

Chapter 4 Inland Marine Floaters

Background

The basic homeowners' policy usually contains various limitations and exclusions on coverage. Therefore, persons who are owners of valuable personal property often need broader and more comprehensive coverage than is provided by the basic homeowners' policy. This broader and more comprehensive coverage may be obtained through the appropriate Inland Marine Insurance Policy.

The very first form of personal property insurance coverage was an Ocean Marine policy. The policy was written to provide financial protection for owners of ships in case their property or cargo was lost at sea.

Ocean marine policies insured the cargo from port to port. Later on, a clause was added to also insure cargo while it was being transported on land. As an end result, policy coverage extended from the original point of departure until their final destination point to include both ocean and inland transportation of those goods.

Eventually, a separate policy was developed that dealt only with the insuring of the goods while being transported on land, and the policy became known as an inland marine policy verses an ocean marine policy.

Inland Marine policies eventually began to provide a broad coverage for other property of a "floating" or moveable nature. Since these policies did not come under any state jurisdiction, they could be tailor made to the need of the insured.

Inland marine policies were offered on an "all risk basis" rather than a "named peril" basis as offered in most casualty policies.

Definition of Inland Marine Insurance

In 1933, the NAIC drafted a definition used in limiting the insuring power of marine underwriters that specified the risks and coverage which could be written as marine insurance. The definition was revised in 1933 and in 1976. In the 1976 version, due to legal concerns, the definition now simply defines and describes the risks and coverage that are subject to marine insurance. This definition has been adopted by many states as a form of identifying a marine policy.

Property that is transported from one place to another, goods in transit (the exception being over oceans), bridges, television broadcasting towers, tunnels, and other instrumentalities of transportation and communication would be covered under Inland Marine Insurance.

Various floater policies can also be used to cover personal effects and property. The floater policy will provide coverage to items that "float" or move along with the covered property while it is changing locations.

Inland Marine coverage was developed from ocean marine insurance in the 1920s. In the early years, the marine insurers covered transportation loss exposure. Fire and casualty insurers had difficulty in competing because the fire and casualty lines had to be written separately, and the rates they could charge were subject to state regulation.

The marine insurers, however, were able to write property and casualty lines under an "all-risks" contract and they were not bound by state regulation.

Inland Marine Floaters Characteristics

Inland Marine Floater Characteristics:

- Tailored Coverage
- Selection of Policy Limits
- Extensive Coverage to Perils Covered
- Worldwide Coverage

Tailored Coverage

A personal articles floater provides coverage for nine optional classes of personal property including these:

- Jewelry
- Coin Collections
- Cameras

This permits the insured to select coverage for the class or classes of property needed. It is also possible to write the coverage separately such as these:

- Jewelry Floater
- Fur Floater
- Coin Collection Floater
- Stamp Floater
- Camera Floater

Selection of Policy Limits

As you know the basic homeowners' policy has limitations on coverage of certain types of valuable property. The insured must look to a floater policy in order to get higher limits of coverage. Also, as a rule, when a basic homeowner's policy combines the value of certain types of personal property with the value of unscheduled personal property it is possible that the combined total may exceed the homeowners' policy limits on personal property. Here again, the floater policy can provide higher limits.

Extensive Coverage to Perils Covered

When a floater is written, it usually provides coverage on a "risks of direct physical loss" basis. The floater covers risk of direct physical loss to the property that is described except for certain losses that are commonly excluded. The commonly excluded losses will be discussed shortly.

Worldwide Coverage

The property described in most floaters will be covered anywhere in the world with the exception of FINE ARTS, which are usually covered only in the United States and Canada.

Policy Provisions of Floaters

The following policy provisions appear in most Inland Marine Floater policies:

- Loss Settlement
- Loss to a Pair, Set, or Parts
- Loss Clause
- Claim Against Others
- Insurance Not to Benefit Others
- Other Insurance

Loss Settlement

Except for fine arts, the amount that will be paid for a covered loss will be the LOWEST of the following four amounts:

- The actual cash value at the time of loss or damage
- The amount for which the insured could reasonably be expected to have the property

repaired to its condition prior to the loss

-The amount for which the insured could possibly be expected to replace the property with property substantially identical to the article lost or damaged

-The amount of insurance stated in the policy

The third exception above is going to require the following brief explanation.

The insurance company, at a discounted price, can purchase much of the property insured in a floater. Therefore, the insurance company may want to replace the lost or damaged item rather than make cash reimbursement. Should the insured reject the replacement offer, the insurance company's cash reimbursement will then be limited to the amount for which the insured could reasonably be expected to replace the item.

This amount is the insurance company's discounted price since the insured can be reasonably expected to replace the item at that price.

Loss to a Pair, Set or Parts

In the event that there is loss or damage to a covered property in a pair or set, such as the loss of one earring, the amount to be paid is not based on a total loss. The insurance company may either repair or replace any part to restore the pair or set to its value before the loss or pay the difference between the actual cash value of the property before and after the loss.

Lost Cause

Under this policy provision, the amount of insurance provided will not be reduced except for the total loss of the scheduled article. If the insurance is reduced because of a total loss of a scheduled article, the insurance company will either refund the unearned premium or apply the unearned premium to the current premium due if the scheduled article is replaced.

Claim against Others

This policy provision is very similar in nature to the subrogation clause. If a loss occurs and the insurance company believes they can recover the payment for that loss from the person or parties responsible, then the loss payment to the insured will be considered a loan that must be repaid out of any funds recovered from others. The insurance company will expect the insured to cooperate with any attempt the insurance company makes to recover from others responsible for that loss. Should the recovery attempt be unsuccessful, the insured will not be required to pay the "loan" on the loss settlement.

Insurance Not to Benefit Others

No organization or other person that may have custody of the property and who is paid for services can benefit from the insurance on the property. The purpose of this provision is to prevent a third party who caused the loss from denying liability for payment because the property is insured. Thus the insurance company's right of subrogation against the neglect party is retained.

Other Insurance

In the event that there is other insurance at the time of loss that applies to the property, that insurance is considered excess insurance over the other insurance.

Insuring Agreement

As a rule, Marine floaters provide coverage to property on an "all-risks" basis. Physical loss to covered property is provided except for the following exclusions:

- Wear and Tear
- Deterioration
- Inherent Vice

- Insects or Vermin
- Mechanical Breakdown or Failure
- Electrical Breakdown or Failure
- Repairing the Property
- Adjusting the Property
- Servicing the Property
- Maintaining the Property

General Exclusions

General exclusions that appear in all floater policies are war, nuclear reaction, and radiation.

Personal Articles Floater

Often referred to as PAF the Personal Articles Floater provides coverage on nine optional classes of personal property. As mentioned earlier, coverage is worldwide except for fine arts. These nine classes of personal property that can be insured are:

- Jewelry
- Furs
- Cameras
- Musical Instruments
- Silverware
- Golfer's Equipment
- Fine Arts
- Postage Stamps
- Rare Coins/Current Coins

Certain newly acquired property such as jewelry, furs, cameras, and musical instruments will be automatically covered for 30 days, providing that insurance was already written on that class of property.

The amount of insurance on newly acquired property is limited to the lower of 25 percent of the amount of insurance for that class of property or \$10,000. The property must be reported to the company within 30 days of purchase in order for the coverage to continue. You will be charged an additional premium for coverage from the date of acquisition.

Jewelry

Coverage on personal jewels applies anywhere in the world. Each item of jewelry must be scheduled with a specific amount of insurance shown for it. This includes watches, necklaces, and rings. Because of the moral hazard, jewelry will be very carefully underwritten. As a rule, the insurance company will require either the original bill of sale or a signed appraisal before the jewelry is insured. The insured must also have satisfactory resources, and the insurance company will want to know that the insured is not in the habit of losing or misplacing articles.

Furs

The Personal Articles Floater can be used to insure these items:

- Personal Furs
- Items Consisting Principally of Fur
- Garments Trimmed in Fur
- Fur Rugs
- Imitation Fur

Again, each item must be separately listed with a specific amount of insurance shown for it. As with jewelry, because of the moral hazard furs are very carefully underwritten.

Cameras

A Personal Articles Floater can also be used to insure the following items. Each of these items must be individually described and valued:

- Photographic Equipment
- Cameras
- Projection Machines
- Portable Sound Equipment
- Recording Equipment
- Motion Picture Cameras
- Motion Picture Projectors
- Films
- Binoculars and Telescopes

Exceptions to the rule regarding scheduling items would be these:

- Miscellaneous Smaller Items
- Carrying Cases
- Filters

.... providing the total value of the blanketed items is not more than 10% of the total amount of insurance on cameras.

Musical Instruments

The following items can be covered under a Personal Articles Floater:

- Musical Instruments
- Instrument Cases
- Sound Equipment
- Amplifier Equipment

Should a musical instrument be used and played for pay during the policy period, it will not be covered unless an endorsement is added reflecting this use and a much higher premium paid.

Silverware

Silverware and gold-ware may also be covered under a Personal Articles Floater. Pens, pencils, smoking implements and jewelry may not be insured as silverware. These kinds of property can be insured as jewelry.

Golfer's Equipment

Golf equipment such as golf clubs and golf clothes will be covered. Other golf equipment may be insured under a Personal Articles Floater.

Clothing contained in a locker is also covered while the insured is playing golf. Golf balls are covered only by fire and burglary, providing there are physical marks of forcible entry into the building, room or locker.

Fine Arts

Fine arts can include the following:

- Paintings
- Antique Furniture
- Rare Books
- Rare Glass
- Bric-a-brac

-Manuscripts

Fine arts are insured on a valued basis, and must therefore be on a schedule with the amount that was paid for that item clearly stated. Damages paid on an actual cash value basis up to the stated value. Newly acquired fine arts will be automatically insured for ninety days. The insured is required to notify the insurance carrier within ninety days of acquisition, and the additional premium due will accrue from date of acquisition. The limit on fine arts property is subjected to 25% of the total insurance.

Fine arts are subjected to these three major exclusions:

- Damage caused by repairing or retouching

- Breakage of art glass windows, glassware, statuary, marble, bric-a-brac, porcelains, and similar fragile articles. However, the exclusion does not apply if fire, lightning, explosion, aircraft, collision, windstorm, earthquake, flood, malicious damage or theft, and derailment or overturn of a conveyance causes the breakage

- Loss to property on exhibition at fairgrounds or at national or international expositions is excluded unless the premises are covered by the policy

Stamp and Coin Collections

These collections are insured for loss anywhere in the world. The stamps and coins may be insured in one of two ways: scheduled basis or blanket basis.

The scheduled basis is suggested if the items are extremely valuable. In this way, each item is specifically listed and insured.

Under the blanket basis, the insurance applies to the entire collection since each item is not separately described. In the event of a loss to a scheduled item, the amount to be paid is the LOWEST of the following:

- The amount for which the property would reasonably be expected to be repaired
- The amount for which the property would reasonably be expected to be replaced
- The amount of insurance

In the event of a loss to an item covered on a blanket basis, the amount paid will be the cash market value at the time of loss. There is a \$1,000.00 maximum on any unscheduled coin collection. There is a \$250.00 maximum limit on any of the following:

- Single Stamp or Single Coin
- Individual Article
- Single Pair
- Single Block or Single Series
- Single Sheet or Single Cover
- Single Frame or Single Card

The following limit is also applied to stamps or coins insured on a blanket basis. This limit has the effect of a 100% co-insurance clause.

It states that the company is not liable for a greater proportion of any loss than the amount of insurance that the blanket property bears to the cash market value at the time of loss. In other words, say the insured has an un-scheduled coin collection on a blanket basis valued at \$500.00. One coin worth \$50.00 is stolen. At the time of theft, the entire collection had a current market value of a \$1,000.00. The insured's maximum recovery is \$25.00. Had the insured purchased

\$1,000.00 worth of insurance, the \$50.00 loss would have been paid in full.

Exclusions

The following is a list of important exclusions that apply to damage to stamp and coin collections from the following:

- Fading
- Creasing
- Denting
- Scratching
- Tearing
- Thinning
- Transfer of Colors
- Inherent Defects
- Dampness
- Extremes of Temperature
- Depreciation
- Damaged from Being Handled
- Damage from Being Worked On
- Mysterious Disappearance

NOTE this exception: If the item is scheduled or specifically insured, or is mounted in a volume and the page to which it is attached is also lost under these conditions:

- Property lost in the custody of transportation companies
- Shipments by mail other than registered mail
- Theft from any unattended motor vehicle
- Losses to property not part of a stamp or coin collection

Personal Property Floater

This floater provides extensive coverage on personal property owned or used by the insured that is kept at the insured's residence. This rider will also provide worldwide coverage when this property is temporarily away from the residence. The property is issued on a special all-risk basis. This means all direct losses are covered except specifically excluded.

Scheduled Personal Property Floater

This floater is used to provide coverage for personal articles and valuable items that do not fall within the nine categories previously listed. Examples of such items are these:

- Dentures
- Typewriters
- Camping Equipment
- Wheelchairs
- Stereo Equipment
- Grandfather Clocks

This is not a complete list but it can be said that almost any kind of personal property may be insured under a scheduled personal property floater. Since coverage is provided on un-filed forms said coverage could be adapted to meet the needs of the individual insured.

Scheduled Personal Property

A question is often asked about when personal property should be scheduled. As a rule, people who own valuable personal property should have it scheduled and specifically insured under a floater policy. Diamond rings, fur coats and other jewelry of high value should be specifically scheduled. These following types of personal property should also be considered for scheduled

coverage:

- Unique Objects
- Works of Art
- Rare Antiques
- Paintings
- Stamp Collection
- Rare Coin Collection
- Portable Property
- Cameras
- Camera Equipment
- Musical Instruments
- Sports Equipment
- Fragile Articles
- Glassware
- Statuary
- Scientific Instruments
- Typewriters
- Home Computers
- Business or Professional Equipment

Since the basic homeowner provides coverage for personal or business property only to a maximum of \$2,500.00 on the resident premises and \$250.00 away from the resident premises it is suggested that the property be more adequately insured by scheduling the property with a stated amount of insurance shown for it.

Un-Scheduled Personal Property

A personal property floater may be used to insure the following thirteen classes of un-scheduled property:

- Silverware, Gold Ware, Pewter ware
- Clothing
- Rugs and Draperies
- Musical Instruments and Electronic Equipment
- Paintings and other Art Objects
- China and Glassware
- Major Appliances
- Guns and Other Sports Equipment
- Cameras and Photographic Equipment
- Building Additions and Alterations
- Bedding and Linens
- Furniture
- All other Personal Property and Professional Books While on the Residence

The total amount of insurance in each of the above categories is the maximum limit for recovery in any single loss in that category. The total amount of the thirteen categories is the total policy limit.

Newly Acquired Property

Any newly acquired property will automatically be covered up to the LOWER of 10% of the total amount of insurance or \$2,500.00.

Insurance on newly acquired property may be applied to any of the numbered classes. Newly acquired property at the principal residence of the insured will be covered for thirty days from the time the property is moved there. The coverage on the newly acquired property is subject to the

amount of the insurance for each numbered class.

Property Not Covered

Personal property floater will not cover the following personal property:

- Animals, Fish, Birds
- Boats, Aircraft
- Trailers, Campers
- Motorcycles, Motorized Bicycles
- Motor Vehicles Equipment, Motor Vehicles Furnishings
- Property Pertaining to a Business, Property Pertaining to a Professional
- Property Pertaining to an Occupation
- Property Usually Kept somewhere Other than the Insured's Residence Throughout the Year

Additionally, the personal property floater places specific limits on certain property.
For example:

- A \$100.00 limit on Money
- A \$100.00 limit on Numismatic Property
- A \$500.00 limit on Securities, Notes, Stamps, Passports, Tickets, Jewelry, Watches, and Furs

All Risks Coverage, Watercraft Coverage

Personal Property Floater Exclusions

The personal property floater also excludes certain losses such as the following:

- Animals owned or kept by the insured
- Mechanical or structural breakdown
- Water damage exclusion clause
- Any work on covered property except jewelry, watches, or furs
- Dampness/extreme changes of temperature except if caused by snow, rain, hail, or sleet
- Bursting of pipes
- Bursting of apparatus
- Acts or decisions of any person, group, organization or government body
- Wear and tear
- Deterioration
- Inherent vice
- Insects or vermin
- Marring or scratching of property
- Breakage of eyeglasses
- Glassware
- Fragile article
- Lightning
- Theft
- Vandalism
- Malicious mischief

Should personal property that is separately described and specifically insured by any other insurance have a loss, it will be excluded under a standard homeowner policy. Therefore, the amount of insurance under a floater policy should be sufficient to pay for losses in full to cover the property.

As a rule, unscheduled personal property under a homeowners' policy is insured on a replacement cost basis. Consequently, the advantages and risks of direct loss coverage under the PPF must be carefully weighed against the possibility of being underinsured.

Personal Effects Floater (PEF)

The PEF is designed for travelers who want coverage on their personal effects while traveling. The PEF will provide coverage on the personal property of tourists and travelers anywhere in the world. However, this will only be in effect while the covered property is away from the residence premises. This coverage will apply to the insured, his or her spouse, and any unmarried children who permanently reside with the insured.

Personal Effects Coverage

Property normally worn or carried by an individual comes under the heading of personal effects. Coverage for personal effects will include personal effects, luggage, clothes, cameras, and sports equipment while the insured is traveling or on vacation.

Property Excluded

The following property is excluded under PEF coverage:

- Automobiles, Motorcycles, Bicycles or Boats
- Accounts, Bills, Currency, Deeds, Evidence of Debts, or Letters of Credit
- Passports, Documents, Money, Notes, Securities or Tickets
- Transportation
- Household Furniture
- Household Animals
- Automobile Equipment
- Salesperson Samples or Merchandise for Sale or Exposition
- Physicians/Surgeons' Equipment
- Artificial Teeth
- Artificial Limbs
- Theatrical Property

All-Risks Coverage

Personal effects will not be covered on an all-risks basis. Risks of direct physical loss to a property are covered, except as follows:

Damage to personal effects from:

- Wear and tear
- Gradual deterioration
- Inherent vices
- Vermin
- Insects
- Damage while property is being worked on

Breakage of articles of a brittle nature unless caused by

- Fire
- Theft
- Accidents to a conveyance

Other Exclusions

In addition to the exclusions previously mentioned, the following exclusions also are present:

- Personal effects are not covered while on the named insured's residence premises
- Property in storage is not covered
- Personal effects in the custody of students while in school are not covered, except for loss by fire

Limitations on Certain Personal Effects

Jewelry, watches and furs are subject to a single article limit of 10% of the total amount of the insurance, with a maximum of \$100.00.

Insurance on Watercraft

Watercraft can range in size as follows:

- Rowboats
- Canoes
- Outboard motorboats
- Inboard motorboats
- Dinghies
- Sailboats
- Speedboats
- Houseboats
- Yachts

Hull and Trailer Loss Exposures

Watercraft as well as their equipment, trailers and furnishings may be exposed to a wide variety of theft and physical damage loss. Examples of a few are as follows:

- Two speedboats collide.
- A sailboat is overturned in heavy winds.
- A boat sinks in a severe storm.
- A sandbar strands a houseboat.
- An outboard motor falls into a lake.
- A boat trailer is stolen.
- An explosion seriously damages a boat.

Homeowners' Policy Physical Damage Coverage

Watercraft and trailers are covered under Section One of a homeowner's policy for physical damage and theft. However, this coverage is very limited. The major limitations on coverage are as follows:

Direct loss to:

- Watercraft
- Trailers
- Furnishings
- Equipment
- Outboard motors from windstorm or hail are covered ONLY if the property is inside a fully enclosed building

Theft of:

- Watercraft
- Trailers
- Furnishings
- Equipment

Outboard motors away from the resident premises are specifically excluded.
Watercraft and other boating property are covered only for a limited number of named perils.

Coverage on:

- Watercraft
- Trailers
- Furnishings
- Equipment
- Furnishings

...Is limited to a maximum of \$1,000.00.

Covered property is written on an actual cash value basis and may contain a deductible of

- \$25.00
- \$50.00
- \$100.00
- Or more

Covered Perils

The floater can be written on named perils of risks of direct loss basis. Most floaters currently are written on the risks of direct loss basis. The coverage does not include the liability for bodily injury, loss of life, or illness of individuals.

It is assumed that the insured has proper liability insurance under a homeowners' or liability policy to cover any third party bodily injury claims. The floater, however, may provide collision damage liability insurance that protects the insured from a claim for property damage from the owner of another boat, if the insured's boat happens to collide with another boat while it is afloat.

Exclusions

Outboard motor and boat insurance contracts do have exclusions. Some of the common exclusions are as follows:

- Business pursuits
- Use as a public conveyance for carrying passengers' compensation
- If the boat is rented to others
- Use as race boats or speed contests
- Repair or service

Also excluded are loss or damage from:

- Refinishing
- Renovating
- Repair.

The person who is repairing the boat would be responsible for any damage

General risks of direct loss exclusion

Coverage will not be provided for loss or damage from these:

- Wear and tear
- Gradual deterioration
- Vermin
- Marine life
- Rust
- Corrosion

- Inherent vices
- Latent defect
- Mechanical breakdown
- Freezing
- Extremes of temperature

Personal Auto Policy Personal Damage Coverage

An automobile policy is not designed for, nor does it cover, any physical damage to boats. The boat trailer, however, can be insured for physical damage loss under a personal auto policy. The trailer must be described fully in the declarations of the auto policy.

Liability Loss Exposures

When you own or operate a watercraft, you can be exposed to a wide variety of liability losses exposures such as the following:

- A water-skier is injured because of excessive speed
- A speedboat swamps another boat causing it to turn
- A boat runs into swimmers and seriously injures them
- A boat collides with a dock causing property damage
- Two boats collide injuring the occupants
- A child falls overboard and drowns and was not provided with a life preserver by the boat operator

Homeowners' Policy Liability Coverage

Section II of a homeowners' policy provides personal liability insurance, and it covers certain watercraft loss exposures providing the boat is under a specified size and length. Personal liability provides the insured with protection against bodily injury or property liability that arises out of the use or operation of certain owned watercraft. The liability protection can also apply on an excess basis for certain covered non-owned watercraft.

There are, however, several important categories of watercraft liability that the homeowners' policy excludes from coverage. They are the following:

- Owned watercraft regardless of size with inboard or inboard/outboard motor power
- Rented watercraft with an inboard or inboard/outboard motor power with more than 50 horsepower
- An owned or rented sailing vessel that is more than 26 feet in length
- Watercraft powered by one or more outboard motors with more than 25 horsepower if the motors were owned by the insured at the inception of the policy and not declared or reported. However, watercraft powered by outboard motors with more than 25 horsepower are covered if the motors were acquired prior to the policy period and providing the insured declared them at the time of policy inception or declared them within forty-five days of acquisition.

The above exclusions do not apply when the craft is in storage.

Outboard Motor and Boat Coverage

This type of insurance is designed for those who own motorboats and for those who have adequate personal liability coverage under their homeowner's policy, or under a comprehensive personal liability policy, but desire broader physical damage insurance on their boat. Inland Marine Floater can provide this protection. Although floaters are not standard, they do contain some common features.

Covered Property

The insured selects the property to be insured. The floater can be written to cover the following:

- Hull
- Motor or Motors
- Boat Equipment
- Boat Accessories
- Boat Carrier
- Boat Trailer

Watercraft Package Policies

Many insurance companies have developed special boat owner's policies that combine liability coverage, physical damage coverage, and medical payments coverage.

Boat owner's policies contain certain common characteristics, which are these:

Physical Damage Coverage

Currently most boat owner's policies are written on a direct and accidental loss basis. The insurance company agrees to pay for direct or accidental loss due to covered property under the physical damage insuring agreement. All losses are covered except those specifically excluded.

The physical damage covers the boat, equipment, accessories, motor, and trailer. In addition, if the boat collides with another boat, gets damaged from heavy winds, or is stolen, the loss is covered.

Liability Coverage

Liability insurance that covers the insured for bodily injury and property damage, liability from a neglect ownership or operation of the boat, is included in a boat owner's policy. Should the insured accidentally damage another boat or injure swimmers, for example, protection is provided under the liability coverage.

Medical Payments Coverage

This is similar to the medical payments found in an automobile insurance contract. Medical payments will be made for all medical expenses incurred within three years from the date of a watercraft accident that causes bodily injury to a covered person.

Under medical payments coverage, a covered person is defined as the insured, a family member, or any person while occupying the covered watercraft. Medical expenses will be paid for reasonable charges for the following:

- Medical
- Surgical
- X-ray
- Dental
- Ambulance
- Hospital
- Professional Nursing
- Prosthetic Devices
- Funeral Services

Other Coverages

The following may also be found in a boat owner's policy:

- Cost of removing a wrecked vessel

- Cost of removing a sunken vessel
- Life salvage

Exclusions

The following are commonly excluded in a boat owner's policy under physical damage coverage:

- Wear and Tear
- Inherent Vice
- Latent Defect
- Mechanical Breakdown
- War
- Nuclear Hazard
- Damage Caused by Repair (except fire)
- Damage Caused by Restoration Process (except fire)
- Carrying Persons for a Fee
- Carrying Property for a Fee
- Renting Covered Property
- Racing Covered Property (except sailboats)
- Speed Testing Covered Property (except sailboats)
- Infidelity of Persons to Whom Covered Property is Entrusted
- Portable Electronic Equipment
- Photographic Equipment
- Water sport's Equipment
- Fishing Gear
- Cameras
- Fuel
- Portable Radios
- Fishing Equipment

The following are commonly excluded from a boat owner's policy under medical expense coverage:

- Intentional Injury
- Intentional Damage
- Renting the Watercraft to Others
- Carrying Persons for a Fee
- Carrying Property for a Fee
- Using Watercraft in a Race (except sailboats)
- Using Watercraft in a Speed Test (except sailboats)
- Losses Covered under Worker's Compensation
- Losses by a Nuclear Energy Liability Policy
- Contractual Liability

Personal Yacht Coverage

This type of policy is for larger boats such as inboard motorboats and cabin cruisers. Personal Yacht insurance provides hull insurance, protection and indemnity insurance, optional coverage and warranties.

Hull Coverage

This protection refers to physical damage on the boat. This coverage also applies to sails, tackle, machinery, furniture, and the boat itself.

This insurance provides "all-risks" protection. For example, if the boat is damaged by heavy seas, collision, flood or sinking because of an insured peril, the loss is covered. A deductible of varying amounts will apply to all physical damage and losses.

Protection and Indemnity Insurance

This coverage provides the boat owner with coverage for bodily injury and property injury on an indemnity basis. If, for example, the boat were to smash into a marina and injures several persons, the loss to the dock, as well as any bodily injury, would be covered under P&I.

Optional Coverages

You may add several options to your personal yacht policy, such as medical payments coverage, liability of the insured to maritime workers injured in the course of employment, boat trailer insurance, land transportation insurance and water-skiing clause.

Warranties

Several warranties and promises are provided with yacht insurance. Should a warranty be violated higher premiums may be required. The major warranties on yacht insurance are as follows:

- Seaworthiness warranty
- The insured warrants that the vehicle is in seaworthy condition
- Lay-up warranty
- The insured warrants the vehicle will not be in operation during certain periods, such as winter months
- Navigational limits
- The vessel will be used only in territorial waters described in declarations
- Private pleasure warranty
- The insured warrants the vessel will not be hired or chartered

Uninsured Boaters' Coverage

As is the case with automobile insurance where you can purchase uninsured motorist protection, boat packages also include an option for uninsured boat coverage. The company agrees to pay damages that a covered person is legally entitled to recover from an insured boat owner or operator due to bodily injury sustained by a covered person in a boating accident.

Exclusions

The uninsured boater's coverage has several exclusions. Bodily injury from the following are excluded:

- While occupying or struck by any watercraft owned by the insured or family member that is not insured under the policy
- If the bodily injury claim is settled without the insurance company's consent
- While operating a covered watercraft which is carrying persons or property for a fee
- While occupying a covered watercraft being rented to others
- Using a watercraft without a reasonable belief that the person is entitled to do so
- Occupying a watercraft without the reasonable belief that the person is entitled to do so

In the event there should be a disagreement as to whether a covered person is legally entitled to recover damages from the uninsured boat owner or operator, or on the amount of damages, the coverage has an arbitration provision, which states, "Each party selects an arbitrator. The two arbitrators then select a third arbitrator. They have thirty days to agree. If they go beyond thirty days, a judge in a court of law appoints the arbitrator."