

# Insuring Crane Operation Exposures

By Rick Weden

With the arrival of the newly revised Z-133 standard, due to be released later this year, and all the attention that it has drawn toward safe and proper crane operations, this is a good time to shed some light on how a tree care company's insurance program addresses this high risk exposure. This also may be a good time for tree care companies to review their own insurance coverage and, among other things, verify that it properly insures crane operations. Even if you do not own or operate cranes, you may still have an exposure in the event that you subcontract these services, as in so doing you can assume liability.

Crane work poses significant liability exposures. When crane accidents occur they can be catastrophic, with potential for severe injury or death, and sizeable financial loss. Add to this that the often graphic visual nature of crane accidents has a tendency to attract the attention of local news media, possibly resulting in one's tree care company getting some publicity they would rather avoid. It is, therefore, extremely important that along with taking every precaution available to avoid accidents, you make sure that your last line of defense, your insurance program, is properly covering this exposure.

While many insurance risks are addressed through the purchase of one specific insurance policy, crane risks may require three or more different insurance policies to provide the best available insurance protection. The Business Auto Policy, General Liability Policy, Contractors Equipment Policy, and in some cases a Riggers Liability Policy may all be required. What follows is a basic review of each of these policies, some of the exposures they address, and some background



*Proper training is one way to reduce exposure. Here, instructor Jim Roach discusses a crane pick with students during training in Pennsylvania in March. Photo courtesy of Kim Nieves-Sosa/Nieves-Sosa Photography. (See related article, page 34)*

on their coverage. Also highlighted are some areas where buyers should take extra care when evaluating coverage. Due to the potential complexity involved, along with the variety of insurers offering insurance products catering to tree care operations, it is advisable to carefully review your company's policies, and do so with an insurance professional who understands the risks and exposures inherent in tree care operations.

## Business Auto Policy

Most cranes used in tree care work are truck mounted, meaning the actual crane assembly is permanently attached and made part of a vehicle, usually a heavy truck capable of supporting the weight of both truck and crane portions. Since these "autos" are designed to be operated on public roads, they generally fall under various state vehicle registration and financial responsibility laws and as such are legally considered "autos" by state regulatory and insurance definition. This allows them to be insured on a Business Auto Policy, and

it is this policy that often becomes the general source of liability and physical damage insurance required for truck-mounted cranes.

The manner in which the coverage terms of many Business Auto Policies address crane operations is interesting, as they do so by making an exception to a coverage exclusion. Many Business Auto Policies contain a coverage exclusion for liability caused by "movement of property by mechanical device," yet the policy then goes on to make an exception to this exclusion by allowing coverage if "the device is attached to the covered auto." Since truck-mounted cranes are vehicles with permanently attached crane assemblies, they meet the exception and therefore have liability coverage under most Business Auto Policy forms.

When insuring cranes on the Business Auto Policy, be sure to make your insurer aware that the vehicle you are asking them to insure is, in fact, a crane. Some insurers are not comfortable with crane exposures, and in some cases the vehicle information that one normally provides to an insurer to add a vehicle to an auto policy may not specifically identify it as a crane. The insurer should be made aware of the total weight and value of the truck-crane assembly.

The Business Auto Policy also allows the insured to purchase physical damage insurance for the crane itself. "Buyer beware," however, as Business Auto Policies generally offer this coverage on a depreciated or "actual cash value" basis. This means that in the event of loss, the settlement will be calculated based on age, mileage, wear and tear, and other depreciating factors. This may pose a problem if an older crane under a lease or lien agreement suffers a total loss, as the agreement may require you to pay off the balance of the payments to the lessor/lien holder in these situations. As a result one may find



themselves responsible for this balance or "gap," as the depreciated value terms of the policy may not be sufficient to pay the difference between the crane value at the time of loss and the balance on the lease or lien agreement. One way to close this coverage gap is to purchase "Lease Gap" coverage on the Business Auto Policy if it is available, or perhaps look to the leasing company or lien holder to see if they can offer this as an added benefit.

### **Contractor's Equipment Policy**

This is the policy form that many tree companies use to insure much of their equipment including chippers, grinders, skid-steers, etc. In some cases cranes can also be insured on this policy form. The policy enables one to insure individual pieces of equipment, each with its own separate predetermined value.

For example, when dealing with truck-mounted cranes, the ArborMAX insurance program allows one to essentially "split out" the value of the crane assembly from the Business Auto Policy and add it separately to the Contractor's Equipment Policy. Furthermore, the ArborMAX Contractor's Equipment Policy offers replacement cost coverage on any equipment that is five years old or less. This can, for a period of time anyway, alleviate the depreciation problem as noted above on the Business Auto Policy.

The coverage on contractor's equipment policies can vary from one insurer to another so be aware that some policies may contain certain exclusions or problematic equipment definitions that may exclude coverage for cranes. Some policies may exclude coverage for boom parts, or for damage to cranes resulting from certain overturn incidents, for example when an operator exceeds the crane's specified lift capabilities. It can be problematic when an equipment policy defines truck-mounted cranes as "autos," thereby disqualifying them from Contractor's Equipment Policy coverage by taking the position that the crane should be insured on the Business Auto Policy.

It is also highly advisable that one use the services of one agent to help them manage all policies. This allows the agent the ability to properly coordinate coverage from one policy to another, thereby avoid-

ing gaps in coverage, which can occur when one has separate providers handling different policies. It's worth saying again that insurance products and coverage can differ from one insurer to another, so coverage should be arranged carefully with attention to these and other details.

### **General Liability Policy**

What about cranes that do not fit the truck-mounted description? When addressing the liability exposures associated with non truck-mounted cranes and other lifts, one should look to the General Liability Policy for coverage. The General Liability coverage, if arranged properly, will include liability protection from incidents involving "mobile equipment." This is equipment that does not fit the insurance definition as "autos" as discussed earlier, as it is not designed to be operated on public roads. One must exercise care as the "mobile equipment" definition under the General Liability Policy has undergone a number of changes in recent years and therefore coverage in this respect may vary from one policy to another. This is another prime example of the importance of working with an insurance professional who understands tree care operations and is aware of the proper insurance coverage needed.

### **Riggers Liability**

Let's talk about how we insure the actual property (usually property owned by others) that we are hoisting and moving with a crane, or better referred to as the property we are "picking." The fact is that most policies that one normally has: General Liability, Auto, etc., make it a point to exclude coverage for property while it is in lift status with a crane. Since crane operators can find themselves handling property of significant value, this can pose a significant exposure. The problem is solved by including Rigger's Liability Coverage, which insures the crane operator's liability for damage to property they are picking.

Crane operators who work on large construction projects where picks involve the handling of high value property, such as costly building components and other objects, consider this coverage mandatory due to the high values that they are handling. Most tree care professionals are of the opinion that they have little to no expo-

sure in this area, as the value of the property that they pick is usually negligible. However, tree care companies who subcontract their crane services out to other companies, such as construction companies, or other potentially high value lifts should exercise caution, as they may find themselves picking property of extremely high value, thereby triggering the need for this coverage.

It is also worth mentioning that when tree care professionals hold their crane services out to projects deemed outside the normal scope of tree care, they may fall under different OSHA safety standards and licensing requirements. With the focus of this article being on insurance, questions regarding safety standards and licensing should be directed to TCIA staff or others with experience in this area.

In closing, let's remember that tree care, in its overall scope of services, is a highly specialized industry that, at its best, employs highly skilled and trained staff working at all levels to insure a safe and efficient work environment and rendering a quality product or service to their valued customers. We all know the risks and dangers that are created when those who do not possess these skills involve themselves in tree work. Much time is spent educating customers as to the importance of choosing a qualified tree care professional regardless of the size and scope of tree work one might be considering.

Tree care professionals should make similar considerations when evaluating their insurance providers, and look only to those who have expertise in this specialized area. These individuals understand the exposures that you have and know the right questions to ask, enabling them to provide appropriate coverage for your company and at a reasonable cost.

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