

## CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

### MEMORANDUM

**Date:** May 19, 2022  
**To:** Harbor Commission  
**From:** Mike Wiltshire, Waterfront Director  
**Subject:** **Vessel Insurance Requirements**

---

#### **RECOMMENDATION:**

That Harbor Commission discuss the requirement of vessel insurance in Santa Barbara and take action as necessary.

#### **BACKGROUND:**

Historically, vessel insurance has not been required to moor within Santa Barbara Harbor or within the City managed mooring and anchorage areas. Recently, staff has been considering whether or not vessel insurance should be required. The main argument for the requirement of vessel insurance is that it protects the City, as well as the boat owner, from unforeseen issues with both visiting vessels and slip permitted vessels. Currently the City of Santa Barbara requires vessel owners to sign a release of liability as well as indemnify the City of Santa Barbara, but does not mandate vessel insurance to occupy a slip, mooring, or anchor in Santa Barbara.

#### **DISCUSSION:**

There are a number of concerns that need to be worked through as it relates to the best interest to protect the City, as well as the best interest of those who hold slip permits. Subjecting current slip permit holders to a new law that could jeopardize whether or not they can maintain a slip permit for their vessel will require extensive analysis. Listed below are a few initial considerations with respect to requiring vessel insurance:

- ✓ Not all vessels are insurable. Cement-hulled boats, older wooden boats, commercial fishing boats, homemade (“kit”) boats and fiberglass-over-plywood boats are often difficult/costly to insure.
- ✓ A majority of private harbors require insurance, usually in the amount of \$300,000. Those that do not require insurance accommodate commercial fishing fleets, owners of which cannot typically afford costly premiums, if the vessel is insurable at all.
- ✓ Liability insurance (alone) is difficult to purchase. Most insurance underwriters shy away from writing liability-only policies. They usually require liability *and* hull insurance, which would drive up the cost.

- ✓ Administrative burden. Staff time required for tracking yearly insurance certificate renewals for nearly 2,000 vessels within the Harbor District would need to be planned for.
- ✓ Less than reliable. Many insurance policies do not require a marine survey (some require a photograph and self-inspection); the reliability of some insurance providers ability to pay claims is questionable.
- ✓ Experience. Many underwriters look at the experience of the boater whose vessel they are insuring. This could cause a burden for some boat owners who are new to boating or who use their vessels infrequently. Additionally, many slip permittees have a family member on the slip permit who are otherwise not mariners and whom may not qualify for insurance.
- ✓ Cost to boaters. Insurance requirements would add costs to the boater, (an annual liability policy costs about 3% of a vessel's fair market value).
- ✓ Penalty for noncompliance. Typically, the penalty for not complying with Municipal Code is Slip Permit termination. This will require oversight and due-process.

## **CONCLUSION**

Requiring vessel insurance as a condition of mooring in Santa Barbara to reduce liability to boaters and the City is a good concept but there are various impacts to slip permittees. If the Waterfront Department were to pursue the requirement of vessel insurance, a thorough analysis would be recommended to minimize unintended consequences.

Attachment: Survey of Insurance Requirements of California Harbors

Prepared by: Erik Engebretson, Harbor Operations Manager

## Survey of Insurance Requirements of California Harbors

| Harbors                                | Public | Private | Yes | No |
|--|--------|---------|-----|----|
| Channel Islands Bahia                  |        | x       | x   |    |
| Channel Islands Harbor Patrol          | x      |         | x   |    |
| Channel Islands Landing                |        | x       | x   |    |
| Channel Islands Peninsula Yacht Marina |        | x       | x   |    |
| Channel Islands Vintage Marina         |        | x       | x   |    |
| Long Beach Alamitos Bay                | x      |         | x   |    |
| Long Beach Rainbow Harbor              | x      |         | x   |    |
| Long Beach Shoreline                   | x      |         | x   |    |
| Monterey Harbor                        | x      |         |     | x  |
| Morro Bay Harbor                       | x      |         |     | x  |
| Morro Bay State Park                   | x      |         | x   |    |
| Newport Beach                          | x      |         | x   |    |
| Oceanside                              | x      |         | x   |    |
| Port San Luis                          | x      |         |     | x  |
| Santa Barbara Harbor                   | x      |         |     | x  |
| Santa Cruz Harbor                      | x      |         | x   |    |
| Ventura Island Marina                  | x      |         | x   |    |