Inland Marine Coverage Outline

Inland Marine Insurance provides coverage for goods in domestic transit, goods of bailees' customers, moveable equipment, and unusual property. Property of certain dealers and instrumentalities of communication and transportation are also covered. In short, inland marine insurance provides coverage for loss exposures that cannot be conveniently or reasonably confined to a fixed location. A bailee is any person or business that accepts the property of others for a specific purpose. Instrumentalities of communication and transportation are properties essential to communication or transportation. Properties that may come under this class are radio and television equipment, bridges, roads, tunnels, pipelines and piers.

There are many kinds of inland marine policies that cover several kinds of loss exposures. The insurance industry has recognized this diversity by dividing inland marine into two categories; filed and non filed. Filed policies are those for which the policy forms and rates are filed with the state insurance department. These policies are characterized by the number of potential insureds with the same kinds or similar loss exposures. Most filed forms cover risks of direct physical loss to the covered property. The following are some examples of inland marine filed policy forms: commercial articles coverage form, equipment dealers coverage form, signs coverage form, mail coverage form, accounts receivable coverage form, and the valuable papers/records coverage form.

Non-filed inland marine policies are those for which neither the policy forms or the rates are filed with the state insurance department. The majority of inland marine policies are non-filed. Non-filed policies are characterized by a relatively small number of potential insureds with different loss exposures or both. A non-filed policy may be substantially different among insurers. Many non-filed policies provide coverage against risk of direct physical loss or damage to covered property. Other policies may insure against only specified causes of loss. The type of property that can be insured under a non-filed inland marine policy is almost limitless. The following are some examples of non-filed inland marine policies: electronic data processing equipment policy, contractors equipment policy, and builders risk/installation policy. Bailees' policies and instrumentalities of transportation and communication would also come under the non filed policy category.

Limit of Insurance

The limit of insurance in an inland marine policy will always vary depending on the type of inland marine policy. For example, transportation policies can have two limits of insurance. One limit could be per unit or per conveyance, which would be a limit per truck, per railroad car, per vessel, or per airplane. A catastrophe limit could also be included, which would apply to losses involving more than one unit or conveyance. It is also possible for a transportation policy to be written with a single per occurrence limit.

The inland marine valuable papers policy form is another example of varying limits. The limit of insurance on the declarations page states per occurrence; however, the policy is structured to indicate the insured has one limit for specifically described valuable papers on the insured's premises, and another limit for all other valuable papers and records on the insured's premises. The policy also states another limit for valuable papers and records temporarily away from the insured's premises, but this limit is shown as an additional coverage and not as a sublimit of the policy.

Deductibles
The deductibles in inland marine policies vary just as the limits do. An example would be the transportation policy. Since there are no standard policies, there are no standard deductibles. However, most policies are written with a per occurrence deductible. Even though most deductibles are written on a per loss basis, the wording in a deductible clause can put restrictions on the policy limit. As an example, some insurers state they will subtract the deductible amount from the amount they are obligated to pay. This type of clause prevents the insured from ever collecting the full policy limit of insurance. Other insurers might have a deductible clause similar to the one found in the valuable papers and records coverage form which states; the insurer will pay the amount of the loss less the deductible, up to the policy limit of insurance. This deductible clause would allow the insured to collect up to the policy limit.

Valuation Clause
Inland marine policies can also differ with valuation clauses. An example would be the inland marine transportation insurance policy which has a valuation clause at invoice cost. However, if there is no invoice, valuation can be the actual cash value of the property. Some insurers state if there is no invoice, valuation will be the market value of the property once it reaches it's destination. Another example of a valuation clause would be the valuable papers and records policy form. This form states the agreed valuation on specifically declared items will be the limit of insurance stated in the policy. Valuation for all other valuable papers and records will be determined by the lesser of it's cash value, cost of restoring the property to it's original condition prior to the loss, or the cost of replacing the property with similar or identical property. This last method is usually the valuation method used on this form.

Coinsurance Clause
Most inland marine insurance policies have an 80% coinsurance clause when it is reasonable to have one. Others have no coinsurance clause because having one would not be reasonable. This is the case with the transportation policy and the valuable papers and records policy