

# **AMERICAN ASSOCIATION OF INSURANCE SERVICES INLAND MARINE GUIDE MISCELLANEOUS FLOATERS - UNDERWRITING**

## **COVERED PROPERTY**

Inland Marine floaters are intended to cover a wide variety of personal property. The common thread that runs through floaters is that covered property must be described or scheduled and that the described property should be of a mobile (movable) nature.

### **Dry Cleaning Risks**

The miscellaneous bailee - processor floater was not designed to provide coverage for dry cleaning and laundry operations. Coverage for dry cleaning and laundry risks should be written under a bailee customers coverage form.

## **RISK SELECTION**

To underwrite floaters, obtain the following information:

### **Miscellaneous Bailee - Processor Floater**

1. Description of property of others.
2. Description of the process being performed on the covered property (e.g. cleaning, repairing).
3. Schedule of locations, including a breakdown of values per location.
4. Construction, occupancy, protection, and exposure features for key locations.
5. Annual receipts earned from processing work.
6. Description of the mode of transportation (i.e. motor carrier, rail, air, and owned vehicles).
7. Maximum and average values shipped.
8. Loss experience of the risk.

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**Patterns And Dies Floater**

1. Schedule of patterns and dies, including a description and value of each item.
2. Schedule of locations where the patterns and dies were used or stored during the past 12 months, including a breakdown of values per location.
3. Construction, occupancy, protection, and exposure features for key locations.
4. Description of the mode of transportation (i.e. motor carrier, rail, air, and owned vehicles).
5. Maximum and average values shipped.
6. Loss experience of the risk.

**Exhibition Floater**

1. Description of property that will be on exhibition.
2. Schedule of exhibitions, including:
  - a. location of each exhibition; and
  - b. dates or duration for each exhibition.
3. Construction, occupancy, protection, and exposure features of locations where high valued exhibitions will take place.
4. Description of the mode of transportation (i.e. motor carrier, rail, air, and owned vehicles).
5. Loss experience of the risk.

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**Sales Representative Samples**

1. Description of sales representative samples.
2. Number of sales representatives and the value of covered property in the custody of each representative.
3. Sales representatives' operating territory.
4. Description of the mode of transportation (i.e. motor carrier, rail, air, and owned vehicles) for shipments of samples between the insured and the representatives.
5. Loss experience of the risk.

**Scheduled Property Floater**

1. Description of covered property, including the value of each item.
2. Description of function or use of each item, if not apparent from the description of the covered property.
3. Description of locations where covered property is stored or operated. If a location is a building, description of construction, occupancy, protection, and exposure features.
4. If covered property is transported, description of the mode of transportation (i.e. motor carrier, rail, air, and owned vehicles).

**KEY HAZARDS**

When evaluating key hazards, it is important to understand that the covered property may not be in the insured's care, custody, or control. For example, the insured's property may be on display in a trade show and the insured will have no control over security or the accumulation of combustible materials in the exhibition hall. In such instances concerns with the hazards of fire, theft, or transit are better addressed through the use of higher deductibles and adequate premium levels.

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#### **Fire**

With the exception of sales representative samples, most property covered under a floater is processed, operated, or stored in a building. Therefore, an evaluation of the construction, occupancy, protection, and exposure characteristics of a building will allow underwriters to evaluate the exposure to the peril of fire.

A problem in evaluating the exposure to fire is that some risks involve several small locations. In this situation underwriters should develop risk information on two or three key locations and any locations with a history of losses.

#### **Theft**

Based on the description of the covered property, it should be determined if the described property is a target item for theft. If described property is a target item, then the following factors should be analyzed to determine if they increase the exposure to theft:

1. the processing, operation, or storage of the property; and
2. the geographic area of operation.

#### **Transit**

The greater the distance traveled the more exposure there is to poor roads, theft from vehicles, and adverse weather. For this reason it is important to obtain the radius of operations.

The mode of transportation should be ascertained because of the potential to subrogate and recover losses from carriers for hire.

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**ENDORSEMENTS**

The following options can modify miscellaneous floater coverage forms:

**Flood Coverage**

Coverage for the peril of flood (water) can be provided by endorsement. When adding this option, an underwriter should obtain and appraise the following information:

1. the Federal Emergency Management Agency's flood zone for the area where the risk is located;
2. the history of flooding in the area; and
3. the floor on which the covered property is located; ground floor and below locations are considered to have the greatest exposure to flooding.

**Earth Movement**

Coverage for the peril of earth movement can be provided by endorsement. When adding this option, an underwriter should obtain and appraise the following information:

1. the earthquake zone at the location; and
2. the construction of the building.

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## **LOSS CONTROL**

The following is a list of possible issues 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 miscellaneous floater risks. UNDERWRITERS SHOULD CONSIDER additional questions that address concerns about specific types of exposures and/or individual risks.

### **Ordering A Survey**

Because of the low limits and small premium amounts associated with miscellaneous floater risks, specific reports on these risks are usually not ordered. If ordered, a loss control survey for floaters is usually ordered as part of a property survey.

It is important to understand that for some risks underwriting considerations are beyond the insured's control, and therefore they cannot be reviewed during a loss control survey. For example, a loss control representative could not inspect an insured's patterns and dies while away from the insured's premises.

### **Loss Control Survey**

If a loss control survey is requested for a floater risk, the survey should be used to confirm risk selection information, such as:

1. Is the description of the covered property accurate?
2. Is the property used, operated, or stored as indicated?
3. Is the description of the processing operations accurate?
4. Is information on the described premises correct (e.g. construction)?