

Boats

Getting to Know the Boat Insurance Market

By Shawn McGee

After a period of decline, the recreational use of “toys” such as boats, campers and all-terrain vehicles (ATVs) is again on the rise, presenting an opportunity for agents and brokers who want to provide additional insurance products to their existing customers and grow their business.

However, agents who are not well-versed in recreational products risk underinsuring the unit. For instance, many boats end up insured as an add-on to a homeowners policy. This level of coverage is adequate for some, but others need a separate policy to fully protect their investment.

By learning the recreational products market, agents can offer the specialized coverage that their boat-owning customers deserve and that more fully protects them if they ever have a claim.

Depreciation Issues

A decade ago, a combination of market demand and easy financing caused boat sales, and boat values, to rise. Then, when gas prices skyrocketed and the economy tanked, many people were forced to give up their boats. With tons of used boats on the market, “accelerated depreciation”—the cash value or book value on boats—has dropped much faster than normal.

Boat owners who purchased a ves-

sel in the last few years may think their boat is worth just a little bit less than what they bought it for. But, due to accelerated depreciation, the boat’s current value is likely significantly less than the original purchase price. And if a client owns an older boat, one that’s seven or more years old, there are substantial depreciation issues. If they have a loss and their policy doesn’t provide the proper coverages for the hull and mechanical parts, they could be in for a rude awakening.

Preventing a Claims Surprise

Boat owners are often shocked at their lack of coverage. Agents who understand what questions to ask can offer a policy that accurately covers the boat, the mechanical parts, and the fishing equipment and accessories.

Boats are commonly tacked onto homeowners policies, or are written on a separate policy that’s based on the actual cash value of the boat. Either option may not fully protect the owner.

Homeowners policies vary in the amount of coverage they provide for a boat. However, the Institute for Insurance Information reports that many homeowners policies provide about \$1,000, or about 10 percent of the home’s property value, of coverage for a boat. This is not nearly enough coverage for many boats. A typical homeowners policy also won’t provide liability coverage for boating accidents.

If a boat is insured on a standalone policy for its actual cash value (ACV), and there is a loss, the owner would typically receive a payment that takes current market values into account. With the current issue of accelerated depreciation, that can lower a claims payment dramatically.

If an agent determines that a customer needs more coverage than can be provided by these two options, the agent can offer a boat policy that provides either a waiver of depreciation, or

agreed value coverage. Then, in the event of a total loss, the client is more likely to receive a claim payment that isn’t hit hard by depreciation. To protect the client against partial losses, an agent can offer a policy that provides full replacement of parts coverage. These coverages take the guesswork out of market fluctuations and help ensure proper coverage.

Agents should also ask boat owners how much fishing equipment they have and what the value is of each item. A lot of bass boat owners will carry thousands of dollars in fishing gear, including fishing rods and reels, tackle boxes and lures, as well as expensive electronics such as depth finders, GPS units, fish finders and radar units. Some yacht owners will have tens of thousands of dollars invested in satellite dishes or TV screens. This personal property is often overlooked when a boat policy is written. A small amount of personal property is typically covered on a basic policy, but the amount can be quite low—around \$1,000—clearly insufficient for a boat owner with lots of personal property.

This is where educated specialty agents come into play. They ask the right questions and know the carriers and the markets that will provide the coverage their customers need for their personal property.

One more question agents always should ask is how much the client’s boat trailer is worth. Trailers are very often underinsured. Custom-built trailers can easily cost as much as \$5,000-\$10,000. On many policies, trailers are listed separately with a separate coverage amount. If this amount isn’t enough to replace the trailer, the boat owner isn’t adequately covered.

An agent who takes the time to properly insure one boat may end up insuring every boat on the dock; the connection among anglers and boat owners is very strong, so word about a good agent will spread. ■

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