

Insurance Requirements for Spud Point Marina Berthing Leases

Recommendation, Background and Analysis

Recommendation

Resulting from a detailed review of the County's risk exposure with respect to berthing leases, Risk Management recommends that the leases not include liability insurance requirements. The principal rationale is that the majority of commercial fishing boats, which constitute approximately 40% of the lessees, will be unable to obtain or afford ocean marine liability insurance, usually called Protection & Indemnity (P&I).

Requiring P&I is likely to cause a significant reduction in berthing leases which would result in substantial loss of revenues for the marina. This would run counter to Regional Parks' reorganization to a 100% cost-recovery model.

Another option is to require P&I, but waive it when the lessee cannot obtain or afford insurance. We do not recommend this because it result in significant additional work for Regional Parks' staff who will have monitor the insurance and then waive the requirement. The additional work will result in very little additional protection for the County.

Background & Analysis

Cost & Availability: Many of the commercial fishing vessels are older wooden boats which are very costly to insure. According to our insurance broker (Alliant), the annual premium range for P&I plus hull coverage would be \$3,000 - \$6,500 plus an additional \$2,500 per crew member. P&I without hull coverage is generally unavailable. Also, before applying for insurance, the owner must obtain a marine survey of the vessel to determine its seaworthiness. Our research indicates a minimum cost of \$500. If the survey discloses defects, they must be repaired before insurance can be obtained.

County Protection: The County is protected by Marina Liability insurance with an annual premium of approximately \$15,000 for Spud Point Marina. This policy has a limit of \$1,000,000 with a \$10,000 deductible; losses in excess of that are covered by the our General Liability insurance through CSAC EIA.

Loss History: Marina staff has confirmed that there have been no incidents at the marina where a boat caused damage that was not paid for by the owner.

Risk Mitigation: To reduce loss exposure at the marina, County is moving the dock gates back four feet so they can be closed. This will reduce the number of public wanderers on the docks and comply with ADA wheelchair accessibility requirements by leaving enough room on the landing to navigate and open the locked gate.

Comparison with Requirements of Other Public Marinas: Santa Barbara has no insurance requirements in its berthing leases because they've determined that it is too difficult to track and so many boats cannot obtain insurance. Other public marinas require \$300,000 liability insurance, except for boats that cannot be insured.

Private Pleasure Boats: Most owners of pleasure boats have insurance. It is difficult for them to obtain financing on the boat without evidence of insurance.