FINANCE AND INSURANCE

BY LISA GLADSTONE

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Boat Insurance: Deal Maker or Deal Breaker

Buying a boat should be fun, easy, and exciting. Anything you can do to create that type of experience will lead to sales. Many “not-so-fun” things come into play when a customer buys a boat—financing, insurance, documentation, etc. If your customer can wrap up all of these details through your dealership, the purchasing process is greatly simplified. While your professional F&I manager or F&I outsource company is taking care of your customer’s financing, why not take care of the customer’s insurance too?

Boat insurance—coverage on the boat itself—is not considered part of traditional F&I handled by your dealership. The “insurance” half of dealership F&I refers to the sale of credit life and disability insurance. However, boat insurance—also known as hull insurance—can become an issue for closing deals. What if the customer’s insurance company is unable to provide the type of coverage required by the lender? What if the insurance company quotes a rate that is too high making the boat unaffordable? What if the insurance company is aligned with a lending institution that could steal your financing on the deal? Or even worse—what if the insurance agent directs your customer to another dealership that does regular business with the agency? Your F&I department or F&I outsource company needs to build relationships with the proper insurance carriers so that boat insurance becomes a deal maker for your dealership—not a deal breaker.

Your F&I professional should work with an insurance provider that specializes in boat insurance and refer all of your customers to this agency. An insurance company that is not aligned with your dealership throws an outside element into your sale, and as we remind dealers over and over again—outside influences take away your control of sales and cost you customers.

Insurance companies that specialize in boat insurance will assure that rates are competitive and that your customers receive sound coverage. A provider of general insurance coverage could quote rates that are too high for your customers, and suddenly they can’t afford to buy a boat. According to Ron Keller of Veritas Insurance Group in St. Petersburg, Florida, “Companies such as State Farm, Allstate, Liberty Mutual, and Nationwide can be all over the board when it comes to their pricing. They don't concentrate on boats, so they provide boat insurance more as a convenience or value-added service to their existing customers who have home owner or car insurance policies. They are not educated on the intricacies of marine products, and consequently, these companies don't do a good job of underwriting and pricing specific models. They maintain basic lists of ineligible makes and models and of horse power to weight/length ratios, but beyond that, pricing is anyone's guess.”

It is important to protect your customers and make sure their insurance companies write agreed value policies. Most general insurance providers insure boats for “actual cash value” as opposed to “agreed value.” An actual cash value (ACV) policy pays damages based on the depreciated value of the boat—typically 10% - 15% and even higher for yachts and PWCs. If a customer insures a $30,000 boat with an ACV policy, and a year later the customer totals the boat, the insurance company will pay the customer only $25,500 (less any deductibles) for the claim.

Companies that specialize in marine insurance will provide the customer with a policy of agreed value which will pay, upon total loss, an amount agreed upon by both the customer and the insurance company when the policy is bound. In this case the customer and the insurance provider have agreed that the $30,000 policy will pay $30,000 (minus any deductible) if the boat is completely destroyed. General insurance providers may offer what they call "agreed value" policies, but these policies often include fine print that will force the customer to jump through hoops to bind the policy. To obtain the broadest coverage available—the most protection for your customer—a marine insurance specialist is the best choice.

Keller adds, "Many general insurance providers also have financing divisions, so they have ulterior motives when they talk to your customers about boat insurance. State Farm and Allstate already offer financing, and Nationwide appears to be headed down that road."

If you allow your customer to find his or her own boat insurance, and your customer goes to State Farm or Allstate, you could lose your financing to them. That would cost your dealership F&I profit and control of your sale. What if the State Farm or Allstate lending division directed your customer to another dealership that provides them with regular business?

Keller sums it up this way, "The bottom line is that all of these companies have their hands in the cookie jar in one form or another when it comes to your customers' money. When you allow an outside entity to provide a crucial part of your deal, you want to make sure that entity has your (the dealer's) best interest in mind."

The moral of this story is that a specialist beats a generalist in nearly every situation, so building a strong relationship with an insurance company like Veritas has become critical for F&I professionals. Make sure your F&I department or F&I outsource company has aligned itself with a boat insurance specialist that provides affordable, sound coverage for your customers and works to support your sales. Refer all of your customers to that company—even if the customer claims to have his or her own insurance. By doing this you will create another avenue for controlling your sales and assuring that you deliver the boat. You will also make the buying process easier for your customers by providing them with one-stop-shopping. It's a win-win situation for all involved.

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