

Chapter 5 Specialized Coverages

Specialized Coverages

Marine insurance is a broad term including ocean and inland marine insurance. The Nationwide Marine Insurance Definition, published by the National Association of Insurance Commissioners, includes imports, exports, domestic shipments, means of communications, and personal and commercial property floaters as marine insurance.

Ocean Marine

Ocean marine insurance covers ships or hulls, goods or cargo, earnings (such as freight, passage money, commissions, or profit) and liability (known as protection and indemnity). The vessel owner, or any party interested in or responsible for insurable property by reason of maritime perils, may purchase this insurance.

Protection and Indemnity Insurance

Protection and indemnity insurance (P&I) is a broad form of marine liability insurance that covers the operator of a ship for such things as liability to crew members and other individuals on board the vessel, and for damage to fixed objects, such as docks, resulting from the insured's negligence.

Inland Marine Insurance

Inland marine insurance is for coverage of property that involves an element of transportation. The property must be actually in transit, held by a bailee, at a fixed location that is an instrument of transportation, or be a movable type of goods that is often at different locations.

Bumbershoot Liability

Bumbershoot coverage is a particular form of umbrella liability designed for accounts where the principal exposure is marine and involves the operation of vessels and use of docks.

The Bumbershoot covers protection and indemnity, general coverage, collision, salvage charges, sue and labor, all other legal and contractual liability including employers liability, liability under admiralty laws or the Longshoremen's Act, automobile liability, and those hazards usually associated with general liability insurance. Insured's net retention of at least \$100,000 is usually required.

Charter Boats

Standard protection and indemnity forms issued in conjunction with Hull insurance policies on vessels exclude coverage on the use of a boat for hire or charter. Under certain circumstances, a P & I form, broader in coverage than a standard general liability contract, is issued to an owner or operator of such a vessel used for carrying passengers for sightseeing, fishing, transportation, entertainment or marine observations on a fee basis.

Coverage for liability also may be arranged on an OL&T liability form with rates set in the specialty market at a surcharged rate. Vessels under 40 feet in length are rated at 50% of those over 40 feet. Coverage usually is subject to a deductible. Liability exposure is of more concern to underwriters than loss or damage to the hull.

Restaurant and serving of alcoholic beverages are also principal hazards on larger vessels.

Ship Charterer Legal Liability

This insurance is designed to protect a vessel chartered against liability incurred for loss of, or damage to, the vessel hired under the charter party. Liability is ordinarily limited to damage caused in loading or unloading or failure to provide a safe berth. Policies may be written on an open basis with a flat premium charged for each voyage, or each voyage may be placed separately.

Ship Repairer Legal Liability

Ship repairer legal liability protects an individual ship repairer, marina or boat yard operator for legal liability to the vessel's owner for damage to the vessel being repaired. This "care, custody or control" coverage provides only property damage liability and may be extended to include insured's legal liability for damage to other property caused by a collision (or otherwise), while the vessel is being repaired or tested.

There are times when situations call for specialized coverage...the type of coverage that can only be realized with an Inland Marine policy.

Some of the types of coverages that can be found in Inland Marine policies are these:

Builders' Risk

Builders' Risk policies cover buildings or structures during the construction, renovation or repair process. While coverage is often tailored to meet the needs of each customer, the vast majority of policies also cover building materials destined to become a permanent part of the building or structure. This property is covered while in transit, at temporary storage locations and while stored at the job site.

Builders' Risk policies are an important insurance product within the construction industry because the vast majority of banks require evidence of Builders' Risk insurance prior to closing on a construction loan.

In addition, two of the most frequently used construction contracts (the Association of General Contractors and the American Institute of Architects Contract for Construction) contain specific provisions outlining requirements for Builders' Risk insurance.

Even putting these requirements aside, few if any companies can afford to invest in construction without insurance protection.

Any business entity with a financial interest in property under construction, renovation or repair needs Builders' Risk insurance. Typical policyholders include:

- Real Estate Developers
- Building Owners
- Home Builders
- General Contractors
- Municipalities
- Colleges and Universities
- Street and Road Contractors
- Excavation Contractors
- Port Facilities
- Warehouse Operators

Computerized Business Equipment

Computerized Business Equipment policies can cover all types of automated equipment capable of accepting and processing data. While we typically think of computers as the primary subject of this coverage, automated manufacturing equipment, computerized medical equipment, flight simulators and any number of other specialized equipment can be eligible for coverage.

Coverage may also include the software and data used by this equipment as well as business income and extra expense exposures that may arise for a loss to such equipment or data. Coverage typically applies on premises, while in transit and while temporarily away from covered locations. Laptops and portable computers are covered worldwide.

Technology represents a significant investment to many businesses. Computerized Business Equipment coverage is important to any business entity that relies on technology in their daily operations. The greater the dependence on technology, the more important it becomes to purchase specialized coverage on such a critical aspect of consumers operations.

Contractors Equipment

Contractor's Equipment Coverage can cover scheduled, leased and miscellaneous property of the contractor. In addition, coverage is extended to include any similar property of others for which he is liable. Coverage extensions can include these:

- Additionally Acquired Equipment for up to a policy limit on the equipment, which the insured buys, leases, rents or borrows for defined period of days.
- Rental Expense Reimbursement, which pays up to a defined limit in expenses – rent – if covered equipment is damaged in a covered loss.
- Installation Floater coverage extends to property intended for installation while at job site, at any other location, or in transit.
- Valuable Papers coverage provides for such items as blueprints and other documents of value to the contractor.
- Contractors Equipment is owned or leased to perform a specific function. Use of the equipment is directly related to generating revenue, fulfilling a contract or providing maintenance. Without working equipment, or the means to replace equipment as soon as possible, a contractor's obligations cannot be fulfilled.
- Contractors Equipment policy helps owners expedite the repair or replacement of damaged or stolen equipment. In addition, because of the high cost of the equipment, many banks and lending institutions require insurance on the equipment.

Any business entity with a financial interest in construction or other heavy equipment needs Contractors Equipment insurance. Typical policyholders include the following:

- Real Estate Developers
- Building Owners
- Home Builders
- General Contractors
- Municipalities

Fine Arts

Coverage for works of art at a permanent location, in transit and while loaned to others. Agreed Value Fine Arts coverage ensures that collections are treated properly with a form that addresses the specific collection needs, with availability of breakage coverage, special pairs and sets coverage, and flood and earthquake coverage.

For significant corporate collections, or for artwork and collectibles in commercial settings, Insurers offer comprehensive coverage for a broad spectrum of paintings, sculpture, prints and multiples, as well as more specialized collections of historical, cultural or technological significance.

Who Needs Fine Arts Coverage?

Corporations and commercial accounts may have valuable works of art not specially covered as Fine Arts under standard package policies, and Marine coverage fits the bill.

Installation Coverage

Installation policies insure building materials and components, machinery, and specialized equipment while being installed in a building or structure, or erected or fabricated at a specific location. Typical types of property include heating, ventilating, air conditioning and electrical systems; and wallboard, tile, carpeting and other interior finish material.

More specialized installations include wastewater treatment facilities and controls, pipelines, electrical, telephone and cable television lines, and radio and cellular telephone towers.

Coverage is typically effective from the time the customer's financial interest in the property begins until their interest ceases, including while the property is in transit, at temporary storage locations and while stored at the job site.

The vast majority of Installation policies are written for subcontractors (trade subcontractors in particular). Any business entity having a financial interest in property being installed, erected or fabricated may have a need for Installation coverage.

Typical policyholders include these:

- Specialty Contractors
- Government Authorities and Municipalities
- Utilities (Water, Gas, Telephone, Electrical)
- Manufacturers, Wholesalers, and Retailers of Machinery, Equipment and Materials, Who also Install what they Sell

Marine underwriting specialists have written all types of installation projects - from low hazard residential electrical systems and tenant finish-out, to helicopter assisted tower installations, to the delicate relocation of erosion threatened lighthouse.

Standard programs offer coverage against risks of direct physical loss or damage (subject to certain policy exclusions), or coverage tailored to a specific, complex project.

Manufacturers

Manufacturers' Output Policy (MOP) includes coverage for the personal property of a business at specific, as well as unnamed locations, including while in transit.

Personal property coverage includes such items as machinery, equipment, furniture, fixtures and stock, improvements, and includes any other similar property of others for which an insured is liable.

Coverage Extensions include: Accounts Receivable and Valuable Papers coverages, and Fire Protection System Recharge Expenses.

Motor Truck Cargo Legal Liability

Motor Truck Cargo policies insure common and contract carriers for loss or damage to cargo in their care, custody or control.

Coverage is provided on a legal liability basis as determined by the contract of carriage between the motor carrier and the shipper (Bill of Lading or other specially negotiated contract). Generally, a carrier is liable for the safe delivery of the property entrusted to them, not only while on their vehicles, but also while temporarily at terminals awaiting shipment.

An insurer's Motor Truck Cargo Legal Liability policy is designed to cover that liability on behalf of the carrier.

Anyone who carries the property of others in return for a tariff should have Motor Truck Cargo Liability including:

- Common Carriers
- Contract Carriers
- Non-trucking risks whom backhaul property of others on their own truck

Museums

Some Marine policies offer coverage developed specifically to insure museum-quality objects.

The policy insures museum owned property at scheduled locations, on exhibition or on loan to other organizations. The policies also offer coverages for property in transit and the property of others for which the policyholder is legally liable. Coverage is available for art, history, natural history, science and technology and sports museums.

Some insurers also offer coverage for specialized institutions such as aviation and automobile museums.

In the United States, there are more than 12,000 museums eligible for this coverage. The market is expected to expand as the number of specialty museums and local historical societies continues to grow. Many of these smaller museums have no coverage for their collections because they perceive that one-of-a-kind objects are invaluable and therefore uninsurable.

Although an exact replacement is not available, insurance can offer curators the opportunity to supplement the remaining collection with artifacts of the same genre to keep and preserve the mission of the museum. Insurers such as Travelers, and others, provide coverage for these types of unique situations. Whatever the risk, from local special interest museums to large national museums, companies such as Travelers provide Insurance coverage for the art world's special insurance needs.

Scheduled Property

Scheduled Property coverage is designed to cover property that is unique or unusual or is not typically covered under any other marine or property coverage. Coverage is available to protect against risks of direct physical loss or damage (subject to certain inland marine exclusions).

Any commercial property owner with property that travels from location to location or needs coverage for other than real property or contents is a candidate for Scheduled Property.

Scheduled Property is for any business entity that wants insurance protection for unique property ranging from structures outdoors to movable property.

Some of the unusual types of risks eligible for this coverage include:

- Circus rides
- Locomotives and rail cars
- Voting machines
- Transit systems
- Water storage tanks
- Antique and race cars
- Ski lifts

Program can be tailored to the specific property. Scheduled Property is completely flexible in coverage scope. Coverage applies to property wherever it is located - at a specific location, in transit or at a temporary location. Valuation options of all types are available, including agreed

amount, actual cash value or replacement cost. Coverage is tailored to the specific types of property.

Transportation

Transportation insurance typically covers shippers' interest in their property while in transit by public motor carrier, contract carrier, railroad, air carrier, or while on their own vehicles. The coverage form is often extended to provide insurance for loss to property while it is being loaded and unloaded.

A Transportation policy pays up to the limit of insurance, regardless of the extent of the carrier's legal liability or the carrier's ability to meet their financial obligations. In today's fast paced world, insureds don't have time to spend collecting reimbursement from a carrier in the event of a loss. Some Transportation policies also pay for certain losses, even when the carrier may not be liable, such as Acts of God (flood, earth movement, etc.). And if the insured ships F.O.B. and cannot collect the invoice amount from the consignee because of loss or damage during the shipment, the policy will cover the insured's interest in the lost or damaged property.

Any business that deals in a product, such as manufacturers, wholesalers, retailers and distributors, need coverage for incoming and outgoing shipments:

Wholesalers and Retailers

Accounts Receivable Coverage covers the cost of re-establishing records of Accounts Receivable, as well as the actual loss caused by damage.

Camera and Musical Instrument Dealers Coverage protects merchandise while at the premises of the insured, in transit, or away in custody of employees. Coverage is also provided for the property of others while in the insured's custody.

Equipment Dealers Coverage allows coverage for dealers' property, such as mobile, agricultural and construction equipment and related accessories.

Fine Art Dealers Coverage provides for dealers' stock and the property of others, which could consist of sculpture, paintings, drawings, lithographs and other types of fine prints, antiques or collectibles.

Floor Plan Coverage Form protects merchandise for sale that has been financed. This Inland Marine form covers the single interest of the dealer or the lending institution or covers their dual interest.

Furriers Block protects a furrier's stock – consisting mainly of furs, fur garments, garments trimmed with fur and fur accessories.

Jewelers Block covers merchandise while at the premises of the insured, in transit, away in custody of employees, and elsewhere.

Transportation Coverage Form covers property shipped via common carrier or owned vehicles.