

Chapter 4 Property – Inland Marine Floaters

Background

The basic homeowners' policy usually contains various limitations and exclusions on coverage. Therefore, persons who are owners of valuable personal property often need broader and more comprehensive coverage than is provided by the basic homeowners' policy. This broader and more comprehensive coverage may be obtained through the appropriate Inland Marine Insurance Policy.

The very first form of personal property insurance coverage was an Ocean Marine policy. The policy was written to provide financial protection for owners of ships in case their property or cargo was lost at sea.

Ocean marine policies insured the cargo from port to port. Later on, a clause was added to also insure cargo while it was being transported on land. As an end result, policy coverage extended from the original point of departure until their final destination point to include both ocean and inland transportation of those goods.

Eventually, a separate policy was developed that dealt only with the insuring of the goods while being transported on land, and the policy became known as an inland marine policy verses an ocean marine policy.

Inland Marine policies eventually began to provide a broad coverage for other property of a "floating" or moveable nature. Since these policies did not come under any state jurisdiction, they could be tailor made to the need of the insured.

Inland marine policies were offered on an "all risk basis" rather than a "named peril" basis as offered in most casualty policies.

Definition of Inland Marine Insurance

In 1933, the NAIC drafted a definition used in limiting the insuring power of marine underwriters that specified the risks and coverage which could be written as marine insurance. The definition was revised in 1933 and in 1976. In the 1976 version, due to legal concerns, the definition now simply defines and describes the risks and coverage that are subject to marine insurance. This definition has been adopted by many states as a form of identifying a marine policy.

Property that is transported from one place to another, goods in transit (the exception being over oceans), bridges, television broadcasting towers, tunnels, and other instrumentalities of transportation and communication would be covered under Inland Marine Insurance.

Various floater policies can also be used to cover personal effects and property. The floater policy will provide coverage to items that "float" or move along with the covered property while it is changing locations.

Inland Marine coverage was developed from ocean marine insurance in the 1920s. In the early years, the marine insurers covered transportation loss exposure. Fire and casualty insurers had difficulty in competing because the fire and casualty lines had to be written separately, and the rates they could charge were subject to state regulation.

The marine insurers, however, were able to write property and casualty lines under an "all-risks" contract and they were not bound by state regulation.

Inland Marine Floaters Characteristics

Inland Marine Floater Characteristics:

- Tailored Coverage
- Selection of Policy Limits
- Extensive Coverage to Perils Covered
- Worldwide Coverage

Tailored Coverage

A personal articles floater provides coverage for nine optional classes of personal property including these:

- Jewelry
- Coin Collections
- Cameras

This permits the insured to select coverage for the class or classes of property needed. It is also possible to write the coverage separately such as these:

- Jewelry Floater
- Fur Floater
- Coin Collection Floater
- Stamp Floater
- Camera Floater

Selection of Policy Limits

As you know the basic homeowners' policy has limitations on coverage of certain types of valuable property. The insured must look to a floater policy in order to get higher limits of coverage. Also, as a rule, when a basic homeowner's policy combines the value of certain types of personal property with the value of unscheduled personal property it is possible that the combined total may exceed the homeowners' policy limits on personal property. Here again, the floater policy can provide higher limits.

Extensive Coverage to Perils Covered

When a floater is written, it usually provides coverage on a "risks of direct physical loss" basis. The floater covers risk of direct physical loss to the property that is described except for certain losses that are commonly excluded. The commonly excluded losses will be discussed shortly.

Worldwide Coverage

The property described in most floaters will be covered anywhere in the world with the exception of FINE ARTS, which are usually covered only in the United States and Canada.

Policy Provisions of Floaters

The following policy provisions appear in most Inland Marine Floater policies:

- Loss Settlement
- Loss to a Pair, Set, or Parts
- Loss Clause
- Claim Against Others
- Insurance Not to Benefit Others
- Other Insurance

Loss Settlement

Except for fine arts, the amount that will be paid for a covered loss will be the LOWEST of the following four amounts:

- The actual cash value at the time of loss or damage

- The amount for which the insured could reasonably be expected to have the property repaired to its condition prior to the loss
- The amount for which the insured could possibly be expected to replace the property with property substantially identical to the article lost or damaged
- The amount of insurance stated in the policy

The third exception above is going to require the following brief explanation.

The insurance company, at a discounted price, can purchase much of the property insured in a floater. Therefore, the insurance company may want to replace the lost or damaged item rather than make cash reimbursement. Should the insured reject the replacement offer, the insurance company's cash reimbursement will then be limited to the amount for which the insured could reasonably be expected to replace the item.

This amount is the insurance company's discounted price since the insured can be reasonably expected to replace the item at that price.

Loss to a Pair, Set or Parts

In the event that there is loss or damage to a covered property in a pair or set, such as the loss of one earring, the amount to be paid is not based on a total loss. The insurance company may either repair or replace any part to restore the pair or set to its value before the loss or pay the difference between the actual cash value of the property before and after the loss.

Lost Cause

Under this policy provision, the amount of insurance provided will not be reduced except for the total loss of the scheduled article. If the insurance is reduced because of a total loss of a scheduled article, the insurance company will either refund the unearned premium or apply the unearned premium to the current premium due if the scheduled article is replaced.

Claim against Others

This policy provision is very similar in nature to the subrogation clause. If a loss occurs and the insurance company believes they can recover the payment for that loss from the person or parties responsible, then the loss payment to the insured will be considered a loan that must be repaid out of any funds recovered from others. The insurance company will expect the insured to cooperate with any attempt the insurance company makes to recover from others responsible for that loss. Should the recovery attempt be unsuccessful, the insured will not be required to pay the "loan" on the loss settlement.

Insurance Not to Benefit Others

No organization or other person that may have custody of the property and who is paid for services can benefit from the insurance on the property. The purpose of this provision is to prevent a third party who caused the loss from denying liability for payment because the property is insured. Thus the insurance company's right of subrogation against the neglect party is retained.

Other Insurance

In the event that there is other insurance at the time of loss that applies to the property, that insurance is considered excess insurance over the other insurance.

Insuring Agreement

As a rule, Marine floaters provide coverage to property on an "all-risks" basis. Physical loss to covered property is provided except for the following exclusions:

- Wear and Tear
- Deterioration

- Inherent Vice
- Insects or Vermin
- Mechanical Breakdown or Failure
- Electrical Breakdown or Failure
- Repairing the Property
- Adjusting the Property
- Servicing the Property
- Maintaining the Property

General Exclusions

General exclusions that appear in all floater policies are war, nuclear reaction, and radiation.

Personal Articles Floater

Often referred to as PAF the Personal Articles Floater provides coverage on nine optional classes of personal property. As mentioned earlier, coverage is worldwide except for fine arts. These nine classes of personal property that can be insured are:

- Jewelry
- Furs
- Cameras
- Musical Instruments
- Silverware
- Golfer's Equipment
- Fine Arts
- Postage Stamps
- Rare Coins/Curent Coins

Certain newly acquired property such as jewelry, furs, cameras, and musical instruments will be automatically covered for 30 days, providing that insurance was already written on that class of property.

The amount of insurance on newly acquired property is limited to the lower of 25 percent of the amount of insurance for that class of property or \$10,000. The property must be reported to the company within 30 days of purchase in order for the coverage to continue. You will be charged an additional premium for coverage from the date of acquisition.

Jewelry

Coverage on personal jewels applies anywhere in the world. Each item of jewelry must be scheduled with a specific amount of insurance shown for it. This includes watches, necklaces, and rings. Because of the moral hazard, jewelry will be very carefully underwritten. As a rule, the insurance company will require either the original bill of sale or a signed appraisal before the jewelry is insured. The insured must also have satisfactory resources, and the insurance company will want to know that the insured is not in the habit of losing or misplacing articles.

Furs

The Personal Articles Floater can be used to insure these items:

- Personal Furs
- Items Consisting Principally of Fur
- Garments Trimmed in Fur
- Fur Rugs
- Imitation Fur

Again, each item must be separately listed with a specific amount of insurance shown for it. As with jewelry, because of the moral hazard furs are very carefully underwritten.

Cameras

A Personal Articles Floater can also be used to insure the following items. Each of these items must be individually described and valued.

- Photographic Equipment
- Cameras
- Projection Machines
- Portable Sound Equipment
- Recording Equipment
- Motion Picture Cameras
- Motion Picture Projectors
- Films
- Binoculars and Telescopes

Exceptions to the rule regarding scheduling items would be these:

- Miscellaneous Smaller Items
- Carrying Cases
- Filters

.... providing the total value of the blanketed items is not more than 10% of the total amount of insurance on cameras.

Musical Instruments

The following items can be covered under a Personal Articles Floater:

- Musical Instruments
- Instrument Cases
- Sound Equipment
- Amplifier Equipment

Should a musical instrument be used and played for pay during the policy period, it will not be covered unless an endorsement is added reflecting this use and a much higher premium paid.

Silverware

Silverware and gold-ware may also be covered under a Personal Articles Floater. Pens, pencils, smoking implements and jewelry may not be insured as silverware. These kinds of property can be insured as jewelry.

Golfer's Equipment

Golf equipment such as golf clubs and golf clothes will be covered. Other golf equipment may be insured under a Personal Articles Floater.

Clothing contained in a locker is also covered while the insured is playing golf. Golf balls are covered only by fire and burglary, providing there are physical marks of forcible entry into the building, room or locker.

Fine Arts

Fine arts can include the following:

- Paintings
- Antique Furniture
- Rare Books
- Rare Glass

- Bric-a-brac
- Manuscripts

Fine arts are insured on a valued basis, and must therefore be on a schedule with the amount that was paid for that item clearly stated. Damages paid on an actual cash value basis up to the stated value. Newly acquired fine arts will be automatically insured for ninety days. The insured is required to notify the insurance carrier within ninety days of acquisition, and the additional premium due will accrue from date of acquisition. The limit on fine arts property is subjected to 25% of the total insurance.

Fine arts are subjected to these three major exclusions:

- Damage caused by repairing or retouching
- Breakage of art glass windows, glassware, statuary, marble, bric-a-brac, porcelains, and similar fragile articles. However, the exclusion does not apply if fire, lightning, explosion, aircraft, collision, windstorm, earthquake, flood, malicious damage or theft, and derailment or overturn of a conveyance causes the breakage
- Loss to property on exhibition at fairgrounds or at national or international expositions is excluded unless the premises are covered by the policy

Stamp and Coin Collections

These collections are insured for loss anywhere in the world. The stamps and coins may be insured in one of two ways: scheduled basis or blanket basis.

The scheduled basis is suggested if the items are extremely valuable. In this way, each item is specifically listed and insured.

Under the blanket basis, the insurance applies to the entire collection since each item is not separately described. In the event of a loss to a scheduled item, the amount to be paid is the LOWEST of the following:

- The amount for which the property would reasonably be expected to be repaired
- The amount for which the property would reasonably be expected to be replaced
- The amount of insurance

In the event of a loss to an item covered on a blanket basis, the amount paid will be the cash market value at the time of loss. There is a \$1,000.00 maximum on any unscheduled coin collection. There is a \$250.00 maximum limit on any of the following:

- Single Stamp or Single Coin
- Individual Article
- Single Pair
- Single Block or Single Series
- Single Sheet or Single Cover
- Single Frame or Single Card

The following limit is also applied to stamps or coins insured on a blanket basis. This limit has the effect of a 100% co-insurance clause.

It states that the company is not liable for a greater proportion of any loss than the amount of insurance that the blanket property bears to the cash market value at the time of loss. In other words, say the insured has an un-scheduled coin collection on a blanket basis valued at \$500.00. One coin worth \$50.00 is stolen. At the time of theft, the entire collection had a current market value of a \$1,000.00. The insured's maximum recovery is \$25.00. Had the insured purchased

\$1,000.00 worth of insurance, the \$50.00 loss would have been paid in full.

Exclusions

The following is a list of important exclusions that apply to damage to stamp and coin collections from the following:

- Fading
- Creasing
- Denting
- Scratching
- Tearing
- Thinning
- Transfer of Colors
- Inherent Defects
- Dampness
- Extremes of Temperature
- Depreciation
- Damaged from Being Handled
- Damage from Being Worked On
- Mysterious Disappearance

NOTE this exception: If the item is scheduled or specifically insured, or is mounted in a volume and the page to which it is attached is also lost under these conditions:

- Property lost in the custody of transportation companies
- Shipments by mail other than registered mail
- Theft from any unattended motor vehicle
- Losses to property not part of a stamp or coin collection

Personal Property Floater

This floater provides extensive coverage on personal property owned or used by the insured that is kept at the insured's residence. This rider will also provide worldwide coverage when this property is temporarily away from the residence. The property is issued on a special all-risk basis. This means all direct losses are covered except specifically excluded.

Scheduled Personal Property Floater

This floater is used to provide coverage for personal articles and valuable items that do not fall within the nine categories previously listed. Examples of such items are these:

- Dentures
- Typewriters
- Camping Equipment
- Wheelchairs
- Stereo Equipment
- Grandfather Clocks

This is not a complete list but it can be said that almost any kind of personal property may be insured under a scheduled personal property floater. Since coverage is provided on un-filed forms said coverage could be adapted to meet the needs of the individual insured.

Scheduled Personal Property

A question is often asked about when personal property should be scheduled. As a rule, people who own valuable personal property should have it scheduled and specifically insured under a floater policy. Diamond rings, fur coats and other jewelry of high value should be specifically scheduled. These following types of personal property should also be considered for scheduled

coverage:

- Unique Objects
- Works of Art
- Rare Antiques
- Paintings
- Stamp Collection
- Rare Coin Collection
- Portable Property
- Cameras
- Camera Equipment
- Musical Instruments
- Sports Equipment
- Fragile Articles
- Glassware
- Statuary
- Scientific Instruments
- Typewriters
- Home Computers
- Business or Professional Equipment

Since the basic homeowner provides coverage for personal or business property only to a maximum of \$2,500.00 on the resident premises and \$250.00 away from the resident premises it is suggested that the property be more adequately insured by scheduling the property with a stated amount of insurance shown for it.

Un-Scheduled Personal Property

A personal property floater may be used to insure the following thirteen classes of un-scheduled property:

- Silverware, Gold Ware, Pewter ware
- Clothing
- Rugs and Draperies
- Musical Instruments and Electronic Equipment
- Paintings and other Art Objects
- China and Glassware
- Major Appliances
- Guns and Other Sports Equipment
- Cameras and Photographic Equipment
- Building Additions and Alterations
- Bedding and Linens
- Furniture
- All other Personal Property and Professional Books While on the Residence

The total amount of insurance in each of the above categories is the maximum limit for recovery in any single loss in that category. The total amount of the thirteen categories is the total policy limit.

Newly Acquired Property

Any newly acquired property will automatically be covered up to the LOWER of 10% of the total amount of insurance or \$2,500.00.

Insurance on newly acquired property may be applied to any of the numbered classes. Newly acquired property at the principal residence of the insured will be covered for thirty days from the time the property is moved there. The coverage on the newly acquired property is subject to the

amount of the insurance for each numbered class.

Property Not Covered

Personal property floater will not cover the following personal property:

- Animals, Fish, Birds
- Boats, Aircraft
- Trailers, Campers
- Motorcycles, Motorized Bicycles
- Motor Vehicles Equipment, Motor Vehicles Furnishings
- Property Pertaining to a Business, Property Pertaining to a Professional
- Property Pertaining to an Occupation
- Property Usually Kept somewhere Other than the Insured's Residence Throughout the Year

Additionally, the personal property floater places specific limits on certain property.

For example:

- A \$100.00 limit on Money
- A \$100.00 limit on Numismatic Property
- A \$500.00 limit on Securities, Notes, Stamps, Passports, Tickets, Jewelry, Watches, and Furs