



TONRY TOPICS

Often Overlooked Coverages for Construction Professionals

If you are a contractor, you probably have a general liability policy and coverage for your tools and trucks, but there are important types of insurance that are often overlooked. Building and renovating poses a lot of risk to you and your assets, so working with a knowledgeable independent insurance agent is especially important when building an insurance program equipped to protect you and everything you have worked so hard to build. Following is a brief description of some of the coverages and enhancements that are often overlooked.

Per Project Aggregate

The General Aggregate limit on your general liability policy is the most the insurance company will pay for covered losses or claims during the policy term. Per Project Aggregate is an optional enhancement that may be added to your general liability policy, so that the general liability aggregate limit applies per project instead of per policy period. If you experience a catastrophic event that drains your aggregate limit, you are left with little or no protection for the balance of the policy term. With Per Project Aggregate, you may receive the benefit of your full General Aggregate for every project you embark upon, with some limitations. If available, the Per Project Aggregate is an inexpensive option for significant added protection.

Errors and Omissions

Some construction professionals assume that if they are not designing or creating building plans, they do not need Errors and Omissions (E&O) coverage.

The typical general liability policy covers bodily injury, property damage, and personal and advertising injury. Under most circumstances, the general liability policy **does not** cover expenses to correct faulty work or replace materials if you made a mistake. Contractors' E&O policies vary from insurance company to insurance company, but most are intended to protect construction professionals for costs associated with faulty workmanship, defective materials or products, and errors or omissions in the design of your work. Read our [Tonry Topics Blog on Contractors' E&O coverage](#) to learn more.

Contractor Pollution Liability Coverage

Contractors often face risks associated with pollution or environmental damage as the result of their construction, installation, or renovation projects. Some examples may be project site run-offs, construction equipment that leaks fuel, spilling of pollutants during transportation, inadvertently disturbing or moving contaminated soil, or accidents when striking an underground utility. Contractor Pollution Liability coverage is built for pollution or environmental related accidents that are likely not covered by an unendorsed general liability policy. Today most Contractor Pollution Liability policies also include coverage for cleanup and mitigation expenses to help minimize the impact on the environment. Contractor pollution coverage is an important safeguard for a contractor to protect from accidental spills and the responsibility to third-parties, legal defense, or judgments. More details to come in a future Tonry Topics blog!

Installation Floater/Builders Risk

If you are renovating or constructing buildings, please consider insurance coverage for the structures you are working on and the materials you are installing. A building under construction and the new materials waiting to be installed are susceptible to fire, theft, and vandalism to name a few, while at



the jobsite, in storage, or while being transported. Builders risk and installation coverage is unique in that it can be customized specifically to the type of project you are leading. Due to this customization, it is extremely important that you work with a knowledgeable independent insurance agent to assure coverage is adequate. These policies are not all created equally and can be confusing. More details to come in a future Tonry Topics blog!

Contractors' Equipment

You likely have coverage for your tools and equipment, but do you understand how your policy will repair or replace your items if they are damaged or stolen? Most unendorsed Contractors' Equipment policies value damaged or stolen equipment based on the Actual Cash Value (ACV). ACV valuation deducts depreciation, while Replacement Cost (RC) will value equipment without considering depreciation and ignores factors such as age, condition, maintenance, or obsolescence. Read our [Tonry Topics blog on Contractor's Equipment Valuation Methods](#) to understand how an insurance company will value your tools and equipment and how to best protect your investment.

Contractors' Equipment Rental Reimbursement and Rental Expense

If specialized equipment is an integral part of your work and essential to staying on time and budget, please consider two important coverages that are designed to support you if the equipment your own or rent is damaged or stolen.

Rental Reimbursement coverage will reimburse you in the event you have to rent a substitute piece of equipment if your owned or rented equipment is damaged by a covered loss. This coverage is often included in a contractor's equipment policy, but the limit is often very small. If you rely on equipment to carry out your projects, review the coverage and your limits carefully.

Rental Expense coverage will reimburse you for the continued rental expense if your rented equipment is damaged, destroyed, or stolen by a covered loss while in your care. Some rental companies include language in their contracts making the contractor responsible for the rental expense until the equipment is repaired or replaced. If you are signing equipment rental contracts, it is important to understand your responsibility and review your coverage and limits. You do not want to pay the rental company for equipment you cannot even use.

Umbrella or Excess Liability

When considering umbrella protection, consider the type of work you do. Do not focus on the size of your projects, but rather the potential risk from bodily injury or property damage and the assets you have to protect. Consider your auto liability as well. What you drive and where you are driving may present added exposure to loss.

If you are acting as a subcontractor for a larger project, your contract value may only be a small percentage of the larger project, but your responsibility directly or through additional insured and contractual indemnity may extend to the whole project. These types of events put construction professionals out of business. In today's litigious environment plagued with [social inflation](#) and nuclear verdicts, carefully consider your umbrella limit and work closely with a trusted independent insurance agent. More details to come in a future Tonry Topics blog!

Management Liability

No business operates in a vacuum and the decisions owners, officers, and managers make have far-reaching financial impacts. Your decisions can affect clients, vendors, creditors, shareholders, employees, sub-contractors, and the family members of all those connections. One wrong decision could prompt a lawsuit from anyone affected.

Insurance companies offer a range of products, commonly referred to as [Management Liability](#), to transfer a portion of this risk. Coverages include [Employment Practices Liability](#), Director's & Officer's Liability, [Fiduciary Liability](#), [Crime Insurance](#), and Cyber Liability. While third parties rarely require the first three coverages, we believe they are an essential part of your risk management strategy. In addition, we are seeing more requirements from third parties for Crime and Cyber Liability insurance. [Read more in our Tonry Topics Blog on The Optional Coverages – Are they really optional?](#)

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Tonry Insurance Group, Inc. has two convenient locations in Massachusetts, Grossman Drive in Braintree and Bedford Street in Lexington. Tonry has served New England insurance clients since 1926, providing personalized, professional service and competitive product pricing from a wide range of local, regional and national insurance companies. Our courteous, knowledgeable staff has the experience to assist you with all of your insurance needs.

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