

Learning About Special Terms and Conditions on a Marine Insurance Policy



Chris Richmond

By Chris Richmond

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Your commercial vessel's insurance policy actually consists of two separate policies: Your hull policy and your protection and indemnity policy. While the actual hull and P&I policies typically consist of accepted insurance forms, insurance underwriters always add additional terms and conditions. These are worth noting because they can significantly affect your policy.

Look at the final pages of your policy to see these special terms and conditions. While these vary by insurance company, here are a few to keep an eye out for:

- **Commercial vessel use warranty:** This stipulates that there is only coverage for what has been declared on the policy for the vessel's commercial usage. If you are operating as a passenger vessel but decide to do some commercial fishing , be sure to notify your agent as your commercial

use warranty needs to be amended.

- **Lay up warranty:** If you do not operate your vessel year-round, you can get a break on the premium by adding a lay up warranty. But if you operate your vessel during this period no coverage will apply should you need it. Lay up warranty differs slightly from company to company but basically your boat needs to be in a state of decommission and not used for any purpose during the lay up period.
- **Diving warranty:** Do your operations sometimes involve commercial diving? This is excluded from your policy. Typically all overboard activities are excluded but some can be bought back (such as swimming or snorkeling). Diving requires a special policy.
- **Gear and cargo exclusion:** Some insurance companies will exclude fishing gear that is not permanently installed on your vessel (and your catch also will be excluded from coverage). Other cargo you are transporting may also not be covered. Cargo can often be added back on but if you are storing the cargo on shore before getting underway you will need additional coverage for that.
- **Crew warranty:** If you have crew covered on your policy, there will be a number stating how many crew members the policy is providing coverage for. Should you have more crew on board and you have not reported the increase to your insurance company, then the policy may only respond proportionally to the number of crew your policy states by the number of crew you have on board at the time of the claim.

Just as commercial vessels vary, a commercial hull and P&I policy is not a one-size-fits-all. Have a conversation with your agent about your operations and vessel usage to ensure that your insurance will be there when you need it.

Why Should Your Insurance Agent Review Your Business Contracts?



By Chris Richmond

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Clients often ask us to review contracts they are preparing to sign. This is actually the most important part because after they sign a contract there is not much point in our reviewing it. One of the first things we tell them is that we are not lawyers and they should call their own attorney – but we are happy to review the insurance portions. Aside from limits of liability and mandatory coverages, nine times out of 10 there are three requirements which can significantly change their insurance coverage.

Hold Harmless: Commonly added to insurance clauses in contracts, this essentially promises to hold harmless from any and all claims the company you are doing business with. This provides a very broad exemption of liability and often can be reworded more favorably to include “in conjunction with your work under this contract.” You should also demand the contract is reciprocal to

both parties and that the other party holds you harmless, as well.

Waiver of Subrogation: Another common condition added to contracts, this essentially prevents your insurance company from collecting from the other party if they were negligent in the claim. If your insurance company pays for damage done to your vessel by the other party in the contract, a Waiver of Subrogation prevents the insurance company from suing the other party in the contract to recoup their payment. Again, if this is required, make sure the other party waives subrogation, as well.

Additional Insured: This clause allows the other party to share your liability limits if they are named in a claim related to the work being done in the contract. This means the liability limits are now cut in half, reducing your overall coverage limits – and that the other party in the contract is now getting liability coverage for free. We are seeing this requested more often these days and often an underwriter will want to know the relationship between the two parties, to explain the need to be added as additional insured.

Contracts are part of doing business and can be as simple or as complicated as the parties involved require. When it comes to the insurance language in your contracts, be sure to reach out to your agent for a thorough review and advice on what you are about to sign.

Everyone Who Uses a Computer Needs Cyber Coverage



By Chris Richmond

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A recent policy review with a client found an interesting update. The client, who distributes seafood, had reduced gross revenues. This was not surprising, given the downturn in the economy. What was surprising was a sharp increase in retail sales. Further discussion revealed that they had a growing online store with direct sales to consumers. They were in need of a cyber policy.

Whether or not you sell goods online, you really should consider a cyber policy. On daily basis, headlines in publications for every industry outline hacks, phishing schemes and other cyber crimes.

There are two important types of cyber liability to know about: First party and third party.

A first party cyber liability occurs when your own data is stolen. This can include your own employees' personal information or information about your customers. A cyber liability policy will provide credit monitoring services to assist the affected individuals which could help minimize the

risk of identity theft. Included in the category of first party cyber liability are:

- Funds Transfer Fraud. Funds Transfer Fraud is an intentional, unauthorized instruction transmitted via email to a financial institution to transfer funds. If your computer system is compromised, a hacker can have access to your banking information and initiate fraudulent electronic wire transfers.
- Lost Business Income. Lost business income due to cyber theft, (a hack or data breach), is not covered unless cyber coverage is in place. Your regular business insurance policy covers you for things like fire, theft and wind, but not anything cyber-related.

Third party liability coverage can provide protection for damage caused by your business to third parties due to a hack. This could be confidential client information that you store in your system. Coverage included in this category are:

- Breach of Privacy: A client's personally identifiable information has been accessed by an unauthorized party.
 - Misuse of Personal Data: Personal data is stolen or misused and they suffer financial damages.
 - Transmission of Malicious Content: Failure to stop the transmission of virus, malware or other malicious content.
- Many liability policies come with limited cyber coverage but also they leave gaps in coverage. A stand alone cyber policy can cover these gaps and provide the insurance that a business needs today.
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When a Collision is not a Collision

By Chris Richmond

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A client's vessel was tied to the dock, unloading its catch. Another fishing vessel struck his boat while backing out. The offending captain said not to worry, that he had excellent coverage and passed along his insurance agent's contact information. After a couple of weeks of dealing with the other company's adjustor, my client was informed that there was no coverage for this claim. The owner who had struck him had hull coverage, but no liability.

If you have a lender involved with your vessel, most likely they will require proof of hull coverage to protect their interests. What they do not ask for is proof of protection and indemnity (P&I) coverage. These are two separate policies that provide different coverages for your commercial vessel. P&I provides coverage for any crew and passengers, as well as any damage to something you hit, whether it be another vessel or a pier. Your hull insurance provides coverage for damage to your vessel, wreck removal and collision liability up to the limits of your hull coverage.

But when is a collision not a collision? You might think that in the case mentioned above that a collision occurred – one vessel

ran into another. But because one boat was secured to a dock and not moving, the event became an allision. In the insurance world, when one vessel strikes another moving vessel, this is a collision. When a vessel strikes a fixed or non-moving object, this is an allision.

In our client's claim, he was secured to the dock. It was an allision, which would normally be covered under the P&I policy. As the other vessel did not have P&I, the claim was denied. Fortunately, in this case our client's insurance company stepped in and covered the claim. The insurance company then has the option to go after the vessel owner to recover payments for the loss.

By opting to not carry P&I, a vessel owner opens himself up to a wide range of potential claims that would not be paid. Each part of a commercial vessel's policy is specifically worded to cover certain parts of a vessel, as well as its operation. Don't make the mistake of thinking some coverage is better than none.

Can You Insure Your Work Boat With a Yacht Policy?

In this month's edition of WorkBoat magazine, Gene McKeever answers the question: Can You Insure Your Work Boat With a Yacht Policy?

The insurance industry uses the law of large numbers to make money by insuring as many of what the numbers tell them to insure. How do you get a large number of boat owners to buy your insurance?

You make the policy as generic as possible and throw in some goodies like personal effects coverage, pollution liability, uninsured boater coverage and towing assistance.

[Read more now at WorkBoat.com.](#)

Same Damn Wind

In this month's WorkBoat magazine, [Gene McKeever](#) writes about how no matter what the season and what kind of precipitation a storm brings, wind is wind, and boat and boat yard owners should be prepared for the kind of damage it can bring.

[Read the column now.](#)

An Insurance Agent Can Be Your Advocate

In his latest column in WorkBoat Magazine, Allen Insurance and Financial's [Gene McKeever](#) says your insurance agent can't legally represent you but can serve as your claims advocate and explain coverage correctly to the insurance company's claims representative. In this case it was important to help the claims person understand what the claim surveyor saw.

[See more at WorkBoat.com](#)

Talking Marine Insurance and Safety With the Nation's Work Boat Owners

☒ Gene McKeever, a marine insurance specialist from Allen Insurance and Financial recently attended the annual International WorkBoat Show in New Orleans, where he gave a workshop to conference participants on disaster planning and risk management.

Conference presenters are screened by the conference organizers well in advance of the event. McKeever's session was held on the conference's keynote stage following a conference keynote speech by Capt. Richard Phillips. McKeever has been writing a column for [WorkBoat magazine](#) since 2008.

McKeever was joined at the conference by Allen Insurance and Financial colleagues Chris Richmond, marine insurance specialist, and Dan Bookham, the agency's business development director. They connected at the show with a number Maine-based companies also in attendance as well as national clients and insurance company representatives.

WorkBoat Column: Where is That

Eye Wash?

This month in WorkBoat magazine, [Gene McKeever](#) talks about the little things that make a workplace safer. This includes eye wash stations, which are inexpensive and relatively easy to install.

If you work in a place where there is hot work going on, plus painting, sanding, scraping, and grinding, you just might get something in your eyes every once in a while.

[Read the entire column at WorkBoat.com.](#)

[Gene is presenting](#) at the annual [International WorkBoat Show](#) in New Orleans in December.

WorkBoat Column: How to Get Your Insurance Cancelled

This month, Gene McKeever outlines some surefire ways to get your insurance cancelled. As usual, it's a matter of common sense and safety that will keep you on the right track.

[See more at WorkBoat.com](#)