

THE ULTIMATE GUIDE TO INSURING GENERAL CONTRACTORS

BE A BETTER AGENT

**THE ULTIMATE
GUIDE
TO
INSURING
GENERAL
CONTRACTORS**



Eddie K. Emmett

THE ULTIMATE GUIDE TO INSURING GENERAL CONTRACTORS

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How to insure General Contractors

SIC CODES: 1521 General Contractors - Single Family Homes
1522 General Contractors-Residential Buildings, Other Than Single-Family
1541 General Contractors-Industrial Buildings and Warehouses
1542 General Contractors-Nonresidential Buildings, Other Than Industrial

NAICS CODE: 236117 New Housing Operative Builders
236116 New Multifamily Housing Construction (except Operative Builders)
236115 New Single-Family Housing Construction (except Operative Builders)
236118 Residential Remodelers
236220 Commercial and Institutional Building Construction
236210 Industrial Building Construction

Suggested ISO General Liability Codes: 91580, 91582, 91583, 91584, 98502

Suggested Workers Compensation Code: 5606, 5403

This course will follow James as he prepares to call on Killiam Contractors LLC. Paul and Yolanda Killiam have been friends of his family for years and he wants to do the best job he can for them even though this is his first time to work with a general contracting operation.

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Risk Overview - A description of a particular risk and its potential exposures.

Description of operations:

General contractors manage the construction of a new building or renovation to an existing building. General contractors generally specialize in constructing single family homes or commercial buildings such as factories, offices, restaurants, or stadiums. Most have a set group of permanent employees, and then subcontract the remaining tasks to specialty subcontractors. While firms whose employees do no actual construction work are commonly called “paper” contractors, they generally act as “prime” contractors for such tasks as framing carpentry, structural masonry, or metal building erection. Mechanical tasks such as plumbing, heating, and electrical are usually completed by subcontractors. Once the land has been purchased and the design or architectural work has been done, the general contractor takes the project from the site or land preparation, through excavation and laying of the foundation, to the completion of the building, including the interior finish. Typically, the general contractor first turns the architect’s design into specifications for work and materials, setting quality standards, scheduling the phases of the project, and dictating insurance requirements for the project as a whole and for the subcontractors. The contractor then gets bids (solicits competitive proposals) from potential subcontractors and suppliers. Together with the customer (the project owner), the general contractor awards the bids to the successful subcontractors. The general contractor is also responsible for complying with all local and state ordinances, codes and zoning requirements, including purchasing the necessary permits and obtaining the necessary surety bonds.

Property exposures

at the general contractor's own location are usually limited to that of an office. Ignition sources include electrical wiring, heating, and air conditioning systems. If the general contractor is a paper contractor, there will be no yard storage of building materials or equipment since there are no operations other than paperwork. If the general contractor is involved in framework or masonry, lumber or bricks may be stored on site, increasing the exposure to fire, inclement weather, vandalism, and theft.

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Crime exposure

is from employee dishonesty. Background checks should be conducted prior to hiring any employee. All orders, billing, and disbursements must be handled as separate duties and annual external audits conducted.

Surety bond exposures

arise from the clients' requirement that the general contractor obtain financial guarantees for the completion of projects and payment of labor and supplies. Inability of the contractor to qualify for these bonds due to their prior experience and financial condition may indicate a moral hazard.

Inland marine exposures

may include accounts receivable if the contractor bills customers for services, builders' risk, contractors' equipment, goods in transit, installation floater, and valuable papers and records for project plans, clients', subcontractors', and suppliers' information. Builders' Risk is an important coverage for many building contractors. Besides obtaining coverage for themselves, they may need to coordinate their subcontractors' coverages and terms so limits are adequate for the overall project. Subcontractors generally have their own equipment with independent coverage. The general contractor may arrange for the lease of larger equipment, such as cranes, for subcontractors to use, either with or without operators. The contractual agreements between the general contractor and the rental firms determine who is responsible for any damage to the rented equipment. If the general contractor performs tasks at the job site, equipment may be subject to water hazards, overturns, drop, and fall from heights, or being struck by other vehicles. Materials and equipment left at job sites may be subject to theft and vandalism loss unless proper controls are in place. Copies of building plans should be kept at an offsite location for easier restoration.

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Premises liability exposures

at the contractor's office and storage facility are usually limited due to lack of public access. Equipment or materials provided by subcontractors are not stored at the building contractor's office location. At the job site, the general contractor is ultimately responsible for all injuries or property damage that results from construction operations, including those that are due to the acts or omissions of subcontractors. Lack of adequate communication between the different subcontractors can cause hazardous working conditions, especially if blasting or similar hazardous operations are taking place. Heavy machinery used for excavation may cut power lines, disrupting service to other homes or businesses in the vicinity. Welding presents potential for burns or setting the property of others on fire if not conducted safely. The contractor's employees can cause damage to the client's other property or bodily injury to members of the public or employees of other contractors. Tools, power cords, and scrap all pose trip hazards even when not in use. If there is work at heights, falling tools, or supplies may cause damage and injury if dropped from ladders, scaffolding, or cranes. Failure to protect equipment, building materials, and property of others left at job sites from theft and vandalism may result in a subrogated loss. Construction sites create attractive nuisance hazards, particularly to children who enjoy climbing and vandals after operations have ceased for the day and on weekends. Safety barriers such as perimeter fencing should be used to control access to the jobsite.

All hazards are increased in the absence of properly enforced procedures to control access to the jobsite.

Contractual liability exposures

are very high for general contractors. While it is important to control physical hazards, the absolute key to successful performance is likely to be the management of contractual language. Catastrophic financial losses and expensive litigation may arise if the general contractor fails to verify that subcontractors' certificates of insurance are accurate and the limits are adequate for both liability and workers compensation coverages. In addition, the general contractor and project owner must be included as additional insureds on all subcontractors' policies. The specific terms of the additional insured status may play a significant role in who pays for a loss.

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Completed operations exposures

are high due to the injury and property damage that can result from improper interpretation of building plans, use of materials that do not meet the quality standards required by design specifications, inadequate construction techniques, or lax supervision of the acts of subcontractors. Hazards increase in the absence of proper record keeping of work orders and change orders, as well as quality control inspections and signed approval of the finished work by the customer.

Automobile exposures

may be limited to private passenger only if executive supervisors simply travel from site to site. If the general contractor is also handling part of the construction, workers, equipment, and supplies may be transported to and from job sites. Vehicles may have special modifications or built-in equipment such as lifts and hoists. Large materials such as air conditioners may be awkward and require special handling and tie-down procedures. Shifting of loads could result in overturn. If vehicles are provided to employees, there should be written procedures regarding personal use by employees and their family members. All drivers must have appropriate licenses and acceptable MVRs. Vehicles must be maintained and the records kept in a central location.

Workers compensation exposures

vary based on the size and nature of the job. When an executive supervisor is only reviewing and giving oversight, the exposure is clerical with some jobsite inspection. However, if actual construction work is done or supervisors remain at job sites continuously, the exposures increase to those encountered by each type of worker on the project. Control of the jobsite is the responsibility of the general contractor, who may be held responsible for any injuries of subcontractors on the job. Verification that every subcontractor carries adequate workers compensation coverage is important.

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Minimum recommended coverage

Business Personal Property, Employee Dishonesty, Surety Bonds, Accounts Receivable, Builders' Risk, Computers, Valuable Papers and Records, General Liability, Employee Benefits Liability, Umbrella Liability, Business Automobile Liability and Physical Damage, Hired and Nonownership Auto Liability, Workers Compensation

Other coverages to consider

Building, Business Income with Extra Expense, Earthquake, Flood, Leasehold Interest, Real Property Legal Liability, Contractors' Equipment, Goods in Transit, Installation Floater, Cyberliability, Employment-related Practices Liability, Environmental Impairment Liability, Stop Gap Liability, Unmanned Aerial Vehicles (UAV) (Drones)

Throughout this course, we will be providing regular updates on how our agent is progressing with the customer. At these updates, we will take time to review the course material with a short quiz. After you answer the quiz question, the correct answer will be shown. If you are ready, the first update and quiz is ready.

Killiam Contractors, LLC is located in the suburbs of a major metropolitan city. Paul is a CPA and handles all internal aspects of the company. Yolanda has been in marketing all of her career so she is instrumental in getting the opportunities to bid on jobs. The third officer in the company is Paul's brother Samuel who has been in the building trades his entire career. He negotiates with the contractors and is the general supervisor on all jobs.

The following questions are about Killiam and the answers are found in the Risk Overview.

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QUIZ: RISK OVERVIEW

Killiam has a carpentry crew to provide framing on most jobs. Is Killiam still considered a general contractor?

- Yes
- No

Paul is very good at making sure all of the jobs have their license and permit bonds in place prior to starting the job. What is the coverage type for these bonds?

- a. Property
- b. Crime
- c. Surety
- c. Workers Compensation

Once Killiam completes the carpentry, they have no employees on the jobsite except for Paul's regular visits; do they still have a premises general liability exposure at the site?

- a. No, the only general liability exposure is the completed operations exposure for the carpentry
- b. Yes, for any injury that Paul may cause while he is on the site
- c. No, the subcontractors working at the job site are responsible for all activities at the site
- d. Yes, the general contractor is responsible for the coordination at the jobsite

A general contractor normally has a large on-premises operation.

- True
- False

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The general contractor is responsible for building projects from the plans through the final signoff. How can the Killiam company transfer part of the risk?

- a. Require a hold harmless agreement from every buyer
- b. Require each subcontractor to name Killiam as an additional insured on their policies
- c. Purchase surety bonds
- d. Always use union contractors

Quiz questions are good re-enforcers of the material covered. If you were able to answer all of the questions correctly, please continue. If you were not able to answer all of them correctly, feel free to restart the quiz and try again.

James is surprised at the complexities of this operation that are run out of a small office in the suburbs. Now that he has the basic knowledge of the industry, he wants to be prepared to ask the right questions during his interview with the Killiams. He is familiar with the ACORD forms, but he wants something with more meat that is specific to general contractors. He chooses the questionnaire.

Questionnaire - Provides areas of supplemental or additional questions to complement your main application when evaluating risk.

GENERAL INFORMATION

Account:

Account number:

Agency:

Agency number:

Producer:

Producer number:

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Legal business name(s)

Mailing address:

Why?

The correct legal business name is needed since policy conditions provide for payment only for the financial interest of the insured shown. If the named insured is incorrect, payment could be denied.

Type of entity:

Individual Corporation Sub-S Corp.

Partnership Joint Venture

Not-for-profit Limited Liability Company

SIC Code(s):

NAICS

Code(s): _____

Federal ID Number: _____

Why?

The legal entity is used to determine who is an insured in the various Commercial General Liability coverages. If there are multiple named insureds, there can be multiple types of legal entities.

When did the applicant start business operations?

When did the present management assume control?

How many years' experience does the owner have in this type of business?

How many years' experience does the manager have in this type of business? _____

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Has the applicant ever been involved in a bankruptcy procedure?

___ Yes ___ No

If yes, explain including the type of bankruptcy, the filing date, and the resolution.

Names of subsidiary companies or joint ventures that are not part of this application:

Why?

General contractors often have a variety of operations that may or may not be related to contracting. There may be joint ventures, separate corporations and partnerships. It is important to determine the exposures at the time of the initial application in order to avoid gaps in coverages.

Important People	Name	Phone Number
Owner/Principal	_____	_____
Other Decision Makers:		
Plant and Grounds:	_____	_____
Financial	_____	_____
Legal	_____	_____
Claims	_____	_____

Why?

People are what make a business. Successful risk management depends on knowing who can make decisions and who must be consulted. One very important decision maker is the person with supervisory responsibility for the various jobsites.

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The applicant's primary operations are:

Why?

A clear understanding of the customer's view of its business is vital for providing risk management services to the customer as well as working with the insurance company on the account.

The applicant's secondary and incidental operations are:

Why?

These operations may be substantially different from the primary operations. They must be identified and any hazards evaluated. Entrepreneurs have varied interests and this is reflected in their secondary and/or incidental operations.

The applicant used to be involved in the following operations, but they have been discontinued:

Why?

Discontinued operations are particularly important for general contractors. Additional insured endorsements on subcontractors' General Liability Policies may not apply to completed operations and this increases the exposure of the general contractor substantially.

The hours of operations are:

How many days is the applicant open per week? ____

Is this a seasonal operation? ____ Yes ____ No

If yes, what is the season? From _____ to _____

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Why?

Seasonal operations have a shorter time frame in which to make a profit and are often dependent on the climate. Poor snowfall in a ski resort town can result in a loss for the year for all its retailers. In addition, any seasonal operation with buildings will have an occupied building for only part of the year, which increases its hazards and loss potential.

Does the applicant have a safety program? ___ Yes ___ No

If yes, answer the following:

Name of safety director: _____

Safety director phone number: _____

Safety director email address: _____

Attach a copy of the safety program.

Why?

The general contractor is responsible for the safety of the jobsite, not just the safety of its own employees. This can only be accomplished with a safety program in place and regular monitoring of its effectiveness.

Does the applicant have a disaster plan? ___ Yes ___ No

If yes, answer the following:

Name of disaster coordinator: _____

Disaster coordinator phone number: _____

Disaster coordinator email address: _____

Attach a copy of the disaster plan.

Why?

Disaster plans must be in place to establish what should occur in the event of a catastrophe such as a tornado, earthquake, hurricane, fire or cave-in. Planning and training in advance of a disaster can prevent panic and reduce injuries.

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The named insured requested by the Killiam family is Killiam Contractors, LLC, K&K, LLC, Yolanda for Peace, and Samuel Killiam. Killiam Contractors is an LLC and the main entity. K&K LLC is a joint venture with Paul and Samuel that was formed prior to Paul's marriage to Yolanda and consists of dwellings owned by Paul and Samuel's parents that were passed down to them jointly. Yolanda for Peace is a not-for-profit organization that Yolanda runs independent from the business. Samuel does some woodworking side jobs that are not run through Killiam so he wants to be named as an individual.

The founders of Killiam made a promise to themselves to work hard for nine months and then head to Hawaii during the winter months. They begin operations March 1 every year and make sure all projects are completed by November 30. Equipment is stored, the office is closed down, and employees are laid off until March 1 when they start operations again.

QUIZ: GENERAL INFORMATION

James should show the entity for this named insured as:

- a. LLC
- b. Joint venture
- c. Individual
- d. Not for profit
- e. All of the above

All named insureds must be involved in the same activities if they are to be combined on the same policy.

- True
- False

Seasonal operations are covered only when they are open for business.

- True
- False

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Additional insured endorsements that are provided by the subcontractors for the general contractors' benefit may not cover:

- a. Completed operations
- b. Premises operations
- c. Off-premises operations
- d. Actions of the subcontractor

Who might provide particularly good insight as to the operations of a general contractor?

- a. Legal advisor
- b. On-premises plant manager
- c. Supervisor who visits the jobsites
- d. Bookkeeper

BUSINESS PERSONAL PROPERTY

Premises # _____ Building # _____

Location address:

Why?

The location address must be exact since coverage is specific to location. If the location address is incorrect, a loss could be denied.

Describe the business personal property.

Why?

It is important to know what the insured considers business personal property. This knowledge will help identify coverage gaps.

Do the applicant's business personal property values fluctuate?

___ Yes ___ No

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If yes, is the fluctuation Monthly Seasonal (from _____ to _____)

Is the business personal property:

Highly flammable: Yes No

Susceptible to severe damage from: Smoke Heat
 Water Temperature

Why?

Understanding business personal property's vulnerability to loss aids in risk management. Highly combustible property should be kept away from any heat-producing processes; it should be stored in well-ventilated rooms or vaults that are separate from materials that could increase the spread of fire.

Do any other occupancies in this building present a significant exposure hazard to the applicant? Examples are explosion, fire or chemical hazards but are not limited to just them. Yes No

If yes, describe.

Why?

Other occupants of a building can be the major fire exposure for that location. Understanding the nature of the other occupancies is the first step in the risk management process for your customer. The other occupancies can't be forced to change but the insured has some options, including the option to move to a different location.

Would the applicant's business personal property be damaged if the off-premises supplied heat, light or power failed? Yes No

If yes, answer the following:

Describe what would be damaged and how quickly.

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How is the heat, light, or power transmitted to the applicant?

Will alarms sound or will there be other notification if power fails or shuts off? Yes No

Are backup generators available? Yes No

Are detailed records kept of all of the applicant's inventory, machinery, fixtures, or equipment, including their purchase date and price?

Yes No

Does the applicant label and assign inventory numbers to all items?

Yes No

Why?

The time to prepare for a loss is before it occurs. If the insured understands the need for records to document their business personal property, underinsurance problems can be reduced and claim settlements can be handled more expeditiously.

BURGLAR ALARM

Describe any burglary exposures beyond what is usual to the applicant's type of business.

Describe any special features of the applicant's burglar alarm or safe or vault alarm systems not noted elsewhere.

IMPROVEMENTS AND BETTERMENTS

Is the applicant a tenant? Yes No

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If yes, answer the following.

Describe all improvements or betterments that have been added by or for the applicant but that will remain with the building when the applicant leaves.

What is the term of the applicant's lease? _____

What is the applicant's lease renewal option term? _____

The Killiams own business personal property that is kept at a variety of locations. The office location is used for the office equipment and supplies only. A second location houses building materials, while a third location is a garage with a large yard area in the back. Contractors' equipment and company owned vehicles are repaired and stored at the garage location. The locations are within one mile of each other but all have unique location addresses.

The current policy only lists the office location on the Declarations.

QUIZ: BUSINESS PERSONAL PROPERTY

How many locations are covered for business personal property on the current Killiam policy?

- a. One
- b. Two
- c. Three
- d. Four

What information is particularly important when insuring improvements and betterments?

- a. Name of the landlord
- b. Alarm system
- c. Term of lease and renewal option
- d. Additional insured name and address

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What risk management advice should be given at the garage location?

- Don't put the contractors' equipment in the yard
- Separate the contractors' equipment from other owned vehicles
- Keep the flammable items away from the heat-producing processes
- Make sure all owned property is in the garage at all times

What can James do to help Killiam in advance of a loss?

- Prepare the loss report before the loss occurs
- Require that they hire security guards to protect all premises
- Help them understand the need to keep an accurate inventory of business personal property
- Provide a complete valuation of their property free of charge

INLAND MARINE

BUILDERS RISK

What are the percentages for the type(s) of structures the applicant builds?

___% Residential ___% Commercial ___% Institutional ___% Public

What are the percentages for the type(s) of construction the applicant builds?

___% Frame ___% Noncombustible ___% Modified fire resistive

___% Joisted masonry ___% Masonry noncombustible ___% Fire resistive

What are the percentages for the protection class of locations where buildings are currently under construction?

___% 1-4 ___% 5-6 ___% 7-8 ___% 9-10

Why?

The construction type and the public protection at risk combine to determine the maximum amount that an insurance company is willing to write.

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Who prepares the designs and blueprints?

Why?

It is important to understand the relationship between the builder and the design firm. A long-term relationship can aid in communication and familiarity with techniques that will aid in the construction of a structure.

Describe the security at the job sites.

Why?

Jobsite security protects against theft as well as fire and vandalism losses. Keeping trespassers off the jobsite is a first-defense loss prevention method.

Describe how the applicant removes waste from the job site. Include details on the party(ies) that remove it and the location(s) where it is taken.

Why?

All jobsites create waste. Waste that is left at the jobsite can become kindling for fires or contribute to the spread of fire. There should a procedure for removing the waste from the jobsite on a regular basis. Fires on premises to burn waste should be discouraged since winds can suddenly change direction and quickly engulf the building under construction.

Describe the methods the applicant uses to reinforce multi-story structures.

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Why?

Collapse is always a possible loss, especially in multi-story buildings. There must be a method for reinforcing floors during construction so that collapse of a floor on an upper story will not cause the collapse of lower ones. A building is not completely stable until the roof and walls are complete. Until then, temporary internal structural supports must be used.

Does the applicant do renovation work? ___ Yes ___ No

If yes, answer the following:

What is the percentage of the applicant's receipts from renovation work?
_____%

Describe the types of renovation jobs the applicant has completed in the past.

Why?

New construction is preferred since there is no existing structure to be evaluated and no hidden problems that could delay construction or contribute to a loss. Valuation is also easier to establish.

In order to look into the future regarding potential jobs, it is always good to look at the past. Most insureds seek work they have successfully completed in the past.

Killiam Contracting is 85% new construction and 15% renovation. They specialize in small to medium office and retail buildings. They operate mainly in protection class 5-8 since the structures they build fit well in suburbia. The tallest building they have constructed is three stories and the type of construction is generally masonry noncombustible with small amounts of joisted masonry. The renovations they handle have all been converting residential structures into commercial structures.

A waste disposal company picks up waste daily from the jobsite. Paul is adamant about proper waste handling since one of his buildings burned to the ground because of a waste fire at the jobsite.

They contract for security at their jobsites but only on a drive-by basis. The company checks each jobsite at least once an hour when no one is working at the site. If the project owner requests additional security, they have the option to add full on-site security.

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The Killiam buildings are similar since they use the same designer for most of their buildings. The only time they change is when the project owner wants to use a designer of his or her own choosing.

QUIZ: INLAND MARINE

Most underwriters prefer to write a builders' risk policy for a contractor renovating existing structures rather than one working with new construction.

True

False

What is the primary job of security guards at a jobsite?

- a. Protecting building materials
- b. Keeping trespassers off the jobsite
- c. Watching for fires
- d. Preventing building collapse

Does the protection class of the jobsite impact the underwriting of builders' risk?

- a. Yes, in combination with the type of construction
- b. Yes, in combination with the business personal property
- c. Yes, in combination with the contractors' equipment
- d. No, it does not impact underwriting

How should waste at the jobsite be handled?

- a. Burn at the site
- b. Keep at the site for recycling
- c. Have it removed on a regular basis

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What is needed to prevent collapse during construction of multi-story buildings?

- a. Elevator shafts
- b. Internal structural supports
- c. Walls
- d. Stairwells

EMPLOYEE DISHONESTY

PRIOR POLICY

Provide the policy number, carrier, limits, and the inception and expiration dates of any policy that provided employee dishonesty coverage for the applicant over the past five years.

Policy number: _____ Carrier: _____

Employee dishonesty limit: _____ Inception date Expiration date

Why?

Note: This information is needed when a loss is discovered in the current policy year for an occurrence that took place in prior years.

The Employee Dishonesty Policy is unusual since it refers to a previous policy. If a loss occurs, the settlement may depend on information from the previous policy.

EMPLOYEES

Does the applicant employ any person who has committed a theft or dishonest act? ___ Yes ___ No

The insured must be aware that the policy does not cover losses caused by any individual who has previously committed a dishonest act. This coverage gap could be significant and expensive for the insured.

Note: These employees are excluded from coverage and should not be included for rating purposes.

Are all potential employees screened prior to employment?

___ Yes ___ No

Are references required and verified? ___ Yes ___ No

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Does applicant contract with another firm to lease employees?

Yes No

Does applicant lease employees without using an outside agency?

Yes No

Does applicant use volunteers? Yes No

Note: Temporary leased employees who substitute for regular employees are covered. Others, including volunteers, are excluded and should not be included for rating purposes.

MANAGEMENT CONTROLS

Does a person outside of the applicant's accounts payable unit verify the accuracy of all monthly paid invoices? Yes No

Are invoices marked "paid" at the time payments are made in order to prevent issuing duplicate payments to fictitious entities?

Yes No

Does the applicant implement improvements in internal controls that auditors suggest? Yes No

Does the applicant maintain an adequate separation of duties between employees who:

Receive money and those who keep books? Yes No

Disperse money and those who keep books? Yes No

Reconcile bank accounts and those who deposit or withdraw?

Yes No

Why?

Allowing one person to control all of a company's finances is unwise. It creates the potential for an employee to misappropriate funds.

Does the applicant permit job site ordering? Yes No

Is a job site verification procedure in place to track items that are ordered and delivered? Yes No

Is job site verification required of items ordered and received prior to paying the invoices for those items? Yes No

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Why?

Jobsite ordering is acceptable if there are adequate checks and balances. Since there is no functional inventory control at a jobsite, there must be other methods of verification. This could be done through lists of acceptable suppliers, required invoicing, accountability for items used and limited jobsite authority to make purchases.

Paul is a CPA and handles all of the accounting work. He does not believe Employee Dishonesty coverage is necessary since he has a bookkeeper who handles all transactions. He is sure that she would never embezzle. Samuel and Yolanda would like to know James' opinions and recommendation as to the coverage.

QUIZ: EMPLOYEE DISHONESTY

Who are never covered under an Employee Dishonesty Policy?

- a. Volunteers
- b. Temporary employees
- c. Employees who have stolen in the past
- d. Employed accountants and bookkeepers

GENERAL LIABILITY

ON PREMISES EXPOSURES

Describe the applicant's on-premises operations.

Why?

General contractors normally have little, if any; on premises exposure since all operations take place at jobsites. If a General contractor has more than a small office on premises exposure, additional investigation should begin on activities other than general contracting.

Describe how the applicant disposes of waste.

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Does the facility comply with the National Fire Protection Association's Life Safety Code concerning the number, size and arrangement of exits?

Yes No

If no, explain.

Why?

Regardless of the size of an operation, there are concerns on how employees and others can exit the premises during an emergency. Exits must be adequate in number and properly positioned and marked.

Are employees instructed in proper evacuation procedures?

Yes No

Does management conduct regular fire drills? Yes No

Are large panes of glass, both inside and outside, properly marked or etched to prevent accidental contact?

Yes No

Does the applicant own, jointly own, hire or lease any watercraft or aircraft?

Yes No

Why?

Note: If yes, there is limited or no coverage for these operations under the General Liability policy. Consider completing the appropriate Aircraft Ownership or Ship or Boat Ownership Supplement.

It is important to identify gaps in coverage, because the General Liability Policy excludes most watercraft and all aircraft liability exposures.

Does the applicant provide any child or adult care on premises? Yes No

Note: If yes, consider including the day care supplement.

Is food handled on premises? Yes No

If yes, answer the following:

Are food handlers required to use proper hygiene? Yes No

Has the Board of Health cited the establishment? Yes No

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If yes, explain:

Does the applicant store cleaning materials in a separate area at a distance from the food storage area? ___ Yes ___ No

Does the applicant lease equipment to others with or without operators? ___ Yes ___ No

If yes, describe the equipment and attach a copy of the lease agreement.

Why?

Some businesses lease their unused equipment to others. This can be a significant exposure that an insurance company might not want to cover. Any equipment lease or rental contract used must be reviewed to understand its terms, requirements and obligations.

Does applicant lease equipment from others with or without operators? ___ Yes ___ No

If yes, describe the equipment and attach a copy of the lease agreement.

Why?

The lease or rental contract should be carefully reviewed before signing in order to understand the terms, obligations and responsibilities of each party to the contract. Leasing equipment should be done only with a written contract that explains each party's responsibilities. Subrogation potential due to damage is only as good as the contract in force.

PARKING LOTS AND SIDEWALKS

Does the applicant own or rent parking facilities that are available for clients, customers, employees, and/or the general public? ___ Yes ___ No

If yes, answer the following:

Does the applicant charge a fee? ___ Yes ___ No

If yes, consider completing the Garagekeepers questionnaire.

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Does the applicant hire a towing company to remove vehicles parked on the premises without permission?

___ Yes ___ No

If yes, attach a copy of the contractual agreement, if any, with the towing company.

Does the applicant require a certificate of insurance from any towing company that provides services on the premises? ___ Yes ___ No

Describe the parking facility(ies).

Length: _____ Width: _____ Number of stories: _____

Number of spaces: _____ Attendant: (Y/N)

Proximity to applicant premises: _____

Has the applicant made arrangements to remove snow and ice from the parking facility(ies) and walkways? ___ Yes ___ No

Why?

Parking lot exposures may exist away from the premises. If the general contractor provides a parking area for subcontractors and clients, it is part of the jobsite, and the general contractor is responsible for its condition and the safety of those who use it.

OFF PREMISES

Do applicant employees interact on a regular basis with customers off premises? ___ Yes ___ No

If yes, answer the following:

Describe the clientele by percentage.

___% Residential ___% Commercial ___% Institutional ___% Public

Why?

The general contractor is responsible not only for his or her employees but also for employees of the subcontractors and their interactions with each other, the customer and the general population. The general contractor must have a procedure for maintaining control of the jobsite.

A residential area normally includes children and other vulnerable populations. The general contractor must be vigilant in preventing inappropriate interaction between employees and subcontractors and the public in and around the jobsite.

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Do employees travel alone? ___ Yes ___ No

Are employees subject to criminal background checks? ___ Yes ___ No

Describe the procedure to train, monitor, and supervise all such off-premises employees.

Describe contracted work.

Why?

Many insureds use subcontractors. It is important to determine what operations are subcontracted and then to review copies of any contracts to understand the liability exposures.

Does the applicant use explosives? ___ Yes ___ No

Does the applicant excavate, tunnel, or perform underground work or earth moving? ___ Yes ___ No

If yes, provide a detailed description of the operation(s) and provide information about the safety measures that apply.

Why?

Operations that include any use of blasting or explosives must be carefully evaluated. Explosives use must always be evaluated separately from all other operations, no matter how minor the use may appear to be.

Any type of soil movement has the potential to shift structures, alter foundations and destabilize ground. There is also the potential to cut utility lines and shut off vital services. This exposure deserves careful evaluation, even when subcontracted to others.

Does applicant own, rent or use cranes? ___ Yes ___ No

If yes, explain how the cranes are used.

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What percentages of the applicant's jobs are in commercial, residential, and undeveloped areas?

___% Commercial ___% Residential ___% Undeveloped

If in residential areas, describe what the applicant does to keep children and young people from using unattended equipment.

Why?

The precautions necessary vary depending on the types of buildings surrounding the jobsite. The greater the density of surrounding buildings, the higher the concern for potential property damage to existing structures.

Contractors' equipment pose a very dangerous attractive nuisance exposure for children of all ages. Equipment must be properly immobilized when the jobsite is unattended to prevent unauthorized use.

Describe what the applicant does to keep children out of the job site at all times.

Why?

Barriers should be in place to prevent children from entering the jobsite at any time and harming themselves and/or others. The type of barrier varies depending on the accessibility of the area to younger children.

What are the percentages of work done in new and existing structure?
___% New ___% Existing

Why?

Working on existing structures can create significant property damage exposures that are not covered under the CGL policy because of property in the care, custody and control of the insured exclusion. The insured should be aware of the potential coverage gap.

If the applicant performs work in existing structures, does the applicant demolish and remove the existing property? ___ Yes ___ No

If yes, describe the demolition and removal operations and describe the way the applicant disposes of waste.

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Why?

Existing structures may have asbestos and lead that must be removed. Specialized subcontractors should be hired to handle the removal. The applicant must be named as an additional insured on his or her policy and significant limits should be required since most CGL policies will not cover this exposure, due to either the pollution exclusion or other exclusions. Environmental impairment policies should be considered if such removal is a regular part of the applicant's operation.

Describe the applicant's procedure to contact local utilities in order to avoid cutting lines.

Why?

The general contractor is responsible for the jobsite and has the final responsibility if lines are cut, even if the subcontractor cuts them. There must be an established procedure to verify that the utilities are contacted in advance of any digging and utility lines located and marked

What percentage of the job site construction work do the applicant's employees perform? ___%

Is the applicant involved in turnkey operations? ___ Yes ___ No

If yes, describe in detail.

Why?

Turnkey operations are frequently covered with wrap-up insurance programs that cover all liability and workers compensation exposures for the owner, contractor and subcontractors in one large package. This prevents gaps in coverage and protects everyone's limits for other projects. The cost is more defined but does call for significant limits due to restrictions on subrogation.

Are all job sites visited at least daily by one of the applicant's employees?
___ Yes ___ No

Why?

The general contractor is responsible for all activities at the jobsite. Although the contractor may not be involved in the actual construction activities, an employee of the contractor should make regular visits to all construction sites to monitor the progress and the condition of the site.

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Does the applicant always use the same subcontractors on a job?

Yes No

Why?

A team that is used to working together is less likely to make errors. When a general contractor consistently uses the same subcontractors as part of the team, the likelihood of loss is reduced.

Killiam occupies an office space in a large complex. They have no responsibility for the parking lot or any common areas. Although the other named insured's on the policy have a variety of on premises exposures, the general contracting liability exposure is mainly at the jobsites. There are normally a maximum of five jobsites operating at the same time. Since they try to use the same subcontractors for all jobs, Samuel works hard to coordinate the activities of the subcontractors so that there is no downtime at a site waiting for a subcontractor working at another site. Killiam does all exterior structural work and subcontractors do all other work. The head of the crew is responsible for the jobsite supervision.

QUIZ: GENERAL LIABILITY

The major general liability exposure for general contractors is on premises.

- True
 False

The parking lot exposure for a general contractor

- Should only be considered if they own a building
- Does not need to be considered
- Exists at every jobsite with onsite parking
- Is determined by contract

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When a general contractor operates in a residential area, one of the more severe exposures is:

- a. Property damage to existing structures
- b. Attractive nuisance
- c. Injuries to subcontractors from debris
- d. Slip and fall

The general contractor is responsible for the safety at a jobsite.

- True
- False

Which of the following is not a liability concern with excavation?

- a. Destabilizing of existing buildings
- b. Disruption of vital services
- c. Damage to owned equipment
- d. Cutting of power lines

CONTRACTUAL EXPOSURES

Does the applicant lease the premises? Yes No

If yes, answer the following:

Does the lease include a written waiver-of-rights provision for damage to property? Yes No

Does the lease include a written waiver of subrogation? Yes No

Does the lease include a written hold harmless agreement?

Yes No

Does the lease clearly delineate maintenance responsibilities?

Yes No

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Why?

Most businesses use lease agreements. These contracts normally involve an indemnification clause. Not all indemnification agreements are equal so each must be reviewed to prevent gaps in coverage.

Indicate under which of the following agreements the applicant has assumed liability of others:

- Lease agreements for real estate
- Lease agreements for signs, refrigerators, etc.
- Sidetrack agreements
- Contracts for electric power, steam, etc.
- Easement agreements
- Elevator maintenance
- Other contracts such as construction, installation, compliance certificates, etc.

Attach a copy of each contract and/or agreement indicated above.

Is the applicant's insurance policy required to be primary under any of the indicated contracts? Yes No

What are the applicant's procedures to ensure that it is an additional insured on the subcontractor's policy?

Why?

The general contractor must be named as an additional insured on each subcontractor's General Liability Policy. An ACORD certificate of insurance or its equivalent, showing the Limits of Insurance and the statement that the applicant is an additional insured must be kept on file.

Do any current contracts contain requirements that list specific endorsements or insurance coverage wording? Yes No

If yes, attach a copy of the contract(s).

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Why?

If the general contractor requires unusual wording on the subcontractors' policies due to contractual obligations, a copy of the policy with the wording should be obtained in addition to the certificate of insurance. Special wording is sometimes required because of an obligation to the owner of the project. It is important to review any unusual wording in advance and supply such wording to the insurance company for review prior to entering into agreements.

Does the applicant have a separate contract with each client that delineates each party's duties and expectations? ___ Yes ___ No

Why?

The contract between the owner of the project and the general contractor should clearly outline expectations, rights and responsibilities. The contract should be in writing and should be reviewed and approved by each party's legal representative prior to signing.

SUBCONTRACTORS

Does the applicant regularly use subcontractors? ___ Yes ___ No

If yes, answer the following:

Describe the type of work the subcontractors perform.

Describe procedures used to monitor timely receipt of certificates of insurance from subcontractors.

Why?

Certificates of insurance are necessary for audit purposes and proper risk transfer. In some cases, lack of a certificate of insurance causes subcontracted work to be rated as if it were performed by the insured. Premium earned as a result of such work will be charged to the insured instead of to the subcontractor.

Does the applicant have a written contract with each subcontractor? ___
Yes ___ No

If yes, attach a copy of each contract.

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If no, describe the terms and agreements between the applicant and the subcontractor.

Why?

A written contract prevents the subcontractor from being considered an insured's employee. Subcontractors are hired for their expertise. The insured and the subcontractor should always have a contract that specifies responsibility and clearly defines the role of the subcontractor. Open-ended contracts, or no contract at all, can substantially complicate a loss.

What are the subcontractors' required insurance limits? \$ _____

Why?

Limits of Insurance should be sufficient to prevent the piercing of the applicant's insurance. Hazardous operations require higher limits on the part of the subcontractor.

What are the procedures in place to obtain required certificates of insurance?

Why?

A standard procedure should be in place to ensure that certificates of insurance are received on a timely basis. A subcontractor should not be permitted on the jobsite until the certificate is received. In addition, there should be follow-up procedures in place to collect new certificates at each renewal for long-term relationships.

Percentage of work subcontracted: _____%

Why?

Most insurance companies find operations with a high percentage of work handled by subcontractors unattractive insurance risks because of the lack of direct control by the project owner or the general contractor.

PERSONAL AND ADVERTISING INJURY EXPOSURES

Does the applicant advertise its products, goods or services?

___ Yes ___ No

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If yes, what media does the applicant use and what is that medium's percentage of the overall advertising budget?

___% Television ___% Direct mail ___% Radio
___% Signs ___% Newspaper ___% Magazine
___% Yellow Pages ___% Internet ___% Other

Describe other.

Does the applicant have a web page? ___ Yes ___ No

Does the applicant use an advertising firm and/or outside web designer?
___ Yes ___ No

PRODUCTS

Describe all of the applicant's products or services.

If the product is a component part, describe the items of which it might become a part.

If the product or service is defective or used improperly, describe the possible damage that could occur.

Why?

General contractors do not normally have a products exposure since they provide a service, not a product. If a product is sold, it must be evaluated separately from the general contracting completed operations.

COMPLETED OPERATIONS

Who draws the plans, designs or specifications?

Why?

Insureds directly involved in providing their own job plans, designs and specifications should consider purchasing Professional Liability insurance. This is because of exclusions in the Commercial General Liability Policy.

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Who is permitted to alter plans, designs or specification?

Why?

It is important to have a clear understanding of who is permitted to alter any plans. Generally, no alteration should be permitted without consultation and approval from the project designer due to the possibility of compromising the integrity of the structure.

Is the customer consulted and required to sign off prior to alterations?

Yes No

Describe customer acceptance of project procedure and documentation.

Why?

The customer should be part of the decision-making process. Unless the contract provides for changes, the customer should be informed when a change is indicated. Formal approval by the customer should be required to prevent arguments when the project is completed.

A formal procedure should be in place for handing the finished job to the customer. This should include a walk-through and signed documentation of acceptance along with written agreements concerning any work still needed.

Describe the types of projects completed over the past 5 years.

LIQUOR

Does the applicant ever serve, sell or furnish alcoholic beverages to employees, customers or general public? Yes No

If yes, is the applicant in the business of selling, distributing, or serving liquor? Yes No

Note: If yes, there is no liquor coverage under the General Liability policy. Consider completing the liquor liability questionnaire.

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If no, what precautions are taken to prevent guests from driving while they are intoxicated?

Are the applicant's employees and/or subcontractors permitted to drink alcohol at the job site? ___ Yes ___ No

Why?

Liquor is a part of many operations that do not sell, distribute or serve alcohol, and coverage for this exposure is part of the policy. This is a risk management question to guide the insured in the proper handling of alcohol and alcoholic beverages and to make the insured aware of their responsibilities.

Alcohol should never be permitted on a jobsite.

ERRORS AND OMISSIONS

Is there any exposure for errors or omissions by the applicant's own personnel or through the use of subcontractors (e.g. architects, engineers, draftsmen, etc.)? ___ Yes ___ No

Note: If yes, consider completing the Professional Liability Questionnaire.

Killiam has a standard contract that they use with all project owners unless the project owner demands their own contract. Paul is very careful about reading the unique contracts. He explains that sometimes the project owners can be demanding with special contract provisions that could impact the insurance and require special endorsements.

Killiam has a standard contract that they use with all of their subcontractors. They require that all subcontractors name them as additional insureds and carry a minimum of \$500,000 CGL coverage. The subcontractors must supply them with certificates of insurance prior to the start of a job. Subcontractors handle approximately 85% of each job. Killiam is never a subcontractor.

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QUIZ: CONTRACTUAL EXPOSURES

One of Killiam's best customers has unusual requirements in their contract that increase the liability exposure to Killiam's insurance carrier. What should James recommend?

- a. Provide the contract wording to the underwriter in advance
- b. Obtain quotations and then negotiate only after Killiam has accepted his quote
- c. Show the provisions on a certificate of insurance he sends to the company
- d. Tell James it is covered under the insured contract definition

If the general contractor does not have certificates of insurance from a subcontractor:

- a. The project owner must pay primary coverage rates for the subcontractor's portion of the exposure
- b. There are no consequences
- c. The general contractor must pay primary coverage rates for the subcontractor's portion of the exposure
- d. The general contractor's insurance is primary and the subcontractor's insurance is excess

Paul and Samuel are discussing expanding their operations to replace subcontractors with their own employees. Would this make them a more attractive underwriting risk?

Yes

No

Does a general contractor have a completed operations exposure or a products exposure?

- a. Products
- b. Completed operations

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Who should approve alterations in designs and plans during the building process?

- a. Whoever developed the original plans and specifications
- b. Project owner
- c. General Contractor
- d. a. and b.

UMBRELLA

List all policies that provide liability coverages for the applicant.

Insurance coverage Primary carrier Limits of Insurance

Why?

Umbrella coverage is over only the policies that are listed in the underlying coverage section of the Umbrella Policy. No Umbrella coverage applies over an underlying policy that has not been listed.

List countries where the applicant has locations and/or where employees regularly travel.

Why?

Umbrella policies have territorial definitions that may differ from those of the underlying policies. Listing the countries helps to identify the possible need for a territorial endorsement.

Is the applicant named as an additional insured on all subcontractors policies? ___ Yes ___ No

If yes, what are the required underlying limits?

Why?

When a policyholder is named as an additional insured under another party's policy, it means that there are more layers of underlying coverage and limits available before any loss penetrates the umbrella layer.

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Is the applicant required to name contractors as additional insureds on its policy? Yes No

If yes, list the endorsements that are attached to the underlying to do so.

Why?

The more additional insureds covered on a policy, the sooner that policy's limits could be exhausted by a covered loss.

UNDERLYING GENERAL LIABILITY INFORMATION

List all of the exclusion endorsements attached to the applicant's underlying policy(ies).

The Umbrella is a separate policy and requires similar endorsements to match the underlying policies and their endorsements.

List or describe any amendments or endorsements attached to the applicant's underlying policy(ies).

Why?

The Umbrella Policy must be modified with special amendments that match those of the underlying primary policies if coverage is to apply at all limits.

Check the coverages that the underlying policy(ies) provide.

Employee Benefits Care Custody and Control
 Product Recall Expense Employment Related Practice
 Underground Storage Tank Stop Gap

Does the applicant have any owned, hired, or leased watercraft exposures?

Yes No

If yes, describe the watercraft including where it is kept and/or used and the duration of exposure.

Does the applicant have any owned, hired, or leased aircraft exposures?

Yes No

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If yes, describe the aircraft including its hanger location and/or where it is used and the duration of exposure.

Why?

These are significant exposures that need to be brought to the insurance company's attention. If coverage is not needed, the exposures should be excluded.

What are the applicant's total annual receipts? \$ _____

What is the applicant's annual cost for subcontractors?
\$ _____

UNDERLYING AUTOMOBILE LIABILITY INFORMATION

List all exclusion endorsements attached to the applicant's underlying policy(ies).

List and/or describe any amendments or endorsements attached to the applicant's underlying policy(ies).

Why?

The Umbrella Policy is not a following form product so exclusions, extensions and special amendments used on the underlying primary policies must be arranged to apply to the umbrella as well. If the underlying coverages are unique, purchasing an excess policy may be the most effective way to address coverage gaps.

How many vehicles of the following types does the applicant own or lease?

____ Private passenger

____ Small trucks

____ Medium trucks

____ Heavy trucks

____ Extra heavy

____ Bus

____ Mobile equipment subject to financial responsibility law

Are vehicles ever hired? ____ Yes ____ No

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If yes, describe the vehicles hired, the annual cost, and the duration.

Type of vehicle Annual cost of hire Estimated time of hire

Why?

Neither individual vehicles or classes of vehicles are listed on the Umbrella Policy. Underwriting and rating need to know this information in order to determine exposures and develop premium charges.

UNDERLYING WORKERS COMPENSATION - EMPLOYERS LIABILITY INFORMATION

List all exclusion endorsements attached to the applicant's policy(ies).

List and/or describe amendments and endorsements attached to the applicant's policy(ies).

Why?

This question is not about Workers Compensation coverage. It is about Employers Liability or the Stop Gap Liability coverage on this part of the underlying policy. Umbrella coverage does not apply to Workers Compensation coverage, since the benefits are set by each state. However, there are limits for Employers Liability coverage and, as a result, a need for Umbrella coverage above those limits.

Killiam is particularly interested in the Commercial Umbrella Policy. Since they do such a good job of requiring the subcontractors to carry high limits of insurance, do they really need to carry an umbrella? Paul wants to spend his insurance dollar wisely so he wants to know whether umbrella coverage is really needed for his type of operation.

James reminds Paul of the various named insureds on the policy, the auto exposure and the potential for lapses in the subcontractor's policy, plus the completed operations and supervisory exposures. Paul realizes that he has been shortsighted in considering the loss potentials.

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QUIZ: UMBRELLA

What impact does it have on the general contractor's umbrella if subcontractors name the general contractor as an additional insured?

- a. It causes the umbrella to attach sooner
- b. It causes the umbrella to attach later
- c. It has no impact on the umbrella

What policy cannot be an underlying policy in an Umbrella Policy?

- a. Business Auto Policy
- b. Inland Marine Policy
- c. Workers Compensation and Employers Liability Policy
- d. General Liability Policy

If endorsements are used to provide additional coverage in the underlying policy, what must be done to the umbrella to gain the same coverage?

- a. Endorse the umbrella with similar wording
- b. Nothing, the umbrella is always following form
- c. Additional coverage can only be added if the umbrella has a filed endorsement to do so

The auto portion of the umbrella policy must list every vehicle that is to be covered by the umbrella.

- True
- False

Umbrella coverage does not apply to the Workers Compensation, Coverage A, of the Workers Compensation and Employers Liability Policy.

- True
- False

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BUSINESS AUTO

DRIVER INFORMATION

List the names of the applicant's drivers who maintain a Commercial Driver's License (CDL).

Are any of the applicant's officers, partners, or employees furnished an automobile for their personal use? ___ Yes ___ No

Do individuals with an automobile furnished by the applicant purchase automobile insurance on autos they own personally? ___ Yes ___ No

Why?

Individuals supplied with a company vehicle but who do not carry Personal Auto insurance coverage could be surprised by gaps in coverage if a loss occurs.

Does the applicant use its own vehicles to tow special equipment such as air compressors or concrete mixers? ___ Yes ___ No

Are any of the applicant's automobiles used in parades or other events? ___ Yes ___ No

Are any of the applicant's vehicles laid up and out of service for more than 30 consecutive days or more due to seasonal operations?

___ Yes ___ No

Why?

Vehicles driven on a seasonal basis may receive a credit for the months that they are not used.

If the applicant uses subcontractors, are procedures in place to monitor receiving certificates of insurance on a timely basis?

___ Yes ___ No ___ No subcontractors

If yes, describe.

Why?

Without a certificate of insurance from the subcontractor, a contractor could be responsible for a subcontractor using his own vehicle on the contractor's project. The use of rating symbol 1 could cause a particular problem in such a situation.

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Are any of the applicant's automobiles equipped with cellular telephones, two-way radios, citizens band radios or similar devices? ___ Yes ___ No

If yes, describe. Attach a separate sheet, if necessary

Vehicle Unit #	Type of device	Actual cash value of device
----------------	----------------	-----------------------------

_____	_____	_____
-------	-------	-------

Why?

These devices are generally excluded from coverage. If coverage is needed, it must be added by an endorsement that includes the full description and value of the devices.

How many automobiles are parked at each location overnight?

Location address: _____

Number of vehicles at the location: _____

Total value of all vehicles at the location: _____

Describe lot protection at each location.

Why?

This is a risk management aid. Keeping all vehicles at one place creates the potential for a catastrophic (i.e. tornado or fire) loss. This also affects any recommendations regarding the need for comprehensive coverage and the type and amount of any deductible.

Does the applicant lease or rent vehicles with operators to others?

___ Yes ___ No

Does the applicant lease or rent vehicles without operators to others?

___ Yes ___ No

Does the applicant travel to Canada or Mexico? ___ Yes ___ No

Do the applicant's vehicles have theft alarms? ___ Yes ___ No

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Why?

The Business Auto Policy (BAP) does not provide coverage in Mexico. An endorsement is available for limited coverage but a policy provided by a Mexican company is preferred when there is regular travel in Mexico. Canada is part of the BAP coverage territory but for regular travel a Canadian policy should be considered due to differences in financial responsibility laws.

Do employees take company trucks home? ___ Yes ___ No

If yes, answer the following:

Is the employee allowed to use the applicant's vehicle for personal use?

___ Yes ___ No

Are other family members permitted to use the applicant's vehicle?

___ Yes ___ No

Explain when an employee may take a truck home.

Why?

This common practice can add considerable exposure to the Business Auto Policy. A Motor Vehicle Report (MVR) should be obtained for each family member since any member of the household could drive the vehicle.

Does the applicant's equipment exceed the standard width and require 'oversize' designation? ___ Yes ___ No

If yes, describe the precautions taken to prevent damage to others.

Why?

Damage caused by contractors' equipment being transported is covered under the BAP policy. The applicant must take appropriate steps such as notifying local authorities, obtaining permits, using escort vehicles and other precautions required by local authorities. In addition, the contractor must be aware of narrow roads, low bridges and other obstructions to safely moving the equipment to its destination.

Does the applicant supply vehicles to subcontractors? ___ Yes ___ No

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If yes, identify the contractual restrictions of use placed on the subcontractor.

Why?

MVRs must be ordered on all subcontractor employees who drive the applicant's vehicles. There should be a written agreement of when the vehicles may be used. If these drivers are permitted to take vehicles home, questions about the actual relationship between the contractor and the subcontractor should be raised.

HIRED / BORROWED AUTO

Is the applicant required to provide the primary coverage for any hired or borrowed vehicles? Yes No

If yes, answer the following:

Will the applicant hire or borrow the same vehicle for more than six months? Yes No

Note: If yes, the auto should be covered in the same manner as an owned vehicle is covered.

Does an employee of the applicant own the vehicle? Yes No

Does the applicant's employee hire the vehicle in his or her own name to perform the applicant's business? Yes No

List the states where the applicant may hire or borrow vehicles. Provide the estimated annual cost (enter "if any" if unknown).

State: _____ Estimated cost: _____

Does the applicant require hired auto physical damage coverage?

Yes No

Does the applicant hire vehicles with drivers? Yes No

Describe the types of vehicles the applicant hires or borrows and the reason(s) why the applicant hires or borrows them.

Does the applicant hire vehicles for employees when a job site is at a distance from the office? Yes No

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If yes, answer the following:

What types of vehicles does the applicant hire?

Who does the applicant allow to drive the vehicles?

Are the applicant's employees permitted to use the vehicles for personal use? ___ Yes ___ No

Why?

Contractors doing jobs outside of the local radius area may hire vehicles for certain employees for the duration of those jobs. This exposure must be fully evaluated. The insured and employee should review the vehicle rental/leasing contracts to understand any use restrictions and any responsibilities assumed by the employee.

Employees are not on duty 24 hours a day – even at distant job sites. Workers must be aware of vehicle use restrictions and abide by them. Family member use of one these vehicles could result in an uncovered loss.

NON-OWNED

What is the total number of employees at all locations? _____

If the applicant is a partnership, what is the total number of active and inactive partners? _____

What percentage of employees regularly use their own vehicles in the applicants' business? ___%

Does the applicant want to have employees covered as insureds when they are using their automobiles for the applicant's business? ___ Yes ___ No

Do the applicant's employees use their personal vehicles to provide "on demand" deliveries to homes and/or businesses? ___ Yes ___ No

What is the minimum, average, and maximum distance between the office and the job site?

_____ Minimum _____ Average _____ Maximum

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The Killiam auto fleet is 10 pickups, 2 SUVs, 1 dump truck and 3 trailers. The five foremen take a pickup or SUV home in the evenings so that they can drive directly to the job each morning. They are not to use the vehicles for personal use. The other vehicles stay at the storage location and are picked up by employees as needed. When the business shuts down for the winter, all vehicles are stored at the one location and not driven until the company reopens.

Paul, Yolanda and Samuel will also use a fleet vehicle but tend to drive their personal vehicles that are covered under their Personal Auto Policies.

They are considering selling their personal vehicles and leasing new vehicles in the company name for tax purposes and to save money by eliminating their Personal Auto Policies.

QUIZ: BUSINESS AUTO

What is the best method to save money on the vehicles that are stored over the winter?

- a. Request that their annual policy be cancelled short rate each year
- b. Request a short-term policy from March through November
- c. Request an endorsement with credit for seasonal vehicles
- d. Have employees take the vehicles home over the winter

Killiam has an opportunity for a job just over the border in Mexico. The job will last six months. Will their autos be covered if they work there?

- a. No, the BAP never covers Mexican exposures.
- b. Yes, the BAP limited Mexico endorsement will provide all needed coverage.
- c. No, an auto policy should be purchased from a Mexican company for the duration of the work.
- d. Yes, the BAP territory includes Mexico

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MVRs should be ordered on the following individuals:

- a. All employees
- b. Family members of the employees who take vehicles home
- c. Only employees who drive vehicles
- d. a. and b.

While being transported on Killiam trailer, a trencher flips off the trailer and strikes a pedestrian. What Killiam policy of the covers the injury to the pedestrian?

- a. General Liability Policy
- b. Business Auto Policy
- c. Workers Compensation Policy
- d. Inland Marine Policy

The Killiam foremen will occasionally allow the subcontractors to use the Killiam vehicles to pick up supplies. What policy is primary if the subcontractor causes an accident while driving the Killiam vehicle?

- a. Subcontractors' Personal Auto Policy
- b. Killiam's Business Auto Policy
- c. Subcontractors' Business Auto Policy
- d. b. and c.

Who is covered when an auto is hired by the company for an employee?

- a. Employee only
- b. Employee and family members of the employee
- c. All employees at the jobsite
- d. It depends on the restrictions within the lease agreement

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WORKERS COMPENSATION

List all states where the applicant expects to work during the next twelve (12) months.

Why?

Workers compensation laws vary by state, so knowing where employees are working, or where they are expected to be working during the policy period, is important.

Does the applicant perform operations on public works projects outside of the United States? ___ Yes ___ No

If yes, describe such public works projects.

Note: Consider completing the Foreign Operations Supplement.

Does the applicant perform operations on docks, piers, wharves, etc. that are on navigable waters? ___ Yes ___ No

If yes, describe such operations.

Note: Consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Does the applicant perform any work on barges, vessels, or bridges that span navigable waters? ___ Yes ___ No

Note: If yes, consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Why?

Working over water may subject an insured to the United States Longshore and Harborworkers Act. Its benefits are dramatically higher than normal state benefit levels.

Does the applicant perform operations on fixed platforms on the outer continental shelf? ___ Yes ___ No

If yes, answer the following:

What is the closest governing state? _____

Where is the work located? _____

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Describe type of work.

Note: The Outer Continental Shelf Lands Act extends the Longshore and Harbor Workers Compensation Act to apply to employees who work on fixed platforms on outer continental shelves. Consider completing the Longshore and Harbor Workers Compensation Act and Maritime Coverages Questionnaire.

Does the applicant perform operations on U.S. defense bases?

Yes No

If yes, describe such operations.

Note: Consider completing the Defense Base Act and Federal Employers Liability Act Coverages Questionnaire.

Does the applicant perform operations in monopolistic workers compensation states? Yes No

Note: If yes, consider completing the Employer's Liability - Stop Gap Questionnaire.

Why?

Employees working, or operations performed, in a monopolistic state must be covered under that state's Workers Compensation plan or arrangement. Employers Liability coverage must be written as a separate coverage in monopolistic states.

Does the applicant own or jointly own, operate or lease aircraft and/or watercraft? Yes No

Note: Consider completing the Aircraft Ownership Supplement if the applicant has an aircraft exposure. Consider completing the Ship or Boat Ownership Supplement if the applicant has a watercraft exposure.

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EMPLOYEES

Does the applicant employ migrant laborers? ___ Yes ___ No

If yes, describe the operation, the duties they perform, and the duration of their employment.

Type of operation: _____

Job duties performed by migrant employees: _____

Number of days migrant workers are employed: _____

Do any of the applicant's employees travel outside the United States to work? ___ Yes ___ No

If yes, identify the countries involved and indicate the average length of time they are out of country.

Note: If yes, consider completing the Foreign Operations Supplement.

Are any of the applicant's employees considered exempt from workers compensation statutes in the jurisdiction where they work? ___ Yes ___ No

If yes, identify the types of employees and the jurisdiction where they are exempt.

Why?

Not all employees are required to be covered by workers compensation. Each state has exemptions for certain occupations. However, when a worker is not subject to the workers compensation laws, the employer loses the lawsuit protections under that law. An employer may have a significant coverage gap if an employee is not included under the Workers Compensation coverage since the Commercial General Liability coverage excludes all employees whether they are eligible for Workers Compensation coverage or not.

Do any of the applicant's employees telecommute or otherwise work out of their homes? ___ Yes ___ No

If yes, describe the employees' job functions and the applicant's safety procedures for those employees.

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Why?

Workers Compensation coverage is not meant to be a 24-hour disability and health care product for employees who work from their homes. The employer should have rules and guidelines for home working situations so that work-and non-work-related injuries sustained at home can be separated.

Does the applicant employ persons from a day labor pool? ___ Yes ___ No

Why?

When the insured employs day laborers, quality control and consistency is lacking. New employees are more likely to have accidents, since they are unaware of proper procedures. If day laborers are used, the jobs should be easy to understand, clearly defined and well supervised.

If the jobsite is at a distance from the office, what percentage of the labor is local and what percentage is from the applicant's normal full-time labor force? _____% Local _____% Full time

Why?

Many contractors use their supervisors to oversee distant jobsites but they employ local workers to do the job. Temporary, local workers are less familiar with company safety procedures. Supervision and training is vital in preventing injuries to these temporary employees.

MANAGEMENT

Does the applicant obtain work permits as local, state, or federal statutes require? ___ Yes ___ No

Does the applicant have an organizational policy that specifies the maximum number of key employees who may travel together? ___ Yes ___ No

If yes, attach a copy of the organizational policy.

Why?

The potential of losing several key employees in a single accident creates a significant Workers Compensation exposure. Such a loss would also negatively impact the ability of the company to continue operations.

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If the applicant employs subcontractors, how does it monitor their certificates of insurance and ensure that it receives them on a timely basis?

Why?

If a subcontractor does not have Workers Compensation insurance, the organization that hires that subcontractor will be held responsible for injuries to any subcontractor employee injured during his or her work for the hiring organization.

Are all of the applicant's machinery and equipment properly guarded and secured? ___ Yes ___ No

Does the applicant train employees before they operate any machinery and equipment? ___ Yes ___ No

Does the applicant train employees in the proper way to clean machinery and equipment? ___ Yes ___ No

If the answer to the training questions above is yes, attach a copy of the applicant's training manual plus the documentation it uses to ensure that the training is appropriate.

Why?

Training is the key to effective loss prevention in workers compensation. There should be a training program manual that outlines the proper use of all equipment. Employees should be trained and supervised before they begin working with any equipment.

Are the doors on all walk-in freezers, cold storage boxes, and other automatic locking storage area equipped with a pass-type latch that can be opened from the inside? ___ Yes ___ No

Are first aid kits provided? ___ Yes ___ No

Is at least one employee (on duty) trained in administering first aid?
___ Yes ___ No

Is at least one person at each job site trained in first aid? ___ Yes ___ No

Why?

Prompt first aid treatment can mean the difference between life and death. Jobsite supervision should include first aid training, especially when dealing with electrical injuries.

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Killiam employs 20 at the jobsites and three in the office plus the three officers. They will hire day laborers when a job is behind or when employees do not show up. All subcontractors are required to carry workers compensation on their employees and produce a certificate of insurance verifying coverage.

They are currently working on a bid for a job that will require a small walking bridge that links a stationary riverboat to an office complex and want to know if that will affect their Workers Compensation coverage and premium.

QUIZ: WORKERS COMPENSATION

What additional coverage may be required if employees work over water?

- a. Ocean Marine coverage
- b. Stop Gap coverage
- c. No additional coverage is needed
- d. United States Longshore and Harborworkers coverage

When employees work in a monopolistic state, what coverage is needed in addition to that state's Workers Compensation coverage to match the Workers Compensation coverage offered in non-monopolistic states?

- a. General Liability coverage
- b. Stop Gap coverage
- c. No additional coverage is needed
- d. Federal Employees coverage

The best way to prevent employee injuries due to equipment usage is through regular training.

- True
- False

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The only emergency measure that should be taken following a jobsite accident is to call 911.

- True
 False

When day laborers are employed, the following action should be taken to prevent injuries.

- Close supervision
- Separate them from the regular employees
- Let them handle only the dangerous situations
- Encourage them to use any of the equipment

SURETY BOND REQUIREMENTS

Does the applicant provide a retirement benefit(s) for its employees?
Yes No

If yes, describe the retirement benefit(s) the applicant provides.

Is the applicant required to obtain licenses or permits? Yes No

If yes, describe the types needed.

Does the applicant file the required bonds for the retirement plan and/or the licenses or permits? Yes No

Why?

General contractors are responsible for licenses and permits at a jobsite. Many governmental entities will require a license or permit bond to be issued in order to guarantee that the conditions of the license or permit issued by that entity are met.

Is the applicant financially responsible for others? Yes No

If yes, describe the relationship and the applicant's responsibility.

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Does the applicant bid for jobs? ___ Yes ___ No

If yes, describe the type of jobs.

Why?

Contractors bidding on jobs are generally required to provide a bid bond. These bonds are a guarantee that the contractor will be able to provide a performance bond if the bid is successful. These bonds are normally provided by the performance bond surety at no cost.

Is the applicant required to guarantee payment for labor and supplies? ___
Yes ___ No

If yes, describe the type of exposure.

Why?

A labor and supplies bond may be part of the performance bond or separate. It guarantees that those who supply labor and supplies will be paid by the contractor and the owner will not be left with unpaid bills after a job is complete.

Is the applicant required to guarantee that a given construction project will be completed? ___ Yes ___ No

If yes, describe the construction project.

Why?

A performance bond guarantees that the contractor will fulfill the terms of the contract bid. This bond is a three party contract between the surety, the project owner and the contractor. Most governmental entities require a performance bond and many private owners also want such a guarantee.

Is the applicant required to guarantee its ability to supply goods and services? ___ Yes ___ No

If yes, what are the goods and services?

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A major complaint at Killiam Contractors is the license and permit procedure. Although they are located in a large suburb, they have jobs in a number of surrounding municipalities and each one seems to have their own unique license and permit requirements. They want to make sure that James can supply the necessary bonds in a streamlined manner. If James can't do the bonds, they cannot deal with him. Killiam has been successful in working with the state on some office building construction. Since these jobs require bid and performance bonds, James must have the bond capabilities.

QUIZ: SURETY BOND REQUIREMENTS

What does a License and Permit Bond guarantee?

- a. Job will be completed per the contract
- b. Contractor will honor the conditions of the permit
- c. Cost of the job will not exceed the bid

Who purchases the Labor and Supplies Bond?

- a. Project owner
- b. General contractor
- c. Subcontractor
- d. Building material supplier(s)

Who is NOT a party to a Surety Performance Bond?

- a. Project owner
- b. Subcontractor
- c. Surety
- d. General contractor

James is now ready to develop a Client/Agent Coverage Agreement to take with him to the client. This will allow him to recommend coverages and allow Killiam to accept or reject the recommendations. Before making recommendation, he selects the Supplement so that he can review the various coverage definitions.

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One of the minimum recommended coverages is called Builders' Risk and James has never written an account that used one. Since he is unfamiliar with the coverage, he selects Builders' Risk on the list and views the definition.

BUILDERS RISK UNDERWRITING CONSIDERATION

Builders' risk and installation coverage forms both cover building materials and supplies at the construction site, in transit to the site, and similar property intended for the construction project at other locations as necessary or because of lack of storage space at the construction site. The principal exposures and causes of loss are fire, theft, vandalism, windstorm, collapse, and transit. The underwriting process involves evaluating the location and transit exposures and the protective services and arrangements incorporated at the project to eliminate or reduce the possibility of loss.

The most important element in underwriting builders' risk insurance is the type of contractor involved. The contractor should have experience in building the type of structure being considered. A residential contractor may be very successful building one and two family homes but that does not mean it will be similarly successful building a six-family condominium building or some other kind of commercial property. Similarly, a commercial building contractor may not be aware of all of the aspects and pitfalls involved in residential construction. Simply being a contractor is not sufficient. A good contractor is aware of all aspects and hazards of a particular job and takes the appropriate steps to address them all, both in advance planning and as they come up during the course of the construction project.

Another major issue is job site supervision. Some contractors are "paper contractors." These contractors bring together the various subcontractors to handle the job but do not regularly have any of their own employees on the job site. In situations like these, relationships are extremely important. A good "paper contractor" (to the extent possible) uses the same subcontractors on as many jobs as possible. This makes it more likely that the different crews will work well together. The contractor should have a detailed checklist and an established timetable for checking the work. The general contractor is usually responsible for all functional aspects at the job site and should be aware of all elements of job site safety and the normal arrangements that should apply.

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Written contracts and agreements are as important in the construction field as they are anywhere else. Contracts should be in place to establish ownership and responsibility and to reduce the chances of ambiguity and disagreement if a loss occurs. Ownership of building materials must be established, since the contractor in many cases simply installs the goods and does not actually own them during the construction or installation process.

The nature and details of the transit exposure should be analyzed and understood by all affected parties. "Paper contractors" usually have little or no exposure in this area. Workers' tools, scaffolding, and related equipment are frequently overlooked but are subject to transit exposures and losses as much as building materials. Some of these items should be insured under contractors' equipment coverage and others under builders' risk coverage. It is important to review all of the above in order to set the appropriate transit limit for the values exposed.

The type of construction is a major factor in both underwriting and rating. Construction methods vary greatly, as do wind and fire exposures. Frame construction is the most common type of construction and is most subject to wind and fire losses. Brick veneer construction does not reduce loss potential of a frame building because it is simply a layer of masonry veneer attached to the wood frame and the basic construction is still frame. Solid brick or masonry bearing walls construction stand up better to wind and fire but require longer construction time and damage can be more expensive to repair. Metal buildings are similar to frame with respect to the wind exposure. Metal building construction is vulnerable to a number of issues until the roof is securely attached but fire is not ordinarily one of them. Masonry-non-combustible and fire-resistive are the best types of construction but using these materials takes more time and is considerably more expensive.

Any type of construction has its own issues that relate to job site security against vandalism and theft. The more involved, elaborate, and expensive types of construction require using a variety of heavier equipment and this element affects the job site security issue more than anything else does. As a result, these job sites require more security measures than those of lesser quality and that have less equipment on the site, whether occupied and operating or not.

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It is important to understand the financial interests of all the parties in the property under construction and any contractual obligations they have to one another. The worst case scenario is where each party believes the other is responsible for purchasing the builders' risk coverage and nobody purchases it at all. If more than one policy is purchased, the only damage done is the amount of extra premium paid. If nobody arranges for coverage, it means the entire project is unprotected.

When Coverage Ceases

Builders risk insurance is designed to cover a building or structure under construction until construction is complete. This condition provides the exact time when the insurance this coverage form provides ends. Coverage ends immediately when any one of the following takes place:

- The policy expires or is cancelled.
- The purchaser accepts the building or structure.
- The named insured's financial interest in the project ends.
- The named insured abandons the project and does not intend to return and complete it.
- Ninety days after construction ends or 60 days after the building is put to its intended use or is occupied to any extent. The insurance company can change this but it must be in writing. However, changing this one item does not also change the previous four items.

The coverage form to be used must be considered since reporting forms are available in addition to scheduled and non-reporting forms. Each approach has advantages, disadvantages, and responsibilities that must be understood. Reporting forms are flexible and lead to a greater feeling of security but improper or inadequate reporting can diminish those advantages and spell disaster in the event of a loss.

Killiam has not been purchasing Builders' Risk coverage and instead has a written contract with clients requiring them to purchase the Builders Risk coverage. James now understands the coverage enough that he can recommend the coverage and also help them in deciding whether to use a reporting or a non-reporting method.

THE ULTIMATE GUIDE TO INSURING GENERAL CONTRACTORS

QUIZ: BUILDERS RISK COVERAGE FORMS

The occupancy and use condition on the Builders' Risk coverage form voids coverage once the building is occupied.

- True
- False

Which of the following is used to determine when coverage ceases under a Builders' Risk Policy?

- a. 180 days after the project is completed
- b. 30 days after the insured receives payment from the project owner
- c. When the insured stops construction with no plans to return
- d. When the building inspector approves the building for occupancy

Who can purchase Builders' Risk coverage?

- a. General contractors
- b. Building owners
- c. Project owners
- d. All of the above

Which peril is not covered under a Builders' Risk Policy?

- a. Theft
- b. Fire
- c. Flood
- d. Collapse

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ANSWERS: RISK OVERVIEW

Killiam has a carpentry crew to provide framing on most jobs. Is Killiam still considered a general contractor?

Yes

Paul is very good at making sure all of the jobs have their license and permit bonds in place prior to starting the job. What is the coverage type for these bonds?

c. Surety

Once Killiam completes the carpentry, they have no employees on the jobsite except for Paul's regular visits; do they still have a premises general liability exposure at the site?

d. Yes, the general contractor is responsible for the coordination at the jobsite

A general contractor normally has a large on-premises operation.

False

The general contractor is responsible for building projects from the plans through the final signoff. How can the Killiam company transfer part of the risk?

b. Require each subcontractor to name Killiam as an additional insured on their policies

ANSWERS: GENERAL INFORMATION

James should show the entity for this named insured as:

e. All of the above

All named insureds must be involved in the same activities if they are to be combined on the same policy.

False

Seasonal operations are covered only when they are open for business.

False

Additional insured endorsements that are provided by the subcontractors for the general contractors' benefit may not cover:

a. Completed operations

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Who might provide particularly good insight as to the operations of a general contractor?

c. Supervisor who visits the jobsites

ANSWERS: BUSINESS PERSONAL PROPERTY

How many locations are covered for business personal property on the current Killiam policy?

a. One

What information is particularly important when insuring improvements and betterments?

c. Term of lease and renewal option

What risk management advice should be given at the garage location?

c. Keep the flammable items away from the heat-producing processes

What can James do to help Killiam in advance of a loss?

c. Help them understand the need to keep an accurate inventory of business personal property

ANSWERS: INLAND MARINE

Most underwriters prefer to write a builders' risk policy for a contractor renovating existing structures rather than one working with new construction.

False

What is the primary job of security guards at a jobsite?

b. Keeping trespassers off the jobsite

Does the protection class of the jobsite impact the underwriting of builders' risk?

a. Yes, in combination with the type of construction

How should waste at the jobsite be handled?

c. Have it removed on a regular basis

What is needed to prevent collapse during construction of multi-story buildings?

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b. Internal structural supports

ANSWERS: EMPLOYEE DISHONESTY

Who are never covered under an Employee Dishonesty Policy?

c. Employees who have stolen in the past

ANSWERS: GENERAL LIABILITY

The major general liability exposure for general contractors is on premises.

False

The parking lot exposure for a general contractor

c. Exists at every jobsite with onsite parking

When a general contractor operates in a residential area, one of the more severe exposures is:

b. Attractive nuisance

The general contractor is responsible for the safety at a jobsite.

True

Which of the following is not a liability concern with excavation?

c. Damage to owned equipment

ANSWERS: CONTRACTUAL EXPOSURES

One of Killiam's best customers has unusual requirements in their contract that increase the liability exposure to Killiam's insurance carrier. What should James recommend?

a. Provide the contract wording to the underwriter in advance

If the general contractor does not have certificates of insurance from a subcontractor:

c. The general contractor must pay primary coverage rates for the subcontractor's portion of the exposure

THE ULTIMATE GUIDE TO INSURING GENERAL CONTRACTORS

Paul and Samuel are discussing expanding their operations to replace subcontractors with their own employees. Would this make them a more attractive underwriting risk?

Yes

Does a general contractor have a completed operations exposure or a products exposure?

b. Completed operations

Who should approve alterations in designs and plans during the building process?

d. a. and b.

ANSWERS: UMBRELLA

What impact does it have on the general contractor's umbrella if subcontractors name the general contractor as an additional insured?

b. It causes the umbrella to attach later

What policy cannot be an underlying policy in an Umbrella Policy?

b. Inland Marine Policy

If endorsements are used to provide additional coverage in the underlying policy, what must be done to the umbrella to gain the same coverage?

a. Endorse the umbrella with similar wording

The auto portion of the umbrella policy must list every vehicle that is to be covered by the umbrella.

False

Umbrella coverage does not apply to the Workers Compensation, Coverage A, of the Workers Compensation and Employers Liability Policy.

True

ANSWERS: BUSINESS AUTO

What is the best method to save money on the vehicles that are stored over the winter?

c. Request an endorsement with credit for seasonal vehicles

THE ULTIMATE GUIDE TO INSURING GENERAL CONTRACTORS

Killiam has an opportunity for a job just over the border in Mexico. The job will last six months. Will their autos be covered if they work there?

c. No, an auto policy should be purchased from a Mexican company for the duration of the work.

MVRs should be ordered on the following individuals:

d. a. and b.

While being transported on Killiam trailer, a trencher flips off the trailer and strikes a pedestrian. What Killiam policy of the covers the injury to the pedestrian?

b. Business Auto Policy

The Killiam foremen will occasionally allow the subcontractors to use the Killiam vehicles to pick up supplies. What policy is primary if the subcontractor causes an accident while driving the Killiam vehicle?

b. Killiam's Business Auto Policy

Who is covered when an auto is hired by the company for an employee?

d. It depends on the restrictions within the lease agreement

ANSWERS: WORKERS COMPENSATION

What additional coverage may be required if employees work over water?

d. United States Longshore and Harborworkers coverage

When employees work in a monopolistic state, what coverage is needed in addition to that state's Workers Compensation coverage to match the Workers Compensation coverage offered in non-monopolistic states?

b. Stop Gap coverage

The best way to prevent employee injuries due to equipment usage is through regular training.

True

The only emergency measure that should be taken following a jobsite accident is to call 911.

False

THE ULTIMATE GUIDE TO INSURING GENERAL CONTRACTORS

When day laborers are employed, the following action should be taken to prevent injuries.

a. Close supervision

ANSWERS: SURETY BOND REQUIREMENTS

What does a License and Permit Bond guarantee?

b. Contractor will honor the conditions of the permit

Who purchases the Labor and Supplies Bond?

b. General contractor

Who is NOT a party to a Surety Performance Bond?

b. Subcontractor

ANSWERS: PF&M - AAIS BUILDERS RISK COVERAGE FORMS

The occupancy and use condition on the Builders' Risk coverage form voids coverage once the building is occupied.

True

Which of the following is used to determine when coverage ceases under a Builders' Risk Policy?

c. When the insured stops construction with no plans to return

Who can purchase Builders' Risk coverage?

d. All of the above

Which peril is not covered under a Builders' Risk Policy?

c. Flood

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Contractors-Construction Minimum Recommended Coverage

Overview: Business Personal Property

Building and Personal Property Coverage Form

Four types of property are associated with every structure:

- The building or structure itself
- Business personal property inside the building
- Personal property of others in the building
- Improvements and betterments added to a building space for the benefit of a named insured tenant

The Building and Personal Property Coverage Form insures all four types of property. Each can be written with its own specific limit or can be combined in various ways on a blanket basis. A separate causes of loss form must be attached. The causes of loss form selected can vary by type of property.

Construction contractors will normally use this form for most property coverage.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis \(18,475 words\)](#)

INLAND MARINE COVERAGES

Inland marine traditionally has been less regulated than other types of insurance because of the unique nature of the property covered. In order to be consistent in treating it, insurance regulators adopted the Nationwide Marine Definition in 1933. While the basic definition has not changed, amendments have been added over the years that recognize changes in technology and the economy. Inland marine coverage can be provided by standard ISO coverage forms and by independent coverage forms from various inland marine carriers. While there are many common forms, inland marine insurance is known for recognizing and insuring unique exposures. When "it has never been done before" and needs to be insured, the inland marine market comes into play.

Related Articles:

[Who Needs Inland Marine Coverage? \(1,214 words\)](#)

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Overview: Employee Dishonesty

Employee Dishonesty

Most property coverage forms exclude employee dishonesty. As a result, this coverage is very important because employees have the potential to cause the most damage to an insured. They have access to all of the money, products, and information about the company. Employees who have more authority and access have greater potential to cause loss or damage. Coverage applies to loss of money, securities, and property that the insured owns or leases, or to property of others in its possession. Coverage may be provided under either standard ISO coverage forms or Surety and Fidelity Association of America forms.

Contractors-construction provide multiple opportunities for employee dishonesty, starting with the ordering of supplies from the main operation and at the jobsite and continuing with the billing and collecting for jobs. This coverage is a must.

Related Article: [Commercial Crime Coverage Analysis \(14,540 words\)](#)

Overview: Surety Bonds

BONDS

The surety market offers many types of bonds. The two primary categories are Contract and Non-contract bonds. Contract bonds include bid, contract, and payment bonds and are used when there is a contractual obligation with respect to a specific contract. Non-contract bonds include license, permit, and judicial bonds and relate to obligations and performances that must be met that are not due to a contract.

Related Article: [Surety Bonds Overview \(1,381 words\)](#)

Bid Bond

The bid process can take a long time. When it is complete, the customer expects the contractor or supplier to deliver as promised. In many cases, a bid bond is required that obligates the surety to honor the bid bond either by issuing a contract bond if the contractor or supplier receives the contract or paying a penalty that offsets the cost of reopening the bid process.

Contractors who bid jobs may be required to supply a bid bond.

Related Article: [Construction Contract Bonds \(3,925\)](#)

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Contract Bond

Contracts are a way of doing business. One way to guarantee that a contract will be performed is to require posting a bond that guarantees its successful performance. The bond provides a level of security beyond the signature on the contract. The purchaser of the services is assured that the surety will either carry out the contract or provide compensation.

Contractors may be required to provide contract bonds particularly in governmental bid situations or long-term contracts. Related

Article: [Construction Contract Bonds](#)

Labor and Material (Payment) Bond

This bond guarantees that payment will be made for work done and materials supplied in connection with a construction project under contract. Its main function is to protect the suppliers of labor and material on a specific project but it also protects the project owner. Suppliers of labor and material have the right to place a lien on the property if they are not paid. Liens on the property hinder the owner's ability to sell the property and encumber the title.

Contractors may be required to include this in their contract bond or have a separate bond.

Related Article: [Construction Contract Bonds](#)

License and Permit Bond

Most municipalities and states require that businesses provide license or permit bonds to a governmental entity as part of their application to obtain needed permits or licenses. The bond guarantees that the entity will abide by the conditions of the license or permit. If the business violates the conditions, the surety pays the bond penalty to the governmental authority and then collects the penalty from the business.

Related Article: [License and Permit Bonds \(2,691 words\)](#)

Overview: Accounts Receivable

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Accounts Receivable

This coverage protects against loss resulting from an inability to collect accounts receivable due to the loss, damage or destruction of books or records of accounts. This coverage may be written using a standard ISO or AAIS Inland Marine Form.

This coverage is very important to contractors that carry accounts for their customers.

Related Articles:

[.ISO Accounts Receivable Coverage Form \(4,665 words\)](#)

Overview: Builders' Risk

Builders Risk

A building under construction does not have any value when the project begins but reaches its full value at the end of the project. This coverage form's rating structure takes that fact into consideration so that pricing is equitable and frequently endorsing the policy to change limits or periodically reporting values at risk is not required. This coverage form also insures materials that await installation. Any of the causes of loss forms may be attached so coverage can be customized to fit the project's specific needs.

Related Article: [CP 00 20-Builders Risk Coverage Form Analysis \(7,778 words\)](#)

Builders Risk

Builders risk coverage provides building coverage from the start of the building project to the day the building is complete and ready for occupancy. This coverage may be provided with either the ISO property builders risk form or an inland marine form. Coverage may be purchased by the purchaser of the building for the single project or may be purchased by a contractor for multiple projects. General contractors often buy the inland marine coverage using a reporting form. This allows maximum flexibility for projects. The property builders risk form is generally used when purchased by the owner for a single project.

Related Articles:

[ISO Builders Risk Coverage Form \(11,826 words\)](#)

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Overview: Computers

Computer Fraud

Money, securities, and other property are covered when any computer is used to fraudulently cause a transfer of the insured's property to another person located off the premises. The ISO Commercial Crime Coverage Form provides this coverage.

Related Article: [Commercial Crime Coverage Analysis \(14,540 words\)](#)

Overview: Valuable Papers and Records

Valuable Papers and Records

The policy insures on a risk of direct physical loss basis, including misplacement or mysterious or unexplained disappearance. It covers the costs to research and replicate damaged important documents, books, and records or to replace them. Coverage is provided using standard ISO or AAIS Inland Marine Forms. There is a limited amount of coverage provided in property forms, but it is not as broad as the Inland Marine Form.

There can be many types of valuable papers. The exposure should be carefully considered especially for property titles, contracts, warranties and proofs of insurance coverage from subcontractors.

Related Articles:

[ISO Valuable Papers and Records Coverage Form \(4,678 words\)](#)

Overview: General Liability

Commercial General Liability–Occurrence Basis

This coverage pays for damages the insured becomes legally obligated to pay due to bodily injury, property damage, or personal and advertising injury that arises from its premises, operations, completed operations, and products. The occurrence basis means that occurrences that take place during the policy period are covered, regardless of when a claim for injury that results from the occurrence is presented.

Many contractors will use the occurrence basis. They should never go without this coverage because accidents can happen so quickly. The severity will depend on the particular accident.

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Related Article: [CG 00 01 and CG 00 02-Commercial General Liability Coverage Forms Analysis \(21,833 words\)](#)

Commercial General Liability–Claims-Made Basis

This coverage pays for damages the insured becomes legally obligated to pay due to bodily injury, property damage, or personal and advertising injury that arises from its premises, operations, completed operations, and products. The claims-made basis means that only claims presented during the policy period are covered regardless of when the occurrence that resulted in injury took place. A retroactive date often limits the time the occurrence could have taken place.

Difficult to place contractors or ones with relatively long-tail requirements, may be subject to claims-made basis CGL coverage. A careful review of current and prior projects, prior coverage and retroactive dates is vital when placing this coverage. The named insured must understand the limitations of this coverage and its responsibility regarding extended period reporting periods.

Related Articles:

[CG 00 01 and CG 00 02-Commercial General Liability Coverage Forms Analysis](#)

[Compare: ISO Commercial General Liability Coverage Forms-CG 00 01 \(Occurrence Basis\) To CG 00 02 \(Claims-Made Basis\)](#), (1,830 words)

Overview: Employee Benefits Liability

Employee Benefits

Mistakes by the insured in administrating its employee benefits program can cost employees. This coverage insures those situations. This DOES NOT INCLUDE fiduciary responsibilities or any situations that involve discrimination or harassment. A simple example is when the insured does not provide the employee with the appropriate COBRA information following termination that results in the former employee losing benefits. Most carriers provide this coverage on their own filed forms by either a separate coverage form or as an endorsement to the commercial general liability coverage. Comparisons should address the types of benefits covered, claims-made versus occurrence, and the employer's contribution.

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ISO provides a standard endorsement to attach to the Commercial General Liability Coverage Forms.

Any contractor that provides employee benefits should purchase this coverage. It is important to remember that workers compensation is an employee benefit.

Related Article: [ISO Commercial General Liability Coverage Forms Available Endorsements and Their Uses \(18,333 words\)](#)

Overview: Umbrella Liability

Excess Liability Policy

In its purest form, excess liability policies do not have any exclusions or coverage. They track 100% with the scheduled underlying coverages and simply extend limits. Excess policies never provide additional coverage. Many carriers use their own coverage forms and add exclusions and language that make them look more like restricted umbrella policies instead of excess liability policies. Key areas to compare are exclusions and following-form terms.

Contractors should carry either an umbrella or an excess policy. If unusual terms have been negotiated in the underlying policy, the excess liability could provide the most complete coverage; but if the underlying is standard, the umbrella may provide some gap coverage not available in the excess.

Related Article: [What Is The Difference Between Umbrella Policies and Excess Policies? \(674 words\)](#)

Umbrella Policy

These policies serve two purposes. First, they provide excess liability limits over the limits in scheduled underlying policies. Second, they fill some gaps in coverage in the underlying coverage. ISO and AAIS have developed standard liability umbrella coverage forms, but many carriers use their own independently filed forms to provide coverage. As a result, comparing coverages is essential. Key areas that should be compared are exclusions, deductibles, whether a follow-form is offered over unusual underlying exposures, limits, and defense costs (included inside or outside the limits).

Contractors should carry either an umbrella or an excess liability policy because of the potential for catastrophic loss from persons who could be damaged because of the work the contractors perform.

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Related Article: [CU 00 01-Commercial Liability Umbrella Coverage Form Analysis \(18,894 words\)](#)

Overview: Business Automobile Liability and Physical Damage

COMMERCIAL AUTO COVERAGES

These forms provide all of the coverages the insured needs for its owned, leased, or hired vehicles. They also cover the insured for non-owned use of a vehicle when an employee or volunteer uses his or her vehicle on company business. The insured can customize the coverage it needs by entering symbols on the schedule. Coverage can apply to all owned, leased, hired, and non-owned autos or just on selected vehicles.

Related Article: [ISO Business Auto Coverage Form Overview \(778 words\)](#)

Liability

This coverage applies to bodily injury and property damage to others that an insured vehicle causes.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis \(12,961 words\)](#)

Physical Damage

This consists of two different coverages.

Collision

This coverage applies to covered vehicles damaged by impact with another vehicle, object, or animal.

Other than collision

This coverage applies to covered vehicles damaged by any cause of loss other than collision, unless specifically excluded.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Personal Injury Protection/No-Fault

This coverage is designed to meet the requirements of state-mandated "no-fault" coverage laws.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

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Optional Automobile Coverages

The Business Auto Coverage Form can be used for any insured. However, ISO has designed coverage forms that more precisely cover specific types of insureds.

Medical Payments

This coverage pays the medical expenses of an insured injured in a motor vehicle accident. It follows the insured inside any vehicle and when struck by another vehicle when he or she is outside the vehicle. Coverage also applies to family members and any other persons who occupy a covered vehicle at the time of an accident.

Related Article: [CA 99 03-Auto Medical Payments Coverage \(2,126 words\)](#)

Uninsured Motorists

This is coverage for the insured that is struck by an uninsured motorist. It is a mandatory coverage in many states. It extends to family members and passengers in the covered vehicles. This coverage is usually restricted to bodily injury but some states also require property damage coverage. The limit should be the same as the bodily injury liability limit on the coverage form.

This coverage does not respond if the other driver is underinsured.

Related Articles:

[CA 00 01-Business Auto Coverage Form Analysis](#)

[CA 21 Endorsements-Uninsured and/or Underinsured Motorists \(UM/UIM\) Coverage \(2,211 words\)](#)

[Auto Uninsured/Underinsured Motorists Coverage Requirements \(1,803 words\)](#)

Underinsured Motorists

This is excess coverage provided to the insured. It applies when the party that causes the accident does not carry adequate limits to fully cover the insured's injuries. The limit should be to the same as the bodily injury liability limit on the coverage form. This coverage does not respond if the other driver is uninsured.

Related Articles:

[CA 21 Endorsements-Uninsured and/or Underinsured Motorists \(UM/UIM\) Coverage](#)

THE ULTIMATE GUIDE TO INSURING GENERAL CONTRACTORS

[Auto Uninsured/Underinsured Motorists Coverage Requirements](#)

Overview: Hired and Nonownership Auto Liability

Hired Car

This coverage applies to bodily injury and property damage caused by any vehicle the insured hires. Physical damage coverage may also be purchased. Vehicles hired for less than six months are considered hired vehicles, not leased vehicles. This coverage is available with owned auto coverage or as stand-alone coverage.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Non-Ownership Automobile Liability

This coverage insures the employer when its employee or volunteer causes bodily injury or property damage to others while using their vehicle on the employer's business. Coverage is only for the insured's benefit, but it may be extended by endorsement to also benefit the employee.

Related Article: [CA 00 01-Business Auto Coverage Form Analysis](#)

Overview: Workers Compensation

Other coverages to consider

Workers Compensation and Employers Liability

Part A covers all injuries and diseases that individual state workers compensation statutes require be covered. Benefits are paid according to schedules each state provides. Part B covers liability that an employer may have imposed on it beyond the state statutes. The National Council of Compensation Insurance (NCCI) provides a standard form that is a model for all member companies to use. Certain states have alternatives to NCCI but all are fairly similar. Part A is compulsory with benefits the state mandates. Part B is liability coverage and is subject to standard tort liability.

Contractors should always carry this coverage if they have any employees. Contractors must also verify that all subcontractors working with them also carry workers compensation and provide certificates of insurance for confirmation.

Related Article: [WC 00 00 00 B-Workers Compensation and Employers Liability Insurance Policy Analysis \(9,453 words\)](#)

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Federal Employers' Liability Act (FELA)

This coverage ensures employees who work for or on railroads that cross interstate lines who are not subject to state workers compensation coverages. This coverage is provided by an endorsement to the Workers Compensation and Employers Liability Insurance Policy.

Contractors with contracts to operate on or near the railroads or who work on or near federal bases may need to consider this coverage.

Related Article: [The Federal Employers' Liability Act \(FELA\) Of 1908 \(1,943 words\)](#)

Longshore and Harbor Workers Coverage

This endorsement to the Workers Compensation and Employers Liability Insurance Policy covers workers or maritime employees such as longshore workers, harbor workers, shipbuilders, ship-breakers, ship repairers, or other employees engaged in loading, unloading, repairing, or building vessels. It also covers employees who work on navigable waters, adjoining piers, wharves, dry docks, terminals, building ways, and marine railways. Masters, captains, or crews of vessels are not covered because they are subject to the Jones Act.

Contractors that operate on the water, especially on navigable waters, such as rivers and oceans, may be required to purchase this coverage.

Related Articles:

[The United States Longshore and Harbor Workers' Compensation Act \(USL&HWCA\) \(608 words\)](#)

[The Merchant Marine Act Of 1920 \(The Jones Act\) \(2,553 words\)](#)

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Building and Personal Property Coverage Form

Four types of property are associated with every structure:

- The building or structure itself
- Business personal property inside the building
- Personal property of others in the building
- Improvements and betterments added to a building space for the benefit of a named insured tenant

The Building and Personal Property Coverage Form insures all four types of property. Each can be written with its own specific limit or can be combined in various ways on a blanket basis. A separate causes of loss form must be attached. The causes of loss form selected can vary by type of property.

Construction contractors will normally use this form for most property coverage.

Related Article: [CP 00 10–Building and Personal Property Coverage Form Analysis \(18,475 words\)](#)

Overview: Business Income with Extra Expense

Business Income With Extra Expense

Business income with extra expense covers the loss of income a business sustains after direct damage to covered property. Coverage also applies to extra expenses that the insured incurs to remain in operation or to resume operations more quickly above and beyond the amount necessary to reduce the business income loss.

Construction contractors that are dependent on items at a fixed location in order to operate will need this coverage in order to protect their income following a loss. Extra expense is particularly important because many move to a temporary space and use borrowed equipment in order to meet their contract terms regardless of the impact on the business income.

Related Article: [ISO Time Element Coverage Forms Analysis \(10,167 words\)](#)

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Flood

All three primary causes of loss forms exclude flood. Coverage for flood can be provided by any one of three different ways:

- Include this cause of loss by using CP 10 65–Flood Coverage Endorsement
- Purchase a Difference in Conditions (DIC) policy that includes flood as a covered cause of loss
- Purchase a separate flood policy from the National Flood Insurance Program (NFIP)

When coverage under the NFIP is available, flood carriers usually require that the insured purchase the NFIP policy as primary and it then provides excess limits over it.

Related Articles:

[CP 10 65-Flood Coverage Endorsement \(1,917 words\)](#)

[Overview of the National Flood Insurance Program \(1,654 words\)](#)

Earthquake

All three primary causes of loss forms exclude earth movement. Coverage for earthquake damage can be provided by any one of three different ways:

- Include this cause of loss by using CP 10 40–Earthquake and Volcanic Eruption Endorsement
- Purchase a Difference in Conditions (DIC) policy that includes earthquake as a covered cause of loss
- Purchase a separate earthquake policy from a nonstandard market

The first two options are the most positive way to obtain this coverage. However, a nonstandard market may be the only place to obtain coverage for this cause of loss in certain earthquake-prone areas and with certain types of properties. Deductibles are a percentage of the limit of insurance and usually range from 1% to 10%.

Related Article: [CP 10 40-Earthquake and Volcanic Eruption Endorsement \(2,419 words\)](#)

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Leasehold Interest

This coverage form insures the named insured tenant that has a favorable long-term lease. It covers the difference between the rate in that lease and the prevailing rate in the area. Coverage applies only when the favorable lease is cancelled because a covered cause of loss causes loss or damage to the building. Coverage includes the value of up-front amortized costs. The limit of insurance decreases automatically based on the length of the lease.

The insured can choose basic, broad, or special causes of loss. It is important to review the insured's lease agreement to determine the type of loss that would break the lease and trigger coverage in order to select the appropriate causes of loss form.

If a contractor has a long-term lease this coverage should be recommended.

Related Article: [ISO Time Element Coverage Forms Analysis \(10,167 words\)](#)

Contractors Equipment

This coverage provides physical damage insurance for the mobile or contractors' equipment located at the insured's premises, job site or while it is in transit. Items that can be included range from employees' tools to scaffolding to cranes and more. If it is used by the contractor to do a job and is not licensed for road use, there is a good chance that it is contractors' equipment and should be covered. There is no standard form to provide this coverage. Coverage comparisons to consider are: actual cash value or replacement cost; is the coverage all risk or named perils; can the coverage be blanketed; automatic coverage for new or replacement equipment; leased, rented and borrowed items; coinsurance requirement and penalty; "overcapacity" limitation in the form that will deny coverage if the equipment lifts something beyond its stated capacity.

Related Articles:

[ISO Contractors Equipment Coverage Form \(7,565 words\)](#)

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Goods in Transit

There are many types of policies that cover product being transported. The product may be owned by the insured and being transported by the insured. It may be owned by the insured and being transported by a hired firm. It may be non-owned and the insured is the hired transporter. In all cases coverage can be purchased to protect the product through a number of inland marine carriers. The coverage may be called motor truck cargo or transportation insurance but the policies should be similar. Key comparisons are causes of loss covered, travel territory restrictions, and warranties on security, alarm systems, locks, and unattended circumstances.

Contractors always have goods in transit exposure. While some may be covered under the installation floater, there remain uncovered items that should be covered using this coverage form.

Related Articles:

[ISO Motor Truck Cargo Owners Coverage Form \(3,914 words\)](#)

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Installation Floater

This is a true floater where coverage starts when the items to be installed are transported to the customer's premises and remains in place until the interest of the contractors ceases or the owner accepts the installation, whichever comes first. Coverage may be for only the legal liability of the contractor for its customer's property. It may be property that is owned by the contractor until it is installed and accepted by the customer. This should not be viewed as a substitute for a builders risk policy though. There is no standard form to provide this coverage. Many inland marine carriers offer their own versions. Keys for comparison are the reporting capabilities for multiple jobs, limits, covered causes of loss, exclusions, and definitions of when coverage starts and stops.

This is a primary coverage form for most contractors because they are responsible for their property and property of others before, during and following installation until accepted by the customer. The floating nature of the coverage is particularly important.

Related Articles:

[ISO Installation Coverage Form \(9,700 words\)](#)

Overview: Cyberliability

Overview: Employment-related Practices Liability

Employment-related Practices

Commercial General Liability Coverage Forms do not insure lawsuits that past, present, and prospective employees or governmental entities bring against the insured employer that allege wrongful discharge, discrimination, or certain types of harassment. A separate coverage form that insures employment-related practices is available. ISO developed its own coverage form but many insurance carriers have their own versions. Using the ISO standard as a starting point to compare coverages can help agents advise their customers on the best coverage form to use for their particular situation.

Contractors have experienced many claims of harassment. It is often difficult to draw the line between innocent fun and malicious abuse. This coverage is important along with regular procedures and processes to help everyone understand what can and cannot be allowed.

Related Article: [Employment-related Practices Liability Coverage Form Analysis \(8,366 words\)](#)

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Employee Dishonesty Including Customer's Property

Most property coverage forms exclude employee dishonesty. As a result, this coverage form is very important because employees have the potential to cause the most damage to an insured. They have access to all of the money, products, and information about the company. Employees who have more authority and access have greater potential to cause loss or damage. Coverage applies to loss of money, securities, and property that the insured owns or leases or to property of others in its possession. Coverage also applies to loss of money, securities, or property situated on a client's premises caused by an employee of the insured but only if that employee can be identified.

Contractors' employees operate away from premises, where the opportunity for theft of the contractors' property and also of the property of the client can be very tempting. Therefore, the basic employee dishonesty coverage plus the endorsement is vital.

Related Article: [CR 04 01-Client's Property](#) (914 words)

Owners and Contractors Protective

This liability coverage is designed to protect either a property owner or a general contractor for the potential liability exposure that results from the hired contractor's negligent acts to perform work on the property owner's or general contractor's behalf. The contractor actually purchases the coverage, but the insurance is for the property owner or general contractor for whom the work is being done. Coverage is limited to a specific location and project.

An unusual feature is that the named insured is the property owner or general contractor who hired the contractor but the contractor pays the premium. Only the named insured property owner or general contractor can cancel.

Using this separate policy instead of being added as an additional insured to the contractor's Commercial General Liability Coverage Form allows the building owner or general contractor to better control the policy and ensure that other claims against the contractor do not dilute the limits.

Related Article: [CG 00 09-Owners and Contractors Protective Liability Coverage Form-Coverage for Operations of Designated Contractor Analysis](#) (8,997 words)

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Products/Completed Operations only

This coverage form insures only damages that result from bodily injury and property damage within the products/completed operations hazard. It is often used when general insurance carriers consider the products/completed operations exposures to be too risky and they are broken out and written separately. ISO CG 21 04–Exclusion–Products/Completed Operations Hazards is used to exclude the products/completed operations hazards. A different insurance company then writes this exposure on a separate monoline, stand-alone policy.

This coverage can be written on either an occurrence or claims-made basis.

Contractors may have completed operations exposures that are unacceptable to the standard marketplace. When such products/completed operations are excluded this form can be used to provide the exposures in another market.

Related Article: [ISO Products/Completed Operations Liability Coverage Forms Analysis \(11,037 words\)](#)

Overview: Stop Gap Liability

Stop Gap or Employers Liability Coverage

There are gaps in coverage between workers compensation and commercial general liability coverages that can leave an insured uncovered. Part B of the Workers Compensation and Employers Liability Insurance Policy fills the gaps in most states. However, the state covers only Part A in monopolistic states. Another mechanism must provide the equivalent of Part B. Coverage may be offered on a monoline basis, as a stand-alone policy through a workers compensation carrier, or as an endorsement to the commercial general liability coverage.

Contractors with locations in any of the monopolistic states should purchase stop gap liability. All other workers compensation policies should include the employers liability as Part B of the policy.

Related Article: [Stop Gap-Employers Liability Coverage \(2,507 words\)](#)

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PROFESSIONAL AND ERRORS AND OMISSIONS LIABILITY COVERAGES

Most liability coverage forms exclude professional and errors and omissions liability. There are many types of professional and errors and omission liability and a number of markets willing to write the coverage.

Coverage can be provided on the following common professional and errors and omissions exposures and coverages:

- **Architects and Engineers**

Related Article: [Architects or Engineers Professional Liability Insurance Coverage Analysis \(3,685 words\)](#)