

Commercial Risk Summary – Service Businesses

DRY CLEANERS

Category: Service Businesses

SIC CODE: 7216 Drycleaning Plants, Except Rug Cleaning

NAICS CODE: 812320 Drycleaning and Laundry Services (except Coin-Operated)

Suggested ISO General Liability Code: 14732, 14733, 45678

Suggested Workers Compensation Code: 2586, 2589, 8017

Description of operations: Dry cleaning operations use chemical applications instead of water to clean apparel for their customers. Items to be cleaned include special fabrics that may be damaged by water, leather goods and furs. Services may be provided to the general public or may be limited to commercial or institutional customers. Depending on the type of customer and services offered, the operations may include pickup of soiled material (either from customers' premises or from owned drop-off stations), sorting, spot-cleaning (pretreatment for stains), laundering or dry cleaning, pressing, and, finally, delivery or return of the material to the customer. Special coatings, such as stain-proofing or water-proofing, may be applied during the cleaning process. Incidental repair work, such as sewing on buttons, or other minor repair, may also be performed.

Property exposures generally include a small office, drop off or and pick up store front, dry cleaning facilities, and perhaps a warehouse for storage. Ignition sources include electrical wiring, dry cleaning equipment, and water heaters. Flammables include the textiles or other fabrics to be cleaned, scrap materials, and chemicals used in dry cleaning. At one time, the chemicals used were highly flammable, but most dry cleaners now use alternative chemical applications with less exposure to fire or explosion. One chemical is generally used to clean and another to "spot." Those spot cleaners tend to be the most flammable. Hazards increase without proper storage and handling methods.

Fire and explosion hazard may be severe unless there are dust collection systems and procedures for regular removal and disposal of scraps. Poor housekeeping is a serious fire hazard. Sprinklers may be advisable.

Equipment breakdown exposures include breakdown losses to the dust collection and ventilation systems, laundering and dry cleaning equipment, electrical control panels, and other apparatus. Breakdown and loss of use to the water heaters, dry cleaning and pressing machinery could result in significant loss, both direct and under time element.

Crime exposure includes both employee dishonesty and theft of money and securities, particularly if there are numerous cash transactions, such as at drop-off points or collections by route drivers. Lack of control over pre-employment background screening, separation of duties, and reviews of procedures used at customers' premises increases the exposure. All retail operations should have in place a monitoring and verification system to reconcile bills and receipts with services rendered. Holdup potential is high, especially in retail operations. Frequent deposits should be made, especially on high volume days.

Inland marine exposure includes accounts receivable, bailees customers, and valuable papers and records. The bailees customers' exposure starts when the property is entrusted to a dry cleaner's employee and ends when the property is returned to the customer. The primary perils are fire, theft, collision, overturn, and water damage. Hazards increase in the absence of adequate procedures, such as tagging or marking, record keeping, or other procedures, to account for and keep track of the goods of others.

Premises liability exposure is very limited at the plant due to lack of public access. Any receiving areas should be in good condition and free from any tripping hazards. High

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concentrations of chemicals used in the cleaning process may be corrosive and/or toxic. Fumes, spills or leaks may result in bodily injury or property damage to neighboring premises.

Off-site exposures are significant as drivers interact with customers in the pickup and delivery of curtains and draperies. Personal injury exposures include invasion of privacy and even assault to the customers. Failure of the cleaning service to run background checks and review references on employees both increases the hazard and reduces available defenses.

Completed operations liability exposure is low to moderate. The primary concern is items being damaged during the cleaning process, with frequency being a greater concern than severity. Vapors, odors, and skin, eye, or lung irritants may result if chemicals are not properly removed from the item cleaned.

Environmental impairment liability exposure is high from the use and application of chemicals and detergents. Vapors, fumes and air pollutants as well as waste water and disposal of dry cleaning chemicals are concerns that must be evaluated and controlled. Soil around the premises may be contaminated by disposal of chemicals used in the past. Disposal of perchloroethylene must adhere to EPA standards. The chemical is expensive, but can be reclaimed and reused.

Automobile exposure may be high if a pickup and delivery service is provided. Deadlines placed on drivers increase the hazard. Drivers' ages, training, experience, and records, as well as age, condition, and maintenance of the vehicles, are all important items to consider. MVRs must be checked regularly.

Workers compensation exposures can be high due to the dry cleaning chemicals used. These can cause skin and eye irritations, as well as serious lung and respiratory problems. Many dry cleaning agents pose a long-term threat from cumulative exposure. Slips and falls can occur during cleaning at the dry cleaning facility, or at customers' premises. Lifting and material handling are common hazards, especially for employees engaged in pickup or delivery. Repetitive motion injuries can be a concern. Workstations should be ergonomically designed. Pets owned by customers may attack or bite workers.

Minimum recommended coverage:

Business Personal Property, Business Income with Extra Expense, Equipment Breakdown, Employee Dishonesty, Money and Securities, Accounts Receivable, Bailees Customers Floater, Valuable Papers and Records, General Liability, Environmental Impairment Liability, Employee Benefits Liability, Umbrella Liability, Business Auto Liability and Physical Damage, Hired and Nonownership Auto Liability, Workers Compensation

Other coverages to consider:

Building, Computers, Employment-related Practices Liability, Stop Gap Liability

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Agent: The coverages listed below are suggested for consideration for service operations. After evaluating each of the listed coverages, check the recommended blank by those that apply specifically to this client. Make sure both the exposure and the coverage are explained to the client. Each coverage and option is explained in the Insurance Coverage Definitions document.

Client: For each of the coverages that the agent has recommended, initial whether you have chosen to accept or reject that coverage in the blanks provided.

PROPERTY COVERAGES

	Recommend	Accept	Reject
Building and Personal Property Coverage Form			
Building	_____	_____	_____
Business Personal Property	_____	_____	_____
Personal Property of Others	_____	_____	_____
Improvements and Betterments	_____	_____	_____
Condominium Coverage Form			
Condo-Unit Owners Coverage	_____	_____	_____
Commercial Output Policy			
_____	_____	_____	_____
Building and Personal Property Coinsurance			
Percentages	_____	_____	_____
None 80% 90% 100%	_____	_____	_____
Bldg _____	_____	_____	_____
BPP _____	_____	_____	_____
PPO _____	_____	_____	_____
I & B _____	_____	_____	_____
Alternatives to Coinsurance			
Agreed Value	_____	_____	_____
Functional Replacement Cost	_____	_____	_____
Peak Season	_____	_____	_____
Reporting Form	_____	_____	_____
Other _____	_____	_____	_____
Optional Property Coverages			
Boiler and Machinery	_____	_____	_____
Legal Liability	_____	_____	_____

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	Recommend	Accept	Reject
Optional Property Endorsements			
Additional Debris Removal	_____	_____	_____
Ordinance or Law	_____	_____	_____
Outdoor Trees, Shrubs and Plants Enhancement	_____	_____	_____
Replacement Cost Valuation	_____	_____	_____
Spoilage	_____	_____	_____
Utility Services-Direct Damage	_____	_____	_____
Other Property Options			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
TIME ELEMENT COVERAGES			
Business Income With Extra Expense Coinsurance Percentage ____	_____	_____	_____
Business Income Without Extra Expense Coinsurance Percentage ____	_____	_____	_____
Extra Expense	_____	_____	_____
Leasehold Interest	_____	_____	_____
<i>Alternatives to Coinsurance</i>			
Agreed Value	_____	_____	_____
Maximum Period of Indemnity	_____	_____	_____
Monthly Limit of Indemnity	_____	_____	_____
Premium Adjustment	_____	_____	_____
Optional Time Element Endorsements			
Business Income from Dependent Properties	_____	_____	_____
Ordinance or Law Increased Period of Restoration	_____	_____	_____
Utility Services	_____	_____	_____
Other Time Element Coverages			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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PROPERTY AND TIME ELEMENT CAUSES OF LOSS

		Recommend	Accept	Reject
	Bldg BPP PPO BI EE			
Basic	_____	_____	_____	_____
Broad	_____	_____	_____	_____
Special	_____	_____	_____	_____
Earthquake	_____	_____	_____	_____
Flood	_____	_____	_____	_____

Other Cause of Loss Endorsements

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

INLAND MARINE COVERAGES

Accounts Receivable	_____	_____	_____
Bailees Customer	_____	_____	_____
Commercial Articles	_____	_____	_____
Contractors Equipment	_____	_____	_____
Difference In Conditions – DIC	_____	_____	_____
Electronic Data Processing	_____	_____	_____
Fine Arts	_____	_____	_____
Goods in Transit	_____	_____	_____
Miscellaneous	_____	_____	_____
Signs (Neon and Electric)	_____	_____	_____
Valuable Papers and Records	_____	_____	_____

Other Inland Marine Coverages

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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CRIME COVERAGES

	Recommend	Accept	Reject
Money, Securities and Other Property			
Employee Dishonesty Coverage	_____	_____	_____
Including Customer's Goods	_____	_____	_____
Computer Fraud Coverage	_____	_____	_____
Extortion Coverage	_____	_____	_____
Forgery or Alterations Coverage	_____	_____	_____
Lessees of Safe Deposit Boxes Coverage (Securities and Other Property only)	_____	_____	_____
Money and/or Securities Only			
Theft, Disappearance and Destruction	_____	_____	_____
Robbery and Safe Burglary	_____	_____	_____
Securities Deposited With Others Coverage	_____	_____	_____
Property other than Money and Securities			
Premises Burglary	_____	_____	_____
Premises Theft	_____	_____	_____
Robbery and Safe Burglary	_____	_____	_____
Other Crime Coverages			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

LIABILITY COVERAGES

Commercial General Liability			
Occurrence Basis	_____	_____	_____
Claims- Made Basis	_____	_____	_____
Optional Liability Coverages			
Directors and Officers	_____	_____	_____
Employee Benefits	_____	_____	_____
Employment- Related Practices	_____	_____	_____

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	Recommend	Accept	Reject
Liquor	_____	_____	_____
Owners and Contractors Protective	_____	_____	_____
Professional/E&O Liability	_____	_____	_____
Railroad Protective	_____	_____	_____
Special Events	_____	_____	_____

Other Liability Coverages

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

COMMERCIAL AUTO COVERAGES

Liability	_____	_____	_____
Physical Damage	_____	_____	_____
Uninsured Motorists	_____	_____	_____
Underinsured Motorist	_____	_____	_____
Hired Cars	_____	_____	_____
Non-Ownership Auto	_____	_____	_____
P.I.P./No-Fault	_____	_____	_____
Garagekeepers	_____	_____	_____

Other Auto Coverages

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

WORKERS COMPENSATION COVERAGES

Workers Compensation and Employers Liability	_____	_____	_____
Stop Gap or Employers Liability Coverage	_____	_____	_____
Federal Employers Liability Act	_____	_____	_____
Longshore and Harbor Workers Coverage	_____	_____	_____
Voluntary Compensation	_____	_____	_____

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	Recommend	Accept	Reject
Other Workers Compensation Endorsements			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
EXCESS LIABILITY COVERAGES			
Umbrella Policy	_____	_____	_____
Excess Liability Policy	_____	_____	_____
AVIATION COVERAGES			
Aircraft Policy	_____	_____	_____
Passenger Liability	_____	_____	_____
SPECIALTY COVERAGES			
Environmental Impairment Liability Policy	_____	_____	_____
Fiduciary Liability Insurance	_____	_____	_____
International/Foreign Operations Insurance	_____	_____	_____
Rain or Weather Insurance	_____	_____	_____
Terrorism Insurance	_____	_____	_____
Underground Storage Tank Liability – UST	_____	_____	_____
Other _____	_____	_____	_____
BONDS			
Bid Bond	_____	_____	_____
Contract Bond	_____	_____	_____
License Bond	_____	_____	_____
Other _____	_____	_____	_____
Other Options			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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Comments

I certify that I have reviewed my coverage needs in accordance with this checklist with my agent and I have accepted or rejected the recommended coverages as indicated by my initials in the spaces above.

_____ Signature of Client _____ Date

_____ Title

I certify that I have reviewed the coverages outlined in this checklist with my client and that the initials of the client indicate the acceptance or rejection of the coverages recommended.

_____ Signature of Agent _____ Date