

# INSURANCE BULLETIN

BULLETIN #4

## Contractor's Insurance Coverage Checklist

CNA and NESPA are proud to provide you with this information. We trust that you will find it useful in understanding the insurance and risk management issues associated with your business.

Purchasing business insurance can be complicated and confusing. How do you know if you have the right coverages and limits? What options are available? Below is a checklist intended to help you, along with your insurance agent or broker and your legal counsel, answer these questions and navigate through the maze of coverage choices to make sure your business is properly protected from accidents, injuries, claims and lawsuits that can lead to financial ruin. Keep in mind that depending on your firm's specific operations, you may not need every single coverage listed herein. Your insurance agent or broker is a trained professional who should be willing and able to help you choose the appropriate coverages and limits as part of a comprehensive, well-designed risk management program.

### Risk Transfer Techniques — Industry Practices

- Do you require certificates of insurance from **all** of your subcontractors and suppliers with provisions for advance notice of cancellation or material change in coverage?
- Do you require **all** of your subcontractors to name you as an additional insured under their general liability and umbrella/excess liability policies?
- Do you require all of your subcontractors to carry adequate general liability and umbrella/excess liability limits?
- Do your job contracts with subcontractors contain hold harmless and indemnification language in your favor?
- Do you require certificates of personal auto liability insurance from employees who regularly use their personal autos on company business?

### Workers' Compensation and Employer's Liability

- Are the employer's liability limits adequate? Consider increased limits.
- Is coverage applicable in all states, other than monopolistic fund states?
- Does your firm have employees working in monopolistic fund jurisdictions (North Dakota, Ohio, Puerto Rico, Washington, West Virginia (until 7/01/08) and Wyoming)? If so, you will need a policy issued from the jurisdiction fund.
- Is voluntary compensation coverage included?
- Confirm status of coverage for executive officers or partners; owner's coverage desired.
- Does the policy cover U.S.-based employees when traveling outside the country on company business?
- Does the policy cover foreign-based employees?
- Does the policy cover repatriation expense?
- Does the policy provide coverage for U.S. Longshoremen's and Harbor Workers' Act, Maritime, and Jones Act exposures?
- Does the policy provide coverage for Federal Employers' Liability Act (FELA) exposures?
- Is stop-gap employer's liability coverage included?
- Are the workers' compensation policy dates concurrent with the umbrella/excess liability policy dates?
- Does the policy provide coverage for your employees while working on joint venture projects?

## Commercial General Liability

- Is the policy form "occurrence-based" or "claims-made"?
- If the policy provides claims-made coverage, be sure to examine the following:
  - Retroactive coverage
  - Extended reporting period terms
- Is contractual liability coverage included?
- Are completed operations and products liability coverages included?
- Is owners and contractors protective liability (OCP) coverage needed?
- Is liability coverage included for damages caused by explosion, collapse or underground work resulting from your operations?
- Is personal and advertising injury liability coverage included?
- Is employment practices liability coverage desired? *(Note, this coverage is often provided under a separate specialized policy).*
- Are the limits of liability amended to apply per job site or location?
- Are the following third parties covered under your policy as "additional insureds"?
  - Lessors of property (your landlords)
  - Owners (of construction projects)
  - General contractors
  - Construction managers
- Is adequate fire legal liability coverage or waiver of subrogation for damage to leased premises included?
- Is host liquor liability coverage included?
- Is employee benefits liability coverage included?
- Does the policy provide coverage for foreign operations? Do any company employees travel outside the U.S. on company business?
- Are the policy dates concurrent with the umbrella/excess liability policy?
- Are the general liability policy dates concurrent with the business automobile policy?
- Are the general liability and business automobile policies written by the same carrier? *(This is recommended for continuity of coverage and claim handling purposes.)*
- How does the policy address liability coverage for watercraft?
- How does the policy address liability coverage for aircraft?
- Does the policy provide coverage for any joint ventures your company is or was a part of in the past?
- What coverage is provided for new business entities you form during the policy period?
- Does the policy contain a "wrap-up" exclusion or limitation?

## Business Automobile Policy

- Does automobile liability coverage apply to any auto (symbol "1")?
- Is the schedule of autos, garaging locations, coverages and deductibles complete and accurate?
- Does the policy provide automatic physical damage coverage for owned, leased, rented, non-owned and hired vehicles?
- Is auto medical payments coverage provided?
- Is personal injury protection provided, if desired?
- Uninsured motorists liability coverage – do policy limits meet statutory requirements?
- Underinsured motorists liability coverage – do policy limits meet statutory requirements?
- Drive other car coverage – for selected company employees who have no personal auto insurance because they don't own a personal car. This coverage provides insurance when these individuals rent a car.
- Automobile physical damage coverage (comprehensive and collision):
  - Do coverages and deductibles vary by classification or type of autos?
  - Is deductible applicable to comprehensive coverage?
  - Is deductible applicable to collision coverage?
  - Have you considered alternative deductible levels for premiums savings?
  - Is hired auto physical damage coverage provided?
- Do you anticipate operating any automobiles in foreign countries? Will the policy provide coverage for these exposures?
- Are the automobile policy dates concurrent with the umbrella/excess liability policy dates?
- Are the automobile policy dates concurrent with the general liability policy dates?
- Are the general liability and business automobile policies written by the same carrier? (*This is recommended for continuity of coverage and claim handling purposes.*)
- Does the policy provide coverage for vehicles owned or operated by a joint venture?
- What coverage is provided for automobiles owned by new business entities you form during the policy period?
- Does the policy provide contractual liability coverage for automobiles?

## Umbrella/Excess Liability

- Is the schedule of underlying primary liability policies complete and accurate?
- Are the answers to all umbrella policy application questions complete and accurate?
- Do your underlying primary liability limits meet the requirements of the umbrella policy?
- Are defense costs included in limits of liability or provided in addition to the limits of liability?
- Status of following-form excess limitations, if any:
  - Contractual liability
  - Completed operations liability
  - "Care, custody or control" property damage
  - Explosion, collapse or underground damage
  - Blasting
  - Fire legal liability

- Does the policy contain a “wrap-up” exclusion or limitation?
- Does the policy provide coverage for any joint ventures your company is or was part of in the past?
- Does the umbrella policy provide primary coverage/defense when a claim or suit is not covered by underlying policies?
- What is the amount of self-insured retention?
- How do personal injury liability definitions compare with general liability policy definitions?
- How does the policy address liability coverage for watercraft?
- How does the policy address liability coverage for aircraft?
- Are the limits of liability amended to apply per job site or location?
- Does the policy provide coverage for foreign operations? Do any company employees travel outside the U.S. on company business?
- Does the umbrella policy contain a “contractor’s” exclusion or limitation?
- Are the umbrella policy dates concurrent with the workers’ compensation, general liability and automobile policy dates?
- Does the umbrella provide adequate coverage for new business entities formed during the policy period?

### **Contractors’ Equipment Floater**

- Carefully review covered and not covered perils.
- Is the schedule of equipment complete and accurate?
- What is the policy’s coverage provision for newly acquired equipment?
- What coverage does the policy provide for rented equipment?
- Is coverage provided for equipment while stored or used on your business premises?
- Is coverage also provided when equipment is being transported?
- What is the deductible amount, if any? Consider alternative deductible levels for premium savings.
- Does the policy require you to periodically submit a report of values?
- What are the territorial coverage limitations?
- Does the policy provide coverage if equipment is damaged outside of the U.S.?
- Does the policy provide coverage for equipment owned by new business entities you acquire during the policy period?
- Does the policy provide coverage for equipment owned by a joint venture to which your company is a party?
- Does the policy provide coverage for flood damage?
- What is the coinsurance requirement in the policy, if any?

### **Installation Floaters**

- Review of covered and not-covered perils.
- Is coverage applicable to all work, excess of in-force builders’ risk insurance?
- Does the policy provide coverage for materials and equipment in-transit?
- Does the policy provide coverage for flood damage?
- Does the policy provide coverage for damage caused by earthquake, subsidence or earth movement?
- What is the deductible amount, if any? Consider alternative deductible levels for premium savings.

- What is the coinsurance requirement in the policy, if any?
- Does the policy require you to periodically submit a report of values or gross receipts?
- What are territorial coverage limitations of the policy?
- What are waiver of subrogation requirements?
- Is the named insured listing on the policy complete and accurate?
- Does the policy provide coverage for joint venture entities to which your company is a party?
- Does the policy provide coverage through the completion of your work and acceptance by owner, or does coverage terminate when your work becomes part of the building or project?
- Are coverage limits adequate in relation to the estimated total values of your projects at any given time?

### Other Property Insurance

- Review of covered perils and perils not covered for all types of covered property.
- Does the policy provide flood coverage?
- Does the policy provide coverage for damage caused by earthquake, subsidence or earth movement?
- Does the policy provide theft coverage for all types of covered property?
- Is the business income/extra expense coverage adequate?
- What is the deductible amount? Consider alternative deductible levels for premium savings.
- Is the named insured listing on the policy complete and accurate?
- Does the policy provide coverage for property owned by joint venture entities to which your company is a party?

**Through the SPLASH program, CNA can provide a business insurance program that offers comprehensive risk control (safety) services, expert claim handling and property/liability insurance coverages designed specifically for spa and swimming pool professionals. So when your business is insured with the CNA/SPLASH program, you'll have peace of mind knowing it's a program backed by a carrier with more than 60 years experience in the construction industry. Give us an opportunity to earn your business – ask your insurance agent to obtain a quote from CNA and discover how you can benefit from this partnership.**

**For more information, contact your local independent agent or visit [www.cna.com](http://www.cna.com).**

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