

Chapter 5 Property – 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 injure 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."