Insurance Needs for HVAC Contractors

Heating, ventilation and air conditioning (HVAC) contractors install, maintain and repair heating and cooling systems in residential and commercial structures. They work with appliances, water heaters, toilets and sprinkler systems in new buildings and existing structures. Due to the wide variety of tasks these contractors perform, they may need specialized coverage to protect against liabilities.

This article discusses the potential exposures HVAC contractors may face and common types of construction insurance for them to consider.

Potential Exposures

It can be challenging to control risks in the construction industry. Here are some of the most common risks HVAC contractors may encounter:

* **Injuries**—HVAC contractors often perform physical work and may be susceptible to injuries while moving equipment and tools into tight places. Third parties may also be injured either at project sites or from malfunctioning equipment that results in fires, shocks or carbon monoxide exposures.
* **Property damage**—Damage to a client’s property can occur both during a project and after its completion. Since HVAC systems often involve flammable gasses, fires and explosions can occur.
* **Auto accidents**—Any business that utilizes vehicles is susceptible to auto accidents. These accidents could lead to serious injuries or fatalities. Additionally, vehicles involved in accidents could be rendered useless due to substantial damage.

Common Types of Construction Insurance

HVAC contractors should have adequate insurance to manage their risks. Primary forms of coverage for these contractors to consider include:

* **Workers’ compensation**—Workers’ compensation insurance covers costs associated with employees’ work-related injuries or illnesses. Slips and falls can lead to strains, and lacerations may occur while using sheet metal. While injuries are infrequent, they can be severe and require extensive medical treatment, resulting in a loss of ability to work. Workers’ compensation insurance is critical coverage, as it takes care of the injured employee in the event of an accident. This coverage can pay medical bills associated with work-related injuries and compensate employees for lost wages—which can occur if injuries are severe enough for doctors to recommend taking time off. What’s more, workers’ compensation policies typically come with employer’s liability coverage, which can help protect employers if lawsuits are brought against them for their negligence (whether actual or alleged) in workplace injuries.
* **General liability**—General liability insurance covers third-party claims of injury or property damage caused by routine operations. This type of insurance can protect HVAC contractors from liabilities stemming from active job sites, including injuries to the public or clients, or damage caused during installations. In addition, HVAC contractors face liability exposures if they work in occupied buildings or customers come into their offices or showrooms. General liability insurance can also cover damage to a customer’s building caused by a contractor. Additionally, it can provide coverage for instances of reputational harm or advertising injury.
* **Completed operations**—Completed operations claims occur when injury or property damage results from finished work. This coverage can protect businesses that provide services and does not apply until after their work is done. Since HVAC contractors work with flammable gasses, there may be a chance of fire or explosion after operations have concluded, thus emphasizing the need for this coverage.
* **Commercial auto**—HVAC contractors may use trucks or vans to transport employees, materials and equipment to a worksite, posing various auto exposures. Commercial auto insurance can cover damage to company vehicles, damage to others’ vehicles and medical payments stemming from auto accidents. Physical damage insurance covers damage to company vehicles, while liability insurance covers damage to other vehicles. Hired and non-owned coverage takes care of rental vehicles and employee-owned vehicles used for business reasons.
* **Property**—Damage to a company’s physical assets, including buildings and business property, may result in property claims. Even if HVAC contractors work out of their homes or do not have their own buildings, business assets such as equipment, tools and computers are still at risk of property damage. Property insurance protects only from the perils outlined in the policy. For example, floods are generally not considered covered events. In some cases, additional coverage may be necessary.
* **Inland marine or equipment floater**—Since commercial property insurance only covers business property at the location listed on the policy, inland marine insurance may be necessary for property stolen or damaged during transit. Because HVAC contractors typically travel to job sites with tools and equipment, equipment floater policies can also help protect them from transit-related risks. Installation floater coverage may also offer protection for materials and supplies exposed to fire, theft and water damage.
* **Commercial umbrella**—Commercial umbrella insurance can provide additional coverage if HVAC contractors’ claim costs exceed their existing policy limits. For example, if a contractor’s policy limit is $1 million, but they incur a loss totaling $2 million, an umbrella policy can help cover the difference. Otherwise, these costs may have to be paid out of pocket.
* **Cyber liability**—HVAC contractors are increasingly depending on technology to conduct their operations. After all, complex projects often require digital information transfers and contactless financial exchanges between clients, contractors, suppliers and other third parties. While technology helps contractors perform these functions, digital operations increase their risk of suffering financial losses from cyber events. Cyber liability insurance can help HVAC contractors by providing coverage for first- and third-party cyber claims.

Conclusion

To best mitigate their risks, HVAC contractors should explore all policy options to secure sufficient coverage catered to their specific operations. For more information, contact us today.

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