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## GENERAL SUMMARY OF INSURANCE (APPLICABLE TO CONSTRUCTION)

Type of Insurance	Purpose of Insurance
<b>First Party Insurance</b>	
<b>Boiler &amp; Machinery Insurance</b>	Also known as Equipment Breakdown Insurance and designed to cover costs resulting from equipment breakdown.
<b>Builder's Risk</b>	Form of property insurance designed to cover projects DURING construction (covers structure, materials, fixtures, temporary structures, equipment, etc.) Typically expires at substantial completion. Typically written to cover all risks / perils except those risks / perils specifically excluded by the policy. Certain endorsements can add coverage (e.g., soft cost endorsement, mold/mildew endorsement, etc.) so make sure policy meets project's needs.
<b>Equipment (Inland Marine)</b>	Covers mobile equipment and machinery (such as bulldozers, loaders, excavators, power tools, etc.) used by contractor from theft, vandalism, fire collision, etc. Usually contains inland marine coverage meaning there is coverage during transit of equipment (known as "floater" coverage since the policy covers the materials from jobsite to jobsite). Also should cover rental equipment that is in the insured's possession and control.
<b>Property</b>	Provides protection for risks / perils included in the policy, but unlike a builder's risk policy, is not designed for claims that occur during construction. An example is a homeowner's insurance policy or, if you live in a condominium, dwelling coverage called H06 condo coverage.
<b>Rectification Coverage</b>	Oftentimes included in a special manuscript policy relating to Integrated Project Delivery. It covers costs to mitigate or rectify a negligent act, error, or omission arising from professional activities associated with the design professionals (e.g., cover costs to rectify design errors and omissions).
<b>Third Party Insurance</b>	
<b>Automobile Liability</b>	Covers claims associated with automobile-related accidents.
<b>Commercial General Liability (CGL)</b>	Standard liability policy for business that covers claims associated with bodily injury or property damage arising out of business's operations. Can include coverage for completed operations or operations completed by the business. (Also has advertising injury coverage to cover claims such as libel, slander, copyright infringement, etc.)

<b>Pollution Liability</b>	Covers claims associated with bodily injury and property damage arising out of environmental risks and pollutions, as well as clean up / remediation costs for pollution accidents. This is not coverage afforded by the CGL policy.
<b>Professional Liability / Errors &amp; Omissions</b>	Protects a professional (e.g., design professional) from professional negligence-based claims. Unlike CGL and other forms of liability insurance, it is written on a claims made basis versus an occurrence basis.
<b>Workers Compensation &amp; Employer's Liability</b>	Part one of the policy is aimed at covering statutory liability under workers compensation statutes (referred to as workers compensation). Part two of the policy is aimed at covering injuries that do not fall under workers compensation statutes (referred to as employer's liability coverage). Workers compensation covers employees for disease or injury sustained by an employee during the scope of their employment. Employer's liability covers employer if it negligently caused employee's injury not covered by workers compensation.
<b>Other Insurance</b>	
<b>Contractor's Protective Indemnity Insurance</b>	Typically needed when contractor enters into design-build type contracts or projects where it assumes responsibility for an aspect of the design and subcontracts a design professional. Operates the same as protective loss insurance discussed below (commonly utilized with Integrated Project Delivery projects) where if contractor asserts claim against its design professional for negligence, it would cover losses in excess of design professional's insurance. It operates to indemnify the contractor for losses arising out of its design professional's negligence in excess of that design professional's insurance.
<b>Excess Insurance</b>	Designed to cover losses in excess of primary limits of insurance. Kicks in after primary insurance is exhausted. You want excess policies to be "follow form" policies so that it conforms to coverage in underlying primary policy.
<b>Protective Loss Coverage</b>	Oftentimes included in a special manuscript policy relating to Integrated Project Delivery. Indemnifies insured for losses in excess of design professional's negligent act, error or omission in the design professional's services. For example, if insured asserts claim against design professional ( <u>not</u> a party to the Integrated Project Delivery contract such as a subconsultant engineer), it will indemnify insured for losses in excess of that design professional's insurance.

<b>Wrap-Up (OCIP &amp; CCIP)</b>	For large construction projects. Referred to as either an Owner Controlled Insurance Program (OCIP) or a Contractor Controlled Insurance Program (CCIP) depending on whether it's the owner's or contractor's insurance program. Objective is for construction participants to be wrapped-up or consolidated under the same insurance policy. Typically applies to builder's risk insurance, workers compensation insurance, CGL insurance, and excess insurance. Construction participants will still have to procure insurance not covered under the wrap-up program for the project.
<b>Subcontractor Default Insurance</b>	An insurance product offered to large general contractors and serves as an alternative to subcontractor performance bonds. It is a first party policy that allows the general contractor to assert a claim against its Subcontractor Default Insurance in the event of a default by the subcontractor. (It is not a third party liability policy.) It is not designed to cover dollar-for-dollar losses caused by a subcontractor default based on its high premium and co-payment requirement. Instead, it is designed to share in catastrophic losses caused by a default above the premium.
<b>Miscellaneous Insurance Terms</b>	
<b>Additional Insured (AI)</b>	Identifying another party (e.g., general contractor) as an Additional Insured under primary insured's policy (e.g., subcontractor) to provide a defense and indemnity to other party for negligence caused by primary insured. Can be Additional Insured for ongoing operations (during construction operations) and/or completed operations (post-construction). If you want another party to identify you as Additional Insured, you want to be identified as Additional Insured for ongoing and completed operations, and not just ongoing operations.
<b>Certificate of Insurance (COI)</b>	A document typically generated by insurance broker that demonstrates proof of insurance. However, a COI is not insurance and does not create insurance coverage.
<b>Claims Made Basis</b>	Professional Liability Policies (errors & omissions policies) are written on Claims Made Basis. This means a claim for professional negligence (the wrongful act) must be reported to insurer within policy period to trigger coverage. Can get <u>extended reporting period</u> (known as tail coverage) so that claims can be reported within extended reporting period to trigger coverage.

<b>Deductible</b>	A deductible is applied to reduce cost of damages. For example, if the deductible is \$5,000 and the loss is \$50,000, the insured is responsible for paying the first \$5,000 and the insurer pays the remaining \$45,000.
<b>Loss Runs</b>	Report that reflects claim history and used in underwriting to determine rate / premium.
<b>Occurrence Basis</b>	CGL policies and liability policies are occurrence based policies, meaning an <u>occurrence</u> within the policy period triggers coverage (even if the claim is reported outside the policy period).
<b>Primary and Noncontributory</b>	Refers to priority of your coverage, i.e., when it is the primary policy or when it should operate as an excess policy. For example, there is a portion of your CGL policy that explains "Other Insurance" and when CGL policy is primary or when it should be deemed as excess coverage such as if you have been named as Additional Insured. This "Other Insurance" can be modified through a "Primary and Noncontributing Insurance" endorsement which basically says that, if required by written contract, your policy (e.g., subcontractor) is the primary policy without contribution from another's policy (e.g., general contractor identified as Additional Insured) which will serve as excess insurance. Used in conjunction with requiring you (e.g., subcontractor) to identify another (e.g., general contractor) as Additional Insured.
<b>Self Insured Retention (SIR)</b>	A dollar amount identified in the policy that must be paid by the insured <u>before</u> the insurer will respond to a loss under the policy. The insurance policy operates in excess of the self insured retention. The self insured retention can generally be depleted through legal fees / costs and the payment of a claimant's damages. A self insured retention operates differently than a deductible where a deductible is applied to the cost of damages with the insurer still responsible for legal fees / costs irrespective of the deductible.
<b>Valuation Methods</b>	Used to calculate and value the amount of a loss.
<b>Actual Cash Value (ACV)</b>	Value of replacement asset / property with similar wear and tear (depreciation). In other words, it is the replacement cost of the asset / property minus the depreciation of the asset / property.
<b>Replacement Cost Value (RCV)</b>	Value to replace an asset / property at the present time with an asset / property of equal quality. Unlike the Actual Cash Value method, there is no deduction for depreciation.

**Waiver of Subrogation**

A contractual provision that prevents an insurer from paying a claim and then subrogating to the rights of its primary insured (stepping in the shoes of the primary insured) to sue potential parties (identified in the contractual waiver of subrogation provision) responsible for the loss. Typically used when referring to builder's risk / property insurance policies. Can apply to CGL / liability claims although with CGL policies you would need endorsement called "Waiver of Transfer of Rights of Recovery Against Others to Us."

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