

General Contractors Liability Insurance, Certificates of Insurance, the Misnomers

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General Contractors Liability Insurance, Additional Insureds, Certificates of Insurance, the Misnomers. Regarding General Contractors Liability Insurance and General Liability Insurance Certificates, there is a grand misnomer running rampant through the construction industry in NY, NJ and MA.

I only speak about these states because I am familiar with their laws as they apply to the insurance, construction industry and the labor law. Please check your federal (OSHA), state, city and local government for laws as they apply to the construction industry and the labor law. General Contractors Do Need Insurance

I can't count how many times I have been on the phone with a General Contractor and he/she tells me that they do not need insurance because he/she has all the contractor's name them as an additional insured. This statement scares the life out of me for a few reasons. Being Named as an Additional Insured on a General Contractor's Insurance Policy Does Not Insure You

Real estate owners (REO), Managing Agents (MA) and General Contractors (GC) seem to think that if a contractor and/or a laborer name each of these entities as additional insured on a certificate insurance policy then they must be covered and more importantly defended in the event of a loss as a result of the negligence of a contractor. This couldn't be farther from the truth.

In order to make sure as a REO, MA and or a GC you are covered as best as possible, (in most cases it is impossible to have 80% let alone 100% protection as an additional insured) you must make sure that the insurance broker issuing the certificate on behalf of the contractor has notified the contractor's insurance carrier of the addition of additional insured. As a REO, MA or GC it is important that you follow up with the contractor and make sure that he provides you with what is called a CG2010 "Additional Insured- owners, lessees, or contractors - scheduled persons or organizations" or the less used but preferred endorsement, CG2033.

The CG2010 is an additional insured endorsement to the contractor's policy and is proof the insurance company has been notified of additional insured status, and, in fact, the business or entity has been added to the contractor's policy as an Additional Insured. Depending on the claim, even this will not insure you are covered as an additional on a contractor's policy, but this is one step closer to helping your cause. Contractor's Liability Insurance Certificates do Not Define Coverage

The second problem with Certificates Of Insurance and the physical endorsement discussed in the aforementioned, CG2010, is that the physical endorsement doesn't explain the insurance coverage's, warranties, endorsements, exclusions and conditions of the subcontractor insurance policy. FOLKS, CERTIFICATES OF INSURANCE ARE ONLY AS GOOD AS THE INSURANCE COMPANY AND INSURANCE POLICY COVERAGE THAT BACKS THEM UP

Let me repeat that so it's ingrained in your head. CERTIFICATES OF INSURANCE ARE ONLY AS GOOD AS THE INSURANCE COMPANY AND THE INSURANCE POLICY COVERAGE THAT BACKS THEM UP. In the construction industry and because of tort laws surrounding this industry there are a lot of important exclusions on a large majority of contractor's policies, referred to in the insurance industry as holes or gaps in coverage. As insurance agents we can't plug all the holes but we can certainly do our best to try and educate the public as to these so called holes or gaps in coverage and maybe plug some holes in coverage with endorsements that may be available to us. Why are so many General Contractor's and Contractors Walking around with Such Gaping Holes in their General Liability Insurance Coverage? Good question. Reasons for Contractor's General Liability Insurance Gaps
Liability Insurance Gap 1

The first reason is that there are a lot of uninformed insurance agents. They are not aware of current insurance policy forms, terms, conditions, exclusions and warranties of the insurance companies they write with. Liability Insurance Gap 2

The second reason why so many General Contractor's and contractors are walking around with tremendous holes in coverage is because the coverage's that are important to Contractor's are very expensive. In many cases when GC's and contractors are offered the so called "right coverage" they balk at the price. How often do I hear from these contractors, "give me the cheapest policy so that I can work?" A REO, MA and GC's can ask for all the additional insured status and certificates of insurance they want, if there is nothing that stands behind the insurance then what good are they? Another thing to seriously consider is if there is no insurance coverage for a particular claim there is NO defense for any party, insured and additional insured. Defense will have to be paid out of the pocket of the defendants. As we all know, legal defense could be very expensive. Some important coverage's that REO, MA and GC's should be looking for are the following.

- Third party over coverage, labor law coverage or better known as coverage for injuries to subcontractors.
- Contractual Liability WITHOUT a limitation.
- Make sure the policy is written on an occurrence basis as opposed to a claims made basis
- Make sure there is no designated work endorsement.
- Make sure there is no residential exclusion if your contractor is doing residential work.
- Make sure there is pollution coverage if there is a pollution exposure (e.g. drywaller, excavator, lead abater.).
- Two important things to note for a REO, MA and General Contractor to understand, which not many people know, completed operations coverage is not provided to the additional insured.
- If a job is big enough make sure the Contractor posts a bond, which assure he/she will finish the job at the stated price.

Additionally, as a business, they want to SELL THE POLICY, so they often strip down policies and Exclude Insurance Coverages that Contractors General Liability Insurance Policy SHOULD have. Be Named as an Additional Insured

As a REO, MA and/or GC, make sure that you have your contractors sign a contract requesting you be named as an additional insured. Additional insured status is triggered by contract. Please consult an attorney for exact wording and content for your contracts. Read the General Liability Insurance Certificate You Received from the Contractor

To complicate things further, review the wording on the bottom right of the certificate of insurance stating that the insurance company or broker will "endeavor", to mail written notice to the certificate holder, but failure to do so shall impose no obligation or liability of any kind upon the insurer, its agents or representatives. Webster's dictionary definition of endeavor is "to make an effort". Of course as brokers and/or agents we will do what is morally and ethically right and do our best to notify the certificate holder/additional insured but like all things there are no guarantees in life and the wording on the certificate of insurance allows forgiveness if we fail to notify. As you can see there is a lot of risk to REO, MA and The GC when it comes to allowing a contractor to work for you in any capacity. Please contact our agency to discuss the importance of the aforementioned coverage's if you are letting a General Contractor and/or contractor(s) on your premises. We Currently Offer Contractors General Liability Insurance in New York, NY, New Jersey, NJ, and Pennsylvania, PA. [Please Click Here For a Quote on Contractors General Liability Insurance](#) .
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