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Life on the water begins here

How Much Insurance?

Top boating dangers? Fraud and theft

Having your own boat stolen, or being sold one that's been ripped off are two of the biggest dangers to boat owners. Here's how to chart a path around these and other obstacles for smoother sailing.

By Bankrate.com

A pleasure boat often is described as "a hole in the water you pour money into" - a basic truth regarding maintenance and repair that can become much worse if you don't keep your investment safe. With boating season now in full swing, it's a good time to use your best financial and common sense to make sure other perils don't make that hole a bottomless pit.

Boats are vulnerable to a number of hazards, such as fire, natural disaster and accidents.

But those dangers are minor compared to theft.

According to the National Insurance Crime Bureau, almost 775 watercraft are stolen each month in the United States. Florida, California, Michigan and New York are the top four in both accidents and thefts. Other sources put the number as high as 27,000 per year when counting those on trailers and in storage yards. And it's not the high-ticket crafts that the thieves set their sights on. In fact, says Frank Scafidi, spokesman for the National Insurance Crime Bureau, most stolen boats are less than 20 feet in length.

"People should look after their watercraft as they would their car," says Scafidi. But often that's easier said than done. Many people spend a boatload of money on a boat, then park it where they don't see it for days, weeks or even months on end. Get Online Insurance Quotes

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While it may be impossible to keep your boat totally free of danger, you can minimize the risks by taking precautions when buying and maintaining a boat.

Get what you pay for

First, make sure you're not buying a stolen boat. Since states have their own boating agencies and keep track of their own boat data, it can be difficult to track a stolen boat that has crossed state lines. However, there are some red flags you can watch for.

Any boat that was either manufactured in the U.S. or imported into the U.S.

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since 1972 must have a unique Hull Identification Number, or HIN, permanently affixed to it. Similar to a Vehicle Identification Number, this 12-digit number serves to identify the craft by its manufacturer's identification code, the boat's serial number, the date the boat was certified and its model year. Even if you build your own boat, you'll have to get a HIN from your state boating agency.

Unfortunately, there's no national database of HINs, making it nearly impossible to track previous owners through the number alone. You should, however, make sure the boat's number matches the number on the registration. And if the HIN on the boat looks like it has been altered, or any digits are partially or totally obscured, stay away.

Before buying a boat, ask to see as much paperwork as possible from the current owner, including registration certificates and repair invoices. You want to see a history of ownership. If a seller has only had a boat for a couple of months, there's cause for concern. Also give the state titling agency a call to check to see if the HIN and registration number match the seller's name and address. If the seller doesn't have the title or ownership papers, don't buy the boat. Even though all states require boats to be registered before being operated, some states, such as Alabama, don't require titling before registration, which makes it easier for thieves to get around the title issue.

Protect your investment Once you get your boat, you should consider insuring it. While few, if any, states require boats to be insured -- unlike automobiles -- it's a good idea if you have anything more than a minimal investment in it. However, if you have a loan with the boat as collateral, the lender normally will require you to keep the boat insured.

If you have a small sailboat, you might be able to get limited coverage for property damage under your homeowner's policy, but usually the protection extends only to the boat itself and does not cover fishing or diving gear, or services such as towing and fuel-spill cleanups. And if you want liability coverage, or you have a powerboat that is worth a great deal of money, you'll need a separate boat insurance policy.

The cost of insuring your boat can run the gamut, as it takes into account such factors as the boat owner's experience, the type of boat being insured, its value, where it's stored, where it's used and how it's used. For example, insurance is likely to be higher if you live in Florida than if you live on the Great Lakes since the boating season is longer in Florida and the risk of hurricanes and theft is greater.

You can get boat insurance from most general insurance companies, but it's a good idea to "talk to an experienced marine insurance agent -- someone experienced with boats, not just homes and autos," says Bill Glass, director of marketing for the National Boat Owners Association. You should also consider dealing with an independent agent who can offer you insurance options, rather than someone who sells insurance for just one company.

One of the most important decisions is choosing to pay extra for covering the agreed value or one that pays cash value. If your boat is destroyed and you have agreed value, the insurance company will pay you that amount. However, if you have cash value, the insurance company will only pay the boat's current estimated value, so the amount of money you're entitled to will decrease as the boat depreciates. An agreed-value policy costs more, but the extra money will be worth it, should you want to replace your boat.

Similar in many ways to auto insurance, boat policies usually include: Medical payments coverage if you or a passenger is injured.

Liability protection if you're at fault and you or someone else is injured in a boating accident, or if you accidentally collide with someone else's boat.

Physical damage or loss regardless of who is at fault in such instances as a collision with another boat or object, a damaging storm or theft. This type of protection might also cover you for emergency repair services, towing and damage to boating equipment, radios or sports equipment. Other physical-damage provisions can cover damage while on the road or parked in a storage yard or your own yard. To protect yourself if you're in an accident caused by someone who does not have boat insurance, you can also purchase uninsured-boater coverage, which will pick up whatever that person's insurance coverage would have paid for. Fuel-spill liability coverage will pay costs associated with fuel spills that unintentionally lead to bodily injury or property damage.

As with other types of insurance, boat insurance makes use of deductibles. The higher the deductible you take, the lower your insurance premium will be. Typical boat-policy deductibles, according to the Insurance Information Institute, are \$250 for property damage, \$500 for theft and \$1,000 for medical payments. Discounts are often available for taking a boat-safety course, upgrading safety items on board or insuring a new boat.

Keeping it safe

Once it's insured, safeguard your boat by following these theft-prevention tips: Be extra careful where you store the boat. "Check out the storage place, talk to the other owners that are there and look at the facilities compared to other facilities in the area," says Glass. Your best bet is a locked garage, secured boat storage yard or a well-lighted, fenced area. Most stolen boats are on trailers and are swiped from driveways, streets and motel parking lots.

Use a trailer-hitch lock if it's stored on a trailer.

Chain and lock outboard motors to the boat.

Disable the ignition system with a kill switch or by removing plug wires or distributor cap on an inboard.

Use a specially designed boat alarm system.

Lock it up, and remove keys when not in use. Other things you can do to protect your boat: Secure it with a locked, steel cable and always lock its cabins, doors and windows when you're not using it. Also, get an alarm system, and use it when you're not on board. And when you know you're not going to use the boat for a long period of time, you can also shut off fuel lines or remove the battery to deter thieves.

A boat can provide hours of pleasure and can be one of the most enjoyable investments you can make. By taking a few precautions, you can enjoy that investment with as little long-term impact on your wallet as possible.

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