Business Owners: 5 Reasons to Call Your Insurance Agent

By Patrick Chamberlin

When the best or worst happens, we know your insurance agent is not one of the first people you think of first. Even so, whatever change you are facing, chances are it affects or involves your insurance – so when change happens, give your agent a call. We're here to help.

1. When you have a claim. Please, let your agent know ASAP.
2. You're contemplating operational changes. Changes in your business offerings may come with a cost (or savings) and may also open you up to other exposures which you are inadequately covered for.
3. Signing a contract? Call before, not after. It is important that your agent is not left out of the conversation. Aside from your attorney, we should be reviewing the insurance language in any and all contracts you sign.
4. If you are frustrated by your insurance costs, give your agent a call. Independent agents work with a range of insurance carriers. If you have pricing concerns, give us a call and let us know how you feel!
5. We are your advocate. Your insurance agent is your voice to your insurance company. Let us get to know you. Calling just to chat is A-OK.

Building a Boat? You Need Hull Builder’s Risk Insurance

By [Chris Richmond]
Originally Submitted to [WorkBoat Magazine]

Building boats can be the primary part of your business or just an occasional project. Regardless of how many or how often you do this, one thing is common: You will need a Hull Builders Risk insurance policy. And don’t think that this applies only to a new build. A vessel undergoing a major refit can be covered under this as well. The policy can be extended to cover not only the hull but also material and equipment that has not yet been installed on the vessel.

For the occasional new hull build or the major refit, your policy can be written on single hull basis. For yards in the business of building boats, there is an open builders risk policy for multiple boats.

Valuation of the hull can be calculated two ways. It can be written on the completed value of vessel, or for larger vessels it can be a monthly reporting schedule of the unfinished project which gradually increases to the completed value.

Some policies offer buyback coverage for faulty workmanship. There is a condition to conduct inspections during the build and report any findings to the your underwriter. Keep in mind that claims due to faulty design are not covered. You will want to a professional liability policy for this.

Additional coverages which can be added to the policy includes:

- Delivery of bare hull to yard to be finished off
- Launching of vessel

- Sea trials of vessel
- Delivery of completed boat to end user

Protection and Indemnity limits are added to cover liability claims due to injury on or around the vessel during the construction process as well as after the vessel has been launched and is conducting sea trials or delivery. And if you are providing crew on board after the vessel has been launched, be sure to have the policy amended to reflect this additional risk.

Whether you are building the vessel for a client of having one built for your own use, the day of launching is always a memorable occasion and one to celebrate. Be sure to do your due diligence beforehand to properly cover potential risks involved with your project to help make this day a great one.

Maritime Employers Liability – What It Is and Why You Need It

By Chris Richmond
For WorkBoat Magazine

Recently we were reviewing insurance coverage with a local marine contractor. Through the course of our conversation, we learned that one of their employees had been operating a crane aboard another contractor's barge for that contractor's project. While this happened only rarely, it did open up a big gap in their coverage. Fortunately, there was a solution: Maritime Employers Liability.

Commercial vessels will carry Protection and Indemnity. As we know, P&I provides coverage for the insured’s crew members. But this only applies to crew members who are employed by the vessel owner or operator. Your employees working on board someone else’s vessel would be covered under an MEL. The MEL follows your employees while they are on non-owned vessels. Coverage under the policy can include:

- Jones Act
- Death on the High Seas Act
- General Maritime Law of the United States
- Maintenance, Cure and Wages

One important thing to remember is that while an MEL policy will provide coverage for the benefits listed above it does not include a workers compensation policy. You will still need to keep in force coverage under either you state workers compensation policy or your USL&H. One nice thing about an MEL is that you can often have it added to your existing USL&H policy.

MEL is rated differently than typical crew members on your Protection & Indemnity policy. Those crew members are charged per crew for a fixed price, usually between $750 and $1,000 per head. MEL not only looks at how many employees you have working on non-owned vessels but also at your total number of employees as well as payroll associated with both wet and dry exposures. Payroll also needs to be broken out between USL&H, state act (workers compensation) and Jones Act.

There is much more underwriting that goes into an MEL quote as compared with crew on an owned vessel. The premium associated with the MEL policy will vary based on the payroll associated with the exposure – but be prepared to pay at least $5,000 as there is generally a minimum premium with this coverage.

When you send your employees out on a job you want to make sure that they are properly prepared and protected. Do not forget to protect yourself, as well. Without a Maritime Employers Liability policy you could be leaving yourself unprotected against a major claim.

Why It's Important Not to Overlook Cargo Insurance

By [Chris Richmond]
Originally Submitted to [WorkBoat Magazine]

I met recently with a client who operates a small water taxi service. I noticed several crates in the bed of his truck and learned he was transporting them to one of our local islands. While this seemed like an innocent risk to the insured, there was one glaring problem: His policy excluded coverage for cargo.

While marine policies will have limited coverage for passengers' personal effects, there is often an exclusion attached for cargo. This can be added by endorsement with a sublimit of coverage, with premium based on the amount of coverage. Be sure to understand the value of the cargo you are going to be transporting, because your policy will only provide the limits you have paid for. You will also have a separate deductible for cargo claims. A good practice is to have a freight contract with your customer which determines the value of the items to be shipped. This can help avoid any surprises in case of a loss.

Take a look at how the cargo has been packed. We all know things can get rough and wet on the water. You should have an established set of guidelines regarding packaging and you should reserve the right to refuse the right to ship an improperly packaged item. You can't control the weather and you don't want to have to pay for someone else's poor work.

As with all insurance, the cargo endorsement will come with exclusions. Be sure to review these with your agent to make sure everyone is on the same page. Negotiations with an underwriter can often result in more favorable coverage.

Here in Maine, small cargo vessels servicing local island communities are lifeblood to those islands. Often the families operating them have been doing so for many generations. The same is true of many coastal and riverine cargo operations throughout the U.S. As the nature of your business changes and develops, so too should your approach to risk management. Talk to your agent and see if your policy needs to be updated.

Business Income Insurance – What It Is and Why You Need It

By Sally Miles

If your business has to stop operations unexpectedly, there would be loss of business income. There is a type of insurance coverage which can help a business owner meet payroll and other operating expenses and replace actual loss of net income during the time required to repair or replace the damaged property after a loss.

There are a few important things to know about business income coverage:

- Business income is defined as net profit or loss before income taxes that would have been earned or incurred if no physical loss had occurred.
- This coverage is triggered by direct physical loss or damage to your property due to a covered loss AND a partial or full suspension of operations.
- Business Income coverage can be programmed to fit the needs of a specific business.

We recommend asking your insurance agent to help you determine whether business income coverage is essential for your operation. It could mean the difference between reopening after a covered loss or closing your doors for good.

Rein in Workers' Compensation Insurance Costs

By Chris Richmond
Originally Submitted to WorkBoat Magazine

We've spent some time in this space discussing the Jones Act, which covers your crew on owned vessels and USL&H, which responds to your employees who meet the situs and status of the federal act. Now let's talk about another layer of protection for employees: State workers compensation insurance, which for many smaller yards can be a primary coverage for employees.

The action of every employee at a yard can have a dramatic effect on the cost of a workers compensation insurance policy. Here’s why:

A workers compensation base premium is calculated by two things: Job classifications for each employee (based on the work they are doing) and the payroll associated with each classification. Your premium is multiplied by your experience mod. A neutral experience mod is 1.0. With yards experiencing frequent or expensive claims, the experience mod will increase, as will your premium. For yards experiencing no claims, this number will go do down – and so will your premium.

The calculation of an experience mod is based on the prior three years of policy period. When a claim occurs, you can reduce the negative impact of an injured employee on your experience mod by getting them back to work as soon as possible. Medical-only claims are weighted far less than indemnity benefits claims.

Aside from telling your employees to be careful and not get hurt there are other ways to help create a safer work space. For starters, contact your workers compensation company. They will have all sorts of workshops and webinars to assist you, very often if not always, at no cost to you. Schedule a visit with their loss control department and have one of their safety management consultants do a walk thru of your facility. This can turn in to an annual event and can help you track improvements or areas of concern to address. Your state department of labor will also have consultation services available. By getting a new set of eyes on your facility and workforce simple improvements can be made that can have dramatic effects in a safer work environment.

Finally, review your experience mod work sheet with your agent. Mistakes in coding can have a negative effect to your policy.

Recently we were reviewing a boatyard’s report and noticed a claim that should have been coded as medical-only had been mis-coded as indemnity. This had a dramatic effect to the mod in the wrong direction and once corrected reduced the insured’s premium. Have a chat with your agent, it could save you some money.

Timely Insurance Considerations

Cale Pickford, Allen Insurance and Financial
for Maine REALTOR Magazine

If the past 20 months or so have taught us anything, it is that the one thing we can count on is the fact that we cannot count on anything. It seems as if March 2020 marks a demarcation line, the BCE and CE of our millennia.

Many whose fortunes are tied to the real estate market have done exceedingly well. An equal number of business owners continue to struggle to find employees and products needed to do their work. One family after another has recognized the virtues of life in Maine and, often supported by the realized promise of remote work, have moved to Maine to begin a new chapter of their lives.

The result is an increase in estate prices – up by as much as 35% in some locations – pushing the dream of home ownership out of the reach of many of our fellow Mainers. While there are many causes for economic and public health concern and anxiety, Maine seems poised for continued growth and prosperity.

Through it all, our real estate professionals continue to guide buyers and seller alike through a market that is unlike any other. No two buyer or seller situations are the same and the role that the professional real estate agent plays has never been more important. Knowing that your role extends well beyond the actual real estate transaction, the following represents my top three considerations impacting the insurance industry as we venture toward the early months of 2022.

FEMA Flood Risk Rating 2.0: Remember way back when flood insurance was rated by those confusing combinations of letters that seemed like they were an acronym but really were not? VE, AE, A1, B, C, and X have all been done away with, at least as they relate to the pricing of flood insurance. These designations still apply to construction ordinance and insurance requirements for mortgages, but they are no longer used in the rating of flood insurance. Enter Risk Rating 2.0, where FEMA will no longer use flood zones to calculate flood insurance rates. Instead, an individual property's risk will be used: Foundation type, elevation, structure replacement cost, the frequency of a variety of flood types, and the distance to water, among others. In a stark departure from the past, FEMA has decided to apply actuarial data, common sense and modern technology to the rating of flood insurance.

While major changes are rarely good for everyone affected, it does appear that Maine will see one of the largest average decreases of flood insurance premiums in the country. In fact, New England homeowners, in general, will make out the best with RISK rating 2.0, while Florida, Louisiana, New Jersey, and North Carolina will see the largest increases. Another benefit is that insurance agents will have a much easier time of quoting flood insurance so be sure to reach out to an independent agent to get a quote for sellers and buyers alike.

Increased Cost of Construction: Inflation has crept into just about every sector of the economy, but it seems like no sector has been impacted more dramatically than the construction industry. Unprecedented demand, material shortages and thin labor pools have all driven the cost to build, repair or remodel far higher, assuming you can even find a contractor to do the work. Property insurance is squarely impacted by construction costs. Insurance agents use a variety of software products to estimate the replacement cost of a home, or the cost to rebuild the entire structure, including costs associated with demolition and debris removal. In many instances, these estimating tools have not kept up with the cost increases on the ground, leaving property owners at the risk of being under-insured. In addition to working with replacement cost values that accurately reflect today's costs, homeowners should look for a homeowners insurance policy where the cost to rebuild is not directly capped by the limit of coverage. Extended replacement cost policies will provide up to 25% to 100% more than the limit of dwelling coverage, while guaranteed replacement costs policies have no cap.

Climate Change and Severe Weather: Some days **i**t seems as if every single news cycle includes stories about a new catastrophic weather event. Wildfires, hurricanes, tornados, droughts and unprecedented rainstorms are impacting every part of our country. It may feel as if Maine is insulated from the worst of these increasingly severe events, but many indicators show Maine climate change as among the fastest in the country and with that change, we can expect more and more severe weather events. Understandably, insurance accessibility and affordability are directly impacted by the billions of dollars paid out to rebuild following these storms. For now, Maine continues to be looked upon favorably by insurance underwriters but in certain parts of the country, access to affordable insurance is having a dramatic impact on the real estate market. Insurance costs are going up in Maine, as well, as insurers look to squeeze more premium out of states that perform well as a strategy to make up for losses in other regions. Reinsurance, the insurance that insurers buy to offset the risk of large losses, is also getting more expensive, further increasing costs on the retail level. Especially buyers of high value, rural or island homes should be looking to start early on the insurance shopping process, as there will be fewer options and those that exist will be more expensive than in years past.

The role of the real estate agent has never been more important. The idea that your profession might be replaced by a website's algorithm and artificial intelligence is laughable, especially when viewed in the light of today's market. Your ability to guide a buyer and seller through the emotional ups and downs of the transaction is just as important as your ability to anticipate challenges and recommend professional resources and advisors who add value to your relationship. Make sure that insurance considerations are on your list and that your approach your deals this year and into the next.

When Six Inches of Rain Falls Overnight …

We hope you are safe and sound after this weekend's rain storm. We're here to help, with answers to questions about flood insurance – and to talk with you about additions to your existing homeowners insurance coverage for things like sewer backup. Remember, you don't have to live in an official flood zone to purchase flood insurance – it's available to anyone and is more affordable than you think. No matter what your insurance question, you can always Ask Allen.

What You Should Know About Hull Perils

By Chris Richmond
Originally Submitted to WorkBoat Magazine

Chris Richmond

A commercial hull policy can sometimes resemble an action-packed maritime novel: Covered perils of the sea can include men of war, pirates, letters off mart and detainments of all kings are just some of the terms you might read there. But what about when you just have a problem with your engine? This may or may not be covered.

A hull policy is a named peril policy, meaning unless something is a stated peril– written right there in the policy – it is not covered. That said, a hull policy still provides rather broad coverage. There are always exclusions; for instance, wear and tear is not a covered cause of loss. But you should know about two coverages found in a hull policy: Latent Defect and Negligence of Repairers.

Latent Defect is defined as a flaw in material existing at the time of the building of the vessel or machinery not discoverable by ordinary methods of testing. While the expense of replacing the broken part is excluded, the ensuing damage can be covered.

Negligence of Repairers is another peril which can provide important coverage. Should you have a repair to your vessel's engine – and it fails – then you may have coverage. Case in point: An insured had a high-pressure fuel line fail repeatedly on his engine. An investigation determined that during a previous repair job, the repairer had not installed the proper number of clamps as stated by the manufacturer. This produced excessive vibration and eventually stress fractures. The client was relieved two-fold. First that he had found out why he was repeatedly blowing fuel lines, and also that he now had a covered cause of loss. Aside from the repair being covered, he could also claim loss of use from the cancelled charters that he suffered.

Claims can come in all different sizes and varieties. Don't be afraid to give your agent a call to discuss what is going on with your vessel. While it may initially appear that there is no coverage, some investigation into the root of the problem can often yield positive results.

Understanding an HRA

A health reimbursement arrangement (HRA) is an employer-funded account that is designed to reimburse employees for qualified medical expenses that are paid for out-of-pocket. Additional information is on this “Knox Your Benefits” PDF.