

Location:

BOATS AND BOATING; INSURANCE;

**OLR RESEARCH REPORT**

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BOATERS LIABILITY INSURANCE

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You asked if Connecticut law requires a boat owner to maintain boaters liability insurance; if not, if other states require such insurance; and if they do, what coverage type and amounts are required.

SUMMARY

Connecticut law does not require a boat owner to purchase or maintain liability insurance. According to our computer search, no state requires a person to have insurance in order to own, register, or operate a boat. However, if a person has used the boat as collateral for a loan, the bank holding the loan likely requires the person to have insurance that includes the bank as a payee in case of loss. Marinas may also require a person to maintain boat insurance as a prerequisite to storing the boat at that location.

The absence of a liability insurance requirement for boat owners may suggest that the legislature has not been persuaded that the frequency and severity of uncompensated boat-related personal injuries or property damage is of such a magnitude as to impose an insurance requirement. In the absence of an insurance requirement, boat owners are liable under common law negligence principles for injuries and damage they cause.

BOATERS LIABILITY INSURANCE***Connecticut***

Connecticut law does not require a boat owner to purchase or maintain liability insurance. Our computer search indicates that since 1987 there was one proposed bill to require boaters liability insurance. House Bill 5014 (1995) would have required every owner of watercraft registered in Connecticut to maintain a minimum level of liability insurance coverage, but the proposed bill did not specify the minimum level. The bill, proposed by Representative Lockton (149th district), was referred to the Insurance and Real Estate Committee but was not raised for consideration at a public hearing. Thus, no legislative history or public hearing testimony is available.

According to Ms. Debra Korta of the Connecticut Insurance Department, “watercraft liability is not mandatory but some boats, depending on their size and horsepower, may automatically be covered by some homeowner policies. There are also a lot of companies that offer [watercraft liability] coverage in Connecticut.”

Typical Coverage

Boaters liability insurance appears readily available in the marketplace, based on an Internet search. Typical coverage liability limits offered include \$100,000, \$300,000, \$500,000. Premium depends on many factors, including the amount of coverage wanted; the boat's location, use, size, age, condition, and power type; and the owner's experience operating a boat.

A boat policy can cover damage to another boat or dock and bodily injury or death to another person due to negligent operation or ownership of a boat. A policy typically covers damage caused by an accident or a collision, sinking, malicious mischief, and vandalism. Most policies cover physical damage to the hull, sails, machinery, furnishings, on-board equipment, and external damage to a boat trailer. Insurance may also be purchased to cover damage to personal property and injury caused by an uninsured boater.

Agreed Value and Actual Cash Value

A boat insurance policy can pay claims based on two different valuation methods: agreed amount value and actual cash value. The method used helps determine the benefit level for the coverage and the policy's cost. The main difference between the two methods is the use of the boat's replacement value for a loss, as in the case of an agreed value policy, versus a depreciated value in that case of an actual cash value policy.

Agreed Value. An agreed value policy generally has a higher premium cost than an actual cash value policy. It sets an indemnity amount that is stated in the policy as agreed upon between the insured and the insurance company. For example, an indemnity policy of \$100,000 agreed value pays \$100,000 for the total loss incurred by the boater.

An agreed value policy covers a partial loss at the current replacement value of the loss or damage that occurs. The current replacement value tends to be higher than the original value of the item resulting in a higher benefit level. For example, the theft of a four-year-old GPS navigation system from a boat covered under an agreed value policy results in a benefit for the replacement cost of a comparable new GPS navigational system.

Actual Cash Value Policy. With an actual cash value policy, the premium cost is less because the policy pays the actual value, minus depreciation, of a loss. This benefit may result in having the boat owner pay out-of-pocket to make up any difference between current replacement cost and the amount the policy paid out.

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