

Bringing you real solutions to your real claims

# TAILGATE TALK



## ERROR COST GC TENS OF THOUSANDS! GC NOT NAMED AS ADDITIONAL INSURED BY SUB

Why is being named the Additional Insured important for GCs?

- Your sub-contractor's claims stay with your subcontractor!
- You save money...
- You save time from defending claims not yours to begin with...
- Your insurance remains stable...
- You avoid risking the loss of future insurance.

Inside This Issue:

1. The Problem:
  - Worksite Accident Detail
  - Lack of "Additional Insured"
2. The Results:
  - Loss of insurance
  - Higher Cost
3. The Solution for General Contractors

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### THE PROBLEM:

ABC General Contracting was building a custom residential home. They contracted with Acme Drywall to work on the project.

During delivery of drywall by the Drywall Supplier, an employee of the Drywall Supplier was injured. The foreman from Acme Drywall had removed safety barriers protecting an open stairwell to make it easier for the supplier to bring in the drywall. The employee from the Drywall Supplier fell down the open stairwell and was seriously injured.

Shortly after this accident it was learned that Acme Drywall went out of business and declared bankruptcy.

The General Contractor had a contract with Acme Drywall but it did not contain indemnification language nor a requirement they be an Additional Insured on Acme Drywall's General Liability policy.

When ABC General Contracting attempted to tender the claim to Acme Drywall's carrier, the tender was denied because the Drywall Supplier was not an additional Insured under Acme Drywall's policy. As a result, the claim was handled under ABC's own policy and there were no assets to pursue from Acme Drywall.

### THE SOLUTION:

**Above is an actual claim!** The drywall supplier's employee incurred serious injuries, resulting in a 6 figure ++ loss.

To protect you, the Residential Builder, your insurance carrier needs to successfully tender losses to responsible subcontractors' insurance carriers. If your insurance carrier is unable to successfully tender a claim to the responsible subcontractor's insurance carrier the loss goes against your insurance!

This can jeopardize your current and future insurance

coverage. This can be better understood when you realize that the rates and premiums charged for the subcontractor classification, only contemplate paying for losses that are either in excess of the limits carried by the subcontractor's insurance or when the subcontractors insurance is not available at the time of the loss because their coverage was cancelled or non-renewed. If a subcontractor's coverage is not available for a loss they caused and the loss amount exceeds the limits carried by the Residential Builder's coverage... then What would a 6 figure out-of-pocket loss do to your company?

At the very least, your premium will likely increase at renewal, and at worse, your coverage could be non-renewed, making it difficult or impossible to find affordable replacing coverage.

This real claim experience illustrates the importance of ensuring that an Additional Insured condition of coverage is used when hiring subcontractors. In this case, if you were the GC, and you were named as the Additional Insured by the subcontractor, you and your insurance would have been protected.