



Boat Insurance FAQs

As of June 8, 2023

Q. Do I need insurance on my boat or personal watercraft?

A. In Maryland, there is no law, regulation or other rule that requires you to purchase insurance for your boat or personal watercraft. It is a good idea to purchase an insurance policy to protect you and your investment because although it won't prevent a problem from occurring, it will help you recover financially in the event that your boat or personal watercraft is damaged by a covered cause of loss or in the event that a claim is made against you for damages to another person or another's property arising out of your operation of the watercraft. Keep in mind that if you have borrowed money for the purchase of the watercraft, the lender may require that you purchase an insurance policy to protect its interest in the property.

Q. What do boat insurance policies cover?

A. These policies tend to provide broad coverage for vessels, their equipment, and the trailers used for towing them. Many boat owners' insurance policies provide coverage for the physical loss to the property (watercraft, motors, equipment and trailers) unless the cause of loss is specifically excluded by the language of the policy. There also will be coverage for personal liability and medical payments to others. The liability section of the policy provides coverage to the insured (you) or resident relatives in the household when they are legally responsible for causing bodily injury and/or property damage to others while operating the watercraft. The medical payments coverage in the policy provides for payment of reasonable and necessary medical expenses for any person, other than the insured and the insured's household relatives, who have been injured accidentally.

Q. What are the different types of boat insurance?

A. There are several basic types of boat insurance — agreed value, actual cash value (ACV) and replacement cost value (RCV). How depreciation is handled is what sets them apart. An agreed value policy covers the boat based on its value when the policy was written. While it can cost more up front, there is no

depreciation for a total loss of the boat (some partial losses may be depreciated). ACV policies cost less up front, but factor in depreciation. In other words, the policy will only pay up to the actual cash value of the boat at the time it is declared a total or partial loss. Other policies may provide RCV. This means that if the boat or personal watercraft is destroyed as a result of a covered cause of loss, you will be paid an amount to replace the boat or watercraft with a like kind and quality boat or watercraft.

Q. What types of policies and coverage are available?

A. The type of coverage or policy available will depend in large part on the type of watercraft you own. Coverage generally is obtained via a homeowners policy, a watercraft endorsement to a homeowners policy, or under a separate boat owner's policy. Speak with your insurance agent or broker to determine what type of coverage will best suit your needs.

Q. What is the difference between boat insurance obtained through a homeowners policy and boat insurance obtained under a separate boat owner's policy?

A. A homeowners insurance policy may provide some coverage for smaller vessels. However, if coverage is provided, it may be very limited. Some insurance companies sell watercraft endorsements that are added to your homeowners insurance policy. In addition, many insurance companies sell separate boat owner's insurance policies. These policies tend to provide broader coverage for vessels, their equipment, and the trailers used for towing them. No matter which policy you decide to go with, you should read your contract to learn what types of damages are covered, and which are excluded under the specific terms of your policy, as well as review your specific policy with your agent to ensure that all the equipment you need to be protected is covered by your insurance policy.

Q. Is there any way I can lower the cost of my insurance?

A. There are a few ways to reduce your boat insurance costs. For example, if your boating is restricted by seasons and your boat is in storage during the winter, you can get deductions for winter layup. Many insurers offer discounts for good driving records and for anyone who has completed boater education classes. Finally, it usually costs less to be insured in fresh water versus salt, so be sure to discuss where you will be using your boat with your agent. You may earn extra savings by bundling your coverage with the same company that insures your home and/or car.

Q. I live in an area where I can't use my boat in the winter, but my lender requires it to be insured year-round. What can I do?

A. Ask your insurance agent if they offer what is commonly referred to as a "lay-up" discount. You have year-round coverage with a discount for the months your boat is in dry storage.

Q. Where can I find information on boating rules, regulations, and safety?

A. Many agencies and organizations provide boater safety information, navigational rules and regulations. Some of those include:

- The United States Coast Guard (www.uscgboating.org). Click the tab “Safety” then Boating Safety Courses.”
- Maryland Department of Natural Resources (www.dnr.maryland.gov). Click the tab “Boating” then “Boating Safety.”

Q. Is anyone I let drive my boat covered?

A. The general answer is “yes.” Anyone you give permission to use the boat will be covered. If the boat insurance policy has a Named Operator endorsement, only operators listed can operate the boat.

Q. What are navigation limits?

A. Most boat insurance policies have a navigational territory. This means you must stay within the navigational territory to remain covered. You can travel outside the navigational territory if you obtain an endorsement providing permission from the insurance company.

Q. How far offshore can I take my vessel?

A. Most navigation guidelines will be stated in your declarations page or in the policy itself. Since every company has different guidelines, it is important to read your policy and understand its limits on coastal and international waters, nautical miles versus regular miles, etc.

Q. Will my lack of boating experience affect my policy?

A. Boating experience is one of the many factors used for rating purposes and may impact the amount of your premiums.

Q. Does boat insurance cover engine damage?

A. Boat insurance will sometimes cover engine damage. This varies from company to company as well as by policy. Some insurance companies have “machinery damage exclusions” while others do not; it often depends on the age of the motor.

Q. Does boat insurance cover a blown engine?

A. Many policies will cover a blown engine when the cause is a manufacturer’s defect, but not if it is due to normal wear and tear. Check with the insurance company that is issuing your policy to be sure what your policy will cover.