying the applicable premium and doing so on time. Insureds must also comply with other policy provisions.

Example: Terrance and Julia Bowsprit are insured under a policy with an inception date of 4/2/21 to 4/2/22. Their insurer sends a renewal policy with 4/2/22 to 4/2/23 effective dates. On

June 9, 2022, the Bowsprits' powerboat collides with a sailboat, demolishing the latter's hull. They turn in a claim, but it's denied as the Bowsprits had failed to pay the renewal premium.

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Definitions

This section precedes the policy's coverage parts and consists of the following defined terms (which, in a typical policy, may appear either in boldface or in quotation marks):

A. "You" and "your" are references to the insured who appears in the policy declarations (or schedule) and that person's spouse. However, the spouse must live in the same household as the listed insured.

When a marital relationship ends, the status of the former spouse who leaves the residence remains as an insured temporarily. Such persons stop being an insured when the earliest among the follow takes place:

- After 90 days of having left the residence
- At the applicable policy term's expiration date
- At the moment the former spouse becomes a named insured under another policy

Example: An insured and her spouse are insured and have a small yacht with a policy term of 5/2/22 to 5/2/23. On 7/5/22 the couple splits up, with the husband leaving (the wife was the named insured). On 10/25/22, the husband brings a girlfriend onto his wife's boat and the girlfriend is injured while on board and sues. The husband no longer qualifies under the definition of "you" or "your" because he is no longer a member of the named insured's household.

B. "We", "our," and "us" mean the company that issues and maintains the watercraft coverage.

C. The following terms have a meaning while used within the policy:

1. "Bodily injury" refers to sickness, disease, or bodily harm. This definition even includes death if it is a direct result of sickness, disease or bodily harm.

Example: Klarence is insured under a watercraft policy. While cruising, he slams into a rowboat, crushing it and throwing its two occupants into the water. A couple months later, Klarence gets a notice from a lawyer. He represents the family of one of the injured fishermen. The family is suing him for medical treatment and related expenses. Three weeks after the initial notice, he hears from the same lawyer. The family's suit has been amended since the injured fisherman died from related wounds that became infected.

2. "Business" means any trade, profession or occupation. In other words, it is any activity that is intended to generate income.

Example: Lucy loves her trusty outboard and also loves to be helpful. At her favorite lake:

Scenario 1: Lucy gives boat rides to others from one point of the park surrounding the lake to another for free – losses involving this activity would not be considered commercial activity.

Scenario 2: Lucy provides a ferry service, moving others from one point of the park surrounding the lake to another for a fee – losses involving this activity would be treated as business related.

3. "Family member"–persons also qualify as insureds under the watercraft policy if such persons are blood relatives, married to a person defined as the named insured, or who is an adoptee, ward or foster child of a named insured. But this expanded insured status only applies when they ALSO live with the named insured.

4. "Newly acquired property" - refers to watercraft, outboard motors or a watercraft trailer. This property qualifies as newly acquired on the date that it becomes a possession of a named insured during the applicable policy period.

The watercraft policy provides only temporary protection to such property. If a named insured acquires additional property after the policy period begins, that property is covered for a maximum of 14 days after the date it came into the insured's possession. It also enjoys the same scope of coverage as the broadest amount that applies to the same type of property appearing on the applicable policy schedule.

Example: Jamie has a watercraft policy effective 4/1/22 – 4/1/23.

Jamie Jamer's Watercraft Schedule

Equipment	Liability	Physical Damage
2006 Lakelord OB Motorboat	$100,000	$8,900
1985 Slymline OB Motorboat	$100,000	NA

On 6/12 Jamie is on her favorite lake with her newest outboard motorboat—a '14 model for which she paid $12,000 on May 31. Unfortunately, Jamie is talking excitedly with a friend as she brings it in to dock and she slams the boat against the wharf. Because one of her boats has physical damage coverage and the loss was within 14 days of purchase, the accident is covered.

After having a new item for more than 14 days, that property can gain coverage ONLY by being reported to the insurer and added to the policy.

5. "Non-owned watercraft" is any boat, motor or boat trailer that is in the possession of a named insured, that insured's spouse or relative; however, it is not owned or is regularly available to any of those parties.

Non-owned watercraft is eligible for coverage due to it representing a very minor exposure under the watercraft policy. That is the reason that merely "not owning" such property is not the only criterion for classifying it. This definition excludes coverage for situations where an insured has constant use of property that belongs to other persons. It is logical to exclude such exposure since protection is the responsibility of property owners.

6. "Occupying" is defined as instances of a watercraft that someone is in, upon, getting in, getting on, getting out or getting off.

Example: Betsy is filing a claim under her watercraft policy. Her friend, Jim, is suing her because, while he was climbing onto her boat, he slipped and fell backwards onto the pier. The loss should qualify for coverage because, at the time of the accident, Jim was occupying the covered property.

7. "Outboard motor" refers to motors designed to facilitate the movement of a boat via its being attached to the outside of a craft. The term also includes fuel tanks, pressure-control tanks, starters (electric) and other, motor-related controls.

8. "Personal Watercraft" means any object powered by an inboard motor, propelled by a jet of water, carrying at least one person and used for recreation. Riders may be accommodated in a sitting, standing or kneeling position.

9. "Property damage" means the loss of use of, damage to or destruction of tangible property.

10. "Watercraft trailer" is a trailer with a purpose of transporting watercraft via a non-commercial motorized vehicle (van, car or pick-up truck).

11. "Covered Watercraft" refers to either the watercraft that appears on the declarations or schedule, watercraft an insured secures after the policy period begins (but only up to 14 days of its acquisition date) and any outboard motor that is shown on the declarations. Leased watercraft, motors and trailers, if under a written agreement for a period of at least six months, is treated as owned equipment.

Note: The policy addresses replacement watercraft via its definition of newly acquired watercraft.

PART A – Liability Coverage

A. Insuring Agreement

1. The watercraft policy covers both "bodily injury" and "property damage" for which a covered person is legally obligated to pay because of an accident involving a covered watercraft (craft that is specifically described in the policy or schedule). The agreement also obligates an insurer to defend a claim or lawsuit. However, once the policy's limit of liability has been exhausted, the insurer's obligation to continue paying to legally defend an insured ends.

Example: Bill Badboater is being sued for colliding with another boat. Bill's insurer defends his suit and dutifully pays lawyer fees and court costs. Bill's policy has a combined single liability limit of $100,000. The claimant is suing for $300,000 in damages and her claim is bolstered by a very credible group of witnesses. After a careful evaluation of the case, Bill's insurer determines that it isn't viable to refute the amount of damages being claimed and that their effort, even if made, couldn't guarantee a victory. The insurer offers to pay out the full policy limits. The claimant accepts their payment but continues the suit for the additional damages. The cost of continuing any defense is now Bill's responsibility.

The watercraft policy contains a, potentially, unlimited defense obligation since it has no specific monetary limit on the amount paid to defend a covered person. However, the policy does allow a company to have some control over their financial duty to protect a covered person in a given claim. A company does not have to provide a defense under ALL situations. An insurer doesn't have to defend any "bodily injury" or "property damage" loss that isn't covered by the policy.

The insuring agreement also gives the insurer the right to offer a settlement as it sees fit. If a settlement or judgment completely depletes the applicable policy limit, that also ends the insurer's obligation to provide a legal defense.

2. Under the liability section, the definition of an insured includes:

a. You (the person or persons appearing on the policy) and relatives (as defined by the policy). Coverage exists only with regard to such persons owning, using or maintaining covered property. Coverage also applies to a loss involving a non-owned watercraft used by an insured.

b. Any person using a watercraft that qualifies as a covered craft.

Example: Fred's "Horizon Bounder" is insured under a watercraft policy. One day, his neighbor, Jeri, asks to use his boat for a Saturday fishing trip. While returning to shore, Fred's neighbor fails to see a canoe in time. He smashes into the canoe and injures its owner. The watercraft policy would cover the loss but only up to the policy limit.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

c. Other persons or organizations are eligible for coverage against damages which they cause, but for which a named insured, a resident spouse or a "family member" is responsible because of their acts or omissions in providing the watercraft.

d. Other persons or organizations also are covered for their acts or omissions in providing a watercraft to a named insured, a resident spouse or a "family member" who causes damage or injures others with that non-owned craft or its trailer.

B. Supplementary Payments

This section advises the insured of several, additional coverages that are available. The amounts that may be paid under this section have the added benefit of NOT reducing the policy's other insurance limits.

1. The watercraft policy makes a maximum of 10% of the policy's Part A insurance limit available to cover expenses the insured is required to incur because of the Maritime Salvage Law when a covered watercraft is wrecked. Funds are available for addressing the costs to raise, move or destroy the craft.

Example: Two months earlier, Wanda's sailboat was among the many boats at Municipal Pier that were destroyed during a severe storm. She receives a notice from her city's Recreation and Parks Dept. that she has been charged $2,300 for the cost to have her boat wreckage cleared. Wanda's policy will respond to this expense.

2. One supplemental coverage will pay for the cost of bail bonds, but this coverage is limited to a total of $250. Also, the bond must be connected with an accident covered by this policy.

3. The policy pays for the costs of premiums on appeal bonds and attachment bonds, but only those involved in a suit that the insurance company is defending.

4. The Watercraft policy also pays for any interest on judgments that have been entered. However, any payment obligation ends if the policy's limit of insurance is reached.

5. The watercraft policy pays for loss of earnings caused by hearings or trial attendance and other reasonable expenses caused by an insurance company's request.

Example: June Unlukki is asked to appear at a preliminary hearing involving her boating accident where she collided with a group of swimmers. June gets permission to take an unpaid day off from work to attend and testify at the trial. The insurer says that they will pay for her loss of a day's wages.

Concerning loss of pay, the policy pays a maximum of $200 per day because of lost earnings; this supplemental coverage does not include loss of other sources of income.

6. Finally, under Supplementary Payments, the policy will pay any reasonable expenses that are due to activity requested of an insured by the insurer.

Example: Sammi Kollum's insurer is defending a lawsuit filed against him for an accident that occurred during an out-of-state boating trip. Sammi's insurer has arranged for him to travel to a lawyer's office in that state so that he can participate in a deposition. The insurance company assures Sammi that they will pay for all expenses including travel, meals, hotels, etc.

C. Exclusions

1. The following situations do not qualify for protection under this section of the policy:

a. The Watercraft Policy doesn't provide liability protection to insureds who intentionally injure other persons or damage another party's property. Because this point sometimes causes confusion, it's important to examine what is meant by intent.

Example: Jimmy is on his way home from a really horrible day of fishing. Jet skiers have discovered his favorite fishing spot, ruining his day. As he nears the dock, he sees a couple of jet skiers who, at the rate Jimmy was originally traveling, should have passed safely in front of him. Jimmy floors his throttle and races forward. Both skiers are shocked and then collide with each other as they try to avoid Jimmy's boat. Unfortunately, Jimmy ends up striking both skiers too. In this case, the intent lies with Jimmy's frame of mind. Yes, he intentionally sped up toward the jet skiers, but what he meant to do was to harass them, not cause the injury and property damage that resulted. Certainly, one could argue that what happened was foreseeable, but in Jimmy's mind, it was still an accident.

b. BI to either a named insured or a relative is ineligible for coverage.

Example: John's PondPounder Inboard/Outdrive boat is insured under a Watercraft policy. While using the boat, it suddenly loses power and Kevin, John's son, is pitched onto the deck. He is treated for a broken leg. The medical expense is not eligible for reimbursement.

This particular exclusion also denies coverage to the named insured and the named insured's household when a third-party attempts to file a claim or lawsuit for damages or costs that third party owes for injury to the named insured or the named insured's family member.

c. The policy won't respond to loss of or damage to property that is rented to, cared for or used by anyone in the insured household. In other words, the Watercraft policy can't be used directly or indirectly to pay for first party injuries or property claims.

d. No coverage is provided to a person who suffers bodily injury if that person's loss should be handled by other sources as specified under Workers Compensation, the Jones Act or other disability/disease (both occupational and non-occupation) laws.

e. Coverage is not permitted for an insured's watercraft or its trailer while it is rented to others.

Example: Jeff rents George's 17 ft. outboard boat and pays an agreed rental fee before getting the boat. Jeff then goes out to connect the boat trailer to his SUV. While checking the trailer, he trips and slams his face against the hull. The related medical expense does not qualify for coverage under George's policy because the injury was connected to the rental.

The exclusion applies to ALL incidences related to the rental. It also applies to using covered property to transport persons or cargo as well as to chartering the property.

f. Unless the person doing maintenance to the named insured's watercraft is the named insured, an insured relative or an agent/employee of the named insured or relative, no coverage applies for injury or damage involving a person in the watercraft business (sales, service, repairs, deliveries, storing, mooring, etc.)

Example: Aaron and Patty decide to eat out at the "Floating Asia Dinery" and, as required, they were helping a "Dinery" employee aboard so he could moor their boat to the restaurant's dock. The employee slips while boarding, breaking an arm. His injury would not be eligible for coverage under Aaron's policy.

g. Unless the activity involves the exception appearing in exclusion 1.f., no BI or PD protection applies to losses that involve business use of a watercraft, even when the activity consists merely of maintaining a watercraft that is used in business. However, if the watercraft is used for non-compensated business entertainment there is coverage.

Example: Clyde Speartide reports a loss under his watercraft policy. He and another boat collided, due to Clyde attempting to pass it on his way to a lake's far shore.

Scenario 1: While investigating the loss, Clyde's insurer discovers that Clyde was operating an informal water taxi. The claim was denied.

Scenario 2: While investigating the loss, Clyde's insurer discovers that Clyde was entertaining a business client. The claim is covered.

h. No protection is available to any loss that is connected to watercraft that is operated without the express permission of an insured party. The exclusion doesn't apply to situations where permission is implied, such as use by an insured's family member.

Defendant Not Considered Driver With Permission

Phil Brondes, Jr.(Brones) purchased a boat in 1979. He kept it in Toledo during the summer and in Florida during the winter. During the winter of 1979-1980, he experienced some mechanical difficulty while the boat was in Florida, and had it shipped from Florida to Brenner Marine in Toledo for necessary repairs.

Brondes was personally acquainted with Selz, the store manager and primary service manager of Brenner Marine. He directed Selz to make the boat operational for the upcoming summer season. The repairs were completed on June 15, 1980, and the boat was placed in a berth at Brenner Marine, where it remained until June 25th when Selz and some friends used Brondes' boat.

Selz and his passengers traveled about five or six miles from the marina, and then water-skied for about an hour. The boat, driven by Selz, then collided with a pontoon boat occupied by Norman Peiffer, Connie Peiffer, Walter L. Scott and Ida M. Scott. Brondes' insurance carrier, Frankenmuth Mutual (Frankenmuth), denied liability for injuries because Selz had not obtained Brondes permission to take the boat.

Frankenmuth filed for declaratory judgment to determine whether its policy covered the accident, and named as defendants Selz, his homeowners' carrier, Brenner Marine, and their carrier (Buckeye), the Scotts and the Peiffers.

The trial court found that Selz had neither the express or implied permission of Brondes to operate his boat at the time of the accident; therefore, Frankenmuth did not cover the accident. The court further ruled that Selz was not operating the boat within the scope of his employment so as to make Brenner Marine or Buckeye liable. The court decided that only Selz's homeowners' policy covered the accident.

On appeal, the higher court found that Selz and Brondes were close friends who had waterskied many times together. In addition, Brondes had offered Selz the use of the boat while Selz was on vacation in Florida, but Selz did not take advantage of the offer. It was also shown that Selz had never before operated the Brondes boat without him being present. Brondes testified that the personnel at Brenner Marine had his permission to test-drive the boat, if they believed it was necessary to make the boat operational but the court pointed out that a test drive would have required approximately 20 to 30 minutes to complete. In this case, the accident occurred more than an hour after Selz had taken the boat out, while he and friends were water-skiing.

The judgment of the lower court was affirmed.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS]

i. Either BI or PD related to an insured person who also qualifies for coverage under nuclear activity policy is not eligible for duplicate coverage under the watercraft policy. The exclusion applies even if the source of nuclear activity protection no longer has available limits (due to exhaustion by payment/settlement).

2. The following situations don't qualify for liability protection related to watercraft use, maintenance or ownership:

a. No protection applies to loss involving property that is defined as personal watercraft, such as ski-doos, that are owned by insured or family members.

b. The Watercraft policy is intended to protect boats (and trailers) that are specifically listed and rated. Therefore, coverage does not apply to watercraft that an insured owns but has not added to the policy.

c. No coverage exists for watercraft that is regularly available for the named insured's use or that is owned by a named insured's family member. However, an exception exists for a loss involving such property that is merely related to it being maintained or occupied by an insured.

The exception makes sense. It permits the watercraft policy to provide protection to instances that DO NOT involve significant, unrated exposures.

d. Except for sailboats, any boating loss (injury or damage) related to using a covered watercraft for any racing or similar activity does not qualify for coverage. The exclusion even extends to preparations or practices for such activities. In other words, the only activity that MAY be covered might be an impromptu (unplanned, spur-of-the-moment) event.

Examples:

Scenario 1: James and his friend happen to spot each other on the lake. They are both on their way back from fishing. Suddenly, James' friend revs his outboard and takes off with James doing the same. About a minute later, James catches up and then collides with his friend's boat. The loss and injury would be eligible for coverage.

Scenario 2: James and his friend meet each other on the lake. Both recently bought new boats and boasted about them. A day earlier, the two agreed to a race. Both boaters rev up their outboards and take off. James' friend takes the lead and, about a minute after starting the race, James catches up and then collides with his friend's boat. The loss and injury would NOT be eligible for coverage.

D. Limit of Liability

1. This provision explains that the monetary limit that appears on the policy declarations page is the maximum amount of coverage that applies to the damages from any single loss. This maximum is not affected by the number of watercraft, insureds, or claims involved. This arrangement is true of both bodily injury and property damage claims. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum.

2. The Watercraft policy's Limit of Liability section explains that, regardless of whether coverage exists under more than one coverage part, no duplicate payments will be made. This limitation means that, even if portions of a single claim qualify for coverage under the policy's liability as well as Medical Payments and/or Uninsured Watercraft coverage, an insured will not be paid more than once for any portion of his loss. This clarifies the purpose of the Watercraft Policy to indemnify rather than enrich a claimant for their accidental loss.

E. Other Insurance

In the event that other sources of liability insurance exist, the liability portion of the watercraft policy will pay on a basis that equals its share of the total amount of insurance available to cover an eligible loss involving an owned watercraft. If the loss involves a non-owned craft, the

Watercraft Policy responds on an excess basis, paying only after the primary policy has paid its limit. This policy will also respond on an excess basis to any other source of coverage for ANY watercraft while it is being transported by a land motor vehicle.

Example: Let us examine a boat loss that totals $10,000 in damages. The loss is covered by a watercraft policy and some other source of coverage and both sources have coverage limits greater than the loss amount.		
Scenario 1: The loss involves a boat owned by the insured and the watercraft policy and the other coverage source offer the same coverage limits. In this case, payment would be:	Watercraft Policy Payment: $5,000	Other Source Payment: $5,000
Scenario 2: The loss involves a boat owned by the insured and the watercraft policy and the other coverage source offer different coverage limits. Let us assume that the Watercraft's limit represents 40% of the available coverage. In this case, payment would be:	Watercraft Policy Payment: $4,000	Other Source Payment: $6,000
Scenario 3: The loss involves a boat that is NOT owned by the named insured and the watercraft policy and the other coverage source offer the same coverage limits. In this case, payment would be:	Watercraft Policy Payment: $0	Other Source Payment: $10,000
Note: If a nonowned boat is involved, it would not matter if the watercraft policy and the other source had different limits. The other source would have to pay out its complete limit before the Watercraft Policy would contribute any payment.		

PART B – Medical Payments Coverage

A. Insuring Agreement

1. The watercraft policy covers medical payments up to the amount shown in the policy (declarations page or elsewhere). The payments are for medical expenses connected to injury suffered by a person who qualifies under this section as a covered person. Any paid expenses must not be extraordinary costs and they have to have been incurred no later than three years from the date of a covered accident. Eligible expenses include funeral costs as long as the injury or death is related to use or ownership of a watercraft (including craft maintenance).

2. The following qualify as insureds under the medical payments section:

- You (the person or persons appearing on the policy) and any person who is a family member (as defined by the policy) of the named insured, but only while occupying or being towed by a watercraft or while in the water and being struck by a watercraft.
- Any person (except insureds and their household relatives) while occupying, being towed by, or when in the water and struck by a craft that qualifies as a covered watercraft.

Example: Bill's cabin cruiser is insured by a watercraft policy, which includes Medical Payments Coverage. Laura, Bill's daughter, is at a beach party. She is injured during horseplay that occurs on the party host's boat. Laura would be eligible for medical payments coverage.

Example: Bill is enjoying a swim near his cruiser. As he heads back to his boat, a teen operating a jet ski sideswipes him, breaking a leg. Bill's medical payments coverage would be available to handle treatment costs.

B. Exclusions

Under this section, there are a variety of situations that do not qualify for coverage:

1. No coverage applies to losses involving a personal watercraft that is owned either by the named insured or a named insured's household relative.

2. No protection applies to losses that involve business use of a watercraft. Business use includes an insured that rents out his property, transports persons or property for a fee, or chartering the property.

Example: Jeff rents George's sailboat and, while attempting to adjust the boom, he trips and breaks his ankle. Jeff's injury is not covered under the medical payment portion of George's watercraft policy.

3. No coverage applies to losses involving watercraft that is acting as a residence or a premises.

4. No coverage is provided to a person if that person's loss should be handled by other sources as specified under Workers Compensation, the Jones Act or other disability/disease (both occupational and non-occupation) laws.

5. The Watercraft Policy is intended to provide coverage involving boats that are specifically listed and rated. Therefore, coverage does not apply to injuries suffered on watercraft that the named insured owns but has not added to the policy. It also would not apply to a craft that is regularly available for the named insured and family members to use.

6. Similar to item 5., coverage does not apply to injuries suffered while either occupying or being struck by watercraft that is owned by a family member or which is regularly available to a family member. Both of these are situations where coverage is denied because another party should be providing separate insurance, particularly the actual owners of such watercraft.

7. Medical payments coverage does not apply to persons who are injured while operating a covered watercraft without the insured's permission. However, this exclusion is void for family members using an insured-owned, listed watercraft.

Example: Brenda and Paula, as a prank, decide to move a friend's boat from his slip to an empty one on the other side of the dock. While entering the boat, Paula stumbles and breaks her wrist. The injury's treatment is not eligible for coverage.

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8. No coverage exists in instances where a watercraft is occupied while being used for commercial/business activity involving an insured. An exception exists for business-related entertainment. However, the exception only applies to such instances that do NOT involve direct compensation.

9. Except for sailboats, any boating loss (injury or damage) related to using a covered watercraft for any racing or similar activity does not qualify for coverage. The exclusion even extends to preparations or practices for such activities. In other words, the only activity that MAY be covered might be an impromptu (unplanned, spur-of-the-moment) event.

Note: The policy has a specific exception for sailboats or to predicted log cruises. Why this exception? Because these activities do not significantly increase the chance for loss that an insurance company assumes when it decides to provide watercraft coverage.

10. No coverage exists for loss involving ANY instance of nuclear discharge or any sort of war/military activity.

11. No coverage exists for any loss related to any instance of nuclear activity, such as nuclear reactions, radiation or radioactive contamination.

C. Limit of Liability

The monetary limit that appears on the policy declarations page is the maximum amount of coverage that is possibly available to a single injured person related to a single, eligible incident. This maximum is not affected by the number of crafts, insureds, or claims involved, nor the number of crafts or premiums appearing on the declarations page. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum. Therefore, even if there are losses that might qualify for coverage under another section of the policy, duplicate payments will NOT be made.

D. Other Insurance

In the event that other sources of medical payments insurance exist, the Medical Payments section of the Watercraft Policy will pay on a basis that equals its share of the total amount of insurance that is available to cover an eligible loss involving an owned watercraft.

Example: Jason is eligible for medical payments coverage and two other sources of recovery. Source 1 has limits of $3,500; source 2 (the limits under his Watercraft medical payments section), $5,000; and source 3, $6,500. The total amount available is not $15,000 (the sum of the three sources). The medical payments portion of the policy will pay only on a basis that equals its share of the total amount of available protection. In this case, the policy would pay approximately 33% of the loss (limit of $5,000 divided by total amount available of $15,000).

If the loss involves a non-owned craft, the watercraft policy responds on an excess basis, paying only after the other available coverage has paid its limit.

PART C

In the actual policy, this portion of the policy is not used, but is designated for use in the future.

PART D – Coverage for Damage to Your Watercraft

A. Insuring Agreement

1. Typically, a watercraft policy's physical damage section will provide protection against a wide variety of loss sources that may damage or destroy covered property. Under this policy, protection against tangible, accidental loss is provided for any property that meets its definitions of:

· “your covered watercraft”

· “boating equipment”

However, coverage is subject to the policy’s applicable deductible. That deductible only applies once per a given loss. In other words, if an insured suffers a loss to her boat and then, on another date, to her boating equipment, the deductible would apply to each loss. If she experienced a loss to her boat AND equipment in a single loss, then the deductible would only be applied once.

2. The Watercraft policy defines what it means by boating equipment, but only with regard to the coverage offered under this section. The policy does not consider outboard motors to be boating equipment. However, it does classify property that is owned by the insured and which is related to the covered watercraft due to being a part of its normal operation or maintenance as boating equipment. This status is conferred whether such equipment is used within or outside of the applicable, covered watercraft.

The policy offers the following items to illustrate what is considered to be boating equipment:

Anchors	Electronic navigation equipment	Life preservers	Pumps
Batteries	Fire extinguishers	Lines	Sails
Covers	Flares	Oars	Seat cushions
Dinghies	Horns	Oar locks	Tenders

Items similar to the above would also qualify as boating equipment.

B. Additional Coverages

1. Salvage Expense Coverage

Should circumstances dictate, this policy will provide a maximum of one-quarter of the liability limits that apply to this section. The amount is to handle the expense related to salvage law. More specifically, it handles salvage liability that is imposed by maritime law, such as a responsibility to recover items that have gone overboard.

2. Towing and Assistance Expense Coverage

This coverage responds to a number of expenses that may be caused when a loss disables covered watercraft. It pays for transporting the craft to where repairs may be made; delivering fuel, oil or repair parts; the cost of labor to make repairs at the location where the covered craft is disabled; and roadside repairs for any watercraft trailer that is listed under covered property.

Note: Only a modest amount of $500 is available for all expenses related to a single event. Further, only $1,000 is available during a single policy period. However, no deductible is applied to this protection and it doesn’t affect the policy’s limit of liability.

3. Personal Effects Coverage

Like towing and assistance coverage, a total of $500 is available for covering loss to personal effects; no deductible applies and it has no affect on the policy’s other insurance limits. Unlike it, there's no $1,000 policy period aggregate limit. It protects against loss or destruction of an insured's personal effects.

It can pay for property belonging to an insured as well as to third parties (when the named insured requests). The protection applies to property such as the following while located on, in or during the time it is loaded or unloaded from a covered watercraft.

Items that qualify as personal effects:

Cameras	Cell phones	Fishing equipment	Water skiing equipment
Clothing	Coolers	Portable radios	Sporting equipment

Items that do NOT qualify as personal effects:

- Animals
- Boating equipment
- Fuel
- Jewelry
- Money
- Watches
- Permanently attached equipment

C. Exclusions

There are a variety of instances when physical damage protection is denied, specifically the following:

1. Loss involving business activity which includes insureds who rent their craft to others, who receive income from transporting property (cargo) or persons or who make their craft available for charter trips.

Example: Linzie's sailboat is damaged when the pilot smashes into a steel dock. Linzie's insurer turns down her claim when they find out that the boat was being returned by a group who frequently rent the boat.

2. Losses that solely involve the following are disqualified from coverage:

a. Any source of loss that can be attributed to regular wear and tear, aging, property defects and/or due to breakdown are excluded

b. Loss that is attributable to the insured's failure to properly maintain covered craft

c. Damage from scratching, marring, denting and chipping

d. Damage caused by either extreme heat or freezing

e. Loss due to temperature extremes including improper winterizing. However, an exception exists for damage occurring to winterized craft IF the process was performed by a competent source.

f. Damage caused by icing to a covered craft either while afloat or while moored

g. Loss that is indirect, due to loss of use or similar incidents

h. Loss caused by the physical nature and defects of the covered property (inherent vice/latent defects)

i. Breakdowns, both electrical and mechanical

3. There is no coverage for loss related to using or preparing watercraft for racing; however, there is an exception for sailboats. It is likely that the exception is due to the fact that, even in racing, the handling of a sailboat is not likely to significantly increase the exposure to loss; also, sailboat operators tend to have much more experience in boating than their motorized peers.

4. Loss due to any type of war, military activity, nuclear or radioactive activity or event is ineligible for coverage, including a loss that is covered by any special nuclear energy policy

5. Loss or damage (including confiscation) of property by any government agent due to an insured's illegal activity.

Note: This exclusion does not affect payments to which loss payees may be entitled. However, such payments would likely result in subrogation activity by the insurer against the insured.

6. Diminished value is not covered

Example: Lindsay's boat, a 2012 Puddlepup, was just repaired by her insurer. A week after she gets it back, she decides to sell it and she goes to a nearby dealer for help on establishing a sales price. The dealer says that, since it had been damaged and repaired, she should list it for at least $2,500 less than a comparable boat that had never been in an accident. This loss in her boat's market value is not eligible for coverage.

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D. Liability Limits

The maximum watercraft policy limits that can possibly apply to a given loss are the lowest among the options of the actual dollar amount appearing on the declarations, the stolen or damaged property's actual cash value or the amount needed to properly repair or replace the property.

The policy makes specific mention of the following:

- Any loss that is considered 'total' will take into consideration the property's physical condition just prior to the time, including depreciation when determining that property's actual cash value.
- Should a replacement result in the use of property that has a greater value than the property that was lost or destroyed, the insured will be responsible for that difference in value.

Note: Replacement assumes that the property used is of similar type and quality of the damages or lost property.

E. Payment of Loss

This provision discusses a company's options in settling a loss. The insurer may handle a loss by a cash payment or it may repair or replace the property. If the loss is due to the theft of a covered craft and it is recovered, the insurer must pay the expense of returning it to either the named insured or to the latest address shown on the declarations page. Also, the insurer must repair any damages caused by the theft. Further, should the company exercise the right to keep the property, it must be at a price that's acceptable to both parties. Cash payments made by the insurer will also include any applicable taxes.

F. No Benefit to Bailee

The watercraft policy's intent is to perform its contractual obligations to the named insured and other parties defined in the definitions, insuring agreements and other policy provisions. To do otherwise would be to open the policy up to parties who haven't been rated or underwritten for coverage and for more exposures than contemplated. Other parties may benefit unintentionally from the policy without this provision. Such persons or organizations can't piggyback their obligations to the watercraft policy.

G. Other Sources of Recovery

This provision is to make sure that any payment under the Physical Damage coverage takes other sources of loss payment into account. If other insurance policies, provisions or sources of recovery apply to a physical damage loss, the policy will only pay its proportion of the total available coverage. But the proportional payment is only for owned crafts. If other sources of payment exist for a loss involving a non-owned craft, this policy responds on an excess basis. It is excess over every other available source of payment, including the policy of the owner of the craft.

Note: The provision to pay its proportionate share on owned-craft losses effectively assures that the policy won't pay more than the limits of liability listed on the declarations page. Of course, it has no other way to control the amount paid by other sources.

H. Appraisal

1. This system works quite similarly to an arbitration clause, except that the only point of dispute is the amount of payment, rather than whether any payment is due. This provision may be invoked when the company and the insured don't agree on the amount of the loss. Each party must select its own qualified appraiser. The two appraisers then select an umpire. The appraisers submit their opinion of the actual cash value and the amount of the loss. If they don't reach an agreement, they submit this information to the umpire. An agreement by any two persons establishes the amount for the insurer and the insured.

The company and the insured have to pay for the expenses of their own appraiser, as well as equally share the expenses of the umpire. No other insurer rights are affected by their agreeing to an appraisal. For instance, if another party has some responsibility for the loss, the insurer, after paying the appraised amount of loss, may still subrogate the claim.

2. It is becoming more common for such clauses to state that participation in the process does not harm any other rights belonging to either party.

Example: Henrietta and Concrete Bay Insurance disagree on the amount of damage suffered by her boat. The two parties submit to an appraisal and the appraisers agree that the loss amount should be $21,700. However, Concrete Bay continues to investigate the loss and, later, decides to deny the claim because the appraisal process did not affect its on-going right to dispense with the claim as it saw fit.

PART E – Duties after Accident or Loss

This section explains what an insured must do in order to fulfill his obligations once a loss occurs. It is important that these conditions be met, since failing to comply may relieve an insurer from having to pay for a loss.

IMPORTANT - The insured risks endangering his or her coverage by failing to comply with any post-loss duties.

1. Notification. The insurer must be provided the accident details as soon as possible. The notification may be to an agent, and, ideally, should include the identity and addresses of any people hurt in the accident, as well as accident witnesses.

Item 1 is critical, because it initiates the entire claims process, and it gives the insurer its first and best opportunity to control the expense of the claim.

2. The following are also critical responsibilities owed by any person seeking coverage under the policy.

a. Assist the insurer in the claim's investigation and settlement, as well as help with defending against any claim or suit.

b. Immediately send the company copies of ANY material received that's related to the accident.

c. Agree to attend as many:

(1) Physical exams, involving doctors selected by the insurer and/or

(2) Interviews under oath

as are reasonably requested by the insurer. These requirements are at the insurer's expense.

d. Permit the insurer complete access to medical and other records that relate to the accident.

e. Give the insurer any requested proof of loss.

3. If the loss involves physical damage to a covered boat, the insured is further obligated to:

a. Protect their property from further loss. The company is obligated to reimburse the insured if any additional expense is involved.

b. Quickly notify the authorities (police or coastguard) if the covered craft or other property vehicle is stolen.

c. Allow the company to inspect and evaluate the damaged property BEFORE it is repaired or removed.

d. Provide the insurance company with an inventory of damaged personal effects IF a request is made to do so.

Preserving the damaged property after a loss is extremely important.

Example: Tina returns to the dock in the late morning and strikes a piling. The damage appears minor, but it does include a gash near the bow. Since she's in a hurry to get some family errands done, she loosely ties off her boat and decides to check it again the next morning. That evening, the area experiences high winds and, the next day, Tina is surprised to find that the boat has a larger hole and is two-thirds submerged. When she reports the loss, including the details of her post loss action, she is warned that she may have to handle the aggravated cost of the damage repairs.

Note: Having any damage repaired or getting rid of damaged property before allowing the insured to look over the property is an extremely serious breach of contract. It could easily result in an insurer's refusal to make payment. If the insured craft is repaired or disposed of, the insurer has no chance to evaluate whether coverage was due, nor determine how much was due.

PART F – GENERAL PROVISIONS

A. Abandonment

This provision merely states that the insurer has no obligation to accept covered property that has been abandoned by an insured.

B. Bankruptcy

This provision states that an insured's bankruptcy or insolvency doesn't release the company from any obligations under this policy. This fact appears clear enough but a situation could easily end up having to be resolved in the courtroom.

Example: An insured's watercraft policy is cancelled for nonpayment and, a day later, the insured suffers a boat loss. The insured has documents proving that his bankruptcy prevented payment of the policy premium in time. The insured files suit, alleging that this provision can be interpreted as still obligating the insurance company to adjust the loss and offer a settlement.

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C. Changes

1. This states that the policy is a complete agreement that can't be changed, except by the company issuing an endorsement.

This is important. If the insured were allowed to change the policy, the most common changes would involve waiver of premiums for life, guaranteed renewals and unlimited liability limits. Note that, from a consumer's point of view, these would be good policy features; it's just that the provisions would make it a little tough to earn a profit. Fortunately, insurers are eager to help their customers make valid changes to their policy to fit their current circumstances.

2. This provision also explains that the policy premium was based on a certain set of facts. If any of this information changes, it could affect the rating of the policy, and the insured's premium may be changed. Items that could cause the policy's cost to change include the acquisition of additional watercraft, changes in household residents (craft operators) and any address change. Other items that may affect policy premium are changes in the type of watercraft, change of rating territory, and changes in deductibles or limits.

This provision makes a reference that falls outside of the policy. It states that if a rating change is necessary, the change will be performed in compliance with the applicable company's filed rating plan and rules.

3. Changes in coverage are typically introduced by an insurer via adopting a new edition of a program and policy forms or by using an amendatory endorsements. In case a change occurs that broadens coverage for policies in the insured's state, but is NOT accompanied by a premium adjustment, the change will automatically apply to all policies as of the effective date of the change.

D. Financial Responsibility

In instances where the watercraft policy is used as a certified source of financial responsibility in a given state, this provision acts to make this policy's provisions comply with state requirements. However, such compliance is only with regard to meeting financial responsibility demands.

E. Fraud

This provision explains that, if an insured speaks or acts with the intent to mislead others regarding any loss or claim, the insurer can deny coverage. Of course, this part of the insurance contract is implied throughout the policy.

F. Lay-Up Period

Under this provision, the named insured is informed that no coverage exists if the applicable watercraft is operated during the term of any lay-up period that appears in the policy. This provision is also considered breached if the covered craft is not stored at the location indicated in the declarations.

Coverage for operation during the lay-up period may apply in two instances. One, when the insurer consents to its use in writing. Two, if the craft is operated due to an emergency; but only if the insurance company is notified within 10-days of the emergency use.

G. Legal Action Against Us

This provision of the Watercraft Policy stands as a tool to make a lawsuit the last recourse to resolving a dispute between the 1st and 2nd parties to the contract.

1. The provision forces the parties to use all of the tools within the policy before a suit is attempted. In other words, an insured, disputing the existence of liability or the amount that should be paid, cannot skip arbitration or appraisal or cooperation with the company or providing proof of loss, etc., and go straight to filing a suit. Further, even after compliance with all of the policy provisions has occurred, no action can be filed unless there's been a written agreement that the "insured" is responsible for a loss payment OR the amount of the payment has been settled via judicial proceedings.

2. This provision denies any person or organization's right to bring action against the insurer to determine if the "insured" is liable for an accident. This part is needed to limit the persons who may rightfully expect performance under the boat contract. Without this clause, the policy would be forced to provide protection to parties who, rightfully, should secure their own coverage.

H. Loss Payable Clause

When another party has a separate financial interest in the covered craft (typically due to its holding a loan with regard to the property), it has separate policy rights. This provision advises that, should any payment be made, it will be distributed in accordance to the extent of that party's financial interest.

The loss payee may have its own coverage continued even if the insured is involved in concealing information or committing fraud. However, this exception does not apply if the act involves conversion, embezzlement or secretion of applicable property.

If coverage is terminated, the insurer has the obligation to provide separate advance notice to the loss payee and it will be in the same manner that is provided to the insured.

If the insurance company pays a loss to the loss payee under an instance where coverage has been terminated or voided for the insured, the insurer is entitled to pursue recovery of that amount by using the loss payee's separate subrogation rights.

I. Our Right to Recover Payment

1. This provision of the policy typically states that, while an insurer will fulfill any valid obligation to make payment under the policy, when payment is made, it acquires the insured's right to recover payment from another responsible party. Just as important as acquiring this right is the duty it imposes on the insured. The insured must cooperate fully with the insurer to pursue recovery AND must be certain that he or she does nothing to undermine this right. However, this provision doesn't apply under the physical damage coverage part when the responsible party is a person who operates the covered watercraft with an insured's permission.

There is one exception. The right to recovery still exists against a permissive user who is in the watercraft business, such as having possession of the craft related to sales, lease, maintenance, repairs, mooring, etc.

2. Another part of this provision explains that if the company compensates the insured for a loss and then collects payment from the responsible party for the same damages, the insured HAS to hold onto the money on behalf of the insurance company and then reimburse the company up to the amount of the settlement.

J. Out of State Coverage

In case of a loss occurring in a state or province that is different than the one where the policy was issued, the policy is treated in accordance to that state or province (with regard to handling the loss).

1a. If that location has a financial responsibility or similar law, the contract will be handled as if its limits were at the amount necessary to comply with the law (if the written policy limits are LOWER than what is required).

1b. If that location has a compulsory insurance or similar law, the contract will be handled as if its coverage provisions were the type necessary to comply with the applicable law's minimal requirements (if the written policy's coverage scope is less than what is required).

2. No duplicate payments for the same elements of loss will be permitted.

K. Policy Period

This policy's coverage only applies to accidental loss that takes place in the time period specified in its declarations.

L. Policy Territory

Coverage is granted only to loss that occurs within either of the following:

- The territory shown in the declarations
- When no territory is specified, coverage applies to loss if covered when it occurs on land, inland waters, or coastal waters within 12 miles of the shore or, in the Great Lakes BUT ONLY when within the U.S., its territories or possessions, Puerto Rico or Canada.

M. Termination

The watercraft policy addresses both cancellation and non-renewal of coverage. However, a detailed discussion of this topic is fairly academic, since it may be the most frequently amended or replaced policy provision. This provision is necessary due to various state requirements, as well as individual company preferences. It is critical to keep in mind that state and company rules are what must be followed when terminating a customer's coverage.

1. Cancellation

a. The insured has it simple. All she or he has to do is either return the policy to the company or send prior written notice of the date the policy is to be canceled. The insured can request cancellation at any time during the policy period.

b. It's a little more complicated for the insurer to cancel coverage. The company has to mail written notice to the named insured at the address shown on the policy declarations page. The insurer must give 20 days advance notice of cancellation. However, if it is within the first 60 days that the policy has taken effect (and it is NOT either a renewal or continued policy) or it is for not paying the premium, the insurer may give 10 days' advance notice.

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2. Non-renewal

This option to end coverage is just a company privilege. However, if an insured sent in advance a written notice not to renew coverage at the policy's expiration date, it technically would be an insured's request to non-renew.

In any case, if a company doesn't want to continue coverage, it has to give an insured at least 20 days advance notice of non-renewal.

Note: It is critical that you understand the rules of your company and state provisions, since the differences center around the amount of notice and the specific reasons for non-renewing.

3. Automatic Termination

This section of the termination provision allows for coverage to end without any written request or notice being required. If a company sends a renewal policy, and if the insured or insured's representative doesn't accept it, coverage ends at the latest expiration date. Nonpayment of the renewal premium is considered non-acceptance. If an insured obtains another insurance policy, coverage automatically terminates at the effective date of the replacing coverage. Automatic termination also occurs should a third party become owner of the covered watercraft or when this coverage is replaced by another policy. Another reason for automatic termination is when a covered craft suffers a total (including constructive total) loss.

4. Other Termination Provisions

a. This provision informs the insured that a cancellation notice may be delivered or mailed and that proof of mailing acts as sufficient proof of notice. IMPORTANT: Many states mandate how the notice has to be delivered (for instance, registered or certified mail), so you need to be aware of state law and any form that amends or replaces this provision.

b. The insured is also told that the company may be refunding the premium if a policy is canceled, but that the refund transaction has no effect on the cancellation. In other words, an insured may not claim that, after receiving legal notice as well as any other notification requirements, the cancellation is voided because of a delay in returning the premium.

c. This is a technicality but, in the event that a policy is cancelled, the cancel effective date that appears in any notice becomes the official end of the applicable policy period.

N. Transfer of Your Interest in This Policy

1. A policyholder can assign his or her rights and duties under the watercraft policy to another person, BUT ONLY with the written permission of the insurer.

There is one exception to the rule of having to get the insurer's permission to assign a policy: if the policyholder dies. In this event, this policy provision automatically transfers coverage either to a surviving spouse (if he or she lives at the same address) or the deceased's legal representative. Either party achieves the status of named insured. However, the legal representative is protected only to the extent of his or her duties to maintain or operate the covered watercraft.

2. The insurer will only recognize such a transfer until the policy's expiration date. The working assumption is that appropriate coverage reflecting the change in circumstances will be obtained or that coverage will either be terminated or allowed to expire.

O. Two or More Watercraft Policies

In the case that the same insurer provides more than one policy that applies to a watercraft loss, the insurer is only obligated to provide, at most, the maximum amount of coverage that would be provided by the policy with the highest applicable limit.

ENDORSEMENTS

Endorsements tailor the coverage forms to customize the protection needed for specific situations. Examples are the various state amendatory endorsements and those containing the terms for cancellation and suspension. Others are used only with certain types of boating situations. Some cover additional insureds and others with a financial interest in the covered craft. A few endorsements add coverage, such as expanded emergency service or personal effects, while others add additional provisions.

ISO Watercraft Policy Available Endorsements And Their Uses

INTRODUCTION

The following identifies endorsements available to modify the Insurance Services Office (ISO) Watercraft Coverage Form. It is arranged by form number and title and includes a brief explanation of the use of each form. This section does not include any state specific endorsements, changes or amendments.

Note: ISO makes all of the forms listed below available in both English and Spanish

FORM NUMBERING

The ten-digit numbering sequence of ISO forms and endorsements has a very specific meaning.

- The first two entries are alphabetical characters that indicate the line of insurance involved. In this article, WT denotes Watercraft.
- The next two digits designate the specific insurance category such as coverage forms or amendatory endorsements.
- The next two digits are the form or endorsement number within the insurance category.
- The last four digits are the edition date of the form or endorsement expressed in month and year format. These digits are not used in this article.

ENDORSEMENTS

WT 03 01–Watercraft Joint Ownership Coverage

This form permits altering the policy definitions of "you" and "your." The result is that the persons appearing on this form's schedule are granted named insured status in recognition of jointly owning the covered property.

WT 03 02–Watercraft Additional Insured-Lessor

This is a schedule for adding the party from which some covered property has been leased. Besides full info on the lessor, there are sections for describing the applicable property and coverage and limits information. The form also adds a new definition "your leased watercraft."

WT 03 03–Watercraft Increased Limits Towing and Assistance Expense Coverage

The unendorsed Watercraft policy provides supplementary coverage for handling expenses connected to wrecked craft. This option adds critical coverage for disabled craft. It provides funds for expenses such as towing to a repair site, cost of fuel and parts deliveries, roadside repair for trailers and repair labor costs. A description of the covered craft and limits must be entered on the forms schedule.

WT 03 04–Watercraft Haul Out Expense Coverage

This option provides coverage to handle haul out expense. In other words, it assists with the expense of taking a covered craft out of (and later, returning into) the water when the NWS (National Weather Service) has issued a hurricane watch or warning. The total amount of coverage available is $500.

WT 04 01–Uninsured Watercraft Coverage

WT 04 01–ISO UNINSURED WATERCRAFT COVERAGE

The WT 00 01–Watercraft Policy lists Part C as reserved for future use. This endorsement fills that gap and provides Uninsured Watercraft Coverage which is similar to uninsured motorists coverage. It is subject to all provisions and conditions within the WT 00 01 except as noted.

Schedule

An Each Accident Limit of Liability must be entered along with the policy premium. In some cases, the Watercraft Policy Declarations may have this coverage listed and then this schedule would not need to be completed.

Part C - Uninsured Watercraft Coverage

A. Insuring Agreement

1. The insuring agreement agrees to protect an “insured” against “bodily injury” damages caused by an accident with an uninsured watercraft. In other words, an insured boater can rely on his own policy to take care of injuries resulting from an accident where the person who caused the injuries lacks the coverage to take care of his or her legal obligation. However, this coverage is not bound by any judgment for damages that are determined by a lawsuit that’s filed without the company’s written consent.

2. The uninsured watercraft coverage insuring agreement defines who is considered an insured. An insured includes the named insured and resident spouse, any “family member,” and any other person “occupying” the covered watercraft. In addition, any person eligible for payment because of bodily injury damages suffered by an insured is an insured. Another such person is the executor of the insured’s who pays for the funeral expenses of an insured that dies from bodily injury in an accident with a watercraft that is not insured.

3. An “uninsured watercraft” is either of the following:

a. Any craft that is not subject to the financial protection of either a bodily injury liability policy or a bond.

Note: A craft could qualify as an “uninsured watercraft” if a bond or policy does apply but the writer of the coverage denies coverage or becomes insolvent.

b. A hit-and-run watercraft is also an “uninsured watercraft” when it hits the named insured (includes resident spouse) or a family member, any craft occupied by these classes of people, “covered watercraft” or a person being towed by a covered watercraft.

The definition of an uninsured watercraft doesn’t include any craft (including related equipment) that either belongs to or is regularly available to the named insured or any family member. Crafts used as a residence also are disqualified as uninsured watercraft. A craft that is protected under a lawful self-insurance arrangement is NOT considered uninsured, unless the self-insurer is insolvent at the time of a loss. Finally, craft owned by a government unit or agency is not considered uninsured.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

B. Exclusions

1. The following situations are ineligible for protection against bodily injury:

a. No coverage exists for any insured if he or she is hit by or hit while occupying an owned watercraft or its trailer that isn't protected under the Watercraft policy to which this endorsement is attached.

b. No family member is covered if they are hit by or occupying a watercraft that is owned by the named insured, but that is covered by any other policy.

c. No insured qualifies for uninsured watercraft coverage if a bodily injury claim is settled without the company's consent.

d. No coverage exists if the insured is in a watercraft that's transporting people or property for pay, or if the craft has been made available for charter.

Example: Sidney's operating her mom's outboard engine and boat that is substantially damaged when Sidney strikes a dock on the lake located at a large campground where she is vacationing. In order to make some spending money, Sidney's been regularly using the boat to take other campers to and from fishing areas.

Scenario 1: At the time of the loss, Sidney was using the boat for her own pleasure – the loss is eligible for coverage.

Scenario 2: At the time of the loss, Sidney was returning a camper from a fishing area – the loss is ineligible for coverage.

e. No coverage exists for a loss involving watercraft operated or used without permission by the insured. However, the question of permission does not apply to a "family member" who is operating a "covered watercraft."

2. No coverage exists under this form if coverage should be handled by workers compensation, Federal Longshore and Harbor Workers Compensation benefit, similar disability benefits law, or under The Jones Act.

3. No payments are made for amounts owed as either punitive or exemplary damages.

C. Limit of Liability

1. The monetary limit that appears on the endorsement schedule or on the policy declarations page is the maximum amount of coverage that is possibly available for all injuries to parties involved in a single, eligible incident. This maximum is not affected by the number of crafts, insureds, or claims involved, or the number of crafts or premiums appearing on the declarations page. The particulars of a given loss may well affect how payments may be distributed, but the maximum remains the maximum.

2. No duplicate coverage is available for a single element of loss that is also eligible for coverage by any other parts of the Watercraft Policy.

3. This coverage won't pay for a single element of loss that already has been paid by any party responsible for that loss.

Example: Carla Applecheek and her son were on their way back home from a leisurely sail when they're hit by Jonni, who was speeding around in his dilapidated power boat; he is not insured. The Applecheeks were injured, so they applied for coverage under the $25,000 uninsured boaters coverage part of their own policy Their company pays them $3,700 for their injuries but later, after finding out that Jonni paid them $1,250 that he was saving for a new boat, the insurer requires the Applecheeks to return an equal portion of the payment it made.

4. No coverage will be paid under this form if coverage should be handled by workers compensation, Federal Longshore and Harbor Workers Compensation benefit, similar disability benefits law, or under The Jones Act.

D. Other Insurance

If other sources of insurance or other policy provisions apply to an uninsured watercraft loss, this provision intends to make sure that such sources are contemplated when compensating an insured for a loss. This part takes financial consideration of the total amount of coverage available to pay for losses involving uninsured watercraft to ensure that any amount paid for a given loss is no higher than the greatest amount provided for a single craft.

Further, the total amount that may be paid on the loss may not exceed the total amount of primary and excess coverage available for any single watercraft. If the loss involves a non-owned watercraft, the uninsured watercraft coverage part responds on an excess basis, paying only after the other available coverage has paid its limit.

Regardless whether this part provides coverage on a primary or on an excess basis; it will only pay its proportionate share with other sources providing coverage on the same basis.

E. Arbitration

If the company and their insured aren't on the same wavelength regarding whether an insured qualifies for loss payment or how much is due in an uninsured watercraft loss, the argument may go to arbitration. However, both the company and the insured must want the disagreement to be handled by representatives of their own choosing. A judge may be called upon to select a third arbitrator if this person isn't selected by the first two arbitrators within 30 days.

Binding Agreement - The insurance company and the insured must accept the decisions agreed on by any two arbitrators as legally binding in the areas of determining a valid claim and the amount to be paid.

The process will be held in and controlled by the laws of the county of the insured's residence.

F. Part E - Duties after an Accident or Loss

The following provision is added to this Part of the Watercraft Policy but only as regards the coverage granted under this endorsement.

A person who seeks coverage under this coverage has the obligation to quickly report a loss of any hit-and run incident and must send the insurance company copies of any legal papers related to a lawsuit.

WT 05 01–Personal Watercraft Coverage

The unendorsed Watercraft policy does not cover personal watercraft. That coverage gap is closed by this option.

WT 05 02–Watercraft Agreed Value Coverage

Watercraft losses are typically settled on the basis of taking age and other factors that diminish value into consideration. In some instances, the features of some property may make this form of valuation impractical. This option allows an insured to, for an additional premium, increase the chance that a loss will be compensated more fairly. In the event of a loss, the insurer becomes obligated to settle according to the lesser of the ACV value or the amount appearing in the form's schedule. The insurer has some additional protection too. If a repair or replacement results in a betterment to the insured, that additional cost must be borne by the insured.

Example: James and Jenna's '63 Clavot Shorelinzer is destroyed in a fire. Its market value as an antique boat in wonderful condition is $39,000, far above its ACV of $14,500. While they won't be able to recover its full value, they are consoled by their having endorsed a $34,000 limit on their watercraft policy via a WT 05 02 form.

ISO YACHT COVERAGE FORM

INTRODUCTION

The Insurance Services Office (ISO) Yacht Coverage Form is designed for vessels operated for pleasure use. "Yacht" is a generic term. As used with this coverage form it means larger pleasure boats such as cabin cruisers, sailboats and houseboats. These vessels are propelled in a variety of ways including outboard and inboard motors, inboard/outdrive motors, sail boats with or without power units and water jets. The yacht's equipment and machinery, motor, personal effects, boat trailers and accompanying dinghies are all considered covered property under the policy. Bodily injury and property damage arising from ownership, maintenance, use, operation, loading, unloading, boarding and disembarking from a covered yacht are provided by the liability coverages. Medical Payments, uninsured boater, underinsured boater and the United States Longshoremen's And Harbor Workers Compensation Act, Uninsured and Underinsured Boaters coverages are also provided.

ELIGIBILITY

Each insurance company determines its yacht eligibility criteria based on its individual underwriting appetite. The yacht's total length, engine horsepower, navigational limits, and the type of master and crew are some of the eligibility issues considered. Some companies write only "brown water" exposures, meaning navigation on inland lakes, rivers and other bodies of water. Others specialize only in "blue water" exposures, meaning navigation on oceans and seas. Coverage is typically limited to only vessels operated for pleasure use such as recreational boating, leisure time activities, and limited types of business entertainment.

POLICY CONSTRUCTION

Yacht Coverage requires at least these two forms:

- IH DS 82–Yacht Declarations
- IH 00 82–Yacht Coverage Form

DECLARATIONS

The advisory Yacht Declarations contains the following information:

General Information

- Company Name Area is for the name of the insurance company providing the coverage.
- Producer Name Area is for the name of the agent or broker producing the business.
- Named Insured is the listed insured.

Note: It is common for there to be multiple owners and therefore should be multiple named insureds.

- Mailing Address is the street, road or Post Office Box where the first named insured listed receives his or her mail.
- Policy Period is the inception and expiration dates, beginning at 12:01 a.m. Standard Time at the named insured's mailing address.
- The Insuring Agreement states that the insurance company provides the insurance coverage in the policy, subject to its terms and conditions, in exchange for payment of the premium.

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Property Coverages - Limits

· The Yacht section has two spaces for the entry of the covered yacht's manufacturer, year built, model, length, registration number, type of motor and its horsepower and limit of insurance.

· The Boat Trailers section has two spaces for entry of the covered boat trailer's the manufacturer, model, serial number and limit of insurance.

· The Personal Effects section has a space for a limit of insurance for personal effects.

Liability Coverages - Limits

The following limits must be entered

- Each Accident
- Medical Payments per person
- Uninsured Or Underinsured Boater
- Longshore Or Harbor Worker Compensation is part of this section but its limit is that required by statute

Coverage Amendments

· The exclusion for Paid Captain and Crew does not apply if the box is checked.

- Navigational Limits describes the operating territory or waters where the covered vessel is permitted to navigate.
- Lay-Up Period(s) is the inclusive dates that the covered vessel is laid up, out-of commission, and not operating.

- Home Port(s)–Storage Location(s) is one or more home ports and/or one or more storage locations for the covered vessel.

Deductible

Separate deductibles are entered for each of the following:

- Yacht
- Personal Effects
- Tenders and Dinghies

Loss Payee

The Loss Payee name and address is needed because notification is required if the policy is cancelled or non-renewed.

Premiums

Separate premium are provided for each of the following:

- Hull
- Personal Effects
- Liability
- Medical Payments
- Uninsured or Underinsured Boater

Form Analysis–IH 00 82–Yacht Coverage Form

Note: This is an advisory form that has not been filed for use with state insurance departments. Insurance companies that choose to use the form must specifically file it for its use. The form cannot be adopted in the same manner filed ISO forms are adopted.

A. DEFINITIONS

Defined terms are used throughout the policy. Restricting their meaning to the definition provides the means for all parties involved with the policy to have a clearer understanding of the coverage intended. You and your refer to the named insured on the declarations and also the named insured's spouse if the two are living in the same household. We, us and our, refer to the insurance company providing the coverage. Nine other terms are defined:

1. Bodily injury is bodily harm to persons. Sickness, disease, or resulting death are also bodily injury. The costs of required care and loss of services that are a direct result of the injury are also considered bodily injury.

2. Insured is the named insured. It is also relatives living in the named insured's household. It is also unrelated persons who are under 21 years of age and living in the named insured's household. These persons are covered only if in the care of the named insured or one of the resident relatives.

Note: Remember that the named insured includes the named insured resident spouse. That means that the children and relatives of the spouse have the same status as children and relatives of the named insured. However, if a separation occurs, the spouse and his/her relatives are automatically no longer insureds. The paid captain and members of the crew are insureds.

Corporations, firms and any person not described above are also insureds but only when using the named insured’s yacht with the named insured’s permission.

3. Pleasure use is a term used in the policy to restrict coverage. Coverage applies only when the yacht covered is being used for pleasure use. Pleasure use includes such activities as recreational boating and leisure time activities. Pleasure use is also business entertainment but only when the named is not receiving any direct compensation or remuneration for allowing the covered property to be used in this way.

4. Pollutants is a broad and expansive term. It includes solids, liquids, thermal or gaseous contaminants and irritants including, but not limited to, acids, alkalis, chemicals, fumes, smoke, soot, vapor and waste. Waste also includes materials intended for recycling, reclamation and reconditioning, as well as for disposal.

5. Pollution is any actual, alleged or threatened release of oil, fuels, petroleum products or other pollutants.

6. Property damage is destruction of or physical injury to tangible property. The loss of use of any tangible property is also property damage even when the tangible property itself is not damaged.

Example: Marjorie’s yacht, Pretty Boy, escaped damaged during a serious storm. However, she is unable to use it as its anchor is entangled by debris stirred up during the storm. She has to hire divers to assist in freeing the vessel. Further, she has to rent another yacht to host a planned anniversary celebration. She turns in these expenses to her insurer as a loss of use claim.

7. Suit is a civil proceeding that seeks damages. The allegation must be that damages resulted from bodily injury, property damage, or pollution and that those damages are covered by this insurance. Arbitration and other alternative dispute resolution proceedings that allege such damages are also considered suits but only when the insured is required to submit to them or does so after obtaining the insurance company's prior written consent.

8. Uninsured or Underinsured Boater is the party that owns or operates a boat or yacht not scheduled on this policy and is legally responsible for an accident. In addition, they must meet one or more of the following criteria:

· At the time of the accident, the party did not carry a bond or insurance policy to cover liability

· At the time of the accident, the limits of bodily injury bonds or policies carried were not sufficient to fully pay its obligations

· Is not identifiable. Commonly called a hit and run.

9. Yacht is any vessel or boat. The following property that is associated with the yacht is also considered yacht:

· Machinery and equipment but only when considered integral to the yacht’s operation

· The yacht’s masts, spars, sails, rigging and tackle

· Small boats called tenders or dinghies that are either carried on the deck or towed behind the yacht. These boats must be less than 16 feet with no more than 35 horsepower.

· Any equipment that is considered necessary in order to maintain the yacht or to operate it in a safe manner.

B. PROPERTY COVERAGES

1. Coverage

a. Covered Property

The insurance company covers the yacht(s) and boat trailer(s) on the declarations. If a limit of insurance for Personal Effects is on the declarations, it also covers Personal Effects but only while on board the covered yacht or while being loaded on or unloaded from it.

b. Property Not Covered

Certain property is not covered.

· Money, securities, accounts, bills, currency, deeds, evidence of debt, notes, letters of credit, and stamps

· Gold, silver, platinum, other precious metals or alloys, jewelry, costume jewelry and precious and semi-precious stones

Note: Much of this property is more correctly insured under a Personal Articles Floater.

· Aircraft

Note: This property is more correctly insured under aircraft coverage forms and policies.

· Hydrocycles, jet skis, waverunners, windsurfers and similar personal watercraft

Note: This property can be covered under personal watercraft coverage forms and policies.

AAIS Boatowners Coverage Form Overview

INTRODUCTION

The AAIS Boatowner policy approach provides protection to watercraft as well as against a boat owner's liability to third parties for both injuries and damage to their property.

ELIGIBILITY

Though individual companies can decide upon their own criteria, AAIS does supply some critical parameters for acceptance.

AAIS Boatowner Coverage Form Eligibility

Eligible boats are those with a length no greater than 30 feet, manufactured within the last 20 years, have a maximum value of $75,000, and with maximum operating speed of 50 mph.

Ineligibility, besides boats that fall outside of the criteria above and other situations that fail to qualify for coverage under the boatowner program, includes machines that can also travel on land, air powered (including hover) craft, homemade boats, any boats operated with a home-built or converted auto engine, and boats used as a regular residence.

There are other ineligible situations include sailboards, craft used in business activity, converted military crafts, experimental crafts, hydrofoils, hydroplanes, ice boats, boats used in racing/competitive/stunt activities, and craft that operate underwater.

Example: Chelsea are Lora are sisters who own a powerboat which they use at Lake Leisure Resort. In the summer, the resort is notorious for boating parties. They found a lucrative side hustle. For the last couple of seasons, they have operated "Party Favors," a service in which they make the rounds of the lake, delivering orders of food and package alcohol. This is an ineligible business use of their boat!

POLICY MAKE-UP

The AAIS Boatowners Special Coverage Form consists of the following forms:

- Boatowners Declarations

- BT 0100–Boatowners Special Form
- Policy Cover Page or Jacket. This form is designed by individual insurance companies for their own purposes and may include a table of contents or index to meet the requirements of some states.

BOATOWNERS COVERAGE FORM

The AAIS Boatowners Special Form is designed to address property and liability exposures faced by a wide variety of pleasure boat owners. The optional endorsements available to use with it should be examined and used to tailor the coverage to meet the needs or requirements of a given owner.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS]

COVERAGE FORMAT

The Boatowners Special Form is made up of the following, separate sections:

- Definitions–terms that have a special meaning which are used throughout the policy
- Property Coverages–discusses the protection provided to boats (including certain non-owned boats), boating equipment and boat trailers
- Liability Coverages–identifies the liability coverage provided. This includes personal liability and medical payments
- Uninsured Boater Coverage-includes information on coverage, exclusions, and arbitration
- Loss Duties
- Sections on settlement provisions, additional exclusions, and limitations
- Other Policy Conditions-which apply separately to property, liability and to the entire policy

BT 0100–AAIS Boatowners Special Coverage Form Analysis

This article discusses the (05 08) edition of the boatowners program offered by the American Association of Insurance Services (AAIS). It is structured in the same manner as its other lines of business, opening with a table of contents.

TABLE OF CONTENTS

This form's table of contents consists of items appearing above in this article's collapsible index. Any endorsements and schedules that are part of the policy will be identified on the "declarations."

AGREEMENT

The agreement section states that the policy is subject to all its "terms" (see definition below) and it will provide the applicable coverages that are described in the policy. These coverages are provided for a specific policy period. In return for this protection, the insured must pay any required "premium." In the agreement section, it states that a "limit" must be shown on the "declarations" for the principal coverages to apply.

DEFINITIONS

The definitions section appears in the beginning of the policy and it contains the following important terms.

1. "You" and "Your"

The person or persons named as the insured on the "declarations." That person's resident spouse is also "you." However, if that spouse ceases to be a resident, he or she is no longer considered "you."

2. "We", "Us," And "Our"

The company providing the boatowner insurance.

3. Actual Cash Value

The amount it takes to repair or replace property using comparable materials; but that amount includes consideration of depreciation.

Example: Kim and Joe both own nearly identical sailboats (Joe's model is two years older) and are protected by a BT 0100 from the same insurance company. Both insured's boats are destroyed during a storm that devastates their marina. Joe receives $3,200 less for his loss than Kim. The difference was due to a greater amount of depreciation for Joe's boat.

4. Boat

Refers to property designed to travel on water and includes sails, its permanent equipment, spars, and fittings. Outboard motors are not considered boats.

5. Boating Equipment

A wide variety of property that is used in conjunction with boats is listed. Items considered as equipment are property used for communication (radios), navigation, sonar, radar, outboard motors, dinghies, along with water skis and sports equipment (recreational flotation devices) that are towed by boats. As a rule of thumb, the more related an item is to the ownership and use of a boat, the greater the justification to classify it as boating equipment.

6. Boat Trailers

Trailers designed for transporting boats. It remains a boat trailer even if it isn't hauling a boat.

Example: Keri sent photos of the boat trailers she had just added to her new boat policy to her agent. Her agent contacted her to say that only one of the trailers could be added.

Boat trailer – YES

Boat trailer - NO

7. "Bodily Injury"

Actual or physical harm to a person. Harm includes sickness, disease, or death. Any required care and loss of services also qualifies as Bodily Injury (BI).

Example: An insured invites his old college friend to go fishing with him. While his friend gets up to get a beverage, he slips on some fishing line leads and slams face front on the boat's deck. His broken wrist qualifies as bodily injury.

This definition is not as broad as it may appear since it contains some important exceptions. The term does NOT apply to physical harm, sickness, disease, or death that is due to any of the following causes:

- Mental or emotional injury
- Suffering
- Distress

These conditions fail to qualify as BI only when they are not related to a person being tangibly harmed.

Example: An insured invites several friends to go fishing with him. When one friend gets up to check his line, his pants are snagged on a spar and are pulled off. He is ridiculed by everyone for the rest of the trip. While he is deeply embarrassed, this feeling does not qualify as bodily injury.

8. "Business"

A trade, profession, or occupation. This term includes the operation of yacht clubs, shipyards, and marinas. The policy also refers to boat sales, charters, rentals, repairs, services, storage, mooring and anchoring as examples of business activity.

This definition has an important exception. An insured who is entertaining a business client on covered property is not considered to be performing a business activity.

Example: Julie has invited Paula onto her boat, "Light Tymes," for an evening meal and cruise. Paula is Julie's Accounting Firm's largest client. Paula falls while trying to get a closer look at a nearby yacht. The treatment for her injury should be eligible for coverage as her presence on "Light Tymes" is not considered a business activity.

Note: The reason for the exception? Likely because the exposure to loss is not significantly different than having a non-business guest on a boat. This is the opposite of the approach used in homeowner policies where the mere status of a person being a business client may endanger coverage for a loss or injury.

9. "Covered Property"

This term refers to the relevant property that is described on the policy's declarations, specifically boats, equipment, and trailers. The term also applies to property referenced under the policy section on newly acquired property.

10. "Declarations"

This refers to any document that is called or titled Declarations, Supplemental Declarations, or coverage schedules that are related to the policy. A list of eligible property appearing on a document with descriptions and values would qualify as a declarations.

11. "**Insured"**

The Boatowner policy considers all the following to be insureds (with notes on any exceptions):

a. The named insured and any resident spouse.

b. Relatives of the named insured and/or the resident spouse. However, relatives are insured only if residents of the named insured's household.

(meaning relatives who live at the insured location with the named insured)

c. Persons under the age of 21 residing in the named insured's household and in the named insured and/or resident spouse's care or in the care of resident relatives as defined above.

Note: Such persons must BOTH be younger than 21 AND have a named insured, his or her spouse or a relative of the named insured/spouse as their caregiver.

d. Other entities are also insureds but only for under Coverage X and Y, Personal Liability and Medical Payments. These entities are:

1) Any person taking care of or using property that qualifies as covered property. However, the possession or use must be with the named insured's and/or resident spouse's permission.

2) Any person who can be held legally responsible for an insured's, as defined in a. b. or c. above, use of covered property may also qualify as an insured, but only to the extent of loss directly involving covered property.

But the insured status granted in d.1) or d.2) does not apply if property use is business related.

Example: James has agreed to repair Peter's boat for $1,300. To determine if the repair is complete, James takes the boat out for a spin. James hits another boat. Peter would be covered for his liability (if any) but James would have no coverage because he was using Peter's boat for the business use of repairing it.

e. The policy's Uninsured Boater Section (Coverage Z) has a more limited definition of "insured." Specifically, the only insureds under Coverage Z are:

1) Any person while on or in covered property or non-owned boats. This status is extended even when that person is either entering or exiting. Persons being towed by either covered property or "non-boats" are also insureds. However, the insured status does NOT apply if the person is being towed on a device that is designed to fly.

2) A person who is in any way entitled to receive Coverage A. damages because of injuries sustained by a person described in item e.1).The damages must involve bodily injury and are limited JUST for the extent of damages.

Example: Larry is towing Angel, and she is thoroughly enjoying her session of water-skiing…. until Paul swoops over and cuts her line. Angel is injured and sues Paul. Paul is uninsured. Larry's uninsured boater coverage will cover Angel's injuries. In addition, Angel's mother is an insured because she incurs damages on Angel's behalf. Angel's mother's new, custom water-skis were demolished in the accident, but that loss is not covered because they are property damage, not bodily injury.

Of course, no matter how carefully a definition is worded, confusion may arise.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

12. "Limit"

The policy merely defines this as the amount of coverage that applies, the inference being the amount of insurance that appears on the declarations related to the boat policy (or, if applicable, given coverage part).

13. "Motor"

Refers to an outboard motor as well as certain equipment such as motor starter, controls, batteries, fuel tanks, pressure control tanks, harnesses, and similar items.

14. "Non-owned Boat"

Any boat that is not owned by the named insured or resident spouse but is used by them, a resident relative or by persons under the age of 21 who reside in the named insured's household and are in care of the named insured, resident spouse, or other resident relatives. The term boat includes any trailer used with such property. However, a boat does not qualify if it exceeds 30 feet in length. Besides not owning such property, to be considered non-owned, it cannot be available for the regular use of an insured.

Example: Marnie just rammed into a pier, mostly because she was surprised at the power in the custom outboard motor attached to Joe's boat. She swore she would never trade boats "just for fun" again. Luckily, Joe's boat qualifies as a non-owned one so Marnie has coverage on her boatowners policy.

15. "Occurrence"

An accident from which "bodily injury" or "property damage" results during the policy period. Repeated exposure to similar conditions is considered one occurrence.

Example: An insured's teenage son borrows his boat and, ignoring instructions, goes roaring by several rowboaters and water-skiers. He gives them all serious scares but doesn't injure anyone. The scares do not qualify as occurrences because there is no bodily injury or property damage.

16. "Personal Watercraft"

Refers to equipment that moves via jets of water (waterjet propulsion). Besides the method of power, the equipment must also be designed for the operator to kneel or sit or stand in the craft. Wave runners and jet skis are examples of personal watercraft.

17. "Pollutants"

Any irritant or contaminant. It can be solid, liquid gaseous or radioactive. Acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste are examples of pollutants. Materials to be recycled, reclaimed, or reconditioned are considered waste, as well as materials that are being disposed of. All electrical or magnetic emissions either visible or invisible are considered pollution along with sound emissions.

18. "Property damage"

Destruction or merely physical injury of tangible property. It is also the loss of use of tangible property. There can be loss of use even when the tangible property is not physically damaged.

19. "Terms"

All provisions, limitations, exclusions, conditions, and definitions used in this policy or pertaining to it.

PROPERTY COVERAGES

Principal Property Covered

This policy provides coverage for boats, motors and trailers that appear in the declarations. The listed property must include a coverage limit and coverage applies according to the policy's property definitions.

Note: Qualifying as eligible property is important.

A policy with a declarations that, through some error, listed an amphibious craft would run into a coverage problem, despite its appearance on the declarations.

Example: Yarty had a boat policy that included the following:		
Property	**Limit**	**Premium**
Sunsmyler 24 ft. Sailboat	$7,800	$129
Waveslug 18 ft. trailer	$2,900	$46
2009 WaterPlus 4200XL	$27,000	$490
The WaterPlus is destroyed in an accident. When investigating the loss, it's discovered that the craft was destroyed in a collision at a marina's parking lot. The loss is denied since it was an amphibious craft. The insurer also refunds the premiums Yarty paid for coverage.		

Property Not Covered

1. Business

The boatowner policy does not insure boats, motors, equipment, or trailers when the property is used in business activity including the chartering of such property, renting it out to others and if used to move either property or persons (when paid to do so).

2. Racing and Stunt Activity

There is NO coverage for boats, motors, equipment, or trailers when used in either races or stunt activity. The exclusion applies to either organized or spontaneous events and extends to preparing or practicing for such activities. "Racing" refers to competitions against other parties as well as against the clock.

Example: Jim and Nora were headed back from their favorite areas to the docks after a long day of fishing. They spot each other and the docks at the same time. Nora shouts "last one to the dock cooks dinner!" They both rev up their engines and rush off! If a loss occurs, it would not be eligible for coverage.

One exception exists for sailboats. Sailboat races of any type still qualify for coverage.

3. Residential Use

Boatowner coverage does not apply to losses that take place when covered property is used as a residence (except for temporary use).

Example: Lanndy was entertaining some friends for dinner. One friend slipped while getting a drink from the boat's galley and slammed against the galley's sink and floor. Lanndy sent in a claim, and it was rejected when the insurer discovered Lanndy lives on the boat full-time.

Additional Property Coverages

The boat policy states that whatever limit shows in this section is the ONLY limit that applies to the referenced coverage. It is not in addition to the Principal Property Covered limit.

1. Boating Equipment

Such equipment (as defined under the policy) has a maximum amount of $2,500 available for addressing tangible loss or destruction. However, when such property is lost or destroyed while being used with personal watercraft, the maximum amount of coverage is $500. The $2,500 limit can be increased on the declarations.

2. Newly Acquired Policy

The boat policy will cover newly purchased or otherwise acquired property. All motors and trailers are eligible, but boats are covered ONLY when they are no longer than 30 feet. Coverage only applies for a maximum of 30 days after the property is acquired. Coverage under this provision can end earlier than 30 days. The first case is if the policy expires prior to the 30 days and the second is when the property is reported to the insurer prior to the 30 days.

A premium must be paid for the new property effective from the date the property comes into the insured's possession and is subject to a maximum of $25,000. It is likely that the modest maximum coverage is meant to encourage property being reported (then rated and charged) as soon as possible. The modest coverage could be a disaster.

Example: Kanera's boat and property is covered by a boatowner policy when she gets a new, much more powerful boat as a retirement present. She received the boat on May 8th and, on May 19th (before she had the chance to report its acquisition), the boat was stolen. She reports the loss and her insurer sends her a check for $25,000. Unfortunately, the boat's purchase price was $65,750.

3. Emergency Service

Under this additional coverage, the expenses related to towing and repairing a non-functioning boat or motor is covered. However, this addition's available payment does not extend to delivering fuel or oil, parts or supplies or for the cost of changing a tire (on a boat trailer). Further, the coverage only handles labor cost that is incurred at the location where the covered property is disabled and the maximum available coverage is $500.

Note: This valuable coverage is not subject to a deductible.

COVERED LOSSES

The boat policy states that it will respond to tangible loss to all property that qualifies for coverage under the policy and that any coverage depends upon the limitations and exclusions included in the policy.

Exclusions That Apply To Property Coverages

This boat policy section refers to a dozen situations that do not qualify for coverage. If any of the listed situations do cause a loss to boats, motors, boat equipment or boat trailers, even if created indirectly, the damage or loss is excluded.

1. Animal and Marine Life

No coverage is available when a loss involves animals or marine life. Examples included in the policy are birds, insects, rodentia, and any animals owned or in the possession of any insured.

Example: Jeremy is furiously battling a swordfish during a weekend fishing trip. Just as he is hauling the magnificent specimen onto his boat, it flashes around violently gashing the hull. The hull damage is not eligible for coverage.

2. Bubbling and Delamination

Plywood or fiberglass that experiences bubbling (trapped air pockets) or delamination (where layers of glued material separate) is not eligible for coverage. This situation is treated as a design defect or inherent flaw, so it is not insurable.

Example: Brendan turned in a claim on his 4-year-old sailboat. He noticed damage to his stern's hull. His insurer, reviewing the detailed set of photos he sent in with his claim, responded that the hull was showing advanced delamination, and the loss was not covered by his policy.

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3. Civil Authority

Except for the acts of civil authorities to control the spreading of a fire, such acts that cause loss to covered property are ineligible for coverage. Property that is seized, placed under quarantine, damaged, or lost because of illegal operations, is confiscated, or destroyed are all examples of incidents that fail to qualify for protection under the boat policy.

4. Contamination or Deterioration

Boat policies are intended to handle fortuitous loss or damage to covered property. Therefore, loss or damage that takes place merely due to aging and exposure to water and boating environs are not eligible for coverage. Contamination to covered property due to bacteria, fungi and rotting is excluded, as is damage or loss due to weathering corrosion, decay, and rusting. Any structural feature in covered property, such as a fault, weakness or quality that results in damage or loss is also excluded.

Example: Nancy files a claim after a guest jumps onto her boat and part of the deck caves in. The loss is denied when the insurer's investigation reveals that the deck's wood had not been properly sealed and it rotted out.

5. Criminal Acts

Involvement in illegal activities that end up damaging or destroying covered property is excluded. Transporting illegal cargo or passengers are two examples of excluded illegal activities.

6. Freezing or Overheating

There is no coverage for damage to covered property caused by freezing or overheating. Thawing and sudden temperature changes are examples of the type of losses that are ineligible for coverage.

7. Intentional Acts

The policy does not cover intentional acts of any "insured" that result in a loss. The exclusion extends to losses resulting from intentional acts committed by persons acting on the directions of any insured as well as those performed in concert with any insured.

Example: Abner is out fishing at his favorite spot on a lake near his home. Just as he hooks a large bass, another boater, towing a skier, zooms by, breaking his line. Later, Abner spots the offending boater and he rams him, severely damaging both boats. The incident is NOT covered.

The exclusion also is written to deny coverage that benefits an “innocent insured.”

8. Maintenance and Repairs

Loss or damage to covered property that involves the routine care and maintenance of such property does not qualify for coverage. There is an exception. If such activity, somehow, causes a fire or explosion, the subsequent damage or loss IS eligible.

Example: Chuck recently reported a loss to his insurer. He lost one of his outboard motors. He was cleaning it a couple days earlier and, as he got up to take a lunch break, a pair of pliers fell from his pocket. Sparks were created when they hit the floor, igniting droplets of gas that led to the motor. It was quickly covered by flame. This loss is eligible for coverage.

9. Mechanical Breakdown

Though ensuing loss or damage receives the protection of the boatowner policy, direct loss involving either mechanical or electrical malfunction or failure of covered property does not.

10. Nuclear Hazard

Except for direct loss by fire, the policy excludes any damage involving a nuclear hazard. This exclusion is unaffected by whether such loss was uncontrollable or accidental. Any smoke, fire or explosion loss or damage involving nuclear activity is still excluded.

11. War or Military Action

War is an absolute exclusion. Any loss connected to any war or war-like act is not covered. The exclusion does not even include damage caused by property that is seized or used for a military purpose.

12. Wear and Tear

There is no coverage for wear and tear, marring, or scratching.

Example: Bronson is distraught when his outboard motor suddenly breaks off his boat. He turns in a claim and the insurer inspects the damage. Bronson is dejected when the claim is denied. The area of the boat to which the motor was attached merely weakened with age and could no longer support the motor’s weight.

LIABILITY COVERAGES

PRINCIPAL LIABILITY COVERAGES

1. Coverage X – Personal Liability

a. Coverage

The policy obligates the insurer to pay for BI or PD that is caused by an occurrence (as defined by the policy). Any payment is subject to the policy’s applicable coverage limit. Any loss must be directly connected to either the use or other incidences of owning the covered property (which includes non-owned boats – again as defined).

Example: Jenna was having a lot of fun operating her jet skis on the lake. The fun came to an end when she cut across a skier’s tow line and the skier was seriously injured. Jenna’s boatowner’s policy will respond to the skier’s lawsuit since the jet ski was listed on her boatowner policy’s declarations.

b. Defense or Settlement of Suit

This portion of Coverage X explains that the insurer will handle payment and/or provide a legal defense of an insured with regard to bodily injury or property damage that qualifies for coverage under the boat policy. Any legal defense costs are paid by the insurance company and the insurer has the right to select legal representation. However, as is the case with other lines of business, the legal obligation to defend against a claim ends once a loss settlement or judgment has been paid.

2. Coverage Y – Medical Payments

Besides stating the insurance company's obligation to pay for certain costs that are connected to bodily injury related to the insured's incidents of covered property ownership or use (regarding a non-owned boat too), it also lists the expenses that are eligible for medical payment. Eligible items include medical care, surgery, scanning processes, dental care, emergency transportation, first aid, hospital care, professional nursing, funeral services, prosthetics, hearing aides, eyeglasses (contact lens), and drug prescriptions. HOWEVER, the policy also states that it will only pay reasonable and incurred expenses. The expenses must occur within three years of the incident that created the injury.

ADDITIONAL LIABILITY COVERAGES

The policy includes two more liability coverages. They must comply with all the applicable policy provisions that appear under principal coverages X—Personal Liability and Y—Medical Payments.

1. Claims and Defense Cost

In a defense action, the insurance company will pay the following:

· Costs that are taxed to an "insured"

· Costs incurred by the insurance company

· Premium on bonds that are required because of a defended suit. Only the premium for the amount up to the policy limit is covered. The insured must pay the premium for amounts in excess of the policy limit. The insurance company is not required to furnish the bonds.

· An insured's lost earnings caused by insurer requests that time be spent away from work (subject to a $250 daily maximum)

· Necessary costs incurred by the "insured" at the request of the insurance company

· Prejudgment interest that applies to the amount the insurance company pays, but the obligation to pay interest does not apply to the amount that accrues after the insurer makes a settlement offer

· Interest that accrues on the entire amount of a judgment. This item ends once the insurer pays or deposits its part of the judgment.

2. Removal of Wrecked or Sunken Property

a. Under this portion of the policy, the insurer is responsible for the expense to retrieve (even from underwater), remove and/or destroy covered property (which includes owned boats, equipment, and non-owned boats) that has been stranded, has sunk or has been damaged by fire. This obligation applies when the actions are required by authorities. The insurer is also obligated to pay such expenses even if the retrieval is unsuccessful.

b. This provision has a separate limit equal to a maximum of 25% of the total limit that applies to the affected, covered property.

Example: If covered property has a total applicable limit of $10,000, the removal/wrecked/sunken property limit is $2,500 ($10,000 X .25).

EXCLUSIONS THAT APPLY TO COVERAGE X – PERSONAL LIABILITY AND COVERAGE Y – MEDICAL PAYMENTS

Here are specified sources that do not qualify for coverage when they create loss or damage:

1. Abuse

Insurance policies, whether they cover boats, cars, homes, or planes, are designed for accidental, not deliberate, loss. In this vein, the boat policy excludes loss or damage that is due to any type of abuse. Examples are sexual molestation (including allegations), corporal punishment and abuse (both physical and mental).

Example: Gerald is sued for an incident that occurred on his boat. It is insured under a boatowners policy. The lawsuit seeks damages of $30,000. It was filed by a female guest. She alleged that, when attempting to leave after having dinner, Gerald forced her into his boat's cabin for hours to persuade her into intimate relations. The guest was also bruised from rough handling. Gerald's insurer denies the claim.

2. Business Pursuits

Bodily injury or property damage, whether it involves property owned by an insured or a nonowned boat, that occurs while it is being used in a business activity, does not quality for coverage. Business activity includes renting such property, using it for charters or using the property to move persons or property on a paid basis.

Note: Remember the business definition's key exception. An insured who is entertaining a business client on covered property is not considered to be performing a business activity.

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3. Communicable Diseases

BI and PD that are created by any form of communicable disease fail to qualify for coverage under the boat policy.

4. Controlled Substances

A portion of Federal Food and Drug law defines a number of substances as "controlled." The boatowner policy specifically denies coverage for either BI or PD that is related to an insured's use, sale, transporting, or possession of any such substance (primarily consisting of illegal narcotics and marijuana). The exclusion has a single exception. It does not apply to BI or PD that involves drugs that are legitimately prescribed and properly used.

5. Criminal Acts

Involvement in illegal activities that end up injuring others or that result in damage to property that belongs to other persons is excluded. Example of excluded acts are those relating to transporting illegal cargo or passengers.

6. Intentional Acts

The policy does not cover intentional acts of any "insured" that result in a loss. The exclusion extends to losses resulting from intentional acts committed by persons acting on the directions of any insured as well as those performed in concert with any insured.

Note: The exclusion remains valid even when a loss may be different than what an insured meant to cause.

This exclusion does make an exception by still allowing coverage for injury or loss related to an insured's act of self-defense or the defense of other persons or their property.

7. Land Transportation

The boatowner policy does not provide coverage for injury or damage when covered property is transported across land by either a vehicle or a trailer. In such instances, coverage is typically handled as an extension of any available vehicle coverage.

8. Non-Permissive Users

A loss that involves the use of covered property including qualified non-owned boats, is not insured when that property was used by a person who did not have an insured's permission.

Note: This is an exclusion that can definitely be affected by circumstances as well as state law.

Example: Larry borrowed his friend's new boat because it is a model that he is thinking of as a replacement for his current boat that is nearly 15 years old. Unknown to Larry, his visiting, 16-year-old nephew takes the boat out for a joy ride….and he crashes into another boat. This loss is not covered under Larry's policy.

Note: This exclusion does not make reference to the age of a person using insured property without permission. It is likely that the exclusion could be successfully challenged if a legal minority were involved.

Boat Owner's Liability Insurance Held Primary Over Permissive Operator's Homeowners Insurance

A young woman was operating a boat with the permission of its owner when it struck another boat, resulting in the death of a passenger. The estate of the deceased filed a wrongful death suit against the woman. The owner of the boat that she was operating was added as a defendant by virtue of a Michigan law imposing liability on the owner of a boat that is being operated by another person with the consent of the owner.

A boat owner's protection policy carried by the owner included liability coverage in the amount of $300,000. The young woman was an insured under the provisions of a homeowners policy ($300,000) and a personal umbrella liability policy ($1 million) carried by her parents. The boat insurer undertook defense of the suit and paid $300,000, the amount of a negotiated settlement.

The insurer then sought to collect the entire amount it paid for the settlement, plus $26,000 expended for investigation and defense, from the insurance company that provided homeowners and umbrella liability coverage for the young woman. Motions for summary judgment were filed by both insurers. Their respective obligations were disputed.

It was noted that the "other insurance" clauses in the policies were virtually identical, each purporting to be excess over other valid and collectible insurance. It was also noted that the boat operator's insurer said that it was never approached by the owner's insurer to defend, and that its consent to the mediation settlement had not been sought.

The court followed what it called the majority approach, concluding that the boat insurer was the primary insurer, having issued a policy specifically to cover liability arising from boating accidents involving the described boat. It said that other insurance would have covered the young woman's liability if the boat policy were not in force.

The Michigan law imposing liability on a boat owner for negligence on the part of another, operating a boat with the owner's consent, supported the position taken.

The motion for summary judgment by the homeowners and umbrella liability insurer was granted.

9. Nuclear Energy

Accidental "bodily injury" or "property damage" is excluded when it involves an "insured" that is protected as a covered person under a nuclear energy liability policy. The exclusion applies even if the status of a covered person under a nuclear energy liability policy is lost because of exhausted policy limits. The boatowner policy defines a nuclear energy liability policy as one that is issued by one of the following insurers (INCLUDING SUCCESSOR COMPANIES).

- American Nuclear Insurers
- Mutual Atomic Energy Liability Underwriters
- Nuclear Insurance Association of Canada

10. Parasailing or Kite Skiing

It does not matter whether the towing craft is owned or non-owned by an insured; there is NO coverage for incidents involving kites, parasails, hang gliders or similar devices.

Example: Paula loves boating, and she often invites friends along for water fun. She turned in a claim for a loss that occurred during an excursion. She had borrowed a friend's parasail and had, for several hours, been towing friends with her boat. During one tow, Paula abruptly slowed her boat to avoid another craft. The tow line slacked, and the parasail crashed onto the water, severely injuring the friend using the parasail. The cost of the friend's medical treatment is ineligible for coverage.

11. Pollution Damage

There is no coverage for loss caused by any conceivable incident involving pollution unless such damage is the result of a sudden accident.

Example: Lorna has to spend nearly $5,000 to have the damage from a spill remediated.

Scenario 1: Lorna was caught dumping a nearly full, ten-gallon can of cleaning solvent overboard. The loss is ineligible for coverage.

Scenario 2: Lorna ran aground, rupturing her boat's fuel tank. The loss is eligible for coverage.

12. Professional Services

The boatowner policy's liability portion is not a form of errors and omission or professional liability coverage. Therefore, losses that have any connection with performing professional services are ineligible for the policy's protection.

Note: Persons who, because of their training or occupation, owe others a professional level of duty, should arrange for specific coverage.

13. Racing or Speed Tests

"Bodily injury" or "property damage" resulting from the use of a covered boat, non-owned boat, or equipment in, or in the practice or the preparation for, racing, speed, pulling or pushing, demolition, or stunt activities or contests is not covered. The exclusion does not make a distinction between organized and spur-of-the-moment activity. The policy states that races are events in which an insured is involved with a competition against another party or against the clock. However, competitions involving sailboats are still covered for related losses.

14. War or Military Action

"Bodily injury" or "property damage" caused by the following war or warlike situations is not covered:

- Undeclared war
- Civil war
- Insurrection
- Rebellion
- Revolution
- Warlike act by a military force or military personnel
- Destruction, seizure, or use of property for a military purpose, or
- Discharge of a nuclear weapon (even if accidental)

ADDITIONAL EXCLUSIONS THAT APPLY ONLY TO COVERAGE X – PERSONAL LIABILITY

Note: Some of the exclusions assure that more than one coverage part can't be used to respond to the same loss.

1. Contractual Liability

Liability assumed under a contract or an agreement, except for a written agreement involving dock rental or boat storage, is excluded from coverage.

2. Employees

"Bodily injury" to a person who is in the course of working for an insured is excluded. The exclusion extends to relatives of an employee who may be injured as a consequence of injuries to the employee. The exclusion also prevents coverage for situations involving employer liability to either the worker or a third party.

3. Insureds

The boatowner policy denies coverage for injury suffered by any person falling under its definition of insured. Besides the person named in the declarations, insureds are those persons related to the named person, but only if they are part of that person's household. The definition (and exclusion) also extends to persons younger than 21 who are cared for by the named person or by related, household residents.

Example: Harold's household includes his sister Mara and 16-year-old Jenna. Mara is Jenna's guardian. While Jenna and Harold are not related, if she were injured while occupying or using Harold's boat, she would be ineligible for reimbursement for her injury as she is considered an insured.

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4. Property Owned, Occupied, Used, or Rented

Under the liability portion of the policy, no coverage applies to damage to property that is owned or controlled by any insured. This exclusion makes an exception, allowing property damage to launch ramps, docks and/or boat storage house that are rented to an insured (as long as the insured is the ONLY renter).

5. Workers Compensation

This policy will not respond to bodily injury when it either IS or is legally required to be handled by workers compensations coverage, the provisions of the U.S. Longshoremen's and Harbor Worker's Compensation Act, non-occupational disability policy or occupation disease coverage.

ADDITIONAL EXCLUSIONS THAT APPLY ONLY TO COVERAGE Y – MEDICAL PAYMENTS

1. Trespassers

This policy will not respond to bodily injury that involves a person occupying covered property (including a non-owned boat) without authorization.

2. Workers Compensation

This policy will not respond to bodily injury when it either IS or is legally required to be handled by workers compensations coverage, the provisions of the U.S. Longshoremen's and Harbor Worker's Compensation Act, non-occupational disability policy or occupation disease coverage.

Uninsured Boater Coverage

COVERAGE Z – UNINSURED BOATER

1. Coverage

The boatowner policy's applicable uninsured boater limit is the maximum amount of coverage available for handling bodily injury suffered by an insured from involvement with an uninsured boat. An insured must qualify for recovering payment from an owner or operator of an uninsured boat. The injury must arise out the ownership, use, or maintenance of an uninsured boat.

Example: Hank was injured while waterskiing behind his friend Jessica's motorboat. He lost his balance and the grip on the tow rope when going across the violent wake left by two racing boaters. Hank suffered a concussion and a severely wrenched back, requiring thousands of dollars in treatment and rehab. Neither Hank nor Jessica could identify or locate the racing boatowners. Initially, Jessica's boat insurer denied the claim, arguing that, since there was no contact, it was not the same as a "hit and run" incident. The insurer later settled and paid for most of Hank's expenses when Jessica threatened to sue for breach of contract.

Note: While uninsured boater coverage is very similar to uninsured motorist protection, it is neither standardized nor is it required under various state laws. Therefore, how it may apply to a given loss will depend upon the policy's wording and loss circumstances.

2. Non-Binding Judgment

This provision relieves the insurance company from an obligation to pay a judgment or settlement from an uninsured boater made without the insurer's written agreement.

Note: This is a safeguard for the insurer who, in all likelihood, will want to investigate any instance where a lack of insurance is alleged in a given loss.

3. **Uninsured Boat Is**

This coverage contains its own definition of uninsured boat. It refers to a boat that is not protected by insurance (or liability bond) that physically injures an insured. A boat is also uninsured when coverage is in place but the insurer either denied coverage or become insolvent. An uninsured boat may also be unidentifiable such as in a hit and run situation.

4. Uninsured Boat Is Not

The policy states that a boat does not qualify as "uninsured" when it is covered under the policyowner's Coverage X part and coverage is denied by the insurance company. It is also not uninsured if the craft is owned by the government (either unit or agency).

UNINSURED/UNDERINSURED WATERCRAFT CONSIDERATIONS

Watercraft coverage needs

Personal watercraft insurance is not limited to coverage for loss or damage to the hull and to liability protection. Many of the same coverages written for personal autos also are available for personal watercraft.

It is, of course, advantageous when insurers offer a package policy for personal watercraft because the coverages in the package can serve as a checklist.

Not all insurers offer boatowners package policies, however, and when it is necessary to sell coverages piecemeal, it is important for producers to understand all the available coverages and to discuss them with the client.

Although some states have regulations with respect to the purchase of personal watercraft insurance, many boaters unfortunately still go without insurance. Even when boatowners are amenable to purchasing hull and liability insurance, some fail to realize that they themselves could be seriously injured at the hands of irresponsible or careless boaters.

Boatowners who are receptive to purchasing uninsured watercraft coverage still need to be educated on why, as with personal auto insurance, the UM/UIM limits should be at least equal to their liability limit. It is difficult to comprehend why motorists purchase high liability limits to pay for injuries to others and low limits to protect themselves. This points up the need for agents to communicate with and educate their clients about all the exposures associated with owning and operating personal watercraft.

Uninsured coverage varies

When an uninsured boater causes an accident, the other party's uninsured watercraft insurance should pay for the injuries and medical expenses incurred, up to the specified limits.

The fact that a boatowner purchases uninsured watercraft coverage, however, does not mean that the insurer becomes legally obligated to pay every time a boating accident involves an injury. As with personal auto insurance, a boating accident must involve an uninsured watercraft and must adversely affect the insured. This means that the provisions of uninsured watercraft coverage must be considered carefully, just as with autos.

In fact, some of the disputes involving uninsured watercraft are like those with uninsured autos. A case in point is Progressive Specialty Insurance Company v. Alys Mass, et al., (No. 04-4016 U.S. Dist. Ct. Dist. MN 2005), which involved injuries sustained by a boatowner's friend while water skiing.

As the skier was completing a turn behind the boat that was towing him, he encountered waves created by the wakes of both the boat towing him and another boat (whose operator was never identified), causing him to fall and injure his leg. When presented with a claim under the uninsured watercraft coverage held by the owner of the towing boat, the insurer brought an action denying coverage.

The insurer asserted that it was entitled to deny coverage because the unidentified boat was not an "uninsured watercraft" and the skier (claimant) was not an "insured person."

The term "uninsured watercraft" in the boatowner's policy was defined to mean a "hit-and-run watercraft whose operator or owner cannot be identified and which strikes…a covered watercraft." In the context of motor vehicles, the term "hit-and-run" is synonymous with a vehicle involved in an accident-causing damages where the driver flees from the scene, regardless of whether physical contact between that vehicle and the insured's auto occurs.

The insurer asserted that the unidentified boat was not an "uninsured watercraft" because it struck neither the named insured's boat nor the claimant himself. The claimant countered with the argument that the policy's definition of "uninsured watercraft" did not contain a physical contact requirement and that the unidentified boat struck him with its wake.

The court did not agree with this thinking and stated that if the policy's definition of "uninsured watercraft" were limited to unidentified "hit-and-run" watercraft, the claimant's assertion that an uninsured watercraft need not make physical contact with a covered watercraft might have prevailed. The court added that to be considered an "uninsured watercraft," however, a hit-and-run watercraft must also "strike" a covered watercraft.

The sole case the claimant cited in support of his argument dealt with a hit-and-run situation involving an automobile. The problem is that, although there are similarities with the uninsured motorists coverage for autos and watercraft, the two kinds of vehicles are not treated the same.

Uninsured motorists coverage for autos is mandated by law whereas coverage for watercraft is not. As a result, uninsured motorists coverage for autos does not necessarily apply in similar situations involving uninsured watercraft.

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Insured status

Another case where a serious injury was sustained by a guest (claimant) on a pleasure craft and where coverage was successfully denied because the claimant was held not to be an insured is Mize v. Travelers Casualty Company of Connecticut (4:09-cv-0076-TLW-TER (U.S. Dist. Ct. Dist. S.C. 2011).

Immediately before the accident, the claimant was standing in the stern of the boat looking at the scenery. At that time, an uninsured boat struck the rear of the insured's boat, injuring the claimant and two other passengers. The claimant was immediately taken to the hospital and was diagnosed with and treated for quadriplegia.

The insured's watercraft policy at issue contained an endorsement titled "uninsured boat coverage" that stated: "We will pay damage which you or any insured are legally entitled to recover from the owner or operator of an uninsured boat because of bodily injury caused by a collision with the uninsured boat. The owner's or operator's liability for these damages must arise out of the ownership, maintenance or use of the uninsured boat. “Collision” means the striking of a fixed object such as a dock, pier, buoy or a vessel at anchor by a moving vessel."

The named insured's policy also defined "insured" as meaning "(1) you; (2) your spouse and/or relatives who reside in your household (resident relatives); and (3) any person or legal entity while operating your boat with an insured's permission and without a charge or fee."

The insurer maintained that the guest/passenger/claimant did not qualify as an insured because she was a passenger and not the operator.

Even though the term "operator" was not defined by the policy, the court held that the term was not ambiguous and did not include the claimant. To be considered an insured, the court explained, a person would have to perform a function to exert power or influence over the boat, and the claimant's position at the time of the accident, of standing in the stern looking for navigational obstructions, was not sufficient to meet that criterion.

Summing up

Whenever the owner of a pleasure craft wants to purchase insurance, the agent or broker should always recommend buying uninsured watercraft insurance because some people who own or operate watercraft go without insurance for essentially the same reasons as when they operate automobiles.

Uninsured watercraft insurance can be expensive, so clients often decline it. Unlike uninsured motorists coverage, watercraft coverage can be written without a written rejection of uninsured watercraft. It is not until an accident happens that boatowners learn for the first time what uninsured watercraft insurance might have done for them.

Also, unlike uninsured motorists insurance, uninsured watercraft insurance is not required by law, and courts therefore do not use the same interpretations of coverage that are commonly used in cases involving auto accidents.

Another problem with uninsured watercraft insurance, as seen in the Mize case, is that coverage does not always apply to persons other than owners and their resident relatives. Whether coverage applies to guests will depend on the endorsement.

Even though the exclusions in uninsured watercraft policies track closely with those in uninsured motorists coverage, uninsured watercraft coverage is much less standardized. This means that agents, brokers, and their clients must understand and carefully consider the provisions of uninsured watercraft insurance.

Because personal watercraft are used for pleasure, the occupants may not only be family members but also friends and invitees of friends who are not even acquaintances of the boatowner. Since watercraft policies are not standardized, they need to be reviewed to properly determine the possible beneficiaries of insurance in the event of an accident.

Despite the problems with uninsured watercraft coverage, agents and brokers should still recommend it. If a client or prospect refuses coverage, get it in writing to protect yourself against potential errors and omissions claims in the event of an accident involving your client and an uninsured watercraft.

EXCLUSIONS THAT APPLY TO COVERAGE Z – UNINSURED BOATER

This section of the Boatowner policy lists sources of loss that ARE NOT covered.

1. Business Pursuits

No coverage is available for injury to an insured when the loss surrounds the use of a boat (owned or non-owned) in business activity which includes being paid to carry persons or goods, or chartering (or renting) out the property to others.

Example: Richtowne H.S. holds its senior prom on a privately-owned island. Many students from nearby Plainburg H.S. would like to attend. Markie, an enterprising Plainburg student who has operated his dad’s boat many times, borrows a neighbor’s uninsured boat and charges his fellow students $20 a person to ferry them out to island to crash the party. During the last trip back from the island, Markie slips and severely cuts his hands and arms. Markie‘s father’s boatowners uninsured motorist protection would not respond to Markie’s injury even though it occurred on an uninsured boat.

2. Criminal Acts

Involvement in illegal activities that end up injuring a person is excluded, including losses related to transporting illegal cargo or passengers.

3. Owned or Rented Property

Under the uninsured boater portion of the policy, no coverage applies to injury suffered by any party that qualifies under the policy's definition of "insured" when the injury involves a boat that is either rented by or is regularly accessible to an insured. Coverage is also barred for a boat owned by any insured but which is not listed as covered property under the boatowner policy's liability coverage part.

Note: The rationale for this exclusion is that, if an insured has exposure from a given boat, then he or she must make arrangements to specifically insure that property. This is a method for insurance companies to make sure they are properly paid for the risks they agree to write.

4. Racing or Speed Tests

"Bodily injury" resulting from the use of a covered boat, non-owned boat, or equipment in, or in the practice or the preparation for, racing, speed, pulling or pushing, demolition, or stunt activities or contests. The exclusion does not make a distinction between organized and spur-of-the-moment activity. The policy states that races are events in which an insured is involved with a competition against another party or against the clock. However, competitions involving sailboats are still covered for related losses.

5. Settled Claims

This policy will not pay ANY party when an agreement for payment has, without the insurer's authorization, been made with another party that may be legally responsible for causing bodily injury.

6. Trespassers

This policy will not respond to bodily injury that involves a person occupying covered property (including a non-owned boat) without authorization.

ARBITRATION – COVERAGE Z – UNINSURED BOATER

1. This section allows either the insured or the insurance company to request (in writing) a dispute regarding coverage or coverage amount to be resolved via arbitration. However, the process is triggered ONLY if the non-requesting party agrees to participate.

Alternative Dispute Resolution–Mediation

What Is Mediation?

Mediation is a form of alternative dispute resolution (ADR) which offers an avenue that is an alternative to a lawsuit. Mediation is not litigation, a process that is often adversarial and performed in a courtroom. Further, don't confuse mediation with arbitration where each party uses a surrogate to resolve a dispute before an arbitration judge.

Mediation Steps

A typical mediation consists of introductory remarks, statement of the problem, gathering information, problem identification, bargaining and generating options, and reaching an agreement.

1. Introductory Remarks

This step involves the mediator formally introducing the parties to each other, usually at a neutral site. The mediator will then offer an opening statement that lays out the ground rules for the process and how the parties are to participate in the process. In some instances, the mediator may present or state his or her outline of the dispute, along with key issues. It is important at this point that the mediator makes it clear that both parties will be given ample time to state their position.

2. Statement of the Problem by the Parties

This part of the process allows each party to share their story about the dispute and to do so without interruption. Besides acting as an opportunity to clarify one's position in the matter (as well as one's understanding of key issues), it allows both the other party and the mediator to gain important information on understanding the points of disagreement. This part often gives the mediator insight into the emotional disposition of each party.

3. Information Gathering

In this step, the parties are separated and are independently interviewed by the mediator using open-ended questions. This component is to extract complete information from each party, without the chance of arguments. It also gives the mediator the opportunity to build rapport. The mediator will likely echo and later summarize the party's statements. It is important for each party to know that their side has been heard and understood by the mediator.

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4. Problem Identification

By alternating sessions with each party, the mediator's goal is to discover points of agreement and to distill the contentious issues. This allows the mediator to identify items that can be resolved first.

5. Bargaining and Generating Options

This step makes use of the information developed in the problem identification step. Usually the mediator continues to work with the parties independently, sharing information, resolving parts of the dispute by settling the items where parties are on common ground.

The mediator, depending upon how the sessions go, may develop a proposal for settling remaining disputed elements. It is up to the mediator, based on the information gathered, assessment of each party's emotional state and experience to determine what methods to use during the negotiations. By supplying resolution scenarios, each party is given opportunities to consider parameters for reaching an agreement without commitment.

6. Reaching an Agreement

Depending upon the progress made during the bargaining step, the mediator may consider bringing the parties together for final discussions on how to resolve remaining issues. However, the mediator must have first achieved significant successes in resolving other parts of the dispute and must have the trust of each party. Parties that have successfully agreed to resolve other points of their dispute and who have faith that their side has been faithfully heard and respected are ones that are capable of meeting and reaching final agreement.

Mediator Qualifications

Mediators are normally lawyers who have years of experience in resolving tangled situations. The American Association of Arbitration (AAA) reports in its *Resolving Commercial Financial Disputes* guide that neutrals, a term for disinterested third parties who act as mediators or arbitrators, include lawyers, former judges and financial service professionals specially trained in dispute resolution techniques. The AAA uses the following criteria to qualify persons for inclusion in the National Roster of Commercial Financial Disputes:

- A minimum of 15 years professional or business experience

Note: Within the above, at least 10 years of senior-level business, industry or professional experience

· Successful completion of AAA mediator/arbitrator training programs

· Relevant academic and business/professional credentials and licenses

· Evidence of scholarship and continuing education

· Must have documentation of at least 24 hours of training in dispute management and neutral skills

· A good and sound reputation in the business/professional community

· Commitment and availability to serve as a neutral arbitrator or mediator

· Must have participated in at least five mediation cases in a primary area of expertise

Most judges have lists of qualified mediators available in their jurisdiction and some of those may even be certified in their field.

Not all disputes lend themselves to mediation. As suggested above, mediation is of no benefit when two parties cannot agree about whether a loss should be covered. Only certain lines of business disputes involving loss amounts generally lend themselves to mediation. Common situations mediated involve uninsured and underinsured motorists, no-fault insurance, personal injury protection and professional liability including lawyers, accountants and architects. Mediation is extremely flexible. It focuses on resolving conflict over disputed amounts and is useful for this purpose with any line of insurance. In fact, mediation is frequently used in reinsurance disputes, since that business arrangement is filled with sensitive business relationships that encounter conflicts, such as agent-company, agent-agent, or company-company.

Mediation Clauses

The following are sample mediation clauses.

Sample One - If the contracting parties have a dispute with regard to this contract, they agree to attempt to resolve the matter via mediation in accordance with the mediation procedures of (fill in with info on a named source or jurisdiction). As a component of mediation, each party will share equally in the costs of the process.

The selected mediator will be an impartial party who will work to facilitate a mutually acceptable resolution, but no decision is binding. The parties also agree to be a good faith participant in the process and that mediation will be attempted prior to resorting to either arbitration or litigation.

Sample Two - In case of dispute, the parties agree will attempt to mediate a resolution prior to resorting to any legal action. The mediator will be chosen by and acceptable to both parties from (indicate the source or sources of mediators). The parties agree to equally split mediation costs.

This agreement does not, otherwise, alter or limit either party's legal rights.

Mediation Agreement

For contracting parties considering mediation, here are some elements that add to its viability:

Status of Mediation Decision–The parties should agree upon the finality of the decision, if any, that comes out of mediation. The parties may agree to it being binding on both parties, or that it can merely be considered and does not affect a subsequent decision to either arbitrate or file a lawsuit.

Confidentiality–Both parties need to have a solid understanding about the treatment of all information that may be used in or which is created by the mediation process. Specifically, since other legal remedies may be pursued, the parties should be on the same page regarding the treatment of such information with regard to other proceedings. Naturally, any agreement regarding handling such information must comply with applicable laws.

Fees–The parties should agree on how fees are to be billed and collected as well as the timing of payments. Another consideration might be an agreement on capping costs. Confusion on this matter could create its own dispute.

Mediator Selection–The parties must have an agreement over the process of choosing an impartial party to facilitate the mediation which should include his or her relationship to the contract parties. Neutrality is the key issue. Neither party should have any control over this person.

Legal Advisor/Documentation–It is important for both parties to realize that the mediator is NOT a legal advisor to either party and that it is each party's responsibility to preserve its own legal rights as well as to handle any subsequent paperwork regarding possible legal activities. Further, each party should seek credible legal advice prior to finalizing any decisions reached via mediation.

Process Termination–Both parties must agree to the situations (besides reaching a resolution) that terminate the mediation process, such as a decision by either party to withdraw.

Control and Neutrality

The real advantages of mediation are that the disputing parties are active in resolving their own problems or disputes, the process is done within a friendlier setting than a courtroom and it includes a neutral third party. The third party has no agenda beyond helping the disputing parties find agreement. Litigation and arbitration proceedings frequently become frustrating because each party loses control of the process. With mediation, the two parties having the most to gain by resolving their issues and who know the most about the matter keep the responsibility for finding a way to resolve the dispute.

The mediator has no authority to dominate the process and take the decision-making away from either disputing party. In addition, the mediator does not represent any one of the parties against the other. Instead, the mediator is the embodiment of both "communication and resolution." Initially, the mediator exists to perform a duty often ignored by both sides of a dispute…the duty to listen. The first real benefit of mediation is that each party gets the opportunity to completely explain his/her position while the mediator and the other party both just listen.

After both disputing parties have explained their positions, the mediator usually asks both parties questions needed to clarify the critical issues in the dispute. Before meeting with the disputing parties, the mediator usually receives written information from them that explains the situation. In that way, the mediator should have a good understanding of what each party wants after asking each of them just a few questions.

2. Both parties have 20 days from the date of written notice to select their own arbitrator and to notify the other party. The chosen arbitrators then select a third arbitrator. A local court may choose the third member of the team if the selection isn't made within 30 days.

Note: The deadlines are a little unclear since the requesting party would actually, first, have to receive notice that the other party has agreed to participate and there's no reference to when acceptance has to be made.

3. The arbitration site is the county of residence of the insured. However, if both parties agree, a different site may be used. The local laws of the applicable site apply to the arbitration process.

4. The policy's applicable limit is the maximum that may be awarded, but any award decision is non-binding.

Note: As the provision is non-binding (neither party is obligated to accept the decision), it is more likely to be used; however, it may result in being a tool to help frame a court dispute, rather than resolve an issue.

5. Each party has to pay for its selected arbitrator and share equally in the expense of the third arbitrator.

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WHAT MUST BE DONE IN CASE OF LOSS

This section of the policy discusses a very important part of the policy, the promise of the insurer, under described circumstances, to pay for a loss (including defending a lawsuit). Because the policy is a contract, both the insurer AND the insured have responsibilities. The manner in which a loss or possible loss is handled by an insured is critical to making sure that the policy properly responds to a loss.

1. **Duties – All Coverages**

a. Notice

1) Notice to Insurer

When a loss occurs, the insured is obligated to quickly share information about the occurrence with the insurance company ("us" or "our" agent).

The company providing coverage has a right to ask that the notification be in writing.

While speed in reporting a loss is important, quick notification is useless if it doesn't include enough information with which to make decisions. Therefore, the notification has some content requirements. Specifically, the notice should include all of the following:

- The name of the "insured"
- The policy number
- The time, place, and loss details
- The names and addresses of all known potential claimants and witnesses.

2) Notice to Others

If a boat-related loss (either owned or non-owned), involves a person disappearing from a boat, death, theft, vandalism or other criminal activity, the named insured is obligated to notify the U.S. Coast Guard, policy, or local authorities.

b. Cooperation

"Insureds" must cooperate with the applicable insurance company in performing all acts required by this policy.

The policy requires that an insured work with, rather than against, the insurer in order to investigate and process a possible claim.

c. Volunteer Payments

When an "insured" makes payments, pays, or offers rewards, or assumes obligations or other costs it does so at that insured's own cost. However, this limitation does not apply when such costs are allowed by this policy.

Note: The policy allows an insured some leeway to make payments to respond to emergencies or to help mitigate problems. However, an insured has to take great care in making payments that fall outside of the parameters permitted by the company. EVEN when an insured agrees to make payments out of his or her own pocket, he or she needs to be aware of the ramifications of such payments.

Certain actions may be interpreted as an admission of guilt or responsibility for a loss when that interpretation may be wrong.

2. Other Duties - Property Coverages

a. Proof of Loss

If the insurance company requests it, the "insured" is required to provide the insurer with a signed, sworn proof of loss. The proof of loss must be submitted within 60 days from the date of the insurer's request and it must show the following:

· The time, place, and the details of the loss

· The (insurable) interest of the "insured" and the (insurable) interest of all others, such as mortgagees and lienholders, in the property. If a party cannot demonstrate an insurable interest in the damaged property, the insurer is not obligated to make payment to an insured.

· Other policies that may cover the loss, since other policies may have to also provide coverage for an eligible loss

· Changes in title or use

· Detailed repair estimates

· The quantity, description, cost, amount of loss, and actual cash value of the personal property involved in the loss. Copies of all bills, receipts, and related documents must be given by the insured to the insurer in order to confirm all information.

b. Repairs

The Boatowner policy places a premium on preserving property. An "insured" is required to extend a good faith effort to protect covered property at and after an insured loss to avoid additional loss. The company agrees to reimburse the insured's reasonable costs incurred for necessary repairs or emergency measures performed solely to protect covered property from further damage. However, the preservation effort must involve covered property that is endangered by a covered peril or a covered peril which has already damaged covered property. The "insured" must keep an accurate record of such costs.

Example: The hull of Noel's sailboat was punctured while docked during a summer squall. The hole occurred at the waterline. Noel sent his insurer a supplemental, $600 claim for his loss. When his insurer questioned the additional amount, Noel explained that the expenses were for transporting, inflating, and installing a set of pontoons and anchors to keep the boat from taking on additional water and sinking. The insurer paid the amount along with the repairs.

However, the insurer will not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against. This action does not increase the "limit."

c. Examination Under Oath

"Insureds" must, as often as the insurance company reasonably requests, agree to be questioned under oath regarding items connected to a loss or claim. If more than one person is questioned, the questioning may be done in isolation from other persons involved with a loss or claim.

This duty helps to protect a company against attempts to conspire to file false claims. On the positive side, it may also assist in getting the most details concerning a valid loss.

d. Show Damaged Property

Any damaged property involved in a claim must be displayed for the insurer. Further, the insured must give access to the property to the insurance company, including granting permission to take samples of damaged property for inspection, testing, and analysis as often as the insurer (reasonably) requests.

Example:

Scenario 1: Meddlesum Marine Insurance Co. asks the insureds, the Jaysons, to exhibit a damaged outboard motor three times during their claim investigation. This would be reasonable.

Scenario 2: Meddlesum Marine Insurance Co. asks the insureds, the Jaysons, to exhibit a damaged outboard motor 13 times during their claim investigation.

This would NOT be reasonable and the Jaysons could refuse further access.

e. Records and Documents

The insured must show records and permit copies to be made of them as often as the insurance company reasonably requests. Records include tax returns and bank records of all canceled checks that relate to the value, loss, and costs and similar information.

f. Assisting With Enforcing Right of Recovery

The insured must help the insurer with any effort it exercises in order to take action against another party in order to be reimbursed because that party has some responsibility for causing a loss.

3. Other Duties—Coverage X - Personal Liability and Coverage Z Uninsured Boater

a. Notices Demands and Legal Papers

Claims that involve personal liability insurance can have very high stakes since they may expose a company to tens or even hundreds of thousands of dollars in payments. In case of an "occurrence" that might result in a claim, the "insured" is required to provide the insurer with copies of all related papers such as notices, demands, and legal papers.

b. Assistance with Claims and Suits

When the insurer asks, insureds have the obligation to help with a claim or lawsuit in the following ways:

- Helping to settle a claim
- Participate in activities related to conduct suits, such as attending trials and hearings
- Helping the insurer’s effort to recover payment all parties who may be liable to an "insured" for the injury or damage
- Helping to round up and present evidence
- Assisting with making sure that witnesses appear and participate in suit activity

4. Other Duties – Coverage Y - Medical Payments

When there is a loss, the injured person or his or her representative must provide the insurance company with written proof of a claim as soon as it is practical. Note that, if required, the statement may have to be made under oath. The insurer must also receive permission to get copies of medical records.

The insurance company has a right to investigate the medical claim. Therefore, the injured person must submit to medical exams. These exams will be conducted by doctors chosen by the insurance company and be conducted as often as the company requests. However, the requests must be reasonable.

HOW MUCH WE PAY

In this portion of the policy, the company's obligation to provide insurance protection to an insured is described.

1. Property Coverages

a. Actual Cash Value Terms

Actual cash value includes a deduction for depreciation. The boatowner policy settles loss to all covered property on an actual cash value basis. The smallest of the following amounts is used in applying the "terms" under the insurance company's "limit":

1) The actual amount spent to repair or replace the property with materials of like kind and quality. This must involve following the manufacturer's specifications and repair practices that are considered acceptable.

2) The actual cash value of the property at the time of loss

3) The applicable policy limits

b. Deductible

The deductible is applicable to all property coverages provided by the boatowner policy except the form's Emergency Service protection. A single deductible applies to a given loss, except when more than one boat is involved. In such instances, the deductible applies to each boat, including its motor and, if applicable, its trailer.

The deductible that appears on the policy declarations page applies to losses caused by all covered perils. The insurance company providing coverage will pay the part of the loss that exceeds the deductible.

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c. Loss to Parts

If there is a loss to a part of a covered item that is made up of several parts when it is complete, the insurer is only obligated to pay for the value of the lost or damaged part or the cost to repair or replace it.

This provision is meant to control the insurer's exposure. In this case, the insurer makes it clear that it is not automatically obligated to treat a partial loss as, for all intents, a total loss. Of course, the loss circumstances and the type of property involved have a great deal to say about the values involved and what is considered to be fair.

Example: Bessie's custom painted skiff has a matching outboard motor. Bessie's friend, a professional artist, used a special metallic and lacquered mixture paint to do the work, creating a mural that spread from the motor to the boat's hull. One day, a violent wind caused swells that pitched Bessie's boat backwards, smashing her motor against a pier. Her insurer pays for a brand-new outboard motor that was the same model and brand that was destroyed. Bessie's claim included the expense to have the custom paint job done again, but insurer denies that portion of the claim.

d. Insurable Interest

This provision of the boatowner policy limits the insurance company's payment obligation to the actual insurable interest of the named insured, even if the covered property has multiple insurable interests.

2. Liability Coverages

a. Coverage X—Personal Liability

The "limit" shown on the "declarations" for this coverage is the absolute maximum the insurer is obligated to pay for a given, eligible "occurrence." This maximum (applying to BI and/or PD) is not affected by any of the following:

- Number of persons insured under this policy
- Total parties who sustain injury or damage
- Number of claims made or suits brought
- Number of boats involved in a loss
- Number of boats, motors, trailers, or premiums that appear in the policy's declarations page
- Number of policy periods related to a given loss

Example: Jules and Krista Hungleson's graduation party for their youngest daughter takes a bad turn. They hold it on their houseboat and the boat is taken on a cruise along the shore. While distracted watching their daughter react to gifts, Jules allows the boat to drift too close to the shore and it strikes the riverbed. The hull is not breached, but the severe jerking sends most of the guests sprawling and three were tossed overboard. Every injured person files a suit against the Hunglesons in the following manner

Plaintiff	**Damages Sought**	**Defendant (named in suit)**
Guest A	$24,000	Jules
Guest B	$33,500	Krista
Guest C	$16,800	Jules & Krista
Guest D	$29,000	Jules
Guest E	$36,500	Jules
Total	$139,800	Jules (3), Krista (1), Both (1)

The fact that there are five separate suits and that Jules and Krista have been sued both singly and as a couple has no effect on the policy limit of $100,000 being the most available to respond. The policy treats the event as one loss. One area that will be substantially affected is the amount provided for defense costs because the carrier could, conceivably, have to defend all six suits.

b. Coverage Y—Medical Payments

1) Limit - The "limit" shown on the "declarations" under this coverage is a per person limit. It is the most available to pay for all medical expenses due to "bodily injury" for each person in a single accident. If a person has more than one accident in a policy term, that person would be eligible for additional payments.

2) Reduction of Amounts Payable - If, for a given loss, the boatowner policy has made payment (for medical expenses) under either the sections for Personal Liability or Uninsured Boater, the amount payable under Medical Payments for those particular expenses is reduced by that amount.

3) No Admission of Liability - The payment of a claim under Coverage Y does not imply liability under Coverage X. In other words, the policy may cover the medical expenses of an injured person without giving up the right to investigate and decide upon the merits of any related liability claim.

Example: Helen is sued by her friend who claims that she was injured due to Helen improperly storing equipment on her boat and that she tripped and broke her hip while a guest on an excursion. At the time of the injury, Helen's friend was transported from the marina to an emergency room. Helen paid for the transportation and for the emergency room visit and was later reimbursed by her insurance company under Coverage Y. When Helen submits the paperwork on her friend's lawsuit, her insurer explains that they will fully investigate the matter. Later, after interviewing Helen's friend, they discover that she was hurt while trying to win a bet with another guest that she could balance herself on one leg.

The insurer pays Helen's friend another $3,500 to handle some additional medical expenses but informs the friend they will pay nothing more because Helen was not negligent. The lawsuit is then dropped.

3. **Coverage Z—Uninsured Boater**

a. Limit - The boatowner policy includes a limit on the declarations page for uninsured boater coverage (a defined term). This amount is the absolute maximum available for payout on a single, eligible loss and the amount is unaffected by any of the following:

· Number of persons insured under this policy

· Total parties who sustain injury or damage

· Number of claims made or suits brought

· Number of boats involved in a loss

· Number of boats, motors, trailers, or premiums that appear in the policy's declarations page

· Number of policy periods related to a given loss

Only Single Watercraft Limit Applied To Entire Loss

Progressive Premier Insurance Company sought a summary judgment involving an accident involving a policy it issued that covered personal watercraft. The policy was written for the Kay Family. The Kay's daughters, Stephanie and Felicity, were operating the family's two, insured, jet skis on a portion of the Illinois River when they collided. A friend, Abigail Cannon, was a riding as a passenger on the jet ski used by Stephanie. Abigail was injured and her parents sued the Kays for her injuries and medical expenses. The Kays and Progressive disagreed on the amount of liability coverage available to respond to the Cannon's lawsuit.

The Kays and Progressive filed separate declaratory judgment motions. The Kays asserted that a total of $200,000 was available while Progressive argued that a maximum of $100,000 applied to the accident. A lower court ruled in favor of Progressive and the decision was appealed by the Cannons.

The Progressive Boat and Watercraft Policy issued to the Kays listed both of the jet skis involved in the accident on the policy declarations. Further, the declarations listed a premium for each jet ski and indicated that Bodily Injury Limits of $100,000 per person and $300,000 per accident was available. Policy wording stated that the applicable limits were the maximum that would be paid regardless the number of claims, watercraft, insured persons, lawsuits, premiums and covered watercraft were involved in a given accident. The policy also stated that, when split limits were used, the limit appearing for "each person" was the maximum coverage available for BI to one person.

The higher court reviewed the policy language as well as upon a number of relevant cases that involved the question of stacking coverages. The court stated that, in its opinion, the current case was distinguishable from the others it studied in that the policy only listed a limit of liability a single time and more than one covered craft was involved in a single loss.

In the court's opinion, besides not being convinced of the applicability of stacking, the policy language was clear to the point that a given reader should interpret that only a single $100,000 limit applied to the loss. The lower court decision in favor of Progressive was affirmed.

b. Reduction of Amounts Payable – Payments that are eligible to be made under the boatowner policy's Uninsured Boater provisions are affected by other sources of payment. Under any given loss, an obligation under Uninsured Boater will be reduced if payment has been made (or if coverage is available) under the Personal Liability section. Further, reductions may also be made when payments:

· For BI that occurs from parties who are legally responsible for the injuries

· For BI that is due to laws and regulations such as workers compensation, U.S. Longshore and Harbor Workers Compensation Act, non-occupational disability, or occupational disease

Any payment made to an insured under Coverage Z will reduce payments available to that insured under Coverages X and Y.

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4. Insurance Under More Than One Coverage

If more than one part of the boatowner policy's parts qualifies for paying for a loss, this provision limits protection to the actual amount of the loss. This condition assures that a person is not allowed to benefit from a technicality that, otherwise, would result in duplicate payment.

5. Insurance Under More Than One Policy

Depending upon the source of coverage that is available (in addition to this policy), the policy may respond to the loss on either a proportional or an excess basis.

When the other source of coverage is issued to the named insured by the same insurer that provides the boat coverage, payment works similarly to the "other part of policy provision," with only the highest amount of protection available applies (no duplicate payments). This policy is primary if that the other coverage is an excess policy.

When the other coverage is provided by another carrier, how this policy reacts is based on the type of coverage. The insurance company providing property coverage under this form is only obligated to pay its share of the loss. This policy's share is based upon the portion of coverage it provides in relationship to the total amount of coverage available from all sources of coverage which apply to the loss. Under personal liability, medical payment, and uninsured boater coverage this policy responds on an excess basis unless the other source of coverage is specifically issued as an excess layer of coverage in which case the boatowner policy responds on a primary basis.

Example: Jana's flatboat is insured by HayboyWaterz Boaters Insurance. However, Jana also has an umbrella policy from Beshuransave P&C. That policy shows the boatowner policy as an underlying coverage. When Jana is sued for severely injuring several persons in a boat she collided with, the HayboyWaterz policy will handle everything until and unless its coverage is exhausted.

PAYMENT OF LOSS OR CLAIM

1. Your Property

a. When We Pay

Losses are adjusted between the named insured (including resident spouse) and the insurance company. The insurance company is obligated to pay an insured loss within **60** days after receiving an acceptable proof of loss and coming to a written agreement on amount of the loss.

If there is a dispute between the insured and the insurer, the insurer has to make payment within 60 days after the filing of an appraisal award.

b. Our Options

The insurance company (our) has some flexibility in paying for an eligible loss. The settlement may be paid in money or the insurer may choose to rebuild, repair, or replace the property. The insurance company is obligated to give the insured notice of its intent within 30 days after the insurance company receives an acceptable proof of loss.

c. We Take Property

The insurance company has a right to take all or part of the damaged property at the agreed or appraised value. If the insurance company pays for or replaces property, it then belongs to them.

Example: During the off-season, Handerby's boat is kept in dry dock at Acme Marina. Handerby's boat is heavily damaged when a fire is caused by lacquer fumes from a ceiling renovation job ignite. Handerby is paid $36,000 for the loss of his boat. His insurer later reduces their payment to $32,000 when they discover that Handerby was paid $4,000 in salvage for his boat's remains.

This last option is another way to make certain that an insured is indemnified for, rather than enriched by a loss. Insurers also salvage property as one way to help recoup their loss payments.

d. Payment Made to You

Unless there is a loss payee (or some other party that is legally entitled) payment is made to the named insured.

2. Coverage X – Personal Liability

This part of the How Much We Pay for Loss or Claim section notifies the policyholder that a third party that secures a right to payment because of a judgment or a valid written agreement may recover for their injuries or damage to their property. The recovery, naturally, is limited to the boatowner policy's applicable limit. In other words, the insurance limit shown on the declarations is available to respond to a court judgment or a written settlement.

3. Coverage Y – Medical Payments

This part of the How Much We Pay for Loss or Claim section notifies the policyholder that expenses for eligible medical treatment may be paid to the party that is injured, that party's representative or, directly, to the medical service provider.

Example: Josh's college friend broke his leg while on a fishing trip. His X-rays and treatment costs totaled $672. Josh's friend sent the bill he received from Bassville Medikare to Josh and Josh turned it into his insurer. The insurance company sent payment directly to Bassville Medikare.

ADDITIONAL EXCLUSIONS AND LIMITATIONS

1. Fines Penalties or Tax Liens

The boatowner policy restricts its payment obligation by stating that no coverage applies to amounts that represent fines, penalties or tax liens that are due to breaking a law or are assessments made by the government.

2. Seaworthiness Warranty

This provision specifically states a couple of expectations that the insurance company demand to be met by the policyholder. First, the boatowner is to have property that is in safe condition and can be used to navigate bodies of water. Second, no coverage applies when a loss is related to an insured who fails to keep the insured property in navigable condition.

Example: Nate turned in a loss after a storm sent his moored boat against a dock, severely cracking part of the hull. After an investigation, the insurer denied the claim. They discovered that the boat had not been properly stored during the off-season and the hull had been weakened by dry rot.

OTHER POLICY CONDITIONS

CONDITIONS APPLICABLE TO ALL COVERAGES

1. Assignment

This policy may not be assigned without the written consent of the insurance company providing coverage.

Note: Insurance policies are underwritten based on the named insured. Assigning a policy to a different named insured requires a total re-underwriting of the account.

2. Change, Modification, or Waiver of Policy Terms

Only the company has the option of waiving or changing this policy's "terms" and it must be in writing. When the insurance company requests an appraisal or examination under oath, it does not waive policy "terms."

3. Conformity with Statute

"Terms" in conflict with the laws of the state in which the premises shown on the "declarations" is located, are changed to conform to such laws.

4. Death

If the named insured dies, the protection provided by the insurance policy will pass to one of the following:

· The legal representative of the insured

· Any other persons having proper but temporary custody of the covered property but this applies only until the legal representative is appointed.

The policy's extended coverage only applies to loss related to use of the covered property and only during the time that a representative is performing duties on behalf of the deceased insured.

This coverage extension ends at the policy term's expiration.

5. Liberalization

If the insurance company providing coverage creates a revision of the edition of this boatowner coverage that both broadens coverage and does NOT create a premium charge, that broader coverage applies to the policy effective the date that the change is adopted in the insured's state (rather than when the policy renews for another policy term). However, the automatic extension of coverage does NOT apply to changes due to the insurance company adopting a new edition of the boatowner policy.

6. Misrepresentation, Concealment, or Fraud

Any intentional concealment or misrepresentation on the part of any insured can void the policy for ALL insureds. Lying or hiding a material fact concerning the reason for securing the insurance, the property or person(s) covered, the insured's interest in the covered property or similar actions can result in the dissolution of the agreement. This may occur either before or after any loss.

Example: Erin turned in a claim for her sailboat that was lost during a storm. She didn't expect any problem when she turned in a claim for her loss. She was surprised several weeks later when her claim was denied. The insurance company's letter stated that her insurance policy was being voided. Their investigation concluded that the boat was nearly 15 years older than reported on her insurance application.

Simply put, the company should be able to rely on the statements made by an insured in making its decision to insure a person or property. If the statements are seriously in error, the insurance contract has no right to exist and the company has no obligation to honor it.

7. Recoveries

There are instances when the insurer pays for a loss and then the property is recovered. Similarly, after the insurer's payment, damages are received from those responsible for the loss. When this happens, the insured and the insurer are obligated to inform each other and then to proceed with one of the following options:

· The insured may keep the property but must then return any claim payments (or some agreed upon amount) to the insurer

· If, because of a deductible or other reason, the subsequent amount received is LESS than the actual loss amount, the recovery may be distributed between the insured and the insurance company. Each party's share would be based on their financial interest in the loss.

Under this provision, costs paid by the insurer and/or the insured to recover the items are paid before an action is selected and such payments are taken into consideration.

What is important about recoveries is that they are resolved in a manner that is fair to the insurer and the insured. One party should not significantly benefit from the recovery of property or money if it comes at the expense of the other party.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

8. Subrogation

When an insurer pays damages, it may ask the insured to give up his or her right to legally recover damages from another party (which has responsibility for causing a loss to the insured). This act of seeking payment from a party responsible for a loss is called subrogation. This right is very valuable to an insurer. In fact, if an insured weakens this right to recover payment after a loss has occurred, the insurer may no longer be obligated to pay for the loss.

The insured may waive all rights to recover before a loss occurs—but this waiver must be in writing. Signing this waiver BEFORE a loss does not affect coverage under the policy. However, if the insurance company pays for a loss and the insured later receives payment from another party, the insured must reimburse the company providing coverage as outlined above in "Recoveries."

Note: This policy condition does not apply to Coverage Y – Medical Payments.

9. Territory

The AAIS boatowner program includes a large area where coverage is in effect. Protection applies:

- On the Great Lakes
- In the United States and Canada (including up to 100 miles from either country's coasts)

Note: The 100 miles is limited to 10 miles for "personal watercraft" (as defined in the policy).

CONDITIONS THAT APPLY ONLY TO PROPERTY COVERAGES

1. Abandonment of Property

The insured may not abandon property to the insurer without the insurer's permission.

Of course, if the insurer agrees to accept the damaged property, the act is NOT abandonment.

2. Appraisal

If the insurer and the insured do not agree over the value of the covered property or the amount of the loss, each party has 20 days (after receiving a written request from the other party) to select an appraiser. The two appraisers will select an umpire.

If they do not agree on an umpire (once selected, the party's appraisers have 15 days to choose one), either the insured or the insurer may ask a judge of a court of record of the state where the appraisal is pending to make the selection. ALL disputed amounts are resolved (as far as determination) when written agreement of any two of these three persons is reached.

Each party will pay its appraiser and the two parties will share the cost of the umpire and related expenses equally.

Note: Each initial appraiser will make their own determination and, if they don't agree, will share these amounts with the umpire to get an opinion which will set a final determination.

IMPORTANT: This provision does NOT state whether the appraisal decision is binding on any party.

3. Inspections

This provision allows the insurance company the option of inspecting boating property and such work may be done by either insurer personnel or other parties hired or used by the insurer.

Example: Barbara just received a new policy from Blu-Cees Insurance Company, via the Newbee Agency. Since the agent was recently appointed by the insurer, it is evaluating the new business being sent into the company:

Scenario 1: Blu-Cees sends one of its claims adjusters to take photos of Barbara's boat.

Scenario 2: Blu-Cees hires a retired, former insurance agent to take photos of Barbara's boat.

Both instances are valid exercises of this inspection provision.

Inspections, when performed, are intended to get firsthand information on whether the boating property insured under the policy is safe, free of health hazards (pollutants, toxins, bacteria, fungi, etc.), is capable of being safely operated on water, and complies with applicable codes, laws, and regulations.

When inspections are made, they are only for use by the applicable insurer. The information is not intended to certify or create warranties about the boating property to the insured or to other parties.

4. No Benefit to Bailee

This policy is not intended to provide protection for the direct or indirect benefit to parties who are paid to assume custody of the covered property.

In other words, such persons or organizations should secure their own insurance instead of "piggybacking" onto an "insured's" coverage.

5. Suit Against Us

The insured is not permitted to file suit against the insurer without, first, complying with all of the policy's "terms." Further, any lawsuit must be filed within two years after the loss.

Note: In some states this time frame may conflict with state law. If so, the suit must be brought within whatever time frame is allowed by that state.

CONDITIONS THAT APPLY ONLY TO LIABILITY COVERAGES

1. Bankruptcy of an Insured

Bankruptcy or insolvency of an "insured" does not change the insurance company's obligation to fulfill the provision of the boatowner policy. Naturally, things would change IF the insured lost his or her insurable interest in the property protected by the policy.

Example: Hanna has fallen on hard times. She loses her business and, to meet other bills, she sells her boat to Tina. While showing off her new boat, Tina hits a pier and hurts several persons who were fishing there. Several injured persons sue Tina. Tina asks Hanna to file a claim since she hadn't arranged for her own boat insurance. Hanna's insurance company denies the claim since the sale was completed before the loss.

2. Suit Against Us

The insured is not permitted to file suit against the insurer without, first, complying with all of the policy's "terms." Also, no legal action can move forward until the amount of the "insured's" liability has been determined by either of the following:

- A final judgment against the "insured" as a result of a trial
- A written agreement between the "insured," the claimant, and the insurer.

Note: No person has a right under this policy to join the insurance company or to speak for the insurance company in actions related to determining the amount of an "insured's" liability.

ENDORSEMENTS

Endorsements tailor the coverage forms to customize the protection needed for specific situations. Some cover additional insureds and others with a financial interest in the covered craft. A few endorsements add coverage, such as expanded emergency service or personal effects, while others add additional provisions.

UNDERWRITING AND RATING

Underwriting and rating boatowner coverage involves understanding the applicable boat's features, such as its actual cash value (based on features and equipment), method of power and value of other boating property. Information on craft length and horsepower of motor and/or engines is also critical.

AAIS Boatowner Special Coverage Form Rating Considerations

Boat and Motor Rating

1. Round up the combined ACV for the boat and motor to the nearest $1,000

* 2. Calculate the Basic Property Premium by multiplying the Base Property Loss Cost by the applicable insurance limit relativity

** 3. Multiply the result of step 2 by the applicable Navigation Territory Factor

4. Multiply the result of step 3 by the applicable Type of Boat Factor

5. Multiply the result of step 4 by the applicable deductible factor

6. Multiply the result of step 5 by any applicable premium modification factor

Liability

1. Select the liability rate group using the craft's total length and engine horsepower

* 2. Based on the rate group, select the applicable base liability loss cost *

3. If applicable, multiply the base liability loss cost by the applicable increased Liability Limit factor

4. If applicable, add the additional flat charge for the increased Medical Payments limit to either the amount from step 2 or step 3.

5. Multiply the result from Step 4 by any Premium Modification Factors

6. Add any flat charges for any selected endorsement options

Total premium – Add results of the Boat and Liability rating steps.

* This figure should also be subject to a given company's loss cost multiplier.

** Use the highest territory factor if boat is operated in more than one territory.

PREMIUM CREDITS AND SURCHARGES

Equipment

Certain equipment used for navigation, safety or theft prevention typically results in premium credits: such as alarms (fire, smoke, and theft), built-in extinguishing systems, depth-finders, diesel powered engines, fume/vapor detectors, radar, and ship to shore radios. When a boatowner policy includes property that is towed, a trailer attachment locking/security device may also receive a credit.

Operators

Situations that typically generate a premium credit are training in navigation and having craft operating experience of above a certain minimal level.

The only item that generates a surcharge (depending upon the applicable insurer) is multiple-ownership of the craft.

The most important underwriting factor is evaluating the boat operators' training and experience as well as the navigable waters (i.e., Great Lakes v. coastal waters) where the craft is used and amount of use (lay-up periods).

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

AAIS BT 4800 AGREED VALUE SETTLEMENT PROVISION

This form is to accommodate boats that have an appreciating value that may only be acceptable for an insurer to protect according to an agreed value.

Example: Kelly Twinstar owns a 2001, 22-foot Coronado Cardel with a V8 Mercury Cruiser engine. It belonged to her father and he passed along his love of the boat to Kelly. Regular market value should be about $22,000. It is in immaculate shape, with low hours use. A qualified appraiser studied the boat and, as a result, her insurer accepted the documentation and insured it on a Boatowner Policy with the BT 4800 form for $37,500.

Normally, boats suffer significant depreciation in the first few years and then, value may stay quite stable for a decade or longer. Value depends on the market's desire for the type and use of craft, its availability and, naturally, how well it is maintained. When a craft checks enough boxes, it becomes a piece of property that may appreciate in value over a number of years.

BT 4800–Agreed Value Settlement Provision form helps both the insurance company and the craft owner. It secures a higher amount of coverage for the person who owns property that defies depreciation because of property care and attributes. It benefits the insurance company by securing additional premium while creating a value ceiling in the event of loss to that insured property.

The form begins with a schedule where up to three boats may be listed along with the following, key identifying information:

- Year
- Manufacturer
- Model
- Type
- Length
- Serial Number

Using this form, the boat policy's actual cash value is replaced for the property that is listed in the schedule. Below are the replacing terms.

LOSS SETTLEMENT TERMS

1. Total Loss

Total losses are settled by paying the applicable policy limit (that amount selected and shown in the endorsement schedule. Any payment for a total loss to covered property is net of (reduced) by the value of salvage.

2. Partial Loss Which You Repair or Replace

Partial losses are settled based on a determination of the cost to repair or replace the damaged property. Reasonableness includes consideration of current customary repair practices and manufacturer specifications.

For a partial loss, the insurer's payment is limited to the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

ACV settlement is also used for several specified property items (regardless whether involved in a total or partial loss) including motors, upholstery, carpet, canvas, sails, rigging, boating equipment and other property.

3. Other Loss Which You Do NOT Repair Or Replace

For a partial loss involving property in which no replacement or repair is made, the insurer's payment is limited. The insurer will use the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

4. Loss to All Other Property

Separate settlement circumstances also apply to any loss involving boat trailers, motors, boating equipment, outdrives, jet drives, carpeting, sails, and canvas, rigging and upholstery. For losses to this property, the insurer will use the least expensive option among the limit appearing in the form's schedule for that property, the replacement cost value of the damaged part or the cost of making the repair or replacement with material with the same type and quality. When the latter option is used, the work must be done according to acceptable practices or according to the manner specified by the manufacturer.

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· Devices designed for flight, such as parasails and hang gliders

· Fuel for the yacht and fuel (food and beverages) for the people along with similar items.

· Contraband and property that may be legal but in the course of illegal transportation or trade.

Example: Cigarettes are legal goods but, when Kenneth decided to buy cigarettes in Kentucky and then travel up the Ohio River and sell them in Pittsburg in order to circumvent higher local cigarette taxes, they are being traded illegally and coverage for the cigarettes is excluded.

· Property that is over 50 miles from the home port(s) or storage location(s) shown on the declarations. This applies only if the property is in transit by any type of carrier for hire.

c. Covered Causes of Loss

Covered causes of loss are risks of physical loss or damage that is either direct or indirect. Causes of loss that are part of the Exclusion section are not covered.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

d. Additional Coverages

· Additional Acquired or Replacement Property

There is coverage for up to 30 days when the named insured acquires a yacht or boat trailer that is either an addition to the described yachts or is replacing one of them. When the acquired item is a replacement, the coverage is identical to that which is on the replaced item. However, if the acquired item is an addition, its coverage is the same as the broadest coverage on any scheduled yacht.

This is not free coverage. The named insured is required to report the value of the newly acquired property to the insurance company within 30 days from the acquisition date and to pay any premium due starting from the acquisition date. If not reported, coverage automatically ends 30 days after the acquisition date or at the end of the policy period, whichever comes first.

Example: Fred Finkelstein insures his Classic Curmudgeon Cabin Cruiser under a Yacht Coverage Form. Fred purchases a 30-foot sloop, the Johnnie B., a week before the expiration date but forgets to tell his insurance agent of the acquisition before he takes it out for a shakedown cruise and to check out its sails and rigging. The coverage on the Classic Curmudgeon renews but this additional coverage on the Johnnie B. ended on the expiration date. When the Johnnie B. takes on water during a sudden squall and capsizes three days into the renewal policy period, the wind goes out of Fred's sails when he discovers that the loss is not covered.

· Operating Other Yachts

There is coverage for a covered loss when the named insured is using, with permission, another yacht. The maximum payment is the limit of insurance for the named insured's yacht. However, this insurance is excess over any other insurance that applies to the same loss.

There is no coverage, however, if the named insured has any ownership in the other yacht, if it is rented to or chartered to the named insured, if it is furnished for the named insured's regular use, or if the named insured was using it for other than pleasure use.

Example: Fred lets his son and his wife borrow the Classic Curmudgeon and Barney Brookstone lets Fred borrow his yacht, the Blinkin' Blarney. Fred is an experienced navigator but the Blinkin takes more getting used to than expected and he runs it aground on the rocks. Because Barney has valid insurance on the Blinkin, this additional coverage stands ready to respond on an excess basis over Barney's coverage just in case his limit of insurance is inadequate.

· Protection And Recovery

Reasonable costs to protect a covered yacht following a loss are covered as are the costs to recover a yacht that has been damaged. However, the payment will not exceed that yacht's limit of insurance.

When the National Weather Service issues a hurricane watch or warning there is coverage for having the yacht pulled from the water and then put back following the storm. As an alternative to removing the yacht, payment will be made to have the yacht navigated to a safe harbor provided the individual is qualified to do so.

Example: Fred is going through an interesting series of trials. This time it appears that a powerful but extremely localized hurricane will brush Fred's homeport but points south should escape unscathed. Fred realizes that his homeport's haul-out facilities are full and pays Captain Crunchbottom, an experienced navigator, to pilot the Curmudgeon to a safe port 30 leagues south. This coverage extension pays Captain Crunchbottom's navigation fees.

· Towing And Assistance

This coverage applies to the necessary and reasonable expenses the named insured incurs for services to the yacht if it is disabled. These are:

o Labor charges for technicians who repair or attempt repairs on a covered yacht but only for those operations that take place where the yacht was disabled

o Towing to the closest service facility where repairs can be made, such as a marina or boat yard

o Delivery charges for fuel, oil, parts or batteries

o Roadside assistance for a covered yacht trailer

The cost of the fuel, oil, parts, batteries or yacht trailer tire is not a covered part of this supplement.

The maximum payment is $500 in a single occurrence and $1,000 per 12-month policy period.

Note: This additional coverage is not subject to a deductible.

Example: Fred drove the Curmudgeon into a harbor he was planning to put into for the night. Unfortunately, he hit a jetty that protected the harbor from excessive wave wash. The yacht was dead in the water and a tugboat had to tow it down the coast to a shipyard that could make repairs. The good news was that this coverage extension applied to the cost of the tow. The bad news was that it only paid $500 of the total $1,200 tow bill and Fred had to pay the other $700 out of his own pocket.

2. Exclusions

The insurance company does not pay for loss or damage caused directly or indirectly by any of the following:

a. War

Coverage does not apply to loss or damage caused by any act of war. This includes undeclared and civil war, insurrection, rebellion, revolution or warlike action by a military force or by military personnel. It also includes property destroyed, seized or used for military purposes, including their consequences. The capturing, seizing, arresting, requisitioning, confiscating or detaining of the yacht by lawful or unlawful means by order of any civil or military authority, or attempts at any of these, is also excluded.

When destruction or seizure takes place for a military purpose, it is considered an act of war. If the destruction or seizure results in further loss or damage, the resulting damage is also considered an act of war.

Note: What is being destroyed or seized is not mentioned. This is important because it means that insured property may sustain loss or damage because of its close proximity to such property that is not covered.

Example: Homeland Security is searching for a vessel fitting a certain description that is carrying contraband to assist in a terrorist plot. Authorities board Bud’s yacht because it closely matches the description. His yacht is heavily damaged because of the authority’s hurried search. Because Bud’s yacht was damaged during a military seizure, the damage to his yacht is not covered.

b. Nuclear Hazard

There is no coverage for loss or damage caused by weapons that use atomic fission or fusion, nuclear reaction or radiation, or radioactive contamination from any cause. However, direct loss or damage by fire resulting from nuclear reaction or radiation or radioactive contamination is covered if this coverage form insures fire.

c. Non-Pleasure Use

The insurance company does not pay for loss or damage while the yacht is being used for other than pleasure use.

Example: Fred Finkelstein charters the Classic Curmudgeon to a local game-fishing company whose own vessel was in dry dock for repairs. The company planned to use it for some fishing excursions. During one of them, it struck another vessel, damaging both of them and injuring two passengers on the other vessel. Fred has no coverage because the yacht was being used for business purposes.

d. Flaws

Coverage does not apply to damage to the hull or machinery resulting from flaws that were present at the time the vessel was built and that cannot be detected by conventional testing methods. However, coverage does apply to damage to other covered property that the flawed hull or machinery causes.

Note: This is sometimes referred to as latent defect. It is a fault in the property that cannot be discovered by a reasonably thorough inspection. Even then, inspections alone may not be sufficient to detect certain deficiencies without themselves being destructive. For example, wood beams in a vessel cannot be fully assessed without actually destroying them.

e. Wear and Tear

Loss or damage caused by or resulting from wear and tear is excluded. In addition, gradual deterioration, weathering, bubbling, osmosis, delaminating of plywood or fiberglass, corrosion, rust, electrolysis, mold, rot, inherent vice, vermin, insects or marine life caused loss or damage is also not covered.

Note: Wear and tear is damage, diminishment in value or erosion due to long or hard use or exposure, including breakdown over time and eventually becoming unusable because of previous use. This includes the tendency of property to pull apart or break down into pieces because of forces applied to it. Osmosis is diffusion of water through a semi-permeable membrane.

An example of blistering involves paint where small to medium size bubbles develop under the paint film. Electrolysis is chemical decomposition produced in an electrolyte by an electric current. Many of these represent qualities, faults or weaknesses in covered property that causes it to damage or destroy itself.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

f. Failure to Maintain Property

There is no coverage for loss or damage if the named insured does not maintain covered property in good condition and repair. The good condition requirement is that the yacht not be damaged by ordinary weather, water conditions, or the stress of normal use.

g. Intentional Acts

Loss or damage caused by the named insured's willful or intentional acts is excluded.

Note: Only the intentional acts of the named insured are excluded.

Example: Fred Finkelstein decides to play a trick on his children who are holding a birthday party for a friend on the Classic Curmudgeon. He arranges for a flare to launch and ignite when they open the cooler to retrieve the seafood they plan to cook on deck. However, the flare propels sideways instead of up, penetrates the side of the cabin, and starts a fire in the lounge area. There is no coverage for the fire or resulting smoke damage. However, if Fred’s son had played the same trick, there would have been coverage because he is an insured but not a named insured.

h. Marring and Scratching

The insurance company does not pay for loss or damage caused by marring, scratching, chipping or denting. However, coverage from these events does apply if caused by a sudden and accidental impact. That impact must be with another object that is not under the control or the named insured and also not in control of a person being directed by the named insured.

i. Temperature Extremes

Loss or damage caused by extremes of temperature is excluded. However, coverage does apply if the loss or damage is caused by or results from improper winterizing done by a competent marina or similar facility.

j. Ice

If the covered yacht is moored or laid up, there is no coverage for any ice damage that occurs.

k. Loss of Use

There is no coverage for loss caused by delay, loss of use, or any other consequential loss.

Note: This appears to contradict the Covered Loss statement above that states that Covered causes of loss are risks of physical loss or damage that is either direct or indirect.

I. Design Error

Coverage does not apply to loss or damage due to errors in or improper design.

Note: Because there is no explanation as to who must make the design error in order for this exclusion to apply, it could lead to coverage being denied with resulting court challenges.

3. Limits of Insurance

The most the insurance company pays for loss or damage in a single occurrence is the limit of insurance that applies for the particular coverage or the specific yacht as stated on the declarations.

Any payments made under Additional Coverages–Protection and Recovery reduces the limit of insurance to pay for other damage. However, the limits that apply to all other Additional Coverages are in addition to the Limits of Insurance.

4. Deductible

The insurance company does not pay for loss or damage until the amount exceeds the deductible amount on the declarations. This deductible applies per occurrence. The insurance pays the amount of the adjusted loss or damage in excess of the deductible up to the limit of insurance that applies.

No deductible applies to a covered yacht that sustains a total or constructive total loss.

5. Valuation

a. Yacht, Excluding Outboard Motors

· **Total Loss**

The insurance company pays for a total loss to the named insured's covered yacht if it is completely lost or destroyed or if the cost to recover and/or repair it is more than the limit of insurance.

This provision does not apply to outboard motors.

· **Partial Loss**

If the covered yacht sustains partial loss or damage, the insurance company does not pay more than the limit of insurance that applies or the cost to repair or replace with materials of similar quality, whichever is less. There are no depreciation deductions except for losses involving plastic or canvas coverings and sails.

This provision does not apply to outboard motors.

Repair costs are determined by yacht repair yards, equipment repairers, or surveyors who are considered acceptable by the insurance company.

b. Outboard Motor, Boat Trailer or Personal Effects

The amount the insurance company pays for losses to outboard motors, boat trailers and personal effects is the least of the following:

· The limit that is available to pay for the particular property

· The actual cash value of the item that it is damaged or has been lost. The value is established as of the time of the loss, not at the time of the settlement.

· The actual amount that is spent in the repair or replacement of the item that is damaged or has been lost. The material used in the repair or replacement must be in accordance with manufacturers specification or approved repair practices.

C. LIABILITY COVERAGES

1. Liability Insurance

a. Coverage

The insurance company pays for the damages the insured is legally liable for up to the limit of liability. Coverage under this policy will respond only if the damages are from a claim or suit brought against an insured. The damages must result from bodily injury or property damage that arises from the ownership, maintenance, use, operation, loading, unloading, boarding, and off-boarding or leaving the covered yacht.

The damages include prejudgment interest awarded against the insured.

Note: The prejudgment interest is unusual. Usually this is provided within the Supplemental payments section. By being part of the damages, it will reduce the limit available to pay losses.

Even if a suit is groundless, false or fraudulent, the insurance company must provide a defense and must do so at its own expense. The insurance company will choose the counsel and decide when and how to investigate or settle each claim or suit. The duty to defend ends when the amount paid for damages exhausts the limit of liability.

b. Operating Other Yachts

There is coverage for the named insured’s liability due to damages when the named insured is using, with permission, another yacht. This insurance is excess over any other insurance that applies to the same loss.

There is no coverage, however, if the named insured has any ownership in the other yacht; if it is rented to or chartered to the named insured; if it is furnished for the named insured's regular use; or if the named insured was using it for other than pleasure use.

c. Additional Liability Insurance Coverages

· If an insured is legally obligated to respond to any of the following this insurance will pay: Any and all attempts to raise or the actual raising, removal or destruction of the wreck of the named insured's covered property

Note: There is no reference as to who actually does the work or on whose behalf, only that an insured is held liable and the property is considered covered property belonging to the named insured.

· Not raising, removing or destroying the wreck of the named insured's covered property

· Property damage that arises out of pollution. Also, any federal, state or local statute or regulation-imposed assessments, clean-up costs or expenses to contain pollution.

Example: The Classic Curmudgeon sank upon entering Callow Cay. The area was so shallow the government required removing the Curmudgeon to prevent damage to other vessels. When it sank, its fuel leaked and pollution control activities to contain the spill and then to clean it up began. This coverage applied to the $600,000 cost to remove the wreck and the $100,000 pollution containment and cleanup costs.

d. Liability Exclusions

The insurance company does not cover:

· The named insured's liability to other insureds

Note: This is referred to as "cross liability" in other liability coverage forms and policies.

· Liability of other covered persons to the named insured, the named insured's spouse, or other persons that live in the named insured's household

· Liability to any paid captain or crew for loss of life or for bodily injury when required under The Merchant Marine Act Of 1920 (The Jones Act), the Death On The High Seas Act, or General Maritime Law

Note: This exclusion does not apply if the box to eliminate it on the declarations was checked.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS]

The Merchant Marine Act Of 1920 (The Jones Act)

BACKGROUND

The Merchant Marine Act of 1920 (also known as the Jones Act) is a federal law that regulates maritime commerce in waters of and between ports in the United States. One part of the act prevents any vessels except for those that are United States Flag vessels to transport people and cargo in those waters. In addition, those vessels are required to have been constructed in the United States, be owned by citizens of the United States, and be crewed by citizens and permanent residents of the United States.

One part of the Act contains provisions allowing injured sailors to make claims against and collect from their employers based on negligence by other crew members, the masters, or the owners of such vessels. Such claims must be based on negligence in the working environment or unseaworthiness. The act considers a negligent working environment to be one where the vessel owner fails to exercise a reasonable degree of care under the circumstances and that such negligence results in unintended injuries to other parties.

The intent of this portion of the Act is to help the injured person receive the medical benefits he or she is entitled to on a timely basis without litigation costs. However, the Act is complex, and many employees must seek out legal assistance just to file their claims.

The definition of a seaman under this act is an individual engaged or employed aboard a vessel in any capacity, and this includes offshore oil rigs. The definition includes the master and the crewmembers.

2006 RECODIFICATION

Changes in the maritime industry resulted in the need to significantly rewrite the Jones Act in 2006. Although there were many changes, the law itself and seamen's rights did not change. The Act was recodified to remove ambiguities, contradictions, and imperfection, but the actual Act itself did not change.

The only deviation from the strict recodification was the introduction of an amendment to preserve the spirit and meaning of the statutes being recodified. The amendment was added because of a review of language in a cause of action for a seaman's personal injury or death that was found to be inconsistent with the interpretation of Jones Act claims that the U.S. Supreme Court had adopted in a 1924 case, Panama Railroad Company v. Johnson, (264 U.S. 375). The amendment revised the language to keep it consistent with the purpose of the original Jones Act as the Court had interpreted it.

WHO IS COVERED

The Act applies to the master, sailors, and other crewmembers of vessels that operate on navigable waters of the United States. It also applies to workers who perform duties on offshore oil platforms. Only workers who have a permanent connection to the vessel or platform are covered. Examples are employees who are responsible for the vessel or platform's maintenance, repair, welfare, operation, or navigation.

Examples:

- A dockworker boards a vessel to deliver a package. The Jones Act does not cover him, even if he is injured while aboard the vessel.
- The vessel's owner does not sail with the vessel. He is not covered, even if he is seriously injured while aboard the vessel to inspect it before it sails.

Some interesting court cases have centered on the issue of who The Jones Act covers. One of them is *McDermott International, Inc. v. Wilander,* 498 U.S. 337, 111 S.Ct. 807, 112 L.Ed.2d 866 (1991). In this case, a paint foreman assigned to a "paint boat" was injured. He filed to recover under the Jones Act, but the workers compensation carrier initially denied coverage because he did not assist in the navigation of the vessel.

The United States Supreme Court reviewed the law and determined that a seaman could do many types of functions on board a vessel and was not limited to only transportation-related functions. The end result was that members of a crew who work permanently aboard a vessel that service or maintain the vessel are considered seaman and therefore covered.

A similar case was *Chandris, Inc. v. Latsis,* 115 S.Ct. 2172, 132 L.Ed.2d 314 (1995). An engineer of a cruise ship company who supervised ship engineering departments while the ship was at sea sustained an eye injury that eventually resulted in him losing 75% of the sight in that eye. He filed a claim under the Jones Act. The claim was initially denied based on him not being a seaman because he did not have anything to do with navigating the vessel. The United States Supreme Court ruled that workers who have work-related duties that contribute to the vessel's function in a significant way in terms of the nature of the activity and the time involved are seaman.

MARITIME ENDORSEMENTS AND COVERAGE AVAILABLE

There are three maritime endorsements that can be used to modify WC 00 00 00 C–Workers Compensation and Employers Liability Insurance Policy.

WC 00 02 01 B–Maritime Coverage Endorsement (01 15 change)

A. How This Insurance Applies

One item is modified, and one is added.

Item 2 is amended to reflect that only employment necessary or incidental to work described in Item 1 of the Maritime Coverage Endorsement Schedule is covered.

A new item is inserted as item 3. It provides territorial limitations as to where the bodily injury must occur. It is required to be in the territorial limits of the continental United States of America, Alaska, Hawaii, or Canada or within a vessel that is sailing between ports within those limits.

The other items in this section are renumbered but unchanged.

C. Exclusions

Exclusion 10, which excludes bodily injury to a master or crew member of a vessel, is deleted.

The following two exclusions are added:

13. Any bodily injury covered by a Protection and Indemnity coverage form or policy or a similar policy issued to the named insured or for its benefit is excluded. This exclusion applies even if the other policy has an insurance clause, deductible, limitation of liability clause, or a similar clause that causes it not to apply.

14. The named insured's duty to provide transportation, wages, maintenance, and cure is excluded. However, this exclusion does not apply when a premium is entered in Item 2 on the endorsement schedule. **Exclusion 14 in the endorsement is amended to clarify that even when premium is paid to remove this exclusion that punitive damages related to this exclusion continue not to be covered.**

D. We Will Defend

A statement is added to this section. It explains that the insurance company treats any suit or other legal action in rem against a vessel the named insured owns or charters as a suit against the named insured.

Note: In rem within the United States is often about the court taking and holding an object for some legal purpose. An example is a vessel found to have illegal narcotics on board.

G. Limits of Liability

Item 2 Bodily Injury by Disease is changed in two significant ways:

- The Bodily Injury by Disease–each employee limit is deleted, which means that there is no each employee sublimit.
- It is further broadened to be a per-state limit, not just an aggregate limit.

Schedule

The endorsement schedule has spaces to enter the following:

- A description of the work. The description must be complete because only employment necessary for the work described is covered.
- Entering a premium for Transportation, Wages, Maintenance, and Cure in the space provided deletes exclusion 14 above, except for certain limitations.
- Limits of Liability:
  - $___________ Bodily Injury by Accident (each accident)
  - $___________ Bodily Injury by Disease (aggregate)

Note: This broadens the limits because there is no each employee disease limit.

WC 00 02 03–Voluntary Compensation Maritime Coverage Endorsement

The purpose of this endorsement is to extend workers compensation coverage to seamen instead of only providing coverage under Employers Liability. The Voluntary Compensation Maritime Coverage Endorsement does not stand-alone. WC 00 02 01 B–Maritime Coverage Endorsement must also be attached when it is used.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS]

A. How This Insurance Applies

This insurance applies to bodily injury by accident and bodily injury by disease. It also covers death because of such bodily injury. The following explains the conditions of coverage:

- Only the master or crewmembers of the vessel described on the endorsement schedule are covered. They must also be employees.
- Referring to item 2 on the endorsement schedule, coverage applies to only bodily injury that occurs during employment considered necessary or incidental to the work described on the endorsement schedule.
- There is a territorial limitation. The territory is the continental United States of America, Alaska, Hawaii, or Canada. The bodily injury must occur within those limits or on a vessel that sails between ports in that territory.
- Only bodily injury by accident that occurs during the policy period is covered.
- Bodily injury by disease is different because of the long-term aspects and as an attempt to limit it to a single policy period. Conditions of the employment must cause or aggravate the bodily injury. The employee's last day of last exposure to the conditions that caused or aggravated such bodily injury by disease must occur during the policy period.

Example: Paul worked on a barge for 20 years. After he retired, he contracted a disease he believed the barge caused. The policy that responds is the one that was in effect the day Paul retired. It would be the only one to respond, even if he had worked for many different barge companies.

B. We Will Pay

This is the major coverage statement. It explains that the insurance company pays those amounts that are equal to the benefits the named insured would be required to pay if the employer and its employees listed in Item 1 on the endorsement schedule were subject to the workers compensation law entered in Item 1 on the endorsement schedule. The insurance company agrees to pay, but only the amounts an injured person would be entitled to receive under the state's law.

Note: This is not the same as fully providing workers compensation coverage. It is only using a specific state's workers compensation benefit schedule and pays as it requires.

C. Exclusions

Two new exclusions are added:

- Any obligation that a worker's compensation, occupational disease, or similar law imposes is excluded.
- Bodily injury, the named insured intentionally causes or aggravates is excluded.

D. Before We Pay

Note: This section is particularly important because the employee who receives these voluntary benefits is giving up his/her rights to sue the named insured. This is similar to workers compensation coverage that is continued as the exclusive remedy. No double dipping permitted!

Persons entitled to benefits must do the following before the insurance company pays the benefits:

- Release the named insured and the insurance company from all responsibility for the injury or death. The release must be in writing.

- Transfer their rights of recovery from others who might be responsible for the injury or death to the insurance company.
- Cooperate with the insurance company and do everything necessary to help it enforce its rights of recovery from others.

The insurance company's duty under this endorsement ends immediately when the person who is entitled to these insurance benefits fails to do the actions above or when that person claims damages from the named insured or the company for the injury or death.

Example: Matthew is injured while working on a tow boat. His employer has purchased the voluntary compensation maritime coverage endorsement, so the insurance company contacts him and explains his available benefits but also explains his obligations and the rights he must relinquish.

Scenario 1: Matthew accepts the benefits. He signs the releases and is soon able to return to work.

Scenario 2: After the discussion with the insurance company, he talks with an attorney who explains how much more he could receive for his injury because of the available limits under the Jones Act. Matthew likes the case presented to him, so he refuses to sign the releases and instead waits for the case to proceed through investigation, settlement, and a potential jury trial.

E. Recovery from Others

If the insurance company recovers from others, it keeps an amount equal to its expenses of the recovery and the benefits it paid. It then pays the balance to the person entitled to it. Similarly, if the person entitled to benefits of this insurance recovers from others, he or she must reimburse the company for the benefits it previously paid.

Schedule

Schedule entries consist of the following:

- One or more vessels must be listed under the heading Employees. Only the master and crewmembers of the listed vessel(s) are covered.
- The state whose workers compensation law is to apply must be listed beside the vessel for which it is to apply. When more than one vessel is listed, more than one state may be listed.
- A description of the work must be entered. The description must be complete because only employment necessary for this work is covered.

WC 00 02 04–Limited Maritime Coverage Endorsement

This endorsement is used when some of a non-maritime employer’s workers employees perform some of their work on a vessel and therefore could be excluded under WC 00 00 00 C based on Exclusion C. 10. A good example is a carpenter or a caterer who occasionally works on a vessel.

Part Two–Employers Liability Insurance, C. Exclusion 10. is deleted when this endorsement is attached, but that deletion is conditional. It is deleted only when employees whose payroll would be included in the scheduled codes and classifications perform the work.

Example: Jerry's Sandwich shop offers delivery service. His shop is located on the pier, so his employees often deliver to workers on the docked vessels. To prevent any potential denial of coverage, Jerry requests this endorsement to be attached. He lists only the classification and code for his delivery drivers.

COVERAGE TERRITORY

Coverage under the Jones Act applies when the ship or vessel is subject to admiralty law or jurisdiction. This means it applies only when the ship or vessel is in or on navigable waters. Navigable waters are considered bodies of water that provide a continuous route that facilitates interstate or international commerce.

WC 00 00 00 V–Workers Compensation and Employers Liability Insurance Policy provides coverage when a vessel is not in waters described above and does not fall under maritime or admiralty law. In those cases, the vessel is usually subject to the workers compensation laws, statutes, and regulations of the state involved.

MORE THAN ONE JURISDICTION

Situations occasionally arise where a worker's duties are such that it is difficult to determine whether state workers compensation, USL&HWCA, or Jones Act coverage applies. In those cases, the worker may not recover under both state and federal laws or under two or more federal acts. Any awards made are offset by any other compensation already awarded or received.

CONCLUSION

The Jones Act provides financial benefits to both the employer and the employee. It has provided a lifeline to many sailors injured in their jobs of sailing vessels. Unfortunately, because of the very lucrative benefits available and the Act's complexity, it has also produced numerous lawsuits, despite the original law's best intentions.

· The named insured's liability for injury or damage in the time period when a land vehicle or trailer transports the covered yacht

Example: The Classic Curmudgeon was being hauled on a trailer from Muskegon, Michigan to Superior, Wisconsin. The chains holding it down snapped under the excessive strain when turning a curve. The yacht slid off and landed on the highway, causing a multi-car pileup, a few minor injuries and a day-long traffic delay. Separate lawsuits were filed against the transportation company and Fred Finkelstein, but his insurance company denied coverage because of this exclusion.

· Injury or damage that any insured person intends or expects

· Liability that the named insured assumes under any contract or agreement

Note: This means that even written contracts involving dock rental or indemnity agreements related to vessel storage are excluded.

· Fines or penalties any governmental entity imposes on the named insured

2. Medical Payments

a. Coverage

The insurance company pays necessary medical expenses resulting from bodily injury caused by an accident. These expenses must be incurred within one year after an accident. In very unusual wording, medical expenses that are not yet incurred but that are deemed to be medically necessary at a future date are also covered as long as that future date is within the one-year time frame.

The accident must arise out of ownership, maintenance, use, operation, loading, unloading, boarding, off-boarding or leaving of a covered yacht. It also pays similar expenses as a result of taking part surface water activities such as water-skiing or aquaplaning but only when they start from the covered yacht.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

b. Exclusions

This coverage does not apply to:

· Any person covered under any federal or state workers compensation law or act

· The named insured's employees

· Trespassers

· Persons injured resulting from or in connection with being towed in or on a device intended for flight

Examples are parasailing or kite skiing

c. Proof of Loss Requirements

The insurance company requires a complete sworn proof of loss from the injured person making a claim under this coverage or a person acting on that person's behalf. It must include:

· Information on each service provider who performed covered services, including names and addresses

· The dates of the services provided and the nature and extent of the service provided

· Detailed statements of charges, indicating amounts already paid

The insurance company must receive the proof of loss as soon as reasonably possible after the services are rendered.

d. Additional Requirements

Any person making a claim under Medical Payments coverage must submit to physical examinations by the insurance company's selected physicians. However, requests for such examinations must be reasonable and the insurance company must pay for the cost of the exam(s). The injured person must also provide pertinent medical reports and records or give the insurance company permission to obtain them.

e. Limit of Liability

The Medical Payments Limit of Insurance on the declarations is the insurance company's total liability for all medical expenses paid to one person for bodily injury as the result of one accident.

f. Admission of Liability

Payments made under this coverage are not an admission of liability by the named insured or the insurance company.

3. Longshore and Harbor Workers Compensation

The insurance company pays the named insured's liability as the covered yacht owner under the Federal Longshore and Harbor Workers Compensation Act. This applies only when coverage is provided under Paragraph 1. Liability Insurance. The loss payment will not exceed what is required by the act.

4. Uninsured or Underinsured Boater Insurance

a. Coverage

There are uninsured and underinsured boats just like there are uninsured and underinsured motor vehicles and this coverage recognizes the fact. The insurance company pays all compensatory damages a covered person is legally entitled to recover from an uninsured or underinsured boat’s owner or operator because of bodily injury to an injured person who was on the named insured’s yacht when that injury arises from ownership, maintenance or use of an uninsured or underinsured boat.

b. Exclusions

This coverage does not apply:

· To claims settled without the insurance company's written consent

· If a governmental entity owns the uninsured vessel

· If the uninsured or underinsured vessel is owned by the named insured.

· If the uninsured or underinsured vessel is furnished to the named insured or any other insured for his or her regular use

· Where the physical evidence does not support the claims that the named insured's yacht was actually struck by an uninsured or underinsured vessel

· To the direct or indirect benefit of any insurance company or self-insurer under federal or any state compensation law or act

c. Limit of Liability

The most the insurance company pays is the Uninsured or Underinsured Boater Limit of Liability on the declarations. This limit applies regardless of the type of expense, the number of persons injured, claims made, or number of vessels involved in an accident or a series of accidents arising from the same occurrence.

D. GENERAL CONDITIONS

This conditions section also includes exclusions. It is important to read all exclusions carefully.

1. Bankruptcy

The insurance company is not relieved of its obligations if an insured becomes bankrupt or insolvent.

2. Cancellation

a. The named insured can cancel at any time by returning the policy to the insurance company and advising it in writing of the date cancellation is to be effective.

b. The insurance company can cancel by providing written notice to the named insured at least 30 days before the date cancellation is to be effective. However, the notice period is 10 days if the cancellation is for non-payment of premium. The company can either deliver the notice to the named insured or mail it to the named insured's last known mailing address. If it mails the notice, proof of mailing is sufficient proof of notice.

c. Return premium is calculated on a pro rata basis if the insurance company cancels. It is calculated at 90% of pro rata if the named insured cancels.

Note: There may be multiple named insureds but this section does not address which of the named insured has the right to request cancellation and to whom the cancellation notice must be mailed.

3. Changes

All agreements between the named insured and the insurance company are contained in this policy and none can be changed. The only exceptions are those endorsements issued by the insurance company. The company adjusts the premium on the effective date of change in cases involving a premium adjustment.

4. Concealment, Misrepresentation or Fraud

This is an unusual condition. In most policies concealment, misrepresentation or fraud by any insured would void coverage. Under this condition, such action on the part of the named insured will result in a loss not being paid. However, the policy remains intact. Furthermore, such actions by an insured (not the named insured) do not impact a loss. This means that a child or relative could fail to disclose information with no impact on coverage.

5. Dishonest, Illegal or Intentional Acts

Note: This is a common exclusion and so it is unusual to see it as a condition.

Coverage does not apply to any loss, injury, damage or expense caused by dishonest, illegal or intentional action taken by any person who has been entrusted with covered property. This condition applies, regardless of whether a criminal court convicts such persons or not.

Note: Damage caused by the named insured’s willful act is excluded under the Property Coverage Exclusion g. Liability Exclusion (5) excluded coverage for injury or damage expected or intended by an insured. This condition must work with those two exclusions because they are not the same and involve different parties and different actions.

6. Navigational Limits and Lay-Up Period

The Navigational Limits or Lay-Up Period on the declarations may be breached by an event beyond the named insured's control. In that case, coverage remains in effect only if the named insured notifies the insurance company of the breach in writing within 10 days of the breach. The named insured must then pay any additional premium the company may require. However, coverage does not apply if the named insured voluntarily breaches the Navigational Limits or Lay-Up Period without prior notice to and written approval by the insurance company.

Note: This policy does not explain what constitutes a navigational limit or lay-up period breach.

7. Policy Period

The insurance company pays only covered losses that take place during the policy period. However, covered yachts in the course of navigation when this policy expires are covered until they arrive at the next port and are safely moored for 24 hours. The named insured must inform the insurance company that the expiration was extended and pay any additional premium required.

Example: The Classic Curmudgeon goes out to sea for a three-week vacation cruise. However, its insurance policy expires halfway through the voyage. Fred Finkelstein suddenly remembers this on his way out and calls his agent. The agent, in turn, notifies the insurance company and it extends the policy until the Classic Curmudgeon returns from the trip.

8. Premium

The first named insured on the declarations pays all premiums and also receives any return premiums the insurance company pays.

9. Racing

Note: This is a common exclusion but, in this policy, it is listed as a condition.

Coverage does not apply to loss, injury, damage or expense arising from or during any race or speed test.

This limitation does not apply to sailboats or predicted log events.

Note: A predicted log event is a contest where each skipper attempts to provide the best estimate of the time his vessel will take to navigate a specified course. The course is published in the race instructions issued by the host club several weeks prior to the contest. It usually consists of four or more legs totaling about 25 miles. Before the contest, skippers turn in predicted logs that specify the time they expect to use on each leg of the course. To maintain integrity, no watches or time-keeping devices are allowed on the vessel during the event. As each mark is passed, the Observer records the time on the actual log. After completing the course, the Race Committee computes the percentage error between the predicted and actual logs for each boat. The skipper with the lowest error is then declared the winner.

10. Transfer of Interest

This coverage ends when the covered property or this policy is sold, assigned, transferred or pledged unless the insurance company agrees and gives its written consent to the transfer.

11. Broadened Coverage

Any policy revision put into effect during the policy term that broadens coverage without an additional premium charge applies to this policy.

Note: This is the same as the "Liberalization Clause" in other coverage forms and policies.

12. No Benefit to Others

This insurance does not benefit any party having custody of the covered property.

CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS

E. LOSS CONDITIONS

1. Your Duties after Loss

The named insured must do certain things following an accident, loss, damage or expense involving covered property.

a. Covered property must be protected from further damage. The insurance company reimburses reasonable expenses the named insured incurs to recover the property and keep it from any additional damage. Payments made to recover or protect damaged property are in addition to any other payments the company makes for covered losses but the most paid for the recovery and protection is the limit of insurance that applies to that property.

b. The named insured must maintain accurate records of repair expenses.

c. The named insured must give prompt notice of a loss to the insurance company or its agent. The notice must include the time, place, and details of the loss as well as the names and addresses of all known witnesses. In addition, the appropriate law enforcement agency must be notified if the property is stolen or vandalized.

2. Abandonment

No property of any kind can be abandoned to the insurance company.

Note: The insurance company may agree to accept abandoned property. If it does, it does so in writing.

3. Proof of Loss

The named insured must send a signed, sworn proof of loss to the insurance company as soon as possible after receiving the company's written request to do so. The proof of loss must present the facts of the loss based on the named insured's best knowledge and belief. The insurance company has the right to require the named insured to submit to an examination under oath.

4. Claim or Suit Against You

The named insured must promptly send notices, demands, summonses and other process papers that relate to the accident to the insurance company. Because the company then pays the ensuing costs of the suit, it has the option of naming the attorney or attorneys to represent the named insured.

Note: An important feature of this condition is that payments the insurance company makes for the named insured's legal defenses are in addition to payments it makes under coverage for liability claims against the named insured. Because there is no stated amount, defense costs are technically unlimited.

5. Assistance and Cooperation

Persons making claims have certain obligations. They must:

a. Cooperate with the insurance company as it investigates, settles or defends claims or suits brought under this policy

b. Assist the company in enforcing any right of contribution or indemnity against any party that may be liable to any covered person

c. Let the insurance company inspect and appraise all damaged property before it is repaired or disposed of

Note: This condition obviously does not apply to property that was stolen or is otherwise unrecoverable.

d. Provide proper written authorization enabling the insurance company to obtain medical files and any pertinent or related records

e. Submit to physical examinations by physicians the insurance company selects as often as reasonably required and at appointed times and places

f. Obtain the insurance company’s prior written consent before assuming any obligations or accepting fault or liability.

g. Obtain the insurance company’s prior written consent before incurring expenses on behalf of the company. Written consent is not required for medical expenses under Paragraph C.2. Medical Payments or for expenses made to protect covered property from further loss under Paragraph E.1. Your Duties After Loss.

Editorial Note: This condition creates obligations for persons who may have no relationship to the insurance contract. This means it may be difficult to enforce and that could be to the detriment of the named insured.

6. Payment of Loss

The insurance company pays or makes good on covered losses within 30 days after it either reaches an agreement with the named insured, a final judgment is entered, or an appraisal award is filed.

The insurance company does not pay any part of a loss that others paid or made good on because this is indemnity coverage.

7. Our Right to Recovery

a. Subrogation

Any party whose losses are paid for by the insurance company must relinquish its right of recovery against others to the insurance company. The amount is limited to the amount the insurance company paid. That party must do everything necessary to secure those rights and must not do anything after a loss to impair them.

b. Recoveries or Salvage

Recovery or salvage on a loss accrues exclusively to the insurance company's benefit up to the amount it paid.

Note: There is no mention as to recovery expenses, deductibles paid by the insured or if the named insured has an option to take the recovery in return for the return of the loss payment.

8. Legal Action Against Us

Before any legal action can be brought against the insurance company, all policy provisions must have been met.

The insurance company cannot be brought into any action against an insured. In addition, no action can be brought against the insurance company until the insured's obligations have been determined by a final judgment or an agreement the insurance company signed under Coverages, C.1. Liability Insurance and C.3. Longshore and Harbor Workers Compensation.

9. Other Insurance

a. Section B. Property Coverages

If other insurance coverage applies to a covered loss, the insurance company pays only the proportion of the loss that its limit of insurance bears to the total amount of insurance that applies, whether or not the other insurance is collectible.

b. Section C. Liability Coverages

This insurance coverage is excess over any other valid and collectible insurance except insurance that specifically applies as excess over this insurance.

ENDORSEMENTS

ISO does not offer any specific endorsements for exclusive use with the Yacht Coverage Form. ISO has developed one form that can be used to respond to specific situations.

IH 99 19–Additional Covered Property

This endorsement can be used to include coverage for types of property ordinarily excluded or not covered, such as hydrocycles, jet skis, parasails, hang gliders, fuel, food, beverages and electronics.

UNDERWRITING CONSIDERATIONS

Yacht underwriting involves analyzing a wide range of property that can be covered, such as the yacht itself (commonly referred to as the hull), motors, sails, machinery, equipment, boat trailers, and personal effects. In addition to Bodily Injury and Property Damage liability coverage, Liability insurance also includes coverage for Medical Payments, Longshore and Harbor Workers Compensation, and Uninsured and Underinsured Boaters coverages.

The year built, manufacturer, and model of the vessel and its motor or motors must be considered. The vessel's length, weight, style, hull material, value and limit of insurance must be examined, as must the type of motor (inboard, inboard/outboard, or outboard), horsepower, maximum speed, and type of fuel. Older vessels must be underwritten more carefully. A licensed marine surveyor should inspect the yacht periodically to determine that its condition is sound, that it is seaworthy, and that it is not subject to any operating limitations or qualifications. In all cases, the yacht should be operated only for the purpose for which it was designed and should not be used for any activity that exceeds its capabilities.

Along the same line, the motor's maximum horsepower should not exceed the yacht manufacturer's maximum operating horsepower. Speed is a relative issue. Yachts that tow skiers will need more speed than those engaged in pleasure cruising or fishing. A very important thing to keep in mind is that faster vessels are more likely to be stolen.

Consider the fuel used. Diesel fuel is less volatile than gasoline, so gasoline-powered yachts are more susceptible to fire losses. Equipment should be suitable to the type of vessel involved and how it is used. A small sailboat that operates on large inland lakes or bodies of water does not need much of the equipment found on power craft that operate on the ocean well away from shore. The type of navigation equipment must be examined. This includes Global Positioning Satellite (GPS) systems, plotters, depth finders, radar and other navigation equipment. Fire extinguishers, automatic fire extinguishing systems, fume detectors, and carbon monoxide detectors are very important for powered craft. All navigation equipment and protective devices should be inspected and tested periodically.

Operator experience is extremely important. Because many of the characteristics of operating a motor vehicle also apply to vessel operators, a Motor Vehicle Report (MVR) is a good first step to gain insight into an operator's skill and experience. The same line of thinking applies to youthful operators. Operators should be encouraged to take recognized instructional operating courses before operating the yacht.

All operators should be in encouraged to take advanced courses depending on the size of the yacht. Paid captains and crews are favored over individual operators in almost all cases.

Navigation area is a significant consideration. While conventional wisdom suggests that vessels on inland waters are more desirable, keep in mind that they may be exposed to barge traffic, congestion and underwater trees and stumps on man-made lakes and reservoirs in addition to ordinary navigational issues. Regardless of the body of water, smaller vessels should operate relatively close to shore and only larger vessels with experienced operators, captains or crews and extensive navigational and protective equipment should never get more than 15 miles from shore.

The lay-up period and storage facilities must be examined carefully. Some vessels in certain areas can operate year-round. Others, such as those that operate in northern waters, are laid up, primarily during the winter months. The lay-up period should be commensurate with climatic and water conditions. Lay-up can be on shore or in the water, with on shore storage preferred. Lay-up in the water usually requires a deicer system or other means to keep the water from freezing and damaging the hull. In any case, some degree of winterizing the vessel may be required. A qualified professional should always do this and do so at a marina or similar facility.

Land transit is an important consideration. Many yachts are moved overland from port to port based on where the owner lives and vacations. The named insured may transport the vehicle or may hire another to do so. The size of the yacht is one of the more important considerations along with the experience of the person or entity transporting the yacht, the land distance between ports and the frequency of the transport.

Loss experience is very important. At least five years is preferred.

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ANSWERS: RISK OVERVIEW

Correct Answer highlighted in Yellow

Ginger and Fred are combining two households, so they are building a storage barn on the property. There is an existing dock where the pontoon boat is kept.

Ginger and Fred are combining two households, so they are building a storage barn on the property. There is an existing dock where the pontoon boat is kept.

What is the major property hazard for the dock?

a. Fire

b. Wind

c. Flood

d. Vandalism

Owning coastal property increases the likelihood of a personal liability claim.

________True

________ False

A particular concern with auto liability and coastal property owners are:

a. Young drivers

b. Boat trailers

c. Alcohol related

d. Congestion

Watercraft exposure is limited to on-premises operations and storage.

________ True

________False

Maintenance is particularly important for coastal property because:

a. Poor maintenance reduces the resale value.

b. Water and wind cause rapid deterioration.

c. The property may appear vacant and therefore encourage vandalism.

d. The homeowner's association could fine the property owner.

ANSWERS: GENERAL INFORMATION - PERSONAL

Ginger and Fred are divorcees who have decided to combine households but not to get married. The household will include Ginger´s son Paul and daughter Corinthia, ages 13 and 15. Fred´s two daughters Adelle and Monica are college students, ages 19 and 22, who come home on vacations since Fred shares custody with his ex-wife.

Ginger and Fred are divorcees who have decided to combine households but not to get married. The household will include Ginger´s son Paul and daughter Corinthia, ages 13 and 15. Fred´s two daughters Adelle and Monica are college students, ages 19 and 22, who come home on vacations since Fred shares custody with his ex-wife.

Fred currently has a Homeowners policy. If no changes are made, is there coverage for Ginger and her family?

________ Yes _____No

Are Fred´s daughters Adelle and Monica covered under Fred´s Homeowners policy?

a. Yes, but only when they are home for vacations.

b. No, they are over 18 years old and are no longer covered.

c. Yes, since they are students, they are covered.

d. Adelle is covered since she is 19 but Monica is not.

Margaret notices some obvious roof damage on the outside of the house but no damage on the inside, should she be concerned?

a. Yes because there is the potential for hidden water damage to the structure.

b. No, since there is no interior damage, the situation is under control.

c. Yes, because it shows that Fred is not an attentive homeowner.

d. No, because roof damage is common on coastal properties.

Fred does not carry flood insurance on the house since he believes the elevation of the house is sufficient to prevent flooding.

a. Margaret does not discuss flood coverage since Fred does not currently carry it.

b. Margaret tells Fred she agrees with his approach.

c. Margaret recommends coverage because of the significant damage that could occur.

d. Margaret refuses to sell flood coverage under NFIP because of the low commission.

Should Margaret ask about lead exposure?

a. Yes, because the house is over 100 years old.

b. No, because there are no children under the age of four in the household.

c. No, because the house is not used for rental purposes.

d. Yes, because lead could add to the cost of repair following a loss.

ANSWERS: DWELLING - COVERAGE A AND ADDITIONAL STRUCTURES - COVERAGE B

Fred´s ex-wife was never listed as a named insured on the lakefront property because, in a prenuptial agreement, she agreed that she had would have no financial interest in the property. Since the divorce, she has been trying to break the entire agreement. The roof was damaged when both were still living in the house but submitted after Fred´s wife had moved out. The insurance company is requiring both parties to agree to the settlement before issuing the check, but Fred´s ex-wife will not sign.

Was Fred´s wife an insured under the policy?

________Yes

________ No

Will Ginger have a financial interest in the property after she moves in?

________ Yes

________No

Ginger is paying for the storage barn that is being built on the premises. The plan is for her to move her extra furnishings into it for safekeeping. Does Ginger have coverage under Coverage B for the storage barn?

________ Yes

________No

The house has no close neighbors. It is heated by liquefied petroleum gas (LPG) and a wood burning fireplace. What types of alarms should Margaret recommend that Fred and Ginger have in place?

a. Fire/smoke

b. Carbon monoxide

c. Burglar

d. All of the above

Fred is very excited about the attic room he added over the summer. It has added over 800 square feet to the house and an extra bathroom.

Fred should:

a. Increase his Dwelling – Coverage A limit because of the attic room

b. Since Fred did most of the work himself, he should not increase his Dwelling Coverage A limit

c. The addition is automatically covered so there is no reason to increase his Dwelling Coverage A limit

d. The addition is considered part of Additional Structures – Coverage B

ANSWERS: PERSONAL PROPERTY - COVERAGE C AND LIVING EXPENSES - COVERAGE D

Ginger is moving all of the property she and her children own into Fred's house. It is worth approximately $50,000 at replacement cost value.

As the policy is currently written, is Ginger´s property covered under Fred´s Coverage C?

________ Yes _____No

Fred´s policy shows his address as 14526 Lost Lake Dr., Lovely Town. Margaret notices that the address on his mailbox is 9083 Pleasant View, Other Town. Which should she show on the policy?

a. 14526 Lost Lake Dr. Lovely Town

b. 9083 Pleasant View, Other Town

c. Ask Fred for the legal address of the property and use it.

Fred has an extensive gun collection. Is there coverage if any guns are lost or damaged?

a. Yes

b. No

c. Yes but only for $2,500

d. Yes but only if scheduled

Adelle and Monica keep personal property at their mother´s house, their sorority houses, and their father´s house. Under Fred´s policy, where would their property be covered?

a. Fred´s house

b. Mother´s house

c. Sorority house

d. a. and c. only

e. All of the above

Fred owns additional property in town. If the lakefront property is lost or damaged, he will not have a loss of use claim, because he can move into other owned property.

________ True

________False

ANSWERS: PERSONAL LIABILITY

Lost Lake is owned by Lovely Town. Fred´s family signed an agreement with the town granting an easement for public access to a beach that is adjacent to Fred´s home. Over the years, there has been some encroachment onto Fred´s property and a rope is attached to one of Fred´s trees that is used to swing into the lake.

If an individual is injured when using the tree rope, can Fred be found liable?

________Yes

________ No

Ginger bought Fred a Labrador Retriever named Butterbean. Butterbean runs off of Fred´s property to "rescue' a swimmer. The swimmer sues Fred for damages resulting from the "attack.' Will Fred´s policy defend him?

a. No, because Ginger is not an insured

b. Yes, because Butterbean belongs to Fred

c. No, because the attack took place off the premises

Fred owns 1,000 acres of land in various parcels around the county. He keeps it vacant so that he can sell it at an appropriate time. Recently a friend asked if he could start to farm 100 of these acres and Fred agreed. **Does Fred have liability coverage for this acreage under his Homeowners policy?**

a. Yes

b. No, unless it is scheduled

c. Yes, but not for the farmed parcels

d. Yes, but for only the farmed parcels

Fred and Ginger invite friends over for an evening of games. Two of the couples are Fred´s business clients and three of the couples are neighbors. One of the business clients is injured when he slips on the pier. Which of Fred´s policies should respond?

a. Businessowners policy

b. Homeowners policy

c. Both

d. Neither

John has been the gardener for Fred´s family for as long as Fred can remember. He has a house on the property, and he keeps all of the landscaping beautiful. When John is trimming the trees one day, a limb strikes a member of the public walking to the beach. Is Fred covered for John´s actions?

________Yes ____ No

ANSWERS: PERSONAL UMBRELLA

Fred has tended to treat his personal insurance program as an annoyance. Every year his agent would send a bill and he would pay it. Margaret has really enlightened him as to potential exposures and he is wondering if he should consider purchasing a Personal Umbrella policy.

What policies are considered the underlying policies on a Personal Umbrella policy?

a. Homeowners policy

b. Personal Liability policy

c. Auto Liability policy

d. The policies scheduled as underlying

Fred carries a Yacht policy that includes liability coverage for his pontoon boat. If he lists the Yacht policy as an underlying policy, will the Umbrella policy provide watercraft coverage?

a. Yes, all underlying policy coverage is included in a personal umbrella

b. No, Personal Umbrella policies cover only personal liability and auto liability

c. No, a Watercraft Excess policy must be purchased for coverage

d. Yes, if the watercraft exclusion is removed from the Personal Umbrella policy

If Fred buys an Umbrella policy, is there coverage if he purchases a dune buggy for beach use only and doesn´t notify Margaret?

________Yes

________ No

Monica is asked to be on the board of directors of her sorority. If she is sued because of actions of the board would there be coverage under a Personal Umbrella purchased by Fred?

a. No, there is never coverage under a Personal Umbrella policy

b. It depends on the policy, some carriers provide the coverage and some do not

c. Yes, since Monica is an insured there is coverage

d. No, this is an exposure that should be covered by the sorority

Fred´s ex-wife buys a new mustang for Adelle. The divorce agreement states that Fred provides auto insurance for the children, so he notifies his insurance agent to add the vehicle to the personal auto policy. If he has a personal umbrella, must he also notify the personal umbrella carrier?

a. No, coverage applies automatically for 30 days

b. Yes, there is only coverage for the autos specifically listed

c. No, the umbrella does not require a listing of vehicles

d. Yes, this is an increase in hazard and the carrier must be notified

ANSWERS: PERSONAL AUTO

Fred owns a Lexus, Ford and a Saturn. Adelle has her Mustang and Monica owns a Honda. Fred has given Ginger keys to all of his cars because her car was totaled in a freak accident. Ginger is teaching her daughter, Corinthia, to drive in the Saturn.

Corinthia and Ginger are shopping. Ginger asks Corinthia to get the car from the parking lot and meet her at the shopping mall door to avoid carrying the heavy, bulky packages. Corinthia pulls in front of another car and is struck. **Is there coverage under Fred´s policy for the damage?**

a. No, since Corinthia doesn´t have a license, there is no coverage

b. No, because Corinthia is not a named insured under the policy

c. Yes, because Corinthia is driving Fred´s car with his permission

d. Yes, because the accident took place on private property

Ginger loves driving Fred´s Ford. She likes speed but doesn´t need any more tickets. The local racetrack has an amateur night, so she signs up. With Fred cheering her on, she finishes third but during the last turn she smashed the right-side panel. **Is there coverage for physical damage to the car?**

________ Yes ____ No

Ginger and Fred are planning a road trip to California, including Baja. They want to know if they need special automobile coverage for the trip.

a. Yes, because they will be traveling through states with no fault requirements

b. No, there are not territorial limitations in the policy

c. They will need a policy issued through a Mexican company for the Baja exposure

d. As long as Fred does the driving, there is coverage

Fred has just learned the cost of insuring Adelle´s new Mustang and is not happy. He asks Margaret if he should take the Mustang off his policy and purchase a policy just for Adelle but at minimum limits.

a. No, because he would lose coverage provided to households that have all vehicles under the same policy

b. Yes, since there is considerable savings involved

c. No, unless he is added as a named insured to the new policy

d. Yes because it would make Adelle more responsible

Ginger has agreed to be the official softball mother. This means she will transport any child home that is left behind following a game. **Will Fred´s policy cover her for this livery service?**

a. No, livery service is specifically excluded from the auto policy

b. No, because Ginger is not a named insured on the auto policy

c. Yes, because the transport is voluntary and not paid

d. Yes, provided an endorsement is added to the policy

ANSWERS: PERSONAL LINES WATERCRAFT

Fred owns a 28-foot pontoon boat that he uses around the lake. He also has a cabin cruiser boat that he keeps at a marina on the ocean. He is planning on purchasing a catamaran and two kayaks for Ginger and her children to use.

Which of the boats would be the most costly to insure?

a. The pontoon

b. The cabin cruiser

c. The catamaran

d. The kayak

Ginger enjoys having all of these boats but believes they should be used more often. She is thinking of renting them out to the individuals who travel through Fred´s property to the beach. **Would the Homeowners policy provide coverage for them if Ginger rents them out?**

________ Yes

_________No

Monica really enjoys water sports and is an accomplished sailor. **She is planning on renting a boat while she is on vacation and asks Margaret if there is any coverage under Fred´s Homeowners policy.**

a. Yes, subject to the terms of the contract signed

b. No, except for very low horsepower boats

c. Fred may have coverage but Monica won´t because she is not a named insured

d. Coverage will depend on the type of boat and the contract Monica must sign

Fred and Ginger would like to take the cabin cruiser to an island outside the territorial waters of the United States. **Fred has coverage for the boat under a separate watercraft policy; is there coverage under that policy?**

a. Yes, watercraft policies always provide worldwide coverage

b. No, watercraft policies purchased in the United States are restricted to United States exposures

c. Yes, if the watercraft was endorsed to include the expanded territory

d. Yes, provided the territory was not specifically excluded from coverage

Fred lays up all his boats from November 1- April 1 and has the policy endorsed to reflect that time period. **Is there liability coverage if he takes a kayak out on November 15?**

a. Yes, the policy will just need to endorsed, after the fact

b. No, liability coverage ceases during the lay-up period

c. Yes, the lay-up time period only applies to physical damage coverage

ANSWER: IN-HOME BUSINESS

Fred works for a large corporation full time. He has always done woodworking as a hobby but thanks to Ginger´s encouragement, he has started to sell some of his pieces. The trip to California will include stops at local craft shows to sell additional pieces. Right now Fred is operating the business as a sole proprietor but might start an LLC if the pieces are well received. Margaret encourages Fred to consider adding an in-home business endorsement to his Homeowners policy.

If Ginger is named as one of the members of the LLC, will Fred´s business be eligible for the in-home business endorsement.

________Yes

________ No

While Fred´s primary business will be making new pieces, he is also going to do some repairing. Since the repairing will mean having customer´s property on his premises, he wants to know if there is coverage under the endorsement for damage to the customer´s property while on his premises.

a. Yes, but he must schedule a limit for the coverage

b. No, there is no coverage for any property of others

c. Yes, it is covered subject to the personal property limit

Fred is going to be working elsewhere full-time so he will be hiring people to help him. How many employees can he hire before he must purchase a commercial policy?

a. 2

b. 3

c. 4

d. 5

Fred´s dwelling is 3,000 square feet. How much space can his business take before it becomes too large for the homeowner's endorsement?

a. 200 square feet

b. 500 square feet

c. 1,000 square feet

d. 1,500 square feet

Most in-home businesses need to purchase workers compensation coverage.

________True

________ False

Recommended Coverages

Homeowners 3-Special Form

The policy consists of six coverages.

Coverage A – Dwelling, Coverage B – Other Structures, Coverage C – Personal Property, and Coverage D – Loss of Use are property coverages. Coverages A, B and D are covered if losses are caused by any risk not excluded. Coverage C is covered only for those losses named in the broad causes of loss.

Coverage E – Personal Liability and Coverage F – Medical Payments to Other are liability coverages.

HO 04 41–Additional Insured (Residence Premises)

This endorsement extends a homeowners policy, without additional premium charge, to cover the interest of a non-occupant joint owner in the building and for premises liability. Only liability losses directly connected to the building are eligible for coverage. However, no coverage is provided for injury to an insured's employees (including residence employees and their replacements) who are hurt during the course of their employment duties.

The additional interest also receives advanced notice if the policy is to be canceled or not to be renewed.

HO 05 27–Additional Insured - Student Living Away from the Residence Premises

Most students living away from the premises are covered under the homeowners policy as insureds. If a student is older than 24 or does not meet other criteria in the policy, he or she can gain insured status with the attachment of this endorsement. The student's name must be scheduled along with a location address.

That student is an insured only if prior to school residency, he or she was either a relative or a member of the base policy insured's household.

HO 04 10–Additional Interests - Residence Premises

This simple form merely allows one or more parties who have an insurable interest in the insured home to be added to the homeowner policy. Besides identifying other additional interests, it also obligates the insurer to give the listed parties advance notice if and when the homeowner policy coverage is to be terminated.

HO 04 11–Additional Limits of Liability for Coverages A, B, C and D

Depending upon the insured agreeing to fully insure the covered buildings at the amount recommended (calculated) by the insurer, the covered property is protected at its full replacement cost. The policy will pay for replacement, even when the cost exceeds the limit shown on the policy.

Replacement cost is provided by amending the basic policy's Loss Settlement provision. This form refers to buildings in place of dwellings so that its intent to be applied beyond Coverage A is clarified. If a building is constructed at a different location, the insurer is only obligated to pay an amount no greater than if the rebuilding took place on the original insured location.

HO 04 51–Building Additions and Alterations

This endorsement can be used only with HO 00 04. It gives an insured the option to increase the coverage for building additions and alterations. An additional premium charge applies.

HO 04 49–Building Additions and Alterations (Other Residence)

This endorsement may be used to cover additions, alterations and improvements made at the insured's expense, to that part of a building that is rented to the insured as a residence. The location and limit of liability are specified on the form's schedule.

HO 04 91–Coverage B - Other Structures Away From the Residence Premises

This endorsement extends the policy's protection under Coverage B for other, related structures that are located away from the 'residence premises.' For example, it would provide coverage for a barn located on land that is owned by an insured but is separated from that insured's 'residence premises' by land owned by another party. There is no coverage for a building that houses any sort of business activity including storing business property.

HO 04 65–Coverage C - Increased Special Limits of Liability

This endorsement may be used to increase the special limits of liability provided under the homeowners forms for jewelry, watches and furs; money and securities; silverware, goldware and pewterware; guns and portable electronics. The increased limit of liability and the total limit of liability may be shown either on the endorsement or elsewhere for each class of property for which an insured wishes additional protection.

HO 04 54-Earthquake

This endorsement provides protection under Coverages A, B and C against losses caused by earthquake, including land shock waves or tremors which occur either before, during or after a volcanic eruption.

Coverage for masonry veneer may be included. The deductible can be 5%, 10%, 15%, 20% or 25%. The selected percentage is multiplied by the Coverage A and the Coverage C limit of liability to develop the dollar deductible amount. The higher of the dollar deductibles developed is used. The minimum deductible is $500. One or more shocks occurring within 72 hours are considered to be a single loss event.

HO 05 41–Extended Theft Coverage for Residence Premises Occasionally Rented to Others

There is no theft coverage for property in a room that is rented out to others in the base homeowners policy. This endorsement adds protection for those theft losses that take place in an insured home that an owner, every now and then, rents out to third parties. However, the loss must occur in the area of the residence that has been rented out.

No coverage applies when the loss involves various classes of property such as money and similar property, securities and similar property, and jewelry and similar property.

HO 06 14–Increased Amount of Insurance for Personal Property Located In a Self-Storage Facility

This form changes the limit for items in a self-storage facility from 10% of the Coverage C limit of $1,000, whichever is less to whatever limit is entered on the endorsement schedule. There are no other changes in the coverage.

HO 04 50–Increased Amount of Insurance for Personal Property at Other Residences

This endorsement is used to increase the basic limit of insurance under Coverage C–Personal Property that applies to personal property while located at another residence owned by an insured (normally 10% of Coverage C). The location of each such residence and the increased limit applicable to it are specified in the endorsement.

HO 04 46–Inflation Guard

This endorsement increases the limits of insurance for Coverages A, B, C and D on a pro rata basis subject to a selected annual percentage. The available percentages are 4, 6 or 8% per year and they are applied to the limit of insurance shown on the policy declarations. This form SHOULD NOT be used at the same time as the HO 04 11 or HO 04 20 endorsements because those endorsements provide different methods to increase limits.

HO 06 07–Limited Coverage for Theft of Personal Property Located In A Dwelling Under Construction

This form provides limited coverage for personal property (as well as building materials and supplies) that is stolen from a building that is being built. The coverage period begins at the starting date scheduled on the form. The coverage (under the form) ends when construction is completed and the building is occupied or on the ending date appearing on the form (whichever occurs first).

HO 04 77–Ordinance or Law Coverage Increased Amount of Coverage

This endorsement applies to Additional Coverage 11. under most forms but to building additions and alterations under HO 00 04 and Additional Coverage 10. under HO 00 06. It increases coverage for ordinance of law from 10% to whatever limit is entered in the schedule. Loss is settled on the basis of any ordinance or law regulating the construction, repair or demolition of a covered structure.

HO 04 58–Other Members of Your Household

This endorsement recognizes that persons may live in a household who are not related to the insured. This form permits a person who is neither a spouse, relative or legal minor of a named insured to be added (via schedule) as an insured when that person resides in the insured household. It is intended for a person who is a full-time resident rather than a guest, tenant, roomer, boarder or employee. Further, persons under the age of 21 who live with the scheduled party also attain status as insured household members.

One major provision is that the named insured must act as a representative for the person in any claims settlement.

HO 04 48–Other Structures on the Residence Premises (Increased Limits)

This endorsement provides an additional amount of insurance on a specific "other" structure located on the residence premises. Several structures may be identified in the endorsement, with a specific amount of insurance applicable to each as an additional limit of insurance.

HO 04 61–Scheduled Personal Property Endorsement

This endorsement may be attached to a homeowners policy to provide coverage for scheduled personal property on a special form basis. The coverage is subject to certain exceptions and to individual company guidelines.

This coverage becomes particularly important where expensive jewelry and furs are at risk because of the restricted theft coverage provided by the basic homeowners policies. The endorsement is also valuable for protecting camera equipment, musical instruments, silverware, golfing equipment, fine arts, collectible stamps, and rare and collectible coins. The HO 04 61 endorsement also has an option to cover breakage of art glass windows, glassware, statuary, marble, bric-a-brac, porcelains and similar fragile articles.

HO 04 60–Scheduled Personal Property Endorsement (With Agreed Value Loss

Settlement)

This form expands the coverage under a homeowners policy to apply to classes of personal property on a scheduled basis and on a special form (as opposed to named peril) basis. Specific coverage limits may be selected for up to nine classes of property (jewelry, furs, postage stamps, coins, cameras, musical instruments, silverware, golf equipment and fine arts) with an option of specific coverage for individual items.

Coverage applies on an agreed amount basis and is not subject to a deductible.

HO 04 40–Structures Rented to Others Endorsement

This endorsement provides coverage for structures other than the residence that are located on the described premises, rented or held for rental to others. Coverage applies only when such structures are used for residential purposes and are not occupied by more than two families or more than two roomers or boarders per family. Provision is made in the endorsement for as many as three structures held for rental. Each structure is insured with its own limit of insurance. The coverage applies only to structures which are either currently occupied by renters or are being held out for rental. Either all structures or just a portion of the structures may be rented out and the purpose of the rental MUST be for use as a residence.

HO 03 12–Windstorm or Hail Percentage Deductible

This form allows a special deductible to be applied to any loss to insured property that results from powerful winds or from hail. The form's deductible is a stated percentage of the limit of insurance that appears for Coverage A–Dwelling. It applies to any wind or hail loss that occurs under any Section I (property) coverage (Parts A, B, C or D).

HO 05 27–Additional Insured - Student Living Away from the Residence Premises

Most students living away from the premises are covered under the homeowners policy as insureds. If a student is older than 24 or does not meet other criteria in the policy, he or she can gain insured status with the attachment of this endorsement. The student's name must be scheduled along with a location address.

That student is an insured only if prior to school residency, he or she was either a relative or a member of the base policy insured's household.

HO 24 70–Additional Residence Rented to Others–1, 2, 3 Or 4 Families

This endorsement provides coverage for additional one or two, three or four family residence premises, rented to others and owned by the named insured or spouse. The endorsement extends the definition of insured premises contained in the policy to include the scheduled locations under Coverages E and F.

HO 04 58–Other Members of Your Household

This endorsement recognizes that persons may live in a household who are not related to the insured. This form permits a person who is neither a spouse, relative or legal minor of a named insured to be added (via schedule) as an insured when that person resides in the insured household. It is intended for a person who is a full-time resident rather than a guest, tenant, roomer, boarder or employee. Further, persons under the age of 21 who live with the scheduled party also attain status as insured household members.

One major provision is that the named insured must act as a representative for the person in any claims settlement.

HO 24 75–Watercraft

For an additional premium, this form expands Coverage E, Personal Liability and Coverage F, Medical Payments to Others to apply to "bodily injury" or "property damage" losses related to incidents of watercraft ownership. Therefore, there would be more protection for situations involving boat ownership, maintenance, use, operation, loading or unloading of watercraft described in the modified HO policy. Of course, coverage also depends upon the details of a given loss, such as the availability of other coverage.

Although the coverage is broader than what is available under an unendorsed HO policy, coverage is still restricted to the following classes:

- watercraft powered by an outboard engine or motor
- watercraft powered by a combination of outboard engines or motors of more than 25 total horsepower
- other watercraft, if with inboard or inboard-outdrive engine or motor power
- sailing vessel that is 26 or more feet in length

HO 07 01–Home Business Insurance Coverage

This endorsement is quite extensive, with the structure of a self-contained policy. It provides both property and liability coverage for losses related to a described business that is operated in the insured's residence or other structure, such as an unattached garage, that is located on the residence premises.

The endorsement consists of a schedule for describing the business, the limit of insurance, the form of business entity, space for providing any information on loss payees and for indicating the limit of insurance for the liability coverages. Specifically, the endorsement consists of:

- Schedule
- Definitions (it modifies and adds a total of 20 defined terms)
- Section I–Property Coverages
- Section II–Business Liability Coverage

This form includes an option to add a special limit of liability of $10,000 for property that is located away from the residence premises.

It adds coverage for Accounts Receivable, Valuable Papers and Records, Business Income, and Extra Expense.

The endorsement provides liability coverage to protect an insured against losses for which he or she is liable to others because of their described business operation. Specifically, liability coverage, on an aggregate limit basis, is provided for insurance for completed operations, certain other business liability and medical payments to others. However, this portion of the endorsement excludes losses arising out of:

professional services

advertising injury
to certain types of property

damage to insured's product or work

personal or advertising injury

damages to impaired property damages
employer's liability

pollution

product or work that is recalled

Liability

This coverage is provided in the personal auto policy if a limit of insurance is entered on the personal auto declarations page. It covers those insured under the policy when claims are made against them due to bodily injury or property damage related to the use of a vehicle.

Damage to Your Auto

The coverage is provided in the personal auto policy but only for the vehicles and for the coverage shown on the declarations. The two choices are collision and other than collision. Both, either or neither can be selected for each covered vehicle. The selection is made by entering, by vehicle, the applicable deductible for the coverage on the declarations.

Uninsured Motorist

If an insured is in an accident with an uninsured motorist, this coverage compensates the insured for damages he or she sustains due to bodily injury caused by the uninsured motorist. While the coverage is part of the basic policy, many states have endorsements that modify the coverage and may even include physical damage coverage. The minimum limits required vary by state.

Underinsured Motorist

If an insured is in an accident with a motorist carrying liability coverage limits, the uninsured motorist coverage is not available even if the limits carried are insufficient to cover the insured's injuries. Underinsured motorist coverage is available, even required in many states to provide coverage for an injured insured above the lower limit carried by an inadequately insured motorist.

Medical Payments

This coverage pays necessary medical and funeral expenses incurred by an insured suffering from accidental bodily injury. The insured must be occupying a vehicle at the time of the accident or be struck by a vehicle.

PP 03 19–Additional Insured - Lessor

This endorsement adds the insurable interest for a lessor onto a PAP that is insuring a leased automobile. Liability coverage may be added on either a single or split limit basis. Physical damage coverage is also available. If the policy is cancelled, the named lessor must receive notice.

PP 03 35–Auto Loan/Lease Coverage

This coverage should be discussed with every insured who finances or leases an auto. Traditional car loan/lease periods are lengthening from an average of 36 to 60 months and beyond. An auto's value may depreciate more quickly than the customer's loan balance. Thus, in a total loss, the insured may receive an actual cash value payment that is less than the loan amount. This gap can now be covered by endorsement PP 03 35. The coverage will not pay any excessive use payments for leased vehicles, or costs for warranties and other loan add-ons, or any late fees or overdue lease or loan payments.

PP 03 08–Coverage for Damage to Your Auto (Maximum Limit of Liability)

This endorsement amends Part D of a Personal Auto Policy in order to provide coverage to a described vehicle on a stated amount basis. The company's limit is the **least** of the stated amount shown, actual cash value or the repair or replacement cost; subject to the applicable deductible. The endorsement reminds the agent and customer that the stated amount represents the **maximum** amount that may be received as a result of a total loss. It does not represent a guaranteed amount.

PP 03 18–Excess Custom Equipment Coverage

This endorsement provides coverage for custom equipment that is excluded from Part D–Damage to Your Auto of the Personal Auto Policy. Coverage is available only on an actual cash value basis. The endorsement protects furnishings that are commonly installed in vans, SUVs, pickups and other vehicles such as thick carpeting and insulation, beds, bars, sinks, cabinets, water heaters and other items. External custom features which are eligible for coverage include hand paintings, decals and height-extending roofs. The same coverage and deductible extends from the covered vehicle.

PP 03 13–Excess Electronic Equipment Coverage

Coverage is provided for audio, visual and data electronic equipment media on a scheduled basis. When this coverage is purchased tapes, records, discs or other accompanying media are automatically covered for up to

$200. This form also covers permanently installed audio, video or data equipment in excess to the $1,000 coverage in the Personal Auto Policy. No deductible applies to a loss to any scheduled equipment or its media. Settlement is the lesser of the stated amount, the equipment's actual cash value, or the cost to repair or replace with like kind or quality.

PP 03 06–Extended Non-Owned Coverage - Vehicles Furnished or Available for Regular Use

This endorsement expands liability and medical payments coverage for a named individual by removing the exclusions that eliminate coverage for vehicles furnished for regular use. The endorsement does not provide coverage for any accident involving a vehicle owned by the named individual, owned by a member of the same household, or for any vehicle used as a temporary substitute for any owned vehicle.

This can be particularly useful when the named insured is furnished an automobile by his or her company, family members are permitted to use the vehicle and the family has no owned vehicles.

PP 13 05–Extended Non-Owned Coverage - Vehicles Furnished or Available for Use as Public or Livery Conveyances

This endorsement expands liability and medical payments coverage for a named individual by eliminating the exclusions that pertain to coverage for vehicles furnished for regular use. However, the exclusion is removed only if the non-owned vehicle is used as a public or livery conveyance.

PP 03 01–Federal Employees Using Autos in Government Business

This endorsement should be attached whenever a federal employee is an insured and uses his or her automobile on government business. It eliminates the federal government as an insured and also coverage for the insured that should be provided by the federal government.

PP 03 34–Joint Ownership

This form allows relatives (regardless of residency) or unrelated, resident individuals who jointly own private passenger vehicles to be insured as joint owners and thus be eligible for full coverage under the personal auto policy. Siblings who own a car, nontraditional households, roommates, separated spouses are all examples of situations where this endorsement is appropriate.

PP 03 26–Liability Coverage Exclusion Endorsement

Use of this endorsement amends the PAP so that no liability coverage is provided to an insured for injuries to the named insured or any defined family member.

PP 03 21–Limited Mexico Coverage

This endorsement extends all liability, medical payments, uninsured motorists, damage to your auto, and any no-fault coverage afforded to a covered person, to accidents occurring in Mexico within 25 miles of the United States border, while the covered person is on a trip of 10 days or less. The intent of this endorsement is to extend the coverage territory to the border towns of Mexico if there is an accident with another U.S. citizen.

In order for this endorsement to apply, liability insurance must have been purchased separately through a licensed Mexican insurance company, the suit must be brought in the United States, and/or the suit cannot involve a Mexican citizen or resident. The insurance provided by the endorsement is excess over the Mexican insurance policy and other collectible insurance. Coverage under Damage to Your Auto is made only for repairs performed in the United States.

PP 03 05–Loss Payable Clause

This form is used to attach any vehicle financial interests for the covered autos to the policy.

PP 03 23–Miscellaneous Type Vehicles

Using this endorsement, the insured can purchase liability, medical payments, uninsured motorist, collision and other than collision coverage for a wide variety of owned vehicles, including (but not limited to) motorcycles, motor scooters, golf carts, and motor homes. However, no coverage exists for non-owned vehicles except for temporary substitute vehicles. The endorsement transforms the PAP to provide the miscellaneous vehicle type protection by amending portions of the PAP definitions and exclusions.

PP 03 28–Miscellaneous Type Vehicle Amendment (Motor Homes)

This endorsement adds exclusions to coverage provided by a personal auto policy modified with the PP 03 23–Miscellaneous Type Vehicle endorsement. These exclusions are very specific to motor homes and deals with the rental of these vehicles.

PP 03 22–Named Non-Owner Coverage

This endorsement is attached to a Personal Auto Policy when the named insured does not own an auto and does not have one regularly furnished. (It is not to be confused with PP 03 06–Extended Non-Owned Coverage - Vehicles Furnished or Available for Regular Use, described above.) The endorsement provides liability, medical payments and uninsured motorists coverages for named individuals. If a named insured buys an auto, he or she is covered up to 14 days. Coverage terminates when the insured purchases insurance on the acquired auto during that time. This coverage is excess over other available insurance.

PP 03 02–Optional Limits Transportation Expenses Coverage

This form increases the amount of coverage for transportation expenses. The daily and the maximum limit available under Coverage Part D, Damage to Your Auto, Transportation Expenses are both increased. These increases apply to the covered auto scheduled on the endorsement and also to non-owned auto.

PP 03 03–Towing and Labor Costs

This endorsement pays up to the amount shown in its schedule or in the policy declarations for towing and labor costs when a covered auto is disabled. Covered labor costs are only those incurred at the point of disablement. In other words, no coverage is provided for work performed at a garage or any other location.

PP 03 07–Trailer/Camper Coverage (Maximum Limit of Liability)

This endorsement pays for loss to described trailer or camper body as well as to awnings, and cabanas or other equipment that are attached to a covered auto, and are designed to create additional living facilities. Up to three vehicles can be scheduled and can show whether an insured has selected collision or other than collision coverage.

The form specifically excludes loss to business or office equipment, sales samples or property used in exhibitions. It also excludes damage to clothing or luggage. Any loss payment is less any applicable deductible shown in the schedule or declarations. This endorsement should not be confused with PP 03 18–Excess Custom Equipment Coverage.

PP 13 02–Trip Interruption Coverage

This form provides coverage for certain additional expenses an insured has to pay because of the breakdown and subsequent loss of use of a covered auto. Coverage is capped at $600 per covered incident and the covered vehicle must be unavailable for more than 24 hours. Further, the loss has to take place at least 100 miles away from the insured's home. Covered expenses include the cost of hotels/motels and meals.

Aircraft Hull / Liability Policy

Aircraft hull and liability policies are written in specialty markets since aircraft coverage is specifically excluded under other lines of insurance.

Flood Insurance Policy

Flood is an excluded cause of loss under most personal lines property policies. This coverage gap can be filled by purchasing a National Flood Insurance Policy. The limits under the NFIP may not be sufficient for many homeowners so there are excess limits available from certain companies. Related Articles:

Personal Inland Marine Policy

This policy can be used to schedule personal property items that may be limited or difficult to cover properly under the Coverage C – Personal Property Coverage.

Personal Umbrella Policy

An umbrella serves two purposes. First, it provides excess liability limits over the scheduled underlying policies. Second, it fills some gaps in the underlying coverage. There is no standard umbrella policy. Therefore, coverage comparison is a must. Key areas of comparison are exclusions, deductible, whether a follow-form is offered over unusual underlying exposures, limits, and defense cost (in or out of the limits).

Watercraft (Yacht) Policy

Watercraft policies are available to coverage both boats and yachts. All watercraft policy cover both the liability and the hull damage coverage for owned and leased watercraft. The yacht policies eligibility is much larger and anticipates more extensive exposures.