**MARINE CONTRACTORS INSURANCE**

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Marine Contractors are tradesmen who perform a variety of jobs, including bulkheads, piers, dredging and install pilings for boat slips and homes for both new and old construction. A few insurance companies have developed special insurance programs to address the insurance needs of Marine Contractors. Usually, these programs offer broad liability coverage at low rates and are available to small to mid-sized companies (less than $10,000,000 in receipts). Larger Contractors are offered coverage under different terms.

The most important policy to a Marine Contractor is the **commercial liability insurance** policy. The [**(1)Commercial liability insurance**](http://aiainsure.com/commercial-liability-insurance)policy will defend you and pay on your behalf when you are found legally liable for bodily injury or property damage that is caused by your business operations. This is a very broad policy and therefore contains many exclusions. Most of the exclusions are necessary as other policy types are needed to satisfy a more specific insurance need such as: automobile, watercraft, workers compensation, aircraft and mobile equipment to name a few. One of the most significant exclusions is damage to your product. While it covers damage you cause to the property of others, it does not cover loss or damage to your product. The liability portion of personal types of policies (such as homeowners) specifically excludes coverage for any business operations, hence the need for specific [**(2)Business liability insurance**](http://aiainsure.com/business-liability-insurance)**.** As a tradesman, you will be asked to provide proof of insurance to general contractors and add them as an additional insured on your general liability policy. Generally, this is not a problem and the insurance companies that have developed these special programs, allow automatic coverage (within underwriting guidelines) for this type of request. Work boats and barges can be insured under a Protection and Indemnity (P&I) endorsement. This is a broad coverage and provides much broader coverage than the watercraft endorsement offered by non-marine insurance programs.

Additionally, the better insurance programs offer coverage enhancements that can include: Personal Injury Liability (libel, slander, false arrest, etc.), Per Job Aggregate limits (very important), Employees as Additional Insured, Wavier of Subrogation, and Blanket Additional Insured.

Another important coverage is [**(3)Workers compensation insurance**](http://aiainsure.com/workers-compensation-insurance/). This covers your statutory obligation to pay employee’s medical bills and lost wages from job related injuries and sickness. In New Jersey, business owners (individuals, partners or members of an LLC) can decide if they want to include or exclude themselves for workers compensation benefits. If you decide to include yourself, you will be covered just as if you were any other employee. You will be charged a premium based on your compensation (same as payroll but includes profit). If you decide not to include yourself for benefits, there is no premium charged for your compensation. However, General Contractors that hire ***you*** might be charged additional premiums on *their workers compensation policy*, as you are eligible for some benefits under their policy in the event you are injured on their job.

Premiums for [Workers Compensation policies](http://aiainsure.com/workers-compensation-insurance/) are determined primarily by payroll. At the inception of the policy you will be asked to estimate your payroll for the coming year. You will pay a deposit premium based on your estimate. At the end of the policy the insurance company will contact you to review your payroll records and general ledger to see how much you paid to subcontractors. If your original estimate was low, you will receive a bill for additional premium. If your estimate was high, you will receive a return premium. Like taxes, it is usually better to over-estimate rather than under-estimate. As a Marine Contractor, your employees may be eligible for U.S. Harbor Workers Compensation benefits. This is a Federal law that mandates coverage for harbor workers and the benefit level is higher than that allowed under most states workers compensation laws. An injured employee decides which law to pursue coverage under. The New Jersey Workers compensation policy can be endorsed to provide these Federal coverage’s in addition to the State mandated level of benefits.

If you hire sub-contractors, you must be very careful when selecting them and you must make certain that they have workers compensation coverage that includes the owners (individuals, partners or members of an LLC), if not *you* will be charged premium just as if they were employees.

If you have employees that are considered crewmen (captain / crew), they are not eligible for workers compensation coverage. They are eligible for benefits under the Jones Act (a Federal Law that mandates benefits). This coverage can be obtained under the Protection and Indemnity (P&I) policy. While a limited amount of coverage ($25,000) can be purchased under the New Jersey Workers Compensation policy, we do not recommend obtaining this coverage under that policy as it is woefully deficient.

Another important coverage is the [**(4)Business automobile insurance**](http://aiainsure.com/business-automobile-insurance/)policy. It is not a good idea to have commercial vehicles insured on a private passenger automobile insurance policy, as it cannot provide all of the coverage you need. Also, it is not a good idea to insure private passenger cars on a business auto policy unless the cars are actually used in business. Employers must make certain that they also protect themselves from liability that stems from employees that may use their own vehicles for any errand of their employer. Many companies that have special Business Automobile insurance programs for contractors offer an enhancement endorsement that can include; Employees as Insured, Loss of Earnings, Towing Reimbursement, Wavier of Collision Deductible, and Rental Reimbursement.

If a Marine Contractor owns their own shop they will need additional coverage’s. Many contractors use the garage of their home as their shop to make things or store tools, equipment, hardware or materials. We need to make note of a condition found in any homeowner’s policy that EXCLUDES all coverage for a detached garage that is used in any way for business. In short, the homeowner’s policy will not cover a detached garage that is used in part or whole by your business. To cover this you will need a [**(5)Commercial property insurance**](http://aiainsure.com/commercial-property-insurance/)policy, which can be written to include the building, contents, business interruption and much more. Depending on how you handle money, you may also need [**employee dishonesty insurance**](http://aiainsure.com/employee-dishonesty-insurance/)coverage to protect the contractor from the loss of property or money if an employee steals from them. Some insurance companies bundle a series of additional coverage’s and offer them in one endorsement and charge a flat fee rather than price each coverage individually. These enhancement endorsements can include: outdoor property, computers, personal property of others, coverage for cash, mobile equipment, property in transit, sewer back-up, spoilage, lock replacement and a variety of other losses. This endorsement is usually inexpensive.

If the building has boilers, a separate form of coverage is needed to cover damage caused to the building as a result of an explosion from the buildup of pressure. Also any buildings with expensive or special machinery should consider purchasing separate coverage called Equipment Breakdown Insurance. The standard property policy does not do a good job of protecting this type of equipment or the resultant business interruption.

Marine Contractors usually have a fair investment in hand, stationary and specialized tools. They can be in the shop, on a trailer, a barge, in a truck or on a job. Because these tools move around, the best way to insure them is with an [**(7) Inland marine insurance**](http://aiainsure.com/inland-marine-insurance/)policy. The commercial automobile policy only covers the truck; it does not cover the tools, materials or equipment inside, so if you want coverage for the equipment inside the truck, this is where you insure it. If you have larger pieces of mobile equipment, such as a track-hoe, forklift, backhoe, front end loader, mechanical lift, etc., they can be listed individually on the policy for a lower rate than the other smaller tools which do not have to be specifically listed. Machinery that is on water (machinery on a barge or in a boat) needs broader coverage as the standard Inland Marine policy does not provide coverage when equipment is on the water (waterborne).

An exposure that is somewhat unique to Marine Contractor is materials left on the job. It is not uncommon to find thousands of dollars of material that belongs to the contractor left on the jobsite. After the work is accepted by and paid for by the owner or general contractor they own it, but until that happens, they are yours. The policy that covers this material is called an *Installation Floater****.*** It covers materials in transit, on the job to be installed and installed awaiting acceptance. It will also cover the damage you may cause to property belonging to others that you are installing (boat lifts, lights, plumbing parts, hardware, etc.).

On occasion, Marine Contractors are asked to provide a *performance bond* to guarantee that the work they are contracted to do will be performed in accordance with the job specifications and on time. A bond of this type is underwritten by examining the contractor’s financial status, his ability to do the job and his track record on completing similar jobs. This process can take several weeks and, for this reason, a contractor who knows or thinks he will need a performance bond should start the underwriting process sooner rather than later. If a contractor does a lot of bonded work, he can establish a bonding program with his agent and surety company and only need go through the underwriting process once a year rather than on a per-bond basis.

If a Marine Contractor wants to carry limits in excess of $1,000,000 the [**(8) Umbrella liability policy**](http://aiainsure.com/umbrella-liability-insurance/)is usually the most affordable way to get this coverage. Limits up to $5,000,000 are common. When boats and barges are involved, the better policy is called an Excess P&I policy and it specifically addresses the marine exposures. Higher limits are available, but underwriters usually want to see a valid reason why a contractor wants limits above $5,000,000.

Marine Contractors have some exposure to *errors and omissions****.*** It is common for a Marine Contractor to design the bulkhead, pier or to make a decision in the field (size of piling type of materials, size of hardware, depth to excavate, length of sheathing, etc.) that, if wrong, can result in a financial loss to the project owner. If a loss results in someone getting hurt, that is covered by the commercial liability insurance policy. If a financial loss occurs (business must close, opening is delayed, things don’t work like they’re supposed to, work needs to be removed and replaced, etc.) those types of losses are not covered. This type of insurance is nearly impossible to obtain for contractors, so the best advice is to avoid making these types of decisions and get good detailed specifications from the architect, engineer, building owner or general contractor.

Marine Contractors need to be cautious about creating any type of *pollution*. This exposure can only be assessed after a careful review of your operations. In many cases, coverage will not be available for this risk. The only option may be to implement a program to minimize the risk as you cannot completely avoid the risk and run a business. While coverage is not readily available, contractors can be held liable for a host of pollution events. Oil spills from an on-site fuel tank, removing a fuel tank, pollutants on the job (paint, solvents, asbestos, fiberglass, fuel in machinery or vessels, and supplies) are just a few examples.

*Rented equipment* can create its own insurance needs. Contracts with equipment rental companies for lifts, specialized equipment and the like, often require the contractor to provide liability and physical damage insurance for the rented unit. The only safe way to know if you are in compliance with the rental agreement requirements is to call your agent and give him a copy of the rental agreement, BEFORE YOU SIGN IT. Some of these agreements contain hold harmless agreements that cannot be covered by insurance.

*Hiring subcontractors* is another area of potential problems for contractors. While Marine Contractors (as used in this discussion) are not general contractors, there may be times when they hire a subcontractor to help out when he has too much work or needs the expertise of another craftsman. When this happens, you need to be aware that you are held responsible for the actions of the sub and for overall job site safety. Also, you become responsible for providing workers compensation for any of his employees if the sub has failed to secure workers compensation insurance. *You cannot avoid this responsibility.* Your best protection is to obtain *certificates of insurance* for commercial liability insurance and workers compensation insurance, before the sub-contractor sets foot on the job site. All certificates of insurance are not the same. It is critical that the sub you have hired has the correct coverage. If he doesn’t your insurance company may consider him uninsured and charge you a premium just as if he were an employee. This can cost you thousands of dollars in additional premium, which can be avoided by hiring properly insured subs. It is a good idea to have your insurance agent review certificates of insurance that you get from subcontractors before you let them do work for you.

Employers should consider purchasing [**(9) Employment practices liability insurance**](http://aiainsure.com/insurance-services/business-insurance/employment-practices-liability-insurance)to cover them for suits from employees alleging wrongful termination, age discrimination, sexual harassment, failure to hire, failure to promote, non-compliance with the Americans with Disabilities Act, and other similar employment actions. This policy will pay the cost of defending an alleged wrongful act. That benefit in itself, makes this a very valuable insurance policy.

If you offer any benefit plans to your employees, you should consider purchasing [**(10) Employee benefits liability insurance**](http://aiainsure.com/employee-benefits-liability-insurance/)**.**

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[**1 - Commercial Liability Insurance**](http://aiainsure.com/insurance-services/business-insurance/commercial-liability-insurance/)

The commercial general liability policy will defend you and pay judgments against you when you are found legally liable for bodily injury or property damage that is caused by your business operations. This is a very broad policy and therefore must contain many exclusions. Most of the exclusions are necessary as other policy types are needed to satisfy a more specific insurance need such as: automobile, watercraft, workers compensation, aircraft and mobile equipment to name a few. One of the most significant exclusions is damage to your product. While it covers damage you cause to the property of others, it does not cover loss or damage to anything you have built. The liability portion of personal types of policies specifically excludes coverage for any business operations, hence the need for specific business liability insurance. ++

[**2 - Business Liability Insurance**](http://aiainsure.com/insurance-services/business-insurance/business-liability-insurance/)

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[**3 - Workers Compensation Insurance**](http://aiainsure.com/insurance-services/business-insurance/workers-compensation-insurance/)

This is an insurance policy which provides benefits to employees for any injury or contracted disease arising out of and arising from employment. All states have laws which require such protection for workers and prescribe the length and amount of benefits provided. Not all workers compensation insurance companies are the same. Many agents advise their customers that “all workers compensation is the same”. This certainly isn’t true in New Jersey.

*This definition is an abbreviated description of the coverage provided by this type of insurance policy. The actual policy consists of multiple pages and contains many terms and conditions.*

[**4 - Business Automobile Insurance**](http://aiainsure.com/insurance-services/business-insurance/business-automobile-insurance/)

This is coverage designed to provide insurance for commercial vehicles (other than private passenger cars). While cars can be added to the business automobile insurance policy, your agent needs to guide you through the maze of options and limitations that apply when cars are added to this type of policy. Available coverage includes liability, comprehensive, collision, medical payments, uninsured motorist, and more than a dozen other options. Not all business auto policies are the same. Careful consideration must be given to securing the correct coverage’s for your specific needs.

[**5 - Commercial Property Insurance**](http://aiainsure.com/insurance-services/business-insurance/commercial-property-insurance/)

A commercial property policy provides coverage for real and personal property that is used in a business. This policy is often referred to as a fire and hazard policy. All forms of this insurance cover much more than fire and hazard. Coverage is available in several levels of protection, ranging from the least expensive which covers the fewest types of events to the “special” form, which provides the broadest coverage. This form of coverage does not provide automatic extensions of coverage’s like those found on personal policies (contents, garages, loss of income, tools, etc.). Because of this, you need an agent who takes the time to thoroughly understand your business and then offer the many options available to you.

[**6 - Employee Dishonesty Insurance**](http://aiainsure.com/insurance-services/business-insurance/employee-dishonesty-insurance/)

A separate policy or endorsement to the commercial package policy to cover losses caused by employee dishonesty. It can cover the loss of money, check forgery, or goods. Without this extension of coverage, theft or dishonest acts of employees are not covered.

[**7 - Inland Marine Insurance**](http://aiainsure.com/insurance-services/business-insurance/inland-marine-insurance/)

This is the insurance of property (generally on an “all-risk” [special form] basis) that is in the course of transportation or is of such a nature that it may easily be transported. Also includes some risks at fixed locations considered “instruments of transportation or communication,” such as bridges, tunnels, neon signs, and street clocks, etc. The term “inland marine” originally meant the insurance of goods in transit “inland” instead of at sea.

[**8 - Umbrella Liability Insurance**](http://aiainsure.com/insurance-services/business-insurance/umbrella-liability-insurance/)

This is a form of liability insurance protecting policyholders for claims in excess of the limits of their primary policies. This form is sometimes referred to as a commercial umbrella liability policy. The term umbrella comes from the fact that this policy provides coverage over your other commercial liability policies. The purpose of this type of policy is to provide higher limits of insurance at the lowest possible cost. Commercial umbrella policies can be cheaper than purchasing higher limits on your primary liability policies as these policies use the primary policies as deductibles. These forms are not standardized, unlike many coverage forms in the insurance industry. Because of this fact, you need an agent who takes the time to thoroughly understand your business and then offer a policy that is right for you.

[**9 - Employment Practices Liability Insurance**](http://aiainsure.com/insurance-services/business-insurance/employment-practices-liability-insurance/)

Coverage is available for legal costs to defend claims involving sexual harassment, wrongful termination and discrimination including legal liability for such acts.

[**10 - Employee Benefits Liability Insurance**](http://aiainsure.com/insurance-services/business-insurance/employee-benefits-liability-insurance/)

This form of insurance covers an employer against claims made against him by employees caused by a negligent act, error or omission in the administration of the insured’s employee benefit programs. Typical losses arising from providing incorrect advice concerning an employee’s pension plan or failure to enroll employees under a benefit program such as health, live, dental, or vision insurance plans offered by the employer are covered under this insurance.

**In Summary**

Sound confusing? It is. Please note, the aforementioned article is focused primarily on the requirements in the State of New Jersey. Every State differs in requirements for Marine Construction insurance. This is why it is best you to speak with an experienced professional prior to purchasing any policy.

Anderson insurance agency was formed in 1967 with its headquarters on Long Beach Island and Manahawkin New Jersey. Our mission is to provide our clients with a choice of coverage’s from a variety of insurance companies to best fulfill their insurance needs and budget. We pride ourselves on providing superior service after the sale with policy administration and particularly in assisting clients after they have suffered a loss. Our greatest resource is our employees. Our staff of professionals includes Certified Insurance Counselors, Accredited Insurance Advisors, Certified Insurance Service Representatives and Accredited Customer Service Representatives.

We have been insuring marine contractors for almost 40 years. We represent some of the most respected and competitive insurance companies that specialize in insurance programs designed for marine contractors. For further information please contact: **Anderson Insurance Agency**, 295 Route 72 East, Manahawkin, NJ 08050 Phone: 800-444-8507 or 609-597-8507, Fax: 609-978-9649, E-mail: [info@AIAinsure.com](mailto:info@AIAinsure.com).