



Making Smart Insurance Decisions for your Trailerable Boats

By Sarah Davidson, Gowrie Group: One-Design Insurance Program Manager

Disaster stories about trailering small sailboats abound. Even the best race-coach has been known to drop an Opti on the highway. One sailor arrived at a regatta and realized the boat he was trailering had mysteriously fallen off somewhere on I-95, never to be found. People think boat insurance is just to protect against losses on the water, but with small boats that are moved around on trailers and on top of cars, accidents happen just as much on land. You need to be sure to have the “right insurance” in place.

Key Characteristics to Look For:

1. **Coverage for overland transit** which is critical when trailering your boat
2. **A marine insurance policy** that does not exclude racing
3. **Agreed value coverage** on your boat so that you are not subject to depreciation
4. **Third-party liability coverage** of at least \$300,000
5. **Umbrella insurance** that extends liability coverage over your home, autos, and boats

#1. Coverage for Overland Transit (Trailering).

Scenario: You pack up your boat trailer, load on all the gear, and head off to a regatta 1,000 miles from home. While passing a car on the highway, your trailer swerves and damages a car.

The damage to the other car will be covered by your auto policy, because liability follows the ‘at fault’ person’s auto policy. Be sure you have adequate limits of liability on your auto policy. Physical damage to the trailer would be covered only if it was specifically added to either the boat policy or the auto policy. Some boat policies limit transit coverage (trailering) to 100 or 500 miles from your home, other policies include the continental US. If you are trailering make sure your boat policy’s geographic limits match where you are traveling.

#2. Marine Insurance Policy vs. Standard Homeowner’s Policy*.

Scenario: You have entered a race and the NOR requires you to show proof of third party liability insurance. You request this from your homeowner agent and you are told your policy does not cover racing.

While a homeowner’s policy includes some coverage for boats under 26 feet, this coverage is minimal and often capped at \$1,000. Many homeowners’ policies exclude coverage when racing and most do not cover common activities such as chartering, lending, and multiple owners. Boat insurance policies can provide specific protection for these activities at higher limits. (*Represents a typical policy, however all homeowners policies are different.)

#3, Agreed Value Coverage.

Scenario: A micro-burst hits your club and your 1994 keelboat, bought in 2004 for \$20,000, is a total loss.

The type of insurance policy you have will determine the amount you will be paid. A boat insurance policy pays for damage to your boat on either an Agreed Value basis or an Actual Cash Value basis (ACV) basis.

Payout Differences by Policy Type, using the “1994 Keelboat Scenario”

	TOTAL LOSS Payout	PARTIAL LOSS Payout
Agreed Value Policy: Covers the stated value of the boat and equipment with no depreciation	You will be paid \$20,000, which is the stated value on your policy. There is no deductible on a total loss.	You will be paid for repairing your boat with new materials, and there will be no deduction for depreciation.
Actual Cash Value Policy: Covers replacement cost, less a deduction for depreciation	You will be paid market value for your boat at the time of the loss, which is based on its age and condition. In this case it would not be anywhere near \$20,000.	You will be paid for repairing your boat, but will have a deduction for depreciation (based on age and condition).

#4. Third Party Liability Insurance.

Scenario: You are racing a high performance boat. You have a collision, damage a boat, and seriously injure one of their crew.

You are liable not only for the damage to their boat, but also for the crew’s injury – both of these come under your Third Party Liability coverage. In today’s litigious society, having proper limits of third party liability insurance is paramount in protecting you, your family, and your assets from disastrous lawsuits. At a minimum you need \$300,000 in Third Party Liability; depending on your financial situation, it may be smart to consider \$1,000,000, or more.

#5. Umbrella Insurance.

Scenario: The damage to the other boat and their crew results in a \$500,000 lawsuit.

An umbrella policy is a separate policy you add to your insurance portfolio which provides you with an additional layer of liability coverage in addition to the limits provided under your homeowners, boat, and auto liability policies. Key to an umbrella policy is making sure the upper limit of the liability on your boat policy dovetails with the underlying limit on your umbrella policy. An example helps explain this. Imagine you have a \$1,000,000 umbrella policy with an underlying limit of \$300,000. If you are sued in the accident for \$500,000, your boat’s policy will respond first:

- a) If your boat policy has a \$100,000 liability limit and you did not have an umbrella policy, you personally would have to pay \$400,000.
- b) If your boat policy has a \$100,000 liability limit, and your umbrella has an underlying limit of \$300,000, you personally would have to pay \$200,000.
- c) If your boat policy has a \$300,000 liability limit, and your umbrella has an underlying limit of \$300,000, you would not personally have to pay anything.

Be sure your umbrella policy goes over your boats, not just over your home and cars. Many well meaning sailors have found out the hard way that the umbrella policy they bought from their homeowner’s agent did not apply to liability arising out of use of their boat.

Sailors require appropriate insurance protection both on and off the water. Working with a knowledgeable insurance agent that can address all your insurance needs – home, auto, umbrella, boat – is economically prudent and a smart approach to avoid devastating gaps in coverage. Don’t wait until you have a loss or catastrophic weather event to find out if your insurance is good enough, because it might not be.

Author: Sarah Davidson is the Program Manager of the widely successful One-Design Insurance Program. She has provided over 6,000 insurance policies since the program started in 2003; and the program includes more than 135 different One Design Classes. This insurance program is endorsed by US Sailing and is offered by Gowrie Group. Gowrie Group is the nations leading marine insurance agency and top expert in home, auto, and umbrella insurance. Contact Sarah anytime for insurance advice or a complete review: sarahd@gowrie.com, p: 860.399.3627, www.gowrie.com