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## Industry Insight to Assist Retailers with Welding Supply & Industrial Gas Distributors Accounts

Welding Distributors and Industrial Gas Suppliers rely heavily on “tanks” in their operations. The options for providing adequate coverage for a distributor are always top of mind, but let’s start by discussing four generic terms used to describe tanks.

### Cylinders

Cylinders are the most common type of “tanks” that distributors fill and/or distribute to clients. Some examples you may be aware of are helium cylinders to fill balloons, or CO2 cylinders used for fountain soda at convenience stores. Cylinders come in various shapes and sizes but the common characteristic is that they are mobile.



Propane cylinders used for gas grills are usually 20 pound, but can also come in other forms such as fork lift fuel.

Also, while most cylinders are steel, there are cylinders that are made of aluminum. These are most commonly used for medical oxygen applications.

Depending on the type of cylinder, they are required by the Department of Transportation (DOT) to be “requalified” every 5 to 10 years. When properly maintained, cylinders can have a life expectancy of more than 50 years.

### Dewar

A dewar is a double-walled metal flask with a vacuum seal between the walls. These flasks are used for cryogenic gas applications. Dewars tend to have a higher individual value than other types of cylinders.



### Bulk Tanks



Bulk tanks are fixed tanks most commonly used to store large quantities of gas for transfilling into cylinders. They are generally found near the exterior of a building. Bulk tanks can also be placed on a distributor’s customer’s premises and leased to customers that utilize large quantities of gas in their operations. While bulk tanks can be moved, they are fixed when in use.

## Tube Trailers

Tube trailers are just that—a cluster of tube tanks mounted on a trailer frame. The most common application is for hydrogen or helium storage, but they can be used for other gases. Tube trailers are often leased from a gas manufacturer and permanently “parked” on the distributor’s premises and replaced when they are empty. Tube trailers may also be used in transit.



## Questions to Ask When Insuring Tanks

### Cylinders & Dewars

Cylinders are considered personal property when they are on or within 1,000 feet of the premises while being filled and prepared for shipment.

Because cylinders are mobile, they are exposed to transit hazards, and off-site while at a customer’s premises (cylinders are generally “rented” to customers for a fixed charge per day). Inland Marine coverage typically addresses the off-site and in-transit exposures.

### Questions you may want to discuss with your insured

- Do you want to insure cylinders? Are they transferring the risk to the customer? Or are they self-insuring?
- Who is responsible for damage to a rented cylinder?
- What kind of contractual language is provided for cylinder rentals (commonly listed on the back of the invoice)?
- What is the maximum dollar value of cylinders in a single shipment?
- What is the maximum dollar value of cylinders at customer’s premises at any given time?
- Some distributors have sophisticated cylinder tracking systems, while others use a manual invoice system. How records are kept in the event of a loss off-premises?

### Bulk Tanks

Bulk tanks fall into two distinct categories:

1. Operational tanks used by the insured
2. Tanks leased/rented to a 3rd party

Operational tanks are best covered by Real Property coverage and scheduled separately versus added to the building value. The reason for this is twofold. First, it provides a visual reminder when bulk tanks are added or subtracted to the policy. Secondly, the rate for tanks, bins and silos, is generally less than the building rate.

### Other items to consider:

- Not only the value of the tanks but also the associated piping and valves
- Depending on the state, bulk tanks may be subject to state jurisdictional inspections (this is where Equipment Breakdown coverage becomes an added value)
- Who is responsible for inspecting leased/rented tanks? What are your state requirements (varies greatly from state to state)?
- For leased/rented bulk tanks, what is the insured’s exposure



## **There are 3 options worth considering if the distributor has exposure for 3rd party tanks:**

### **1. Transfer of risk contractually to the lessee.**

- The lease contract should state clearly who is responsible for damage on the customer’s premises and who is responsible if state inspections are required.

### **2. Schedule the tanks as Real Property at the customer’s premises under the Property Policy.**

- This is an option if the insured is still responsible for damages to leased bulk tanks. Also consider if a jurisdictional inspection is required.

### **3. Coverage via an Inland Marine Floater.**

- This is the easiest option if no jurisdictional inspection is required and the insured still needs to protect their assets.

## **Tube Trailers**

Depending on the use of the tube trailer, an insured may best be covered by Auto Physical Damage coverage. For a large majority, tube trailers are leased from a gas manufacturer and “fixed” or “stationary” at the distributor’s operations. We recommend reviewing the contract to identify who is responsible for damage at the distributor’s operations. Also, if the tube trailer is primarily “stationary” we recommend Inland Marine coverage. (Note our form would also cover the occasional in-transit hazard, but you should review your Inland Marine form).

We hope that this article provides you with a general outline of the industry terminology and suggestions to consider when discussing tank exposures with your insured. Additional resources to consider include the Compressed Gas Association (CGA) and the Department of Transportation (DOT). As always, our Underwriters are happy to discuss any specifics with you.

[Next Topic in this series: How did you identify the GL exposures?](#)

