Marine Industry growth through Collaboration, Communication and Education

“Let’s Talk Marine Insurance”

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Additional Insured’s: Why is this important? (1 of 2)

• Definition of “Additional Insured’s”:
  – Is a person or organization that enjoys the benefits of being insured under an insurance policy, in addition to whoever originally purchased the insurance policy
  – If a marina hires a contractor, the marina wants to be named as an “Additional Insured” on the contractor’s liability policy
  – Why? If the work done by the contractor leads to the marina being sued for bodily injury or property damage, caused by the contractor’s work

• Property owners: Need to be insured by all people doing business on their property. *This includes contractors not hired by the property owner but by a tenant on the property.*
• **Dealers:** Need to be insured by suppliers for the goods the dealer sells. If a manufacturing defect leads to a lawsuit, the manufacturer will defend the dealer as well as themselves.

• **Insurance Company Application:**
  – Applications ask the insured if they hire subcontractors and if the subcontractor carries limits equal to the business they insure
  – “Yes” answers can be beneficial to the cost of the policy

• **Record keeping is important:**
  – Having a current certificate on file can prevent the insured from having to defend a claim caused by the contractor or supplier
Jones Act: What is it? (1 of 2)

- **Workers’ Compensation** is a state-by-state insurance providing medical expense coverage, transportation to and from a medical service provider, and a percentage (%) of lost wages up to a state weekly wage ceiling.

- **The Jones Act** is a more elaborate and beneficial form of workers’ compensation created by the Federal Government in 1920 for seaman working on vessels traveling interstate in the event of an injury on navigable bodies of water tied to an arm of the sea.
  - Expands on the workers’ compensation benefits adding room, board and transportation to any injured seaman along with full wage payment.
  - Insurance added to the waterborne liability insurance (aka Protection & Indemnity (P&I) or watercraft liability).
  - It is rated on the basis of the number of people who could be on the water at any given time, NOT the number of injured workers.
• Jones Act – When it comes into play:
  – Insurance companies think that Jones Act protection is primary for on the water injuries.
  – Many insurance professionals look primarily to workers’ compensation with the Jones Act being a safety gap in the event the injured employee hires an attorney (*in which case, there will definitely be a request for Jones Act benefits*)
What is the US Longshore & Harbor Workers Compensation Act?

• A federal act that is part of the workers’ compensation insurance
• Signified by the letter F after one of several workers’ compensation classification numbers
• Applies to anyone working on or near the water as a repairman or shipbuilder, dock builder, pile driver, dry dock operator, terminal or marine railway
• Applies to anyone engaged in building or servicing a recreational vessel formerly over 65’ LOA (which has since been increased to 100’ in the 2008 Budget Reconciliation Act of that year)
Bad News about USL&H:

– Unlike Jones Act, which is based on the number of people on the water working at any given time, USL&H is a payroll rated protection as part of the workers compensation policy

Good News about USL&H:

– An employer can split a person’s pay for purposes of the USL&H class into two workers compensation classifications
– The benefits are similar to the Jones Act
Dock Values: What is it so difficult to “value” docks?

What Factor Make it Difficult to Value a Dock?

1. Is it a fixed pier or floating dock?
2. How deep is the water and how wide is the dock?
3. Is a railing built to a local building code required?
4. What are the accessories installed in the dock?
5. What are the pilings made of?
6. What kind of wave fetch is the dock system exposed?
7. Does the water freeze?
8. Is there wind and wave damage coverage?
9. Are there sufficient man made or natural wave inducers to prevent the water from freezing?
10. When was the dock system last appraised for replacement?
11. What kind of maintenance and repair is done?
12. Are the docks hauled each winter?
Dock Values: Insurance Company Nightmare (2 of 2)

Why are dock values an insurance company’s worse nightmare?

• Insurers want to help their clients get their docks back to the condition before the damage occurred
• The problem, there’s no one way to accurately value the replacement or repair of a dock system without a current construction appraisal

What should you do?

• Have your dock systems appraised every 3-5 years.

What does history and experience tell us?

• Gowrie Group insures 1,000+ dock systems nationwide. We find that the cost to repair docks following a hurricane or fire almost always exceeds the limit of insurance.
Radius of Navigation: What is this? (1 of 2)

• **Radius of Navigation:** Is a hidden limitation in every Protection & Indemnity policy, every boat dealer policy, every workboat policy, and every marina operators legal liability policy.

• **Two forms of limitation:**
  1. A radius of navigation
  2. A limit as to how far offshore, parallel to the coast you can navigate

• **Why this matters:**
  – The latter (how far offshore) limitation is less tedious
  – In either case, you need to know what that limitation is
  – You also need to know if there is a season limitation for operating watercraft, yours and your clients
Radius of Navigation: What is this? (2 of 2)

• **Radius of Operation**
  – Typically starts as a 25 mile radius from the premises listed in the policy
  – It typically does not cost much to *extend* the radius of the policy, but if you have a claim outside that navigation limit it can be the basis for the insurance company to deny the claim
  – The distance off the coast is typically set at 12 miles parallel to the coast (check to see if it extends throughout the coast or some point short of that range)

• **Layup Period**
  – Know if your marine insurance policy has a layup period when you are prohibited from operating a boat any distance in the water
  – If there is one, make sure you can operate within it’s restrictions or ask your agent to extend or eliminate that period
Survey the room:

- How many of you here today are boat dealers?
- How many of you have done business by wire transfer to an infrequent vendor?
- How many of you have sent wire transfer information by email?

What is Social Engineering Fraud? When an employee is intentionally misled into spending money or diverting a payment based on fraudulent information that is provided to them in written or verbal communication such as an email, fax, letter or even a phone call.

No company is too big or small:

- Any company, regardless of size and industry (and individuals as well), is a target for social engineering fraud. In 2014, 83% of large, 63% of medium, and 45% of small businesses were targets of attacks.
- Attackers know smaller companies typically lack the financial and accounting controls that larger companies have in place. In many cases, it takes months to discover you have been a victim, and recovering the funds is close to impossible.
This Could Happen to You:

- Gowrie clients have lost over $500,000 of funds in the past twelve months through the use of wire transfers
- Many were marine companies
- The lost funds were only insured in one case

What can you do to prevent Social Engineering Fraud?

- **Gain Awareness.** It starts with awareness and understanding of the many types of Social Engineering threats businesses face today.
- **Train Your Employees.** Often times the weakest link in your security chain is a well-intentioned employee who falls victim to a scam.
- **Consider Increased Insurance Protection.** Not every crime can be prevented. Contact Gowrie Group about possible insurance solutions through Crime or Cyber policies/endorsements that may work for you. Know what is and isn’t covered by your insurance policy.
- **Improve Controls.** Evaluate your internal controls and take action. Update and implement smart loss control measures.
Implement Internal Controls: Defend against social engineering fraud with improved and new internal controls

- Authenticate changes to vendor or customer contact information and internal bank information, use previously known phone numbers & email addresses when verifying
- Require supervisor sign-off on any changes to vendor and client information
- Validate requests from vendors and clients
- Validate all internal requests to transfer funds
- Limit wire-transfer authority to specific employees
- Guard against unauthorized physical access (theft of keys, access cards, etc.)
- Keep physical documents locked and secured, shred documents no longer in use
- Monitor the use of social media
- Develop reporting and tracking programs that document incidences of deception fraud or attempts of deception fraud
- Keep cyber security software up to date
- Implement mobile device security procedures
Thank you.

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