



Hitting the Water

by **Curt Pearsall, CPCU, AIAF, CPIA**

President – Pearsall Associates, Inc. and Consultant to the Utica National E&O Program

Now that summer is near, there is a good chance that your agency will have some clients getting out on the water for some fun and relaxation. Unfortunately, as we all know and hear about, problems do occur with the various watercraft exposures.

Let's take the scenario of a client coming into your office with a type of watercraft that would be eligible for coverage under an endorsement in the Homeowners (HO) policy. Is that the only option you provide the client?

While the main coverage may fit within the HO policy, there are various watercraft exposures that have some significant potential to generate claims where the HO endorsement would not provide the proper coverage. Let's look at a few of those.

- Based on the type of watercraft, there is a potential that the watercraft could be pulling people that are waterskiing or tubing. If one of those individuals gets hurt and needs medical attention he or she will look to your client's policy for coverage since your client was driving the boat. Is the Med Pay coverage under the HO policy available? In most HO policies, it is not.
- Your client is refueling their boat and an accident occurs resulting in gas being spilled into the water. Is there coverage under the HO policy for this "pollution" exposure? No, there may not be.
- The watercraft is involved in an accident causing damage to the boat resulting in the boat needing to be towed to shore. Most HO policies do not provide coverage for this exposure and wreckage removal is not covered by most HO policies.

In addition, the valuation options under a HO policy are more limited, typically only providing coverage on an actual cash value (ACV) basis. Some may contend that they also provide coverage (often at an additional premium) on a stated value basis. Is stated value much better than ACV? The following is what is stated value for a total loss: "In the event of a total loss we will pay the stated value or the actual cash value, whichever is less." This essentially allows the carrier to adjust the loss on an ACV basis. To get the protection desired, the better approach is to secure coverage on an agreed value basis. While this is superior to stated value, this level of coverage is typically not available when the watercraft is endorsed onto an HO policy.

To secure more appropriate coverage, a best practice is to provide your client with a proposal on a stand-alone Watercraft policy. The premium will likely be higher but that is because the coverage is specifically designed to address watercraft risks.

As noted by the following scenario, this still does not guarantee that the proper coverage will be in place at the time of a loss.

This claim arose from the allegation that the agency failed to mirror coverage when moving from one carrier to another carrier. When moving coverage for the client's boat, the Physical Damage/Hull coverage was left off and only Liability was in place. The declarations page stated the value of the boat, but it was not clear if there was actually Physical Damage coverage as requested by the client. After the boat sank due to a storm and a claim was submitted, the claim was denied as the policy did not contain Physical Damage coverage. The total coverage sought was for the stated value of the boat or \$18,000. An E&O claim was filed against the agency alleging the agency failed to secure the requested coverage and/or mirror the coverage the client had on the other policy.

The summer season should be all about fun and enjoyment. For some clients without the proper coverage, at the time of a loss, it could be all about pain and heartache. When dealing with your clients on their watercraft exposure, provide them with options to consider. Not only will this allow your client to make an educated decision, it will also serve as an element of protection should an uninsured problem develop. Oh, by the way, you may also just sell more insurance!

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