


# 7 Critical Secrets For Writing Longshore Insurance



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## What We Will Cover

- Secret #1** - Incorrect Experience Modifier
- Secret #2** - Missing Credits
- Secret #3** - Wrong Payroll
- Secret #4** - Penalties for Not Carrying Coverage
- Secret #5** - Uninsured Subcontractors
- Secret #6** - Out of State Longshore Gap
- Secret #7** - Expanding Definitions



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# 1

## Incorrect Experience Modifier

The Mutual carriers count for a market share somewhere close to 50% of the total book of insured Longshore, and neither of those carriers are a member of NCCI or the other state rating bureaus.

LONGSHORE payrolls and related claims are NOT part of the experience mod.

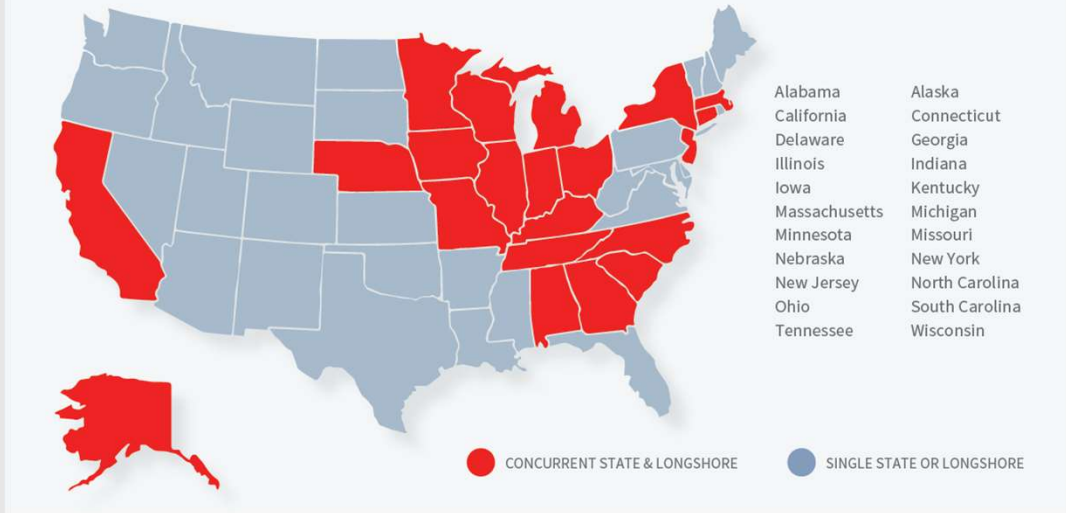
Longshore clients with little State Act payroll may not generate a mod.

The experience is skewed or non-existent?

Is this good news?



## CONCURRENT JURISDICTION



# 1

## Incorrect Experience Modifier

California has a unique way of looking at Longshore and mods.

Longshore claims CANNOT be counted in the mod EVEN IF written by the State Fund or a licensed carrier.

California is a Concurrent Jurisdiction State. Claims are reported under the State Act without corresponding payroll.

Longshore CA mods are often wildly unrepresentative of true profitability.

Some carriers apply these higher mods to the LONGSHORE rates, although that data was not included in the first place.

No easy solution!



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# 2

## Missing Credits

Most of the same credits in the State Act Programs are available when writing with the State Funds or licensed carriers.

- State Drug Free Workplace

- State Safety

- Contractors Premium Adjustment Credit

Longshore rates are typically significantly higher so credits have a bigger effect on the bottom line.

Premium Credits are also standard with the Licensed and State carriers.

Credits normally not available for Mutual.



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# 3

## Wrong Payroll

Payroll allocation between class codes.

LONGSHORE follows the same rules as State Act.

Can split payroll, EVEN FOR ONE INDIVIDUAL, if properly documented.

Carpenter who spends 75% of his time working landlocked & 25% of his time working on a ship.

Records supported as required by NCCI or your state rating bureau rules  
Payroll CAN be split.

He could be paying half or less of the rate for 75% of his time.

Does require a little extra effort but can be worth it!



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# 3

## Wrong Payroll

Payroll Limitations –

LONGSHORE Act does not specifically address the payroll limitations available for Executive Officers, Partners, Members of a LLC, etc., most carriers accept those same limitations in the Longshore policy.

IF your Officers and Partners are performing LONGSHORE work, check that you are using same limitations

Officers of a corporation are NOT permitted to exempt themselves IF they do any LONGSHORE work



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## Longshore Act

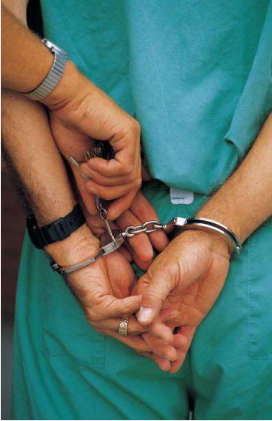
### Penalties For Not Carrying Coverage


Section 38 (a)

Fine of not more than \$10,000, or by imprisonment for not more than one year, or by both.

Where employer is a corporation, the president, secretary, and treasurer;

- Severally liable for such fine or imprisonment
- Severally personally liable for compensation





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## Longshore Act

### Penalties For Not Carrying Coverage

Any employer who knowingly transfers, sells, encumbers, assigns, or in any manner disposes of, conceals, secretes, or destroys any property belonging to such employer, after one of his employees has been injured within the purview of this act, and with intent to avoid the payment of compensation under this act to such employee or his dependents, shall be guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than one year, or by both such fine and imprisonment; and in any case where such employer is a corporation, the president, secretary, and treasurer thereof shall be also severally liable to such penalty of imprisonment as well as jointly liable with such corporation for such fine. This section shall not affect any other liability of the employer under this act. Section 38



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# 5 Uninsured Subcontractors

There are only two types of subcontractors:



- The one with their own insurance
- The one who is insured by you

The rules of the "independent" subcontractor fly out the window

- The pass-up is 100% clear
- Long-reaching up the chain to find the deep pocket

General Contractor, or company who hires uninsured subs, could themselves be EXEMPT from Longshore

- By hiring an uninsured subcontractor, they are back into Longshore.

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# 5 Uninsured Subcontractors

Marina employees

- Marina hires a subcontractor to build a new dock for them (a clear Longshore job).
- Subcontractor does not carry Longshore.
- The marina now liable for unpaid benefits but are themselves uninsured for Longshore, (as exempt) and thus suffer all the penalties.

Government employees

- Government subcontracts stevedoring work to an uninsured employer even though the government's own employees would be exempt!

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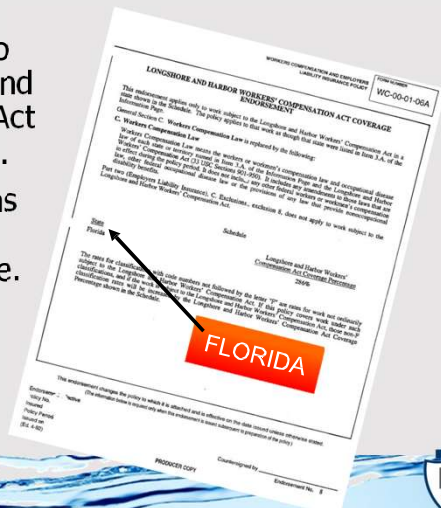
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## Out Of State Longshore Gap Coverage Endorsement

**WC 00 01 06 A**

This endorsement applies only to work subject to the Longshore and Harbor Workers' Compensation Act in a state shown in the schedule.

The policy applies to that work as though that state were listed in item 3.A. of the information page.





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## Expanding Definitions

**Examples which have all been classified as Longshore**

- A bookkeeper (clearly a clerical job) who collects invoices off packing crates in the warehouse.
- A security guard patrolling the docks. The Act excludes "Security", but the court said that the word office modified the word security, so now only "office Security Guards" are considered excluded. We do not know how many guards are confined to the office in marine businesses.
- A roofer who is re-roofing the storage building of a marina.
- A tiler who was hired to tile the bathroom at a newly constructed cruise ship terminal.



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## Expanding Definitions

If we recommend something today on a policy that may go into effect next year, the claims that happen later that year might take two to three years to be adjudicated. Four to five years after our advice is given, it is judged on the future standards.



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## What We Have Covered

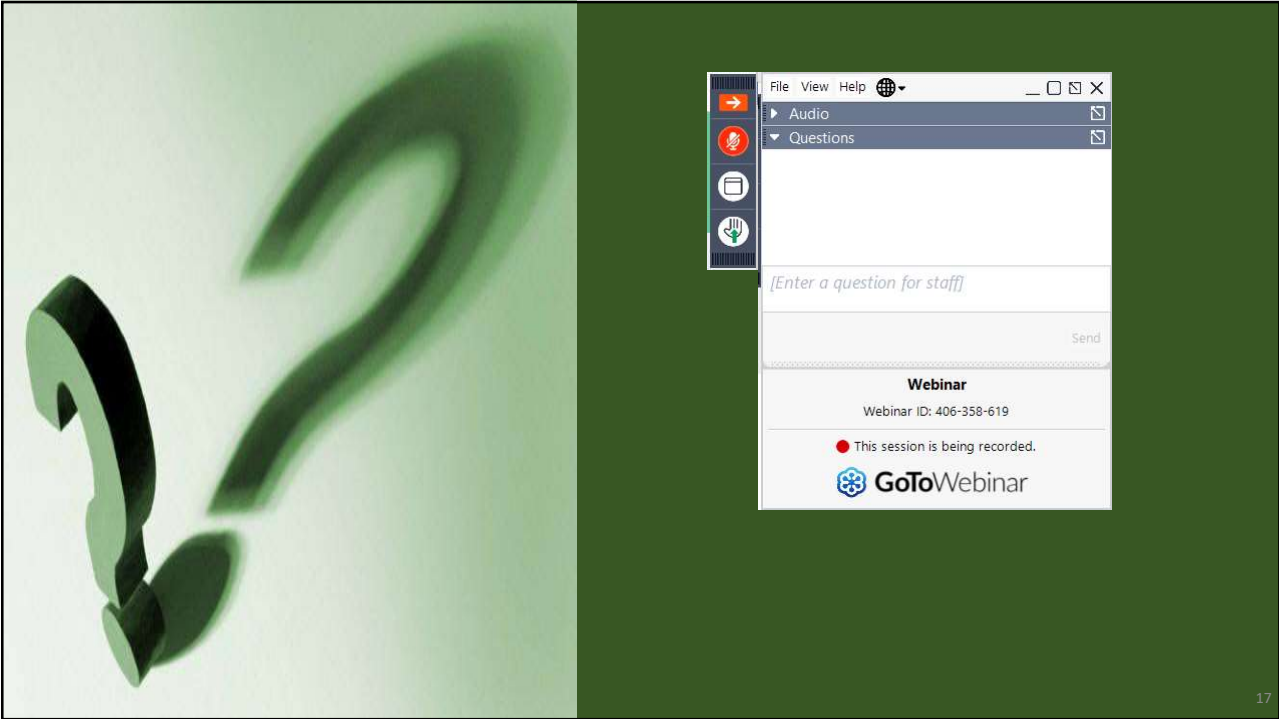
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