

Program Summary

Contractors Professional & Pollution Incident Liability Program

CNA and Victor O. Schinnerer & Company, Inc. have been serving the design profession since 1956 and are clearly recognized as the market leaders for professional liability insurance products and services for this business segment. The contractors programs were developed in 1996.

Schinnerer & Company is the Managing General Underwriter (MGU) for the Architects, Engineers and Contractors Program. They are deeply involved in all aspects of program management and administration. Although licensed as an agent, Schinnerer & Company is not a retail agent and does not solicit business directly. Schinnerer acts solely as a program underwriter and administrator by nature of its corporate mission and by contract with CNA.

The Contractors Professional and Pollution Incident Liability Program provides professional liability and pollution incident liability coverages and services for either the general or specialty/subcontractor that has either an in-house design component, and/or has delegated design responsibilities arising out of participation in the design-build method of project delivery. Coverage for construction management services, as defined within the policy, is provided as well. **Coverage is written on a non-admitted basis.**

Program Features

Contractors Professional Liability

- Protection for failure to detect the faulty workmanship of others
- Retroactive coverage available for eligible firms
- Coverage for your own liability from design services performed by
 - In-house staff
 - Design firms hired as subcontractors
 - Joint ventures with design firms
 - Agency and at-risk construction management services
- Available limits from \$1 million to \$10 million
- Self-insured retention levels
 - General contractors - \$10,000
 - Specialty/subcontractors - \$5,000
- Minimum premiums
 - General contractors - \$7,500
 - Specialty/subcontractors - \$4,000
- Punitive, exemplary or multiple damages payable to the fullest extent of the law
- Basic policy excess over project-specific policies
- Automatic 90 day coverage for newly acquired subsidiaries
- Legal fees and expenses reimbursed for up to \$25,000 per year for ADA and FHA actions



Program Summary

Contractors Pollution Incident Liability

- Coverage for job site and vicarious liability
- Retroactive coverage available for eligible firms
- Available limits from \$1 million to \$10 million
- Self-insured retention levels for both general and specialty contractors is \$5,000
- Minimum premium for both general and specialty contractors is \$3,500
- Covers most environmental exposures
- Applicants who perform professional services can only be written under the combined form

Combined Professional and Pollution Incident Liability

- All the protection and coverage of professional liability and pollution incident liability policies combined into one
- Available limits from \$1 million to \$10 million
- Self-insured retention levels
 - General contractors -\$10,000
 - Specialty contractors - \$5,000
- Minimum combined premium
 - General contractors - \$10,000
 - Specialty contractors - \$6,000
- Coverage for clean-up costs

Program Special Features

- Enhanced risk management and claim services
 - Contract reviews concerning design services provided by industry experts
 - Free subscription to Constructive Comments risk management newsletter for contractors
 - Dedicated construction industry claim specialists in 25 major metropolitan markets
 - Circumstance reporting
 - Free pre-claim assistance
- Policies provide worldwide defense and indemnity coverage
- Contractor's policies include innocent principal's coverage
- Non-retroactive credits up to 30% are provided for eligible firms
- Longevity credit saves up to 10% for loyal policyholders

Ineligible/Difficult Classes of Business

- Residential Contractors – (Contact Professional Liability Underwriter/Account Executive for your state for specific underwriting information and guidelines)



Professional Liability Case Studies

It's easy to understand why a contractor needs GL insurance. But what about professional liability? Is it really necessary?

As the below examples illustrate, contractors can be held liable for many common errors that occur during construction, even if the error is committed by a sub-contractor. The following case examples illustrate the importance of carrying a contractor's professional liability policy.

A Lapse in Judgment—and Insurance

A contractor subcontracted the design of a ventilation system to a mechanical engineer. The engineer miscalculated the cooling needs of the building and specified an inadequate ventilation system. Because of the system's poor performance, the building owner demanded \$180,000 to replace it. At the time of the claim, the mechanical engineer had let his E&O policy lapse. Therefore, the contractor was held liable for replacing the system.

Exhausted Limits Leave Contractor Responsible

A contractor retained an architect for a school project who provided a certificate of insurance showing a \$3 million limit of liability. During construction, a design defect was discovered that delayed the project for several months. The school district was forced to rent portable classrooms and filed for substantial damages against the contractor. Although the contractor tried to pass the claim on to the architect, his \$3 million limit had already been exhausted on other claims, leaving the contractor liable for the damages.

GC/CM Held Responsible for Site Safety

A worker was seriously injured during construction by a collapsing wall. In his lawsuit, he alleged that the general contractor/construction manager was negligent for failing to provide for safety precautions. The courts agreed and held that the general contractor/construction manager was responsible for inspecting continuously or supervising the work of the sub-contractors, including the right to require compliance with safety. The case settled for over \$250,000.

Design Error Produces Cost Overrun

A contractor made a cost estimate of \$2 million for a warehouse project. After it was built, the loading platform was found to be inadequate to meet the stated needs of the warehouse, the project cost rose to \$2.5 million. The contractor was held liable for the \$500,000 difference for negligent design of the loading platform.

Paying for Others' Mistakes

A contractor was performing design, construction and construction management services for a five-story motel project. The masonry contractor placed hollow concrete blocks without proper rebar reinforcement as specified in the plans. The owner discovered the improper construction and demanded the structure, now at the second floor, be torn down and rebuilt according to the specs. The masonry subcontractor was not able to pay the \$1 million reconstruction costs, leaving the general contractor/construction manager responsible to pay.

For more information about professional liability for contractors, please visit our website, www.PlanetContractor.com.

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