Protect Your Work in Progress with an Installation Floater

The materials that a contractor brings to a job site are subject to numerous perils in a variety of locations. The contractor might take delivery of them at his main location and store them for a period of time. At some point, he will transport them to a job site where they may again sit in storage. Finally, he will cut, drill, weld, or otherwise process the materials until they become a finished part of the building. During all of these stages, the materials may suffer damage by fire, theft, flooding, or even damage in a traffic accident during transport to the job site.

Commercial property insurance policies do not cover materials once they have been moved off of the business’s premises, and they provide little coverage for materials while in transit. To insure property that moves around, the contractor needs an inland marine policy, which is a policy that covers property that can easily move from one location to another. The inland marine policy that covers materials a contractor will install in a building is called an installation floater.

Contractors may be familiar with a similar policy known as a builders’ risk policy. A builders’ risk policy insures an entire structure during the process of its construction. The structure’s owner or the general contractor in charge of the job might purchase this policy. An installation floater, while similar in coverage, insures only a specific type of property during the construction, such as the plumbing or electrical systems. Subcontractors, who ordinarily have a limited scope of work on the job, purchase installation floaters.

An installation floater policy insures property used in a construction project. While the actual policy form will vary from one insurance company to another, it will typically cover materials, equipment, machinery and supplies owned by the contractor or for which he has responsibility. The property must be used in or incidental to the fabrication, erection or construction project described in the policy. One single amount of insurance applies to the property; the limit should be the highest value for that type of property during the job. When insurance companies establish the premium for these policies, they take into account that the value of the property will start out small and increase as the job progresses. For example, if a boiler installation contractor buys an installation floater with a $500,000 insurance limit, the company will adjust the premium to recognize that, for most of the project, $500,000 worth of boilers and related equipment and supplies will not be there.

Installation floaters cover all causes of loss other than those specifically listed in the policy. They cover losses caused by fire, lightning, theft, explosion, and several other perils. Typical policies do not cover losses caused by extreme events like earthquakes and floods, but some companies will consider adding these coverages for an additional premium. Most policies will also exclude damage that occurs during testing of a building component or system (for example, testing of compressors). Some companies may consider adding this coverage as well, depending on the type of property and the nature of the testing.

Beside the policy’s expiration, several other events may cause coverage to cease. Coverage ceases when the purchaser accepts the work, when the contractor’s ownership interest in the property ends, if he abandons the project, or within a stated number of days after he finishes work.

Because every installation floater policy is different, contractors should carefully review their policies. They should discuss any deficiencies or confusing provisions with their insurance agents. Construction contracts often require this coverage, so it is vital for a contractor to make sure he has the proper coverage.