

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
INLAND MARINE GUIDE
EQUIPMENT SALES AND RENTAL**

UNDERWRITING

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COVERED PROPERTY

The intent of the Equipment Sales And Rental Coverage form is to provide coverage for equipment that is for sale or lease/rent by an equipment dealer. Coverage is also provided for equipment of others that is in the insured's care, custody, and control for repairs or service.

Equipment can consist of:

1. agricultural equipment such as tractors, combines, harvesters;
2. construction equipment such as loaders, cranes, and excavators; or
3. material handling equipment (e.g., forklifts), generators, elevated work platforms (e.g., cherry pickers), and lighting equipment.

RISK SELECTION

To underwrite an equipment sales and rental risk, the following basic information should be obtained.

Dealer Information

1. Type of equipment being sold (e.g., farming, construction); and
2. years in business, experience of dealer in selling and servicing equipment, and financial strength of the dealer.

Location/Building Information

1. Location of dealer's premises including complete description of building(s) (e.g., construction, protection) and description of the dealer's lot;
2. description of operations inside buildings including sales offices, inventory storage, other operations excluding the service department; and
3. description of all service department operations including the number of service bays and the daily and weekly number of equipment being serviced and repaired.

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Values

1. average and maximum value of equipment for sale and breakdown of equipment values:
 - a. new equipment for sale; and
 - b. used equipment for sale including equipment on consignment
2. average and maximum value of equipment of others in for service, repair or maintenance;
3. value of equipment available for lease or rent; and
4. average and maximum value of all equipment in buildings and average and maximum value of all equipment stored outdoors.

Off-Site Exposures

1. Description of operations related to the transportation of equipment including radius of operations, description of vehicles used for hauling, information on drivers (e.g., experience, training), and description of any outsourcing of equipment hauling.
2. Description of any outsourcing of repair, servicing, or maintenance of equipment.
3. Description of leasing and rental operations including verification of insurance, credit or identity checks of lessee/renter and annual receipts earned from the leasing/rental of equipment.

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HAZARDS

Equipment Inside Buildings

The typical layout of an equipment dealer's building will include a showroom, offices, a parts department with a storage area, a waiting room, and a service department with service bays.

Fire

Construction, occupancy, protection, and exposures should be determined for each scheduled location.

1. The following specific exposures may exist in operations in the service department and should be carefully evaluated:
 - a. Spray Painting - How much, if any, spray painting does the dealer do? Where are spray painting operations done? Are spray booths in cut-off area or outside the main building? Are NFPA approved spray booths being used?
 - b. Welding And Cutting - Are welding and cutting operations done in an isolated area of the service department? Are welding curtains installed? Are Propane, acetylene, and oxygen tanks stored upright, properly secured, and stored away from potential ignition sources? What is the experience and training of welders? Are welders licensed?
 - c. Parts Cleaning - Does the dealer have tanks of approved high flash point solvents for cleaning motors and engine parts? Are flammable solvents used for parts cleaning operations?
 - d. Flammable Products - Are oil, gasoline, paint thinner, kerosene, transmission fluid, brake fluid, grease, and lubricants stored in the service department and used in the service bays? Are flammable products stored in NFPA approved safety cabinets?
2. Many dealers have gasoline pumps and gasoline storage tanks. Is the refueling depot located away from the service department and away from the service bays? Are storage tanks above ground or below ground? Are fuel pumps and fuel lines in good condition and regularly inspected?

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3. Many dealers have an inventory of regular and oversized tires for tractors and other equipment. Are tires stored in compliance with NFPA standards for the storage of rubber tires? Is the tire storage area neat and orderly with clear aisle space?

Theft

Theft of equipment in buildings is an exposure when equipment is being worked on in the service department or when equipment is on display in the showroom.

1. Does the dealer have a guard on premises when closed for business?
2. Is the building protected by a premises burglar alarm? What is the type, grade, and extent of the burglar alarm?

Equipment Outside Buildings

Most dealers are located in rural areas with large lots. Because of its size, most equipment is stored outdoors in a storage yard.

Weather

Is the dealer's location in an area subject to large hail storms and other severe weather conditions?

Fire

1. Is the area adjacent to the dealer's location clear of brush and debris? Is the dealer's location subject to brush fires?
2. Many dealers have gasoline pumps and gasoline storage tanks. Is the refueling depot located away from the equipment storage area? Are storage tanks above ground or below ground? Are fuel pumps and fuel lines in good condition and regularly inspected?

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Theft

Because of the high value of equipment and the ease of selling stolen equipment, farm and construction equipment are considered targets for theft.

1. Is the outdoor storage yard fenced and well lit? Is equipment arranged in an orderly manner, in rows? Do the police regularly patrol the dealer's location?
2. Does the insured have a guard who patrols the storage area when the business is closed?
3. Is equipment chained to the ground? Are ignition switches removed from equipment? Are any tracking GPS devices installed on equipment (e.g., LoJack)?

Special Exposures

Transporting Equipment

Equipment dealers often deliver sold equipment to buyers and pick up equipment of customers that is in need of repair or servicing.

1. What is the maximum and average radius of deliveries and pick-ups?
2. Does the dealer hire a transportation company or owner/operator to deliver and pick up equipment? If so, is the equipment shipped on a full or released bill of lading? Does the dealer obtain a copy of a certificate of insurance?
3. Does the dealer use his/her own vehicles and drivers to deliver and pick up equipment? If so, what is the experience level of drivers? Are drivers licensed to haul large/wide loads? Is there a formal driver training program for loading and securing equipment?
4. If the dealer uses his/her own vehicles, what is the condition of vehicles? Are vehicle maintenance records available?
5. Does the dealer do any hauling-for-hire? If so, what is the maximum and average radius of operations?

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Repair Service

As a service to customers, some dealers send out repair crews to the customer's premises, jobsite, or farm. This off-site exposure can involve owned tools, employee tools, equipment parts, and tires.

1. What is the maximum and average radius of operation for off-site repair crews?
2. Are tools, parts, and tires secured against theft while in vehicles?
Are vehicles secured with alarms?

Leased And Rented Equipment

In addition to selling equipment, most dealers also lease or rent equipment to others.

1. Does the lease or rental agreement make the lessee or renter liable for loss to equipment? Does the dealer require the lessee or renter to provide proof of insurance or certificates of insurance?
2. Are credit checks or other methods of identification done on lessees or renters?
3. Does the dealer determine if the lessee or renter is qualified to operate equipment? Does the dealer require instruction and training on the safe use of leased or rented equipment?

LOSS CONTROL

The following are possible issues that relate to a loss control survey.

This information is NOT intended to represent a comprehensive and exhaustive treatment of loss control issues that relate to an equipment dealer risk. UNDERWRITERS SHOULD CONSIDER additional questions that address concerns about individual risks.

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Loss Control Survey

In most cases a standard property loss control survey that addresses construction, occupancy, protection, and exposures will be sufficient for an equipment dealer. The following additional features may need to be addressed:

Equipment Inside Buildings

1. control of hazards associated with operations in the service department (e.g., spray painting, cutting/welding,);
2. location of fuel pumps and storage tanks, condition and maintenance of fuel pumps and fuel lines;
3. tire inventory and associated storage practices;

Equipment Outside Buildings

1. organization and control of equipment in the outdoor storage area;
2. protection of equipment from theft.