

By Sean H. Griffin

These are challenging times for all businesses including marinas. In addition to the traditional risks associated with marina operations, the distressed economy has introduced new risks. Recognizing all potential exposures and implementing best practices for risk management can help marina owners/operators avoid serious exposures and the associated liabilities.

Economic hardship can lead to criminal behavior

While hard figures are not in yet, more than one source expects an increase in criminal activity stemming from the current economic downturn. In a FOXNews.com report of April 20, 2009, titled "[Feds Confirm Spike in Crime During Economic Downturn](#)," U.S. Deputy Attorney General David Ogden was quoted as saying, "The current economic downturn has already meant an upswing in crime in some areas." A survey of mayors and police chiefs from 124 cities and 36 states, issued by the U.S. Conference of Mayors in August 2008, found that 42 percent of cities surveyed said the crime in their cities is a direct result of economic conditions.

Marinas are not immune from this criminal activity. There is a real potential for boat owners in dire economic straits, past due on their storage and maintenance payments, to act in a criminal manner, perhaps resorting to acts of arson or sabotage. Marina owners/operators need to be aware of this risk and implement appropriate safeguards including advanced electronic surveillance systems and comprehensive fire protection.

The ongoing threat of fire

Whether started deliberately or by accident, fires are always a real and present danger for marinas. The material composition of boats (fiberglass, wood, rubber) coupled with their rack, dry stack or nestled storage, in combination with the presence of gasoline and petroleum-based products in marinas and boatyards, can result in a significant fire hazard. Fires can spread rapidly within boat compartments and from boat-to-boat in rack storage. The natural phenomenon associated with marina fires, whereby the presence of large bodies of water create wind and send flames soaring, further increases the fire risks to boats and physical structures associated with the marina and surrounding properties.

Among the many fires cited in the National Fire Protection Association (NFPA) Fire Analysis and Research Division's [Summary of Loss Data for Marinas and Boatyards, August 2008](#), were:

- fire engulfing an entire boathouse storing yachts

- an 82-boat fire occurring where there were no dividers in three-boat tall storage racks, which also caused the to collapse
- the loss of over 70 boats and a building in an explosion where there was no sprinkler system and combustibles led to a rapid spread fire
- a marina building constructed of corrugated steel and unprotected steel beams catching fire, destroying 52 boats and causing \$4 million in damages
- the destruction of three boats and damage to 10 other boats, 16 dock fingers and eight head docks due to a fire that started on a boat tied to the dock
- the destruction of 22 boats and the explosion of a 300-gallon fuel oil tank due to a short in an air compressor causing a fire to ignite the marina's wood floors and paints used in the marina

The NFPA requires that fire detectors be installed in interior or covered locations of marina boat storage and repair facilities that are not protected by a fixed automatic sprinkler system. To further address the risk of fires in a boat storage environment, the NFPA's Technical Committee, responsible for NFPA 303, *Fire Protection Standard for Marinas and Boatyards*, and NFPA 13, [Standard for the Installation of Sprinkler Systems](#), continues to review various types of fire detection technologies. Through its assessment of heat, smoke, video, linear heat, flame and photoelectric beam technologies, the NFPA is striving to gain a better understanding of how they perform in the boat storage environment — both dry stack and single-level warehouse structures — and could be applied to enhance fire risk management.

Other hazards facing marinas

In addition to criminal acts and fires, marinas face risks associated with human error, heavy machinery, environmental exposures and natural disasters. Accidents involving cranes, forklifts and other heavy equipment are not uncommon and pose great risk to human life and property damage. Marinas also face exposures relating to their compliance with various U.S. environmental laws, ranging from The Resource Conservation and Recovery Act governing the generation, handling and disposal of solid waste and hazardous waste, to The Clean Water and Clean Air Act regulating industrial waste disposal and other human activities that result in the contamination of the air and water. The U.S. Environmental Protection Agency periodically institutes initiatives intended to demonstrate the benefits marinas derive from their implementation of best practices in environmental improvements. One such initiative, the "Clean Marinas — Clear Value" project, instituted in conjunction with the U.S. Office of Water, demonstrated significant cost savings for marinas who implemented trash, water and fuel recycling programs, as well as the applied hull serving improvements (e.g., dustless sanders, closed-loop systems reusing plastic pellets, and special screen tarps that trap debris). Other environmental risk management steps, including solid waste management education programs for marina personnel and those involving

shoreline stabilization, storm water runoff control, liquid material management and petroleum control, have also been proven to accrue measurable benefits to marina operations.

Dock-related risks

Many marinas have inherent risks associated with their docks. It is estimated that only 50 percent of all docks nationwide were constructed by qualified marine engineers and contractors. The other half is the “handiwork” of general contractors or do-it-yourselfers lacking knowledge of the Uniform Building Code and Building Officials and Code Administrators (BOCA) standards, not to mention experience relating to marina operations. Owners/operators of docks that do not meet code requirements, run the risk of severe property damage at the hands of a hurricane, tropical storm or nor’easter.

Implementing best practices

While natural disasters cannot be prevented, the risks associated with them can be managed. In the case of the dock, simply employing the right contractor for all dock-related construction or renovations can significantly reduce damages, both to property and potential life. On a related note, all subcontractors used by the marina should present a “Certificate of Insurance” and be properly insured, including holding Workers Compensation coverage on their staff working at the site. The Certificate of Insurance should also indicate that the marina owner has been added to the subcontractor’s General Liability as an additional insured.

Fire risks can be minimized with prudent actions, for instance, isolating boats owned by customers who have fallen behind in their storage and maintenance fees. Theft of boats and other recreational water vehicles can be kept in check with the use of proper security and surveillance systems.

With regard to controlling pollution and other environmental risks, marina owner-operators should stay abreast of and in full compliance with environmental regulations. They should use common sense when it comes to their marinas’ consumption and use of hazardous materials. For example, manual sticking of tanks to gauge the level of fuel, which is then compared to the amount of fuel indicated on fuel delivery receipt, is a good practice for detecting potential leakage problems.

Proper maintenance of the marina itself is perhaps one of the areas in which marina owners/operators have the greatest control over potential risks. Marinas should not fall behind in their general maintenance. On a regular basis, dock planks should be checked, secured regularly and all planks replaced as needed. Cleats should be re-secured and fastened regularly. All nails and screws should be tightened. Safety signs (e.g., *No Smoking during Fueling, Engines Off in Fuel Areas, etc.*) should be bright, not old and faded, and prominently placed. The integrity of all electrical connections should be checked, and if wear and tear is detected, replacements and repairs should be made. Power terminals should be assessed to make sure they are properly grounded

and have the proper polarity after the winter season. Water pressure should also be checked to maintain at the right level — neither too high nor low. All parts of heavy machinery (i.e., fork lifts, travel lifts, Hi-Los, cranes, etc.) should be inspected, lubricated and maintained in accordance with the OEM's specifications.

For marinas whose operation includes other activities, such as restaurant, pool and boat dealership, consideration should be given to the additional risks associated with these operations. Restaurants, for example, present risks associated with compliance with health safety codes and liquor-related liabilities. Further, many restaurants hire staff in low-paying positions, several of whom may be non-citizens. It is important to comply with all workplace legislation including wage and hour, immigration, and discrimination laws. Regarding the operation of a pool on-premises, marinas should adopt safety practices used by other private enterprises as well as municipalities (i.e., having a certified lifeguard on staff when the pool is open, training all marina staff in CPR, applying non-slip surfaces surrounding the pool perimeter, requiring children under certain ages to be accompanied by adults, etc.). As for a boat dealership operation, the marina should install state-of-the-art security and surveillance systems to protect its inventory of new boats.

Many of the risks associated with a marina can be managed with the employment of a Certified Marina Manager (CMM). This certification, presented by the International Marina Institute (IMI), indicates that an individual meets key prerequisites and has training and knowledge essential to overseeing overall marina operations. The prerequisites include graduation from an IMI Intermediate Marina Managers program and the Advanced Marina Managers program, AMI membership (either directly or through an employer), active involvement in at least one marina-trade association and five years minimum experience in senior management in a qualified national or international marina. Based on meeting these criteria, the CMM is qualified to supervise and manage other marina personnel, and has a strong understanding of regulatory and compliance, financial management, sales and marketing issues.

Proper and adequate insurance

As part of their best practice risk management strategies, marina owners/operators need to maintain proper and adequate insurance. An insurance professional, experienced in marina risks, will first assess the marina's full operation. In the assessment, the insurance professional focuses on factors such as the size and location of the marina, its physical attributes (i.e., presence of floating docks and buildings, whether buildings are on pilings, presence of trailers, number of buildings on premises, etc.), the nature of its operation (e.g., boat repair and maintenance only, fuel and waste station, restaurant, pool, store, boat dealership, etc.), types and ages of various tools and machinery used at the marina. With this information, the professional will guide the owner/operator as to the types and extent of coverage needed. Among the risks and associated insurance that will be considered are:

- Property/Dock (e.g., condition and structures would be assessed)
- Inventory (e.g., number and value of boats and watercraft stored in the yards)
- Comprehensive General Liability (e.g., coverage for general “slip and fall” and product liability)
- Pollution Liability (i.e., to cover pollution risks such as hazardous material spills or leaks)
- Marina Owners Legal liability (i.e., to cover exposures excluded by the General Liability policy (e.g., damage to the property of others in your care such as customers’ boat due to normal marina operations such as dry docking/repair activities, slip rentals, fueling, boat launches and transports,
- Protection & Indemnity (i.e., to cover in-water exposures and accidents involving the marina’s owned workboats, rental boat, its staff’s test driving of boats in the dealer and the routine moving/transport of boats)

For marinas that do have other operations (e.g., restaurant, dealership, etc.), it is advisable to insure these entities in policies separate and distinct from the marina operation. Other coverages for the marina are consistent with general businesses’ needs and include Workers Compensation, Employment Practices Liability Insurance and Automobile Insurance. Many marinas benefit from what is known as an umbrella or bumbershoot policy which provides higher limits of coverage over the marina’s liability exposures (i.e., General, Employment Practice, Auto, Protection and Indemnity, etc.).

Closing remarks

Based on data from the Association of Marina Industries (AMI) data, there are an estimated 14,500 marinas in the United States. They vary in size and nature of operations and employ staffs ranging from no employees (solely owner/operated) to over 500 employees (although the average number of employees was between 5 to 20 employees). The majority of these marinas (approximately 70 percent) are privately owned enterprises. The remaining 29 percent are associated with municipalities, and 1 percent with members of cooperative entities such as home owners associations, condominiums and yacht clubs.

For all these enterprises, mitigating risks through best practices and the right insurance coverage should be a priority. Adopting a sound training program to keep all personnel informed and skilled in proper operations, procedures and risk management measures is vital. The need for a sound risk management training program cannot be underestimated, particularly when considered in the context of potentially significant losses, such as serious head injury stemming from a fall involving a loose dock plank, or a serious accident that occurs when an unattended boat drifts into the water from an unsecured cleat and collides into another moving vessel.

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