

ADDITIONAL INSURED ENDORSEMENTS AFTER THE WORK IS DONE



Michelle is a new account manager for The O’Leary Agency. She handled very few construction accounts in her previous position with another insurance agency, but that’s changing. It has become apparent to Michelle that, in working for The O’Leary Agency, she has to learn a great deal about insurance for construction accounts, including more about additional insured coverage.

This became painfully obvious to Michelle when the certificate of insurance she issued last week for a subcontractor customer was rejected by the general contractor. Specifically, the general contractor’s legal counsel pointedly told Michelle that the “blanket” additional insured, or CG 20 38 Additional Insured-Owners, Lessees or Contractors – Automatic Status for Other Parties When Required in a Written Construction Agreement (this topic and other additional insured endorsements was addressed in the [July 2014 edition of *The Edge*](#)), “was wholly insufficient and entirely unacceptable in light of the insurance provisions of the construction contract.”

ADDITIONAL INSURED – COMPLETED OPERATIONS

Feeling admonished, Michelle set out to understand what exactly was missing. Apparently, in the construction contract between the general contractor and subcontractor, the subcontractor is required to include the general contractor as an additional insured for completed operations coverage for a period of six years after the subcontractor’s work is finished. While the current “blanket” additional insured endorsement CG 20 38 does meet a portion of the insurance requirements – to protect the additional insured for certain bodily injury or property damage claims that take place during the project – the CG 20 38 specifically excludes any bodily injury or property damage that takes place after her customer’s work is finished.

At first, this notion puzzles Michelle. Why would the general contractor want to be an additional insured six years after her customer’s work is finished? Michelle’s supervisor, Paul, uses an example that shows the rationale behind completed operations coverage for an additional insured.

Example: A general contractor has been engaged by the owner to construct a small restaurant building in the downtown area. Much of the work, such as HVAC, electrical, plumbing, and site preparation, is completed by trade subcontractors hired by the general contractor. Eight months after the building has been completed by the general contractor and put to use as a restaurant by the building owner, a small fire breaks out in the mechanical room, injuring two of the restaurant’s servers. When it is determined that the fire was the result of sloppy electrical work, the general contractor is sued by the injured servers for bodily injury.

In this example, if the general contractor had been listed as an additional insured on the electrical subcontractor’s policy with only the CG 20 38, no coverage would have been provided to the general contractor as an additional insured. This is because the bodily injury to the servers took place months after the work that caused injury was finished – and the CG 20 38 excludes any bodily injury caused by work that has been completed. Similarly, Paul explains, the additional insured endorsements CG 20 33, CG 20 10 and CG 20 26 also exclude coverage for the additional insured for any bodily injury caused by finished work.

Additional Insured – Completed Operations CG 20 37. On the other hand, if the electrical subcontractor had listed the general contractor as an additional insured on its policy using CG 20 37 – Additional Insured – Owners, Lessees or Contractors – Completed Operations, the general contractor would have been covered as an additional insured by the electrical contractor’s CGL policy, provided the electrical contractor’s acts or omissions, at least in part, caused the bodily injury to the servers.

It is commonplace for general contractors to not only require additional insured coverage on the CGL policies of all subcontractors, but to also require the additional insured coverage to apply bodily injury or property damage that takes place both during and after the project is finished. The CG 20 37 – Additional Insured – Owners, Lessees or Contractors – Completed Operations has been specifically written to provide coverage to the additional insured for certain bodily injury or property damage claims that occur after the project is finished.

Armed with this knowledge, Michelle requests from her customer’s insurer not only the CG 20 38 but also the CG 20 37 and lists the general contractor as the additional insured. After being granted the CG 20 37 by her customer’s insurer, Michelle re-issues the certificate of insurance, now showing the CG 20 37 protecting the general contractor as an additional insured for completed operations.

CONTACT

To learn more about how AmWINS can help you place coverage for your clients, reach out to your local AmWINS broker or marketing@amwins.com.

If you do not have a contact at AmWINS to help with your construction risks, [click here for a list of brokers on our website](#).

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About the Author: Craig F. Stanovich, CPCU, CIC, CRM, AU is co-founder and principal of Austin & Stanovich Risk Managers, LLC, a risk management and insurance advisory consulting firm specializing in all aspects of commercial insurance and risk management, providing insurance solutions, not insurance sales. Email at cstanovich@austinstanovich.com or visit austinstanovich.com.

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THE SIX-YEAR REQUIREMENT

Michelle is still a bit anxious about whether the legal counsel for the general contractor will accept the revised certificate of insurance. She is concerned that the insurance requirement in the contract also requires the inclusion of the general contractor as an additional insured for completed operations coverage for a period of six years after her customer's work is completed; Michelle knows the CGL policy on which the general contractor is an additional insured is only for a one-year term.

After some confusion, the legal counsel of the general contractor finally clarifies what is being required – Michelle's customer is to continue to purchase a CGL policy with a one-year policy term for the next six years, with all six policies including the general contractor as an additional insured for completed operations using CG 20 37.

EXTENDED COMPLETED OPERATIONS COVERAGE

The O'Leary Agency has just assigned Michelle another customer – a large contractor preparing to act as the prime contractor on the construction of a \$75 million regional high school project. While this general contractor has its own liability insurance program (sometimes called its "practice insurance program"), they have also decided to purchase a separate project specific liability insurance program. In other words, Michelle's general contracting customer has purchased a separate CGL with a policy term of 24 months (the expected duration of the project) including excess layers of coverage, all of which applies only to the regional high school building project.

One of the regional school system's insurance requirements as the school's owner is that the general contractor must purchase completed operations coverage for a period of 10 years beginning after the project is completed. The general contractor must also include the regional school system as an additional insured for all 10 years of completed operations coverage.

In response to the owner's requirement, the general contractor asks Michelle to add extended completed operations coverage to their project-specific CGL policy to comply with the owner's request. Not at all sure what extended completed operations coverage is and how it differs from the usual completed operations coverage, Michelle conducts some research.

What Michelle learns is less complicated than she imagined – as the project-specific CGL policy will expire in 24 months, the extended completed operations coverage is a non-standard endorsement that states the general contractor's completed operations coverage for the regional high school project will continue beyond the policy expiration and continue for 10 years after substantial completion of the high school. In other words, if a completed operations claim happened at the regional high school five years after the project is complete, the general contractor's project-specific CGL policy would have terminated – but the extended completed operations coverage would still be in effect and thus would apply to certain types of bodily injury or property damage that takes place up to 10 years after the school project is completed.

Extended Completed Operations Coverage and Additional Insured. Adding the regional high school as an additional insured for completed operations to the general contractor's project-specific policy is also straightforward – through use of the CG 20 37 Additional Insured – Owners, Lessees or Contractors – Completed Operations and by listing the regional school as the additional insured on this endorsement, coverage will apply to the additional insured school for the entire period of the extended completed operations endorsement found in the general contractor's CGL policy.

CONCLUSION

Completed operations coverage for additional insureds is often overlooked or may not be available. Some insurers have their own proprietary additional insured endorsements, which may or may not include completed operations coverage for the additional insured.

The Insurance Services Office (ISO) additional insured endorsements generally exclude products-completed operations coverage; so if completed operations coverage is required for the additional insured, the CG 20 37 – Additional Insured – Owners, Lessees or Contractors – Completed Operations is often needed.

In some instances, the liability coverage provided by a project-specific policy that includes extended completed operations may be a good option – and one that can be further amended to provide coverage for the additional insured during the entire period of the extended completed operations coverage by using CG 20 37 or a similar endorsement.

AmWINS Editorial Note: AmWINS casualty brokers are well versed in the nuances of the various available additional insured endorsements, both project and practice GL coverage structures, and the need for and availability of extended completed operations. Please contact your AmWINS casualty broker with any questions or for additional information.