

Inland Marine Coverage—A Valuable Addition to Your Clients' Portfolios

IN TODAY'S SOCIETY, people are increasingly transporting valuable items, such as computers and cameras, away from their home or business location. They may also have significant amounts of jewelry, fine art and other collectibles. Coverage for such property may be severely limited under standard insurance policies. After the property is lost or damaged is not the best time for the insured to discover that their laptop or engagement ring could have been more adequately covered. Providing the proper coverage for movable and other valuable property is another value-added service of the professional insurance agent.

"Marine" coverage generally applies to property that moves, or can be moved, from place to place. Inland marine commonly applies to such property as jewelry, silverware, fine arts and other collectibles for personal lines, and contractors' tools and other equipment for commercial lines. However, Inland Marine coverage is not just for "movable" property, as eligibility extends to instrumentalities of communication and transportation, such as bridges and tunnels. Inland Marine developed as an extension of Ocean Marine coverage which is used for property that is transported on water.

Although Inland Marine is an often overlooked coverage, it represents a \$14 billion segment of the insurance industry (www.imua.org). 70-80% of this is estimated to be commercial lines. The popularity of collecting antique and valuable items showcased by television shows such as "Antiques Roadshow" and "American Pickers" brings to light how many people do have uninsured collectibles. Even modest homes may contain high valued collections.

An unfortunate example of inland marine exposures that were significantly underinsured is the destruction of the World Trade Center on 9/11. According to fine arts expert Max Donner, total fine arts losses exceeded \$250 million, but insured losses were about \$100 million. The differ-

ence is due to the fact that many of the businesses did not carry special insurance on such items, and those that did had very high deductibles, typically \$25,000. Many of these items were irreplaceable, and the loss has changed how the industry looks at protection for large concentrations of priceless art and collectibles.

There are a number of reasons that Inland Marine coverage may be preferred over standard property policies. Coverage is broader than normal contents coverage, usually including "mysterious disappearance" as a covered cause of loss. So, if the insured accidentally throws away their diamond ring, or loses an earring, there is coverage. Standard policy limitations do not apply. For example, standard personal lines policies often impose dollar limits on property such as jewelry, furs, silverware and collectibles. These limits may apply for "theft" losses only, but in some policies, the limit applies to loss from any cause. Similar limitations are found in many commercial policies. Breakage coverage for fragile items is also available.

Unlike standard contents/personal property, Inland Marine coverage is often written without a deductible. Typical property insurance covers property that is on premises, with limited extensions of coverage for items in transit. With Inland Marine coverage, the territory is expanded to a worldwide basis. Much of Inland Marine coverage is not regulated, giving companies flexibility to write miscellaneous property and charge rates that correspond to the perceived risk.

There are certain conditions of Inland Marine loss settlement that are important to understand. It is the insurance company's option to repair or replace the item. Even if the item is scheduled for a "value", that may not be the amount of money the insured receives as payment for the claim if the company can provide a replacement item for less money.



The Pair and Set clause applies if the lost or damaged item is part of a pair or set, such as a pair of earrings or a set of golf clubs. The insurance company has the option to require that the undamaged items be surrendered to the insurance company as part of the settlement.

Coverage for high valued and/or easily damaged items such as art work and antiques may be contingent upon storage and handling restrictions. For example, art work may need to be in a controlled environment, or high valued jewelry stored in a safe or vault when not in use. In some cases, the insurance carrier may require notification if property is moved to another location. For some items, special certified appraisals and pictures may be required in order for the expanded conditions of Inland Marine coverage to apply.

Inland Marine insurance is a great way to round out your clients' coverage portfolios and protect some of their more precious assets. Helping your clients understand the need for Inland Marine insurance is another sign of the true insurance professional.

Previously published in the Insurance Advocate®

