

**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
INLAND MARINE GUIDE  
BAILEE CUSTOMERS FLOATER -- DRY CLEANERS  
UNDERWRITING**

**COVERED PROPERTY**

The bailee customers floater coverage form is designed to cover property of others consisting of clothing, drapes, rugs, or similar. Property of others that is in the insured's possession for cleaning, altering, dyeing, or repairing. Other types of bailee situations, such as art restoration, should be written under a miscellaneous bailee floater.

**RISK SELECTION**

To underwrite bailee customers floater risks, obtain the following information:

**General**

The following information should be obtained for bailee customers - dry cleaning and laundry risks:

1. Breakdown of operations (e.g. 60% dry cleaning, 35% laundry, 5% drapes);
2. Construction, occupancy, protection, and exposure features for each scheduled location, description of occupancy should indicate if the location is a pick-up station or a processing location;
3. Description of cleaning solvents being used;
4. Description of any alarms;
5. Radius of travel for pick-ups and deliveries.

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**Determining Values At Risk**

The following additional information should be obtained if an underwriter wishes to determine or confirm the values at risk for a specific risk:

1. average turnover time per drop-off (time to process property);
2. average value per drop-off;
3. average charge per drop-off (fee for processing);
4. number of days open for business;

**KEY HAZARDS**

**Fire**

Clothing, rugs, and drapes that are not directly touched by a fire can still be destroyed by the accompanying smoke and water. Even minor fire damage can result in a significant loss. The insured's customers will not want their property back if it smells of smoke or it has water stains. In addition to standard commercial property fire concerns associated construction, occupancy, protection, and exposures underwriters should address the following issues:

**Lint Removal**

A by-product of dry cleaning and laundry operations is the accumulation of lint on walls, equipment, and pipes. The presence of lint can greatly increase the potential for a devastating fire loss. Lint should be removed on a regular basis and should not be allowed to gather in the premises.

**Solvents**

When underwriting a dry cleaning risk it is important to determine:

1. what kind solvent is being used; and
2. are controls in place to address the type of solvent being used.

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UNDERWRITING**

Part of the dry cleaning process involves the use of solvents. At the turn of the century dry cleaners used flammable liquids (naphtha) with very low flash points (e.g. 73° - 50°F). By the 1920s dry cleaners began using combustible liquids with flash points of more than 100°F. By the 1950s dry cleaners were using a chlorinated synthetic solvent called perchloroethylene, a noncombustible and nonflammable liquid.

A draw back of perchloroethylene is that the vapors that are given off are toxic. The toxic vapors are now considered a health hazard for exposed workers. Because of the toxicity of perchloroethylene, employee health regulations may require the installation of an expensive ventilation system. To avoid the expense of a ventilation system some dry cleaners are going back to using flammable solvents.

**Theft**

Clothing can be considered a target item for theft. Therefore, an underwriter must consider the area of operation for both location and transit. Based on the area of operation it should be determined if controls are adequate.

**ENDORSEMENTS**

The following options can modify the bailee customer coverage form:

**Fur Garments**

Adding coverage for furs dramatically increases the exposure to a theft loss. When adding this coverage underwriters should require:

1. a certificated central station premises alarm; and
2. a vehicle alarm or a requirement that someone must be with the vehicle at all times during pick-ups and deliveries.

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UNDERWRITING**

**Storage**

Storage of clothing may create a large concentration of values and therefore the potential for a catastrophic loss. When providing this coverage, the following information should be obtained:

1. Is property in storage kept separate from dry cleaning operations?  
Fire wall separation?
2. Does the storage area/room have any special protection features  
(e.g. automatic fire suppression system)?

**LOSS CONTROL**

The following is a list of possible questions that can be addressed during a loss control survey.

This list is NOT intended to represent a comprehensive and exhaustive treatment of loss control issues that relate to bailee customers, dry cleaning and laundry risks. UNDERWRITERS SHOULD CONSIDER additional questions that address concerns about specific types of risks.

**Loss Control Survey**

Construction, occupancy, protection, and exposure issues should be described and addressed when a survey is requested for a location. Additionally, a survey should deal with:

1. the mix of operations (i.e. dry cleaning and laundry, retail and wholesale);
2. level of housecleaning (i.e. accumulation of lint); and
3. the use and control of solvents.

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UNDERWRITING**

**Solvents**

When ordering a survey for a dry cleaning operation, the following information on solvents should be obtained:

1. Determine if there has been a recent change in the type of solvents being used.
2. Verify which solvents are currently in use, including:
  - a. volume of solvents on hand (i.e. number gallons);
  - b. method of storage (e.g. containers, drums, tanks);
  - c. flash point of solvent, if applicable.
3. Determine if the dry cleaning equipment requires a specific type of solvent and if the correct solvent is being used.
4. Based on the solvents that are being used, determine if the dry cleaning operations are in compliance with current NFPA standards.

**Code Requirements**

If a dry cleaner has switched to a combustible solvent, it should be determine if the operation is in compliance local fire codes. Codes may address:

1. installation of sprinklers;
2. specialized cleaning equipment designed for use with combustible liquids;
3. specialized drying units with explosion vents and self-contained extinguishing systems;

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UNDERWRITING**

4. fire walls separating dry cleaning operations from:
  - a. other operations (e.g. sales, ironing), and
  - b. boilers or other fuel burning equipment;
5. specialized solvent storage tanks; and
6. special mechanical ventilation system.