

STATEMENT FROM STUART S. ZISHOLTZ

Most jobs require the contractor or subcontractor to provide an insurance certificate and add the owner or General Contractor as an additional insured.

It is common practice that as you go up the ladder from a subcontractor to a General Contractor to an owner, the guy on the bottom gets an insurance policy mainly for the guys on top as "additional insureds". Once the owner gets a certificate from the General Contractor that the owner is an "additional insured" or the General Contractor gets a certificate from the subcontractor, everybody rests easy.

The endorsement, however, must be carefully analyzed. It might limit your protection for only those who have a contractual obligation with the named insured. In other words, the subcontract between the General Contractor and the subcontractor requires the subcontractor to obtain a certificate naming the owner, who he does not have a contract with, as an additional insured. However, the owner might not be covered by the insurance policy.

Similarly, the work performed might not be covered, there might be extras that would not come within the purview of the endorsement. In addition, the policy may not cover the work the subcontractor is actually performing. Recently, an insurance company disclaimed coverage for an owner where the insurance policy provided for chimney sweeping and not actual construction work even though the contractor was paying premiums for construction work.

The subcontractor might also use architects, engineers, experts in its work that might be the cause of a claim. Endorsements might not cover those contingencies. The bottom line is to know the policy, know the endorsement, be wary of any possibilities that a sneaky insurance company might use as a defense against any claims.

Never let your lien time run out!

For a free copy of a pamphlet pertaining to mechanic's liens and payment bond claims, kindly contact me or the Association.