

WATERCRAFT (YACHT) POLICY

BE A BETTER AGENT

**THE ULTIMATE
GUIDE
TO
INSURING
WATERCRAFT**



5 hours CE

Eddie K. Emmett

WATERCRAFT (YACHT) POLICY

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WATERCRAFT (YACHT) POLICY

"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.

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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.

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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:

WATERCRAFT (YACHT) POLICY

- 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).

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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.

WATERCRAFT (YACHT) POLICY

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.

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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.

WATERCRAFT (YACHT) POLICY

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.

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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

WATERCRAFT (YACHT) POLICY

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.

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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.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

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.)

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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.

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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-doo's, 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.

WATERCRAFT (YACHT) POLICY

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

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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

WATERCRAFT (YACHT) POLICY

- 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 Puddleup, 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.

WATERCRAFT (YACHT) POLICY

- 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.

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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:

WATERCRAFT (YACHT) POLICY

- 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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

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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.

WATERCRAFT (YACHT) POLICY

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.

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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

WATERCRAFT (YACHT) POLICY

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):

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) 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.

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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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

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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).

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

<p>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.</p>		
<p>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:</p>	<p>Watercraft Policy Payment: \$5,000</p>	<p>Other Source Payment: \$5,000</p>
<p>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:</p>	<p>Watercraft Policy Payment: \$4,000</p>	<p>Other Source Payment: \$6,000</p>
<p>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:</p>	<p>Watercraft Policy Payment: \$0</p>	<p>Other Source Payment: \$10,000</p>

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) 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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

- 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 Puddleup, 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.

WATERCRAFT (YACHT) POLICY

- 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.

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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:

WATERCRAFT (YACHT) POLICY

- 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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WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

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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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

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- 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.

WATERCRAFT (YACHT) POLICY

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.

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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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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 Shoreliner 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

WATERCRAFT (YACHT) POLICY

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.

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

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

WATERCRAFT (YACHT) POLICY

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:

WATERCRAFT (YACHT) POLICY

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:

WATERCRAFT (YACHT) POLICY

- 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.

WATERCRAFT (YACHT) POLICY

[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 and 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](#)

WATERCRAFT (YACHT) POLICY

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."

WATERCRAFT (YACHT) POLICY

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

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.		

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

[CLICK HERE TO TEST YOUR UNDERSTANDING OF THE PREVIOUS TOPICS](#)

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."

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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 ($\$10,000 \times .25$).

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 qualify 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.

WATERCRAFT (YACHT) 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.

WATERCRAFT (YACHT) POLICY

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

WATERCRAFT (YACHT) POLICY

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

WATERCRAFT (YACHT) POLICY

- 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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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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WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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 boatowner's 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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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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WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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."

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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 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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

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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)

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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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WATERCRAFT (YACHT) POLICY

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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](#)

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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 of 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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

- 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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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.

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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.

WATERCRAFT (YACHT) POLICY

- 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.

WATERCRAFT (YACHT) POLICY

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.

WATERCRAFT (YACHT) POLICY

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

WATERCRAFT (YACHT) POLICY

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.

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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.

WATERCRAFT (YACHT) POLICY

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

WATERCRAFT (YACHT) POLICY

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.

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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.

WATERCRAFT (YACHT) POLICY

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.

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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.

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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.

WATERCRAFT (YACHT) POLICY

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.

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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.

WATERCRAFT (YACHT) POLICY

All operators should be 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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