

SPRING 2016

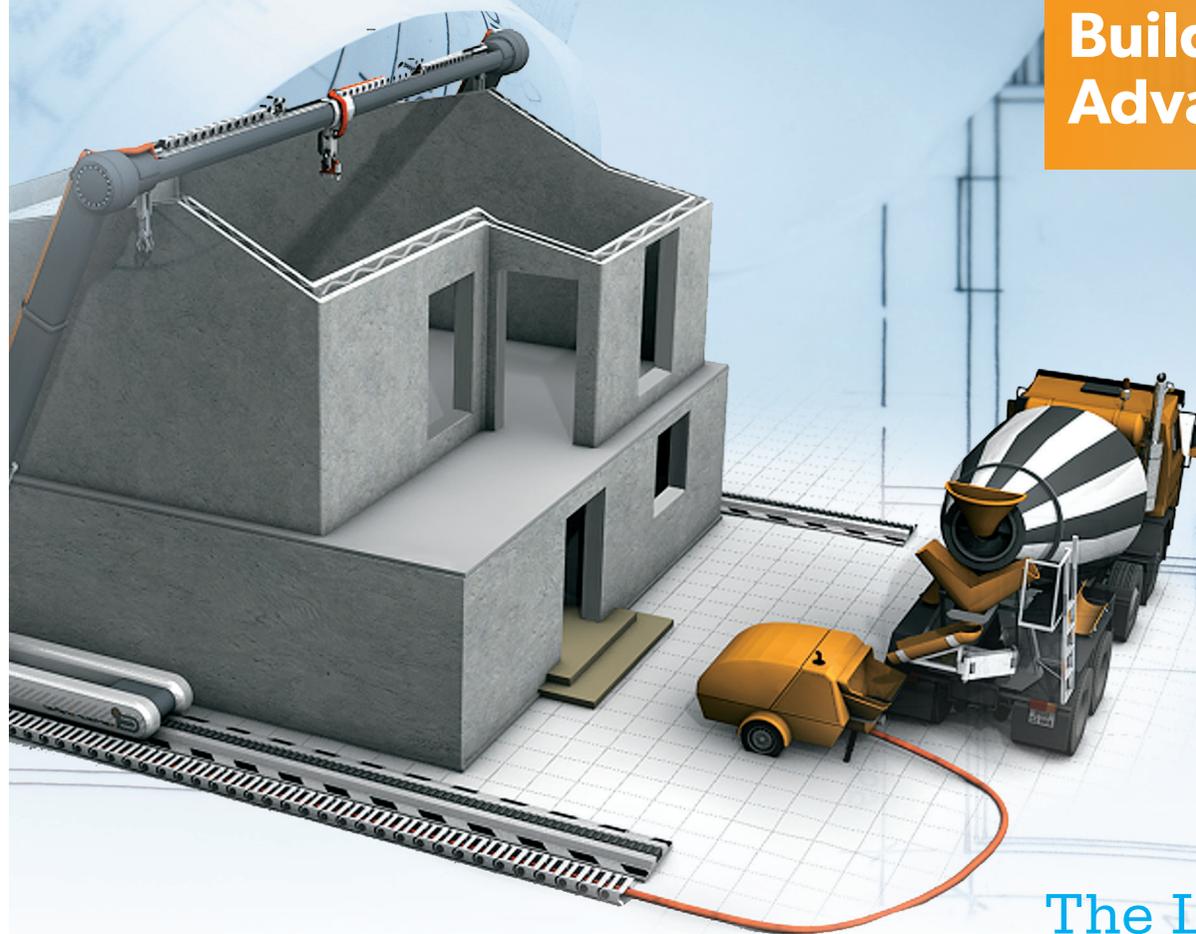
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FLORIDA HOME BUILDER

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INSURANCE IS COMPLICATED.

Buy from an expert in the field.

BY James Leach and Leigh Mansfield,
FHB Insurance

Buy broad insurance coverage, even though it costs a little more. Buy high liability limits. Buy from a construction industry expert.

Easy enough for us to say – we’re not writing the check. But, we are very sincere in the thought.

FHB Insurance has markets that provide higher liability limits and we have excess liability markets that we always recommend. We are aware of the different philosophies and characteristics of many of our insurance company providers.

Insurance companies are in the business of taking risk, but are not gamblers. In turn and understandably, their method of dealing with limited risk is all over the map. However, some insurance companies are more concerned about protecting their assets, than yours. The higher the risk for the carrier, the higher the premium. The more risk held by the insured, the lower the risk to the carrier, the lower the premium.

How do we, FHB Insurance, address this?

It’s a complex business, even for us in the trenches. So, we can’t expect the consumer to be completely versed in “all things insurance.” That is why we specialize in construction and work with agents who are of like-mind.

When you select insurance coverage with a construction industry expert, you work with someone who understands your business. Big box insurance companies hold expertise in personal lines, such as auto and homeowners. Contractors need to deal with agents



who really understand the nuances of the industry’s complicated business.

Adding to the complexity, there is an unavoidable Elephant in the room: the CG 2294 Exclusion found in a number of General Liability Contracts for General Contractors. The exclusion is titled “Exclusion - Damage to work performed by subcontractors on your behalf.” Are you better off without that exclusion?

FHB Insurance represents a number of markets who do not use this exclusion. But even for those who do, we want to highlight a few key points (be sure to read CG 2294 if it’s in your coverage and discuss with your agent):

- It does not exclude bodily injury claims or operations conducted during the time of the construction.
- It does apply to property damage only and for the “completed operations hazard.”
- Some agents loosely suggest that CG 2294 excludes the negligence of subs from coverage or that there is no coverage for subs. These statements are too broad and inaccurate.

- Beware any policy that has rewritten the Commercial General Liability Coverage Form. It’s not just the CG 2294. There is an entire contract of issues.

Arguably, more dangerous than CG 2294 would be certain ‘Faulty Workmanship’ exclusions. We learned in insurance school long ago the difference between a business loss and an insurance loss. Does faulty workmanship trigger an occurrence under a General Liability contract? Is it an

insurance loss? Eighteen states say yes. Eighteen states say no. The others have yet to make up their mind. In the meantime, if your policy has such an exclusion, be sure to review it carefully with your agent. It is important that such language is clearly understood; even eight to ten years down the road by a claims adjuster who was not a part of the original policy.

There are other ways to fill part of the CG 2294 coverage gap, such as the use of a third party warranty. It is possible to couple the protection of a warranty (making sure it covers claims from soil movement) with the General Liability and gather some important protection from each contract. It’s also possible to have the warranty be the primary contract, although both contracts typically will try to be excess. The warranty contract does in fact cover your work as long as it ends up being a qualified structural defect claim. Thus, coupling the protection of contracts is important.

To learn more on dealing with a professional who knows what it takes to protect you and your business, go to www.fhbinsurance.com.