Inland Marine
Quick Tips

Tools & Contractors Equipment

Most people think of inland marine in connection with contractors tools and equipment, and that is likely one of the largest classes of business written in this line. Among the considerations to keep in mind, here are a few:

- Deductible - as with most property coverages, the higher the deductible, the lower the rate. Set it as high as cash flow allows.
- Basis of claim payment - normally this will be Actual Cash Value (ACV). The policy can be written on a replacement cost basis, but normally only newer equipment (less than 5 years old) will be eligible.
- Blanket vs. Schedule - using a total value of all the owned equipment sounds convenient, but it can get confusing with increased activity (selling/buying items). Unless the contractor keeps accurate records, the chance exists that the limit will be too high (insured is paying for more coverage than needed), or it might be too low - if the warehouse burns and all the equipment burns, will the limit be enough? It's might be easier to track if items are added or deleted as they are bought or sold.

Of course, it's best for all concerned if none of this is ever an issue. The best case scenario is one where the owner has an effective maintenance program, and avoids taking jobs that might lead to increased exposure.

Anti-concurrent Causation

Inland Marine is one line of business that requires careful review of the form(s) that apply. The industry is divided on which forms to use American Association of Insurance Services (AAIS) or Insurance Services Office (ISO), so there is no particular standard by which to measure coverage.

Some forms for some items apply the anti-concurrent causation provision that either excludes coverage when there are two causes of loss. Here's how it might work.

Let's say the original cause of loss is earthquake, and that isn't a covered cause of loss. The earthquake precipitates a fire. With the anti-concurrent provision, there would be no coverage for the fire damage. Without it, all things being equal, there *would* be coverage for the damage caused by fire.

Inland marine provides invaluable flexibility regarding coverage for specific items, but it would be a reach to expect consistency between the forms - from one company to the next or even from one policy to the next, depending on whether the items fell into the same class.

Transportation

There are three primary methods to cover items in transit - Motor Truck Cargo Owner's, Motor Truck Cargo Common Carrier and Transit. Here's the difference:

- MTC Owner's form - likely candidates for this coverage would be a retailer that delivers using its own vehicles--that's where the *owner* part comes in. The vehicles used are normally scheduled and a value placed on the cargo hauled. This is useful for insureds that have frequent exposure from deliveries.
- MTC Common Carrier form - this is a form that applies when a business owner normally uses a common carrier, such as Fedex or UPS, but wants the extra protection provided. The common carrier does carry insurance, but it may well be less comprehensive than that purchased by the owner. Again, a value has to be assigned, but of course the vehicle cannot be scheduled.
- Transit - this coverage form is useful when the insured has exposure to property off premises, but it is infrequent. An example would be if a manufacturer sends an employee in an owned vehicle to pick up an expensive replacement part at a remote location.

It is important to remember that the property form provides very limited coverage for property more than 100' away from the scheduled location. Self-insurance is a great plan when it's planned, and not an unhappy oversight.