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Insuring Construction Risks through Commercial General Liability Policies



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This practice note by Construction Practice attorneys Richard Reizen, Ellen Chapelle and Hannah Batsche, published in LexisNexis' Practical Guidance, discusses the scope and limitations of commercial general liability (CGL) policies in managing construction risks. The chapter explains how CGL policies are essential for covering liabilities arising from construction operations, particularly for general contractors who typically bear primary responsibility for site management.

The article emphasizes the importance of specifying insurance requirements in construction contracts to ensure adequate coverage for all project participants, including owners and subcontractors. Rich, Ellen and Hannah note that while CGL policies generally cover third-party bodily injury and property damage, exclusions such as those for contractual liability, employers liability and certain types of work can create gaps in coverage. They also contend that endorsements, such as additional insured endorsements, can extend coverage but must be carefully reviewed to avoid limitations.

The chapter also highlights the need for contractors to obtain occurrence-based policies, maintain adequate coverage limits, and ensure that policies include provisions like waiver of subrogation and primary/noncontributory clauses. The authors address the role of owner-controlled insurance programs (OCIPs) and the importance of owners securing their own CGL policies to mitigate risks. They further explore specific exclusions, such as those for pollution, mobile equipment and design errors, and recommend strategies to address these risks.

Overall, Rich, Ellen and Hannah advocate for meticulous contract drafting and collaboration with insurance professionals to optimize risk management in construction projects.

Read the entire article here (subscription required).