

# Understanding Installation Floaters

During the process of completing a project, a contractor faces a variety of risks. Materials, equipment, machinery and supplies must be purchased, stored, transported, staged, processed and installed before work can be accepted. For contractors, the property they rely on to complete their work can be compromised along the way.

Most commercial property insurance policies provide little to no coverage for property once it has been removed from a contractor's premises. To guarantee that property will be insured up until the point that it is installed and accepted, contractors can turn to a form of inland marine insurance known as an installation floater.

### The Basics

Installation floaters insure a contractor's materials, equipment, machinery and supplies from the moment they leave the contractor's premises until a job is complete. This means that a contractor's property will be covered in the following scenarios:

- While being stored at a temporary location
- While in transit to a job site
- While being staged or awaiting installation
- While being installed
- While pending acceptance by a project owner or general contractor

Put another way, installation floaters cover a subcontractor's property before it becomes a permanent feature of a project or structure.

While installation floaters offer similar coverage to that provided by builders risk policies (another form of inland marine insurance typically purchased by project owners or general contractors), there are important distinctions between the two forms of coverage. Installation floaters are typically purchased by contractors or subcontractors that have a limited scope of work on a job because they provide coverage only for the insured contractor's portion of a project.

Installation floaters can be utilized for both new "ground-up" construction and for remodeling projects, the latter for which builders risk insurance may not be applicable. Additionally, policies can be written either on an annual basis to apply to all projects undertaken by a contractor or on per project basis.

### Covered Perils

Installation floaters are "all risks" policies, meaning that they cover all exposures other than those specifically named by the policy. Policies generally cover losses caused by fire, theft, explosions, traffic accidents, vandalism and several other perils.

Unless covered through an endorsement, installation floaters may exclude losses caused by earthquakes, volcanic eruptions, floods, sewer backups, governmental

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action, nuclear hazards, war or military action, employee theft, or errors and omissions.

## Installation Floater vs. Builders Risk Insurance

While some brokers may argue that installation floaters cause redundancies in coverage, and they believe the project owner or contractor's builders risk policy will respond in the event of a claim, this is often not the case. In some instances, the type of work a contractor performs may be excluded from the terms of a builders risk policy. For example, contractors installing highly valued equipment or materials not covered under the builders risk policy (such as roofs, HVAC and electrical systems) may need to purchase an installation floater to be properly insured.

Even if a builders risk policy covers the type of work being performed, a contractor will likely have to absorb a share of the policy's deductible in the event of a claim. Depending on the terms of the builders risk policy, it can be more cost effective for a contractor to rely on an installation floater.

With these factors in mind, contractors should always evaluate a builders risk policy to determine whether their interests are properly insured and what portion of the policy's deductible they may be required to absorb.

## Other Considerations

Like other forms of inland marine insurance, installation floaters often exclude coverage for property while it is air- or waterborne. If a contractor's work requires the use of a crane, helicopter, barge or watercraft to install property, the terms of an installation floater should be reviewed along with existing insurance policies in order to determine whether coverage is applicable and to identify potential coverage gaps.

Trees, shrubs and plants are also commonly excluded from installation floaters. If possible, contractors that perform landscaping installations should have their policy amended to specifically cover this type of property.

Companies that rely on temporary structures or falsework including, but not limited to, cribbing, scaffolding, forms, temporary fencing, and temporary lighting or retaining walls, should work with their brokers to find the proper installation floater. Policies may include a sublimit for these items, or, in some cases, exclude these items from coverage entirely.

Lastly, policies may omit coverage for losses that occur during testing. Companies that execute startup, performance, stress, pressure or overload testing of materials, supplies, machinery, fixtures and equipment should confirm that their installation floater meets their testing needs. Often, coverage for testing can be added at an additional cost.

## Claims Process

In the event of a loss, an insured contractor will be required to take action as specified by their individual policy. In general, insured contractors are required to do the following:

- Provide prompt notice of the loss
- Submit proof of the loss, including the time, place and circumstances of the loss, within the timeline specified by the policy
- Supply estimates, specifications, inventories and other information that may be required to settle the loss

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- Disclose other insurance policies that may cover the loss
- Take reasonable steps to protect the covered property to prevent further loss
- Produce records related to the value of the property affected by the loss

As always, policyholders can rely on their Gallagher Franchise Solutions broker to assist during the claims process.

### Work With an Expert

To discuss whether an installation floater is the right form of coverage to address your business's property exposures, please contact Gallagher Franchise Solutions at (918) 584-1433 today.