

STATEMENT FROM STUART S. ZISHOLTZ

Under ordinary circumstances, when an owner and a General Contractor get together to prepare a contract, the focus is on the time and price. Both parties want to know how long the job will take and what it will cost. Tangential issues, such as insurance, are usually glossed over and given very little attention. Very rarely is the contract compared to the actual insurance policy. This could be a major mistake.

Where the owner gets the General Contractor to indemnify the owner for the owner's negligence, the policy will provide that the carrier will pay all sums legally due from the General Contractor.

Suppose the owner accidentally cuts the electric on the project, and 50 men are stranded on various part of the job. One falls down and gets hurt or killed. The owner turns to the General Contractor's policy which provides that the carrier will pay only such sums as the General Contractor is liable to pay. General Obligations Law of the State of New York prohibits anyone from making a contract that will absolve him of his own negligence. Thus, the carrier disclaims and the owner has no coverage.

In another instance, the General Contractor's contract might be for \$10,000,000 with a \$500,000 deductible. Does the owner know that?

I can list many situations where being named as an additional insured on a General Contractor's policy is fool's gold.

The important lesson to be learned is take the insurance clause of the contract and the insurance policy to your insurance broker and make sure the two are in sync. Do not rely upon a sample endorsement where the owner is an additional insured on the General Contractor's policy.

Never let your lien time run out.

For a free copy of a pamphlet pertaining to Mechanic's Liens and Payment Bond Claims, please contact me or the Association.