Marine Excess

Excess, Umbrella, Bumbershoot?

80/20 Rule

Structure of the Excess

Layered Umbrella Issues

Coverage and Exclusions

Dropdowns

Subscription policies – follow the lead

Auto & HONA underlying coverages

What's In A Name?

Follow Form Excess?

Marine Umbrella?

Bumbershoot?

Bumpershoot?

Marine Operations

Marine Umbrella is predominantly concerned with traditional ocean marine risks. These types of risks may include:

- Marine Transportation
- Ship Repairers
- Boat Builders
- Stevedores
- Terminal Operators
- Wharfingers
- Marinas
- Boat Dealers
- Marine Contractors
- Vessel Pollution
- Charterer's Liability
- Marine Manufacturers

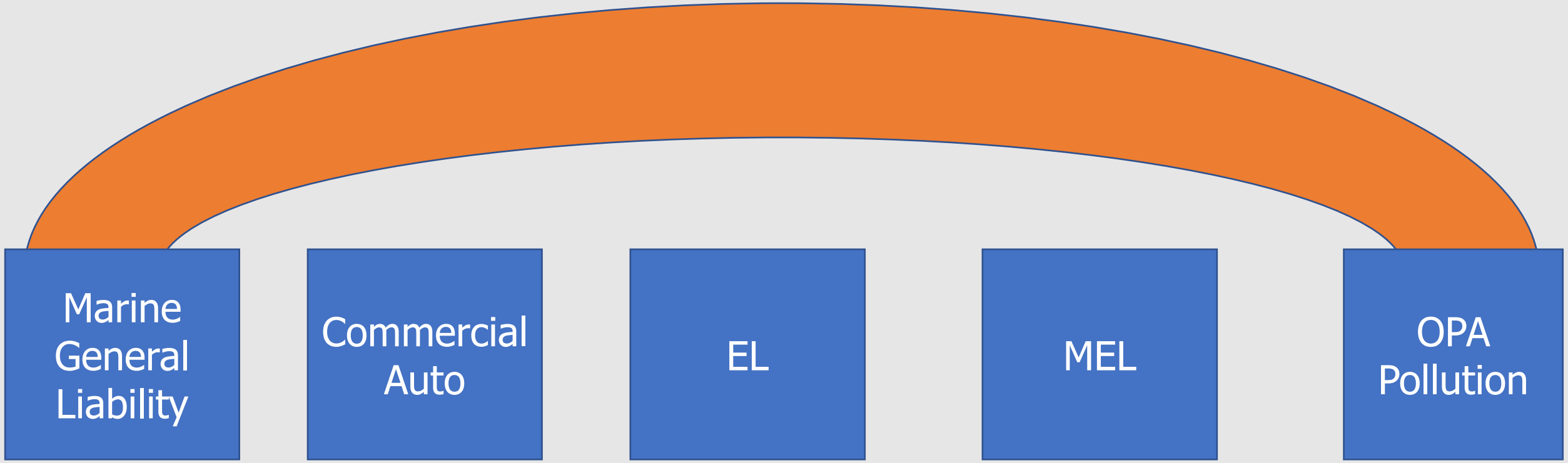
Marine Content

"80/20 Rule"

When determining a risk's acceptability as an excess marine placement, the rule in general states that no more than 20% of the operations of an Insured being covered should be from non-marine activities.

This is usually measured in terms of revenues, but there are some operations that are so ultra-hazardous that no matter what the amount of revenues they generate, this risk would be unacceptable to most marine underwriters. Examples of these might include the manufacturing of aircraft parts and equipment, manufacturing of hospital and medical equipment, and the repair and maintenance of nuclear power plants.

Umbrella Structure



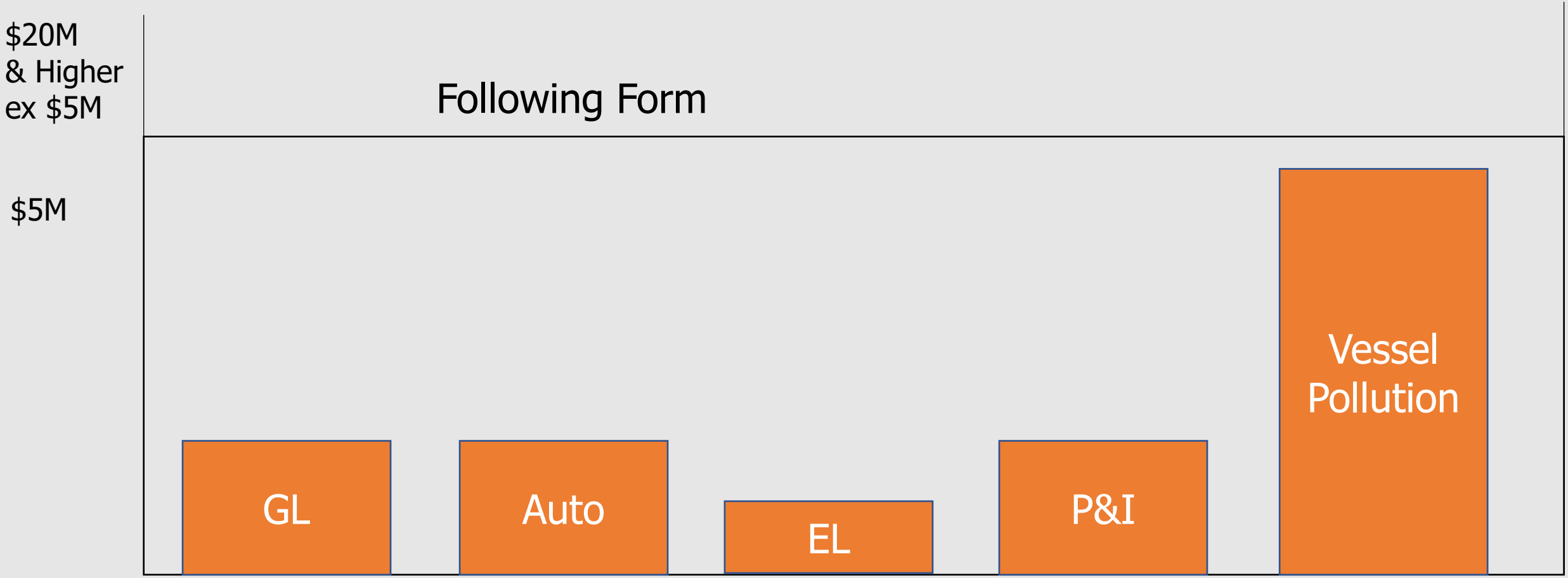
Underlying Coverages

Workers' Compensation, Longshore, Defense Base Act, Outer Continental Shelf Lands Act, etc.:

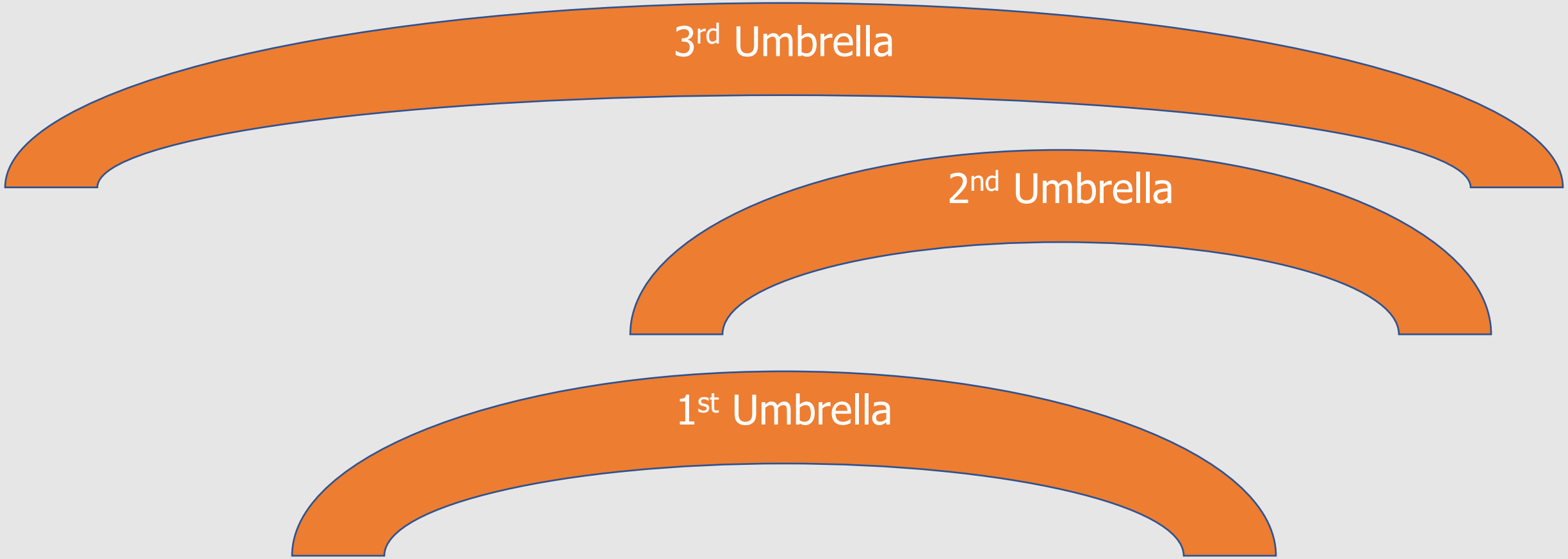
are not liabilities and should not be scheduled as underlying coverages.

However, the EL or MEL section of these can be scheduled.
Other underlying coverages not listed above should be carefully evaluated.

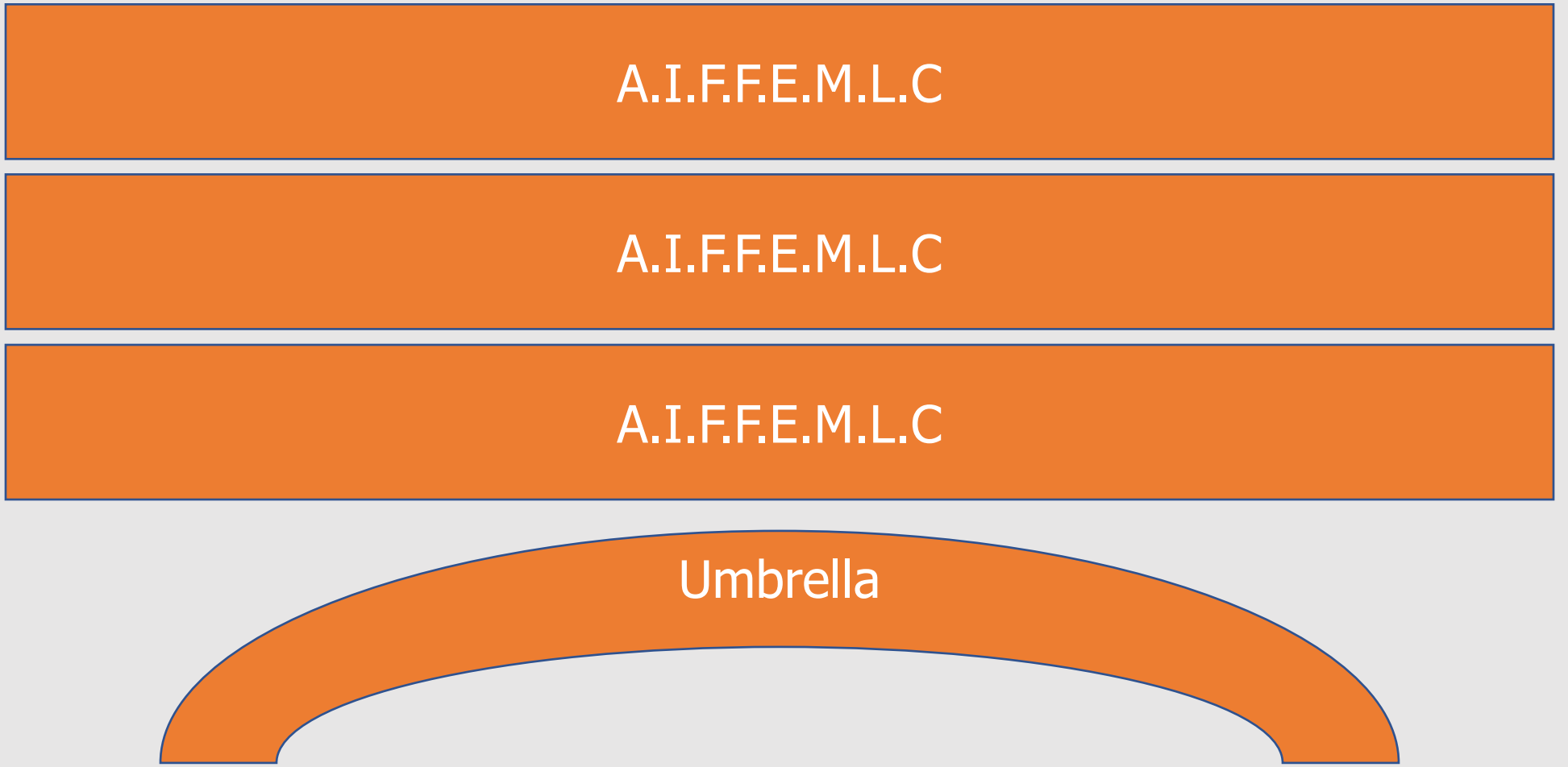
Layer Structure (cont.)



Layered Excess Structure "Wrong"



Layered Following Form Structure



Umbrella

What's Covered

Coverage is provided excess of all scheduled underlying policies

Coverage is provided for all uninsured losses excess of the SIR

What's Not Covered

Policies that do not provide Bodily Injury and Property Damage

Statutory compensation policies

Limit of Liability

If underlying is subject to an annual aggregate then this policy shall also be subject to an annual aggregate;

If an underlying aggregate is reduced or exhausted… this policy shall apply in excess of the reduced underlying limit or, if such limit is exhausted as underlying insurance.

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In the event of reduction or exhaustion of the aggregate limits of liability contained within an "underlying policy" by reason of losses paid thereunder, the Insured will make every reasonable effort to have such "underlying policy" reinstated or replaced in full, notwithstanding anything herein contained to the contrary.

Umbrella Absolute Exclusions

Breach of Fiduciary Duty

Discrimination

Employment-Related Practices

Workers Compensation and Similar Acts

Fraud, Infidelity, Dishonesty, Criminal Act

Occupational Disease

Fine, Penalties, Punitive Damages

Pollution

War

Umbrella Absolute Exclusions

Notwithstanding anything contained herein to the contrary, in the event that coverage is eluded in a Policy listed in the Schedule of Underlying Insurances, it is understood and agreed that said coverage is also excluded under this Policy unless said coverage is provided elsewhere in a Policy Listed in the Schedule of Underlying Insurances.

Any exclusion in an underlying policy is an exclusion in this policy.

Umbrella vs. Following Form Excess

Marine Umbrella	Following Form Excess
Multiple Layers	Single Layer for up to $100mil
Complex policies Often hundreds of pages long	Simple policy often <20 pages
Exclusions on one layer not on another	All the conditions the same on all layers
Excludes coverage excluded in underlying	Excludes coverage excluded in underlying
Mismatched Coverage	Simple to understand and follow
Impossible to work out what is covered and what's not.	Flexible, responsive understanding
Name on cover can be misleading	

Exclusions

Conditional – If covered in underlying covered in Umbrella but no broader than underlying:

1. Ship Repair
2. Crew Coverage
3. Products Liability
4. Auto
5. Other CCC's - ToLL, StLL, WhLL, CLL etc.

Dropdown

International Coverage

Most umbrella policies have broader territories

Not Covered but not excluded

Most umbrella policies have excluded items excluded in primary

Claims are rare, but not impossible

Price Difference?

Other Considerations

Claims

The Umbrella Policy or an Excess Policy can be a subscription policy with numerous interested parties. Does the policy have a Follow Leader Clause?

On Umbrella Policies since it is a standalone cover, additional claim investigation may be necessary over and above what was performed by the primary underwriter.

The Umbrella has drop down provisions that could put company in the primary layer.

The Umbrella Policy also may be excess of non-marine covers, which would challenge the expertise of the Marine Claim Department. Do they have non-marine adjusters?

Auto as Underlying Considerations

Increased Attachments

HNOA claims

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Marine Excess & Umbrellas

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