

Atlantic Marine Underwriters Inc.
Atlantic Marine Underwriters (Maritimes) Inc.

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Bulletin

To: All Brokers and Agents

**From: Jennifer McEwan
Michelle Scott**

Subject: Commercial Hull/Marine Liabilities

Date: March 30th, 2007

At Atlantic Marine Underwriters, we are pleased to provide a spectrum of covers under marine liabilities and commercial hull. Some brief notes and comments on these two large areas are as follows;

Commercial Hull and Machinery (Michelle Scott)

Hull Insurance – Definition

A hull is any boat that floats and moves, from simple little rowing boats to very large and ultra-large ocean-going tankers. In terms of carrying capacity, usually expressed in Dead Weight Tons (DWT), this may cover a wide range, starting at a few hundred kilos and going as high as 560,000 tons.

Hulls are considered insurable in the Marine market as long as they move occasionally i.e. floating lighthouses, buoys, markers, fireships and other permanently moored floating devices would not normally be insured in the Marine Hull market.

The term hull includes not only the shell but also the electrical plant, donkey and auxiliary boilers with their condensers, winches, cranes, windlasses and steering gear. Unless separately valued in the policy, refrigerating and installation machinery are also deemed to be part of the hull. The propelling machinery is deemed to be separate from the hull.

Builder's Risk Insurance

The first stage in the insurance of a vessel occurs during its construction and it is customary to cover the risks during this period by a Builders' Risks policy which attaches from the time of laying the keel until delivery date.

Underwriters give prime consideration to the record of the building yard in determining whether to accept the insurance, the amount to accept and the premium rate and deductible to be applied.

The usual type of Builders' Risks policy covers all risk including fire during construction of the vessel and including trial trips. It also pays the expenses incurred in the case of failure to launch. In addition, the materials used in construction are covered while in workshops and similar places and during transit to and from the vessel.

The policy also covers the insured's liability for loss or damage to other property by the inclusion of Collision Liability and Protection and Indemnity Clauses.

- **Insured Values**

The marine Insurance Act of 1906 provides that, in absence of fraud, the value agreed by the insurer is conclusive for all purposes other than for proving a constructive total loss, even if it is not the true value of the subject matter insured.

When a ship is under construction the amount at risk increases as the vessel grows, but a provisional value is agreed at inception, such value being as near as can be reasonably estimated to be the completed value of the ship.











When a ship is completed the actual value is calculated in accordance with an "escalation clause" and the policy value is adjusted accordingly.

- **Premium Rating**

The premium payable is calculated by applying a percentage rate to the sum insured by that policy. The sum insured is the same as the insured value.

Underwriters prefer to receive the full premium in advance even though this may mean an adjustment when the true value is established so a provisional value is estimated to which the premium rate can be applied.

At Atlantic Marine Underwriters Inc. we write a full spectrum of Commercial Hull such as:

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|---|--|
|  Workboats |  Brown & Blue Water Hulls |
|  Tour Boats |  Protection & Indemnity Liability |
|  Ferries |  Fishing Charters |
|  Barges |  Construction & Contractors vessels |
|  Builder's Risk on Vessels |  And much more |

Marine Liabilities (Jennifer McEwan)

Briefly outlined below are some of the marine policies that we are able to accommodate at AMU.

1) Boat Dealers Policy Minimum Premium: \$1,500.

- Designed to cover the Insured's stock for sale, including vessels held on consignment
- Cover for testing and demonstrating of vessels – Protection & Indemnity (Waterbourne Liability)
- In transit cover from manufacturer to Insured's premises
- A CGL policy should be sold in concert with a Boat Dealers Policy

*Limit of Liability is determined by the Insured's declaration of the maximum monthly inventory per location

2) Ship Repairers Legal Liability Policy (SRL) Minimum Premium: \$1,500.

- Designed to cover the Insured against legal liability for damage to third party vessels and property while in his care, custody & control
- The typical repairer goes aboard the third party vessel and performs repairs while aboard. A Ship Repairer could repair/maintain one or all of the following: hulls, engines, electrical, machinery or parts removed from the vessel for repair. A repairer includes those that paint or clean the vessels.
- P&I is NOT offered with the SRL; Vessel's captain MUST be in control at all times
- An SRL is generally sold to the repairers that repair/work on large vessels ie Lakers etc., otherwise an MOLL will be used

*Limit of liability is determined by the Insured's declaration of the maximum values in his care, custody and control at any one time

3) Marine Operators Legal Liability Policy (MOLL) Minimum Premium: \$1,500.

- Designed to cover the Insured's legal liability for loss of / damage to Third party / customers vessels
- Operations that he may perform at one or more locations:
- storage – slip / mooring rental – fueling – hauling/launching – small repairs – towing – ferry service to vessels moored off-shore – rental of marine craft – delivery of vessels after repair
- P&I is optional (Waterbourne Liability)
- Hull & Machinery is optional – covers physical damage for owned workboat / vessel

*Limit of Liability is determined by the Insured's declaration of the maximum values in his ccc at any one time. P&I will have a separate standard limit. Hull & Machinery limit of liability will be Insured's declaration for the value of the vessel

4) Marinas and Associated Business – Package Policy Minimum Premium: \$5,000.

This is a comprehensive package policy designed to provide an array of coverages for:

~ marina operators/owners ~ yacht / sailing clubs ~ boat dealers ~ boat builders ~ boat repairers

Coverages offered:

- Property – buildings and contents, Office contents and computer equipment, Stock, Goods in Transit, Cranes, Travel hoists, fork lifts etc.
- Business Interruption, Money
- Vessels – owned or in the ccc of the Insured; Boat Hire, Charter Hire, Rental
- Boat Shows / Exhibitions
- Liability: Third Party Liability & Protection and Indemnity

*Limit of liability is determined by the Insured's declaration of values for each individual operation. P&I and TPL will have the standard limit

5) Marine Professional Negligence Minimum Premium: Varies

- Designed to cover Errors and Omissions for the professionals in the marine industry ie Surveyors, Underwater Pipeline Locators etc.

6) Marine General Liability Policy Minimum Premium: Varies

- Similar to a CGL, covering PD & BI to Third Parties, but for those who have Marine Exposure – ie Dock/Breakwall installations / repairs etc.; Shoring; Dredging