

# Consumer Counselor

## Insurance Information for Michigan Consumers

### Boat Insurance

If you own a boat, you should consider talking to a licensed insurance agent to ensure your boat is fully protected.

Your homeowners insurance policy may only provide limited coverage for a boat when used in specified waterways. Additionally, if you file a claim for your boat, it may affect your homeowners insurance premium. Purchasing a separate boat insurance policy can alleviate the risk to your homeowners policy.

#### Boat Insurance Policies

Purchasing a separate boat insurance policy will provide tailored protection for your boat. Boat insurance policies are typically obtained to cover smaller watercraft (26 feet long or less), and yacht policies are provided to cover larger, more expensive watercrafts. There are two basic parts of a boat insurance policy:

- Physical damage protection – covers accidental loss or damage to the boat hull, motor(s), and any other equipment used to operate the boat.
- Liability (Property and Indemnity) coverage – covers legal obligations to third parties such as bodily injury, death, and damage to someone else's property.

#### Types of Physical Damage Coverage

In the event of a loss to your boat, the amount of money you receive from the insurance company may depend on the type of policy you buy and the age and condition of the boat.

Depreciation is the decrease in value of an object over time due to wear and tear, and

some types of insurance policies factor this into your settlement. The types of loss/settlement options include:

- Agreed Value Policy – this type of policy covers the boat based on its value when the policy is written. This policy tends to be more costly, but depreciation is not included in the settlement of the claim.
- Actual Cash Value Policy – this type of policy is less costly but takes depreciation into account in the event of a claim.
- Replacement Cost Policy – provides coverage to return your boat to its pre-accident condition or better.

#### Optional Coverages

- In addition to ensuring physical damage and liability protection for your boat, check with a licensed agent to see what optional coverages are offered by insurance companies.

#### Boating in Michigan

We live in a state where boats cannot be used year-round. It is important to understand any storage requirements on your policy. You may be required to store it inside, and freezing, ice damage, and damage caused by certain vermin may not be covered.

There may also be navigation limits on where you are allowed to take your boat. If you plan to use your boat on the Great Lakes, read your policy and consult with your agent to ensure your policy will cover it.



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### Short Rate Refunds

Since your boat will only be used during certain months of the years, some insurers may charge a higher percentage of the annual premium during those months. This is done to discourage boat owners from canceling their insurance in the offseason. If you cancel your policy when storing it for the winter, you may not get the refund you expect.

### Be Prepared in Case of a Claim

When you start a new policy on your boat, it is important to take pictures to document the condition of your boat. You may also want to consider having an inspection, so you have a written report of the boat's condition. This may help prevent issues in the event a claim is filed for physical damage.

### About DIFS

The mission of the Michigan Department of Insurance and Financial Services (DIFS) is to ensure access to safe and secure insurance and financial services fundamental for the opportunity, security and success of Michigan residents, while fostering economic growth and sustainability in both industries. In addition, the Department provides consumer protection, outreach, and financial literacy and education services to Michigan citizens. For more information please contact DIFS at 877-999-6442 or visit [www.michigan.gov/DIFS](http://www.michigan.gov/DIFS).

