

Home Builders Association Lesson Plan: Understanding General Liability Insurance for General Contractors

Course Title: General Liability Insurance: Essentials for Licensed General Contractors

Duration: 2.5 Hours

Course Objectives

- Educate general contractors on the importance and scope of general liability (GL) insurance.
 - Explain commonly used GL endorsement codes and their applications.
 - Provide real-world examples of GL losses and preventive measures.
 - Empower contractors to make informed decisions about coverage needs for their operations.
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Agenda

1. **Introduction (15 minutes)**
 - Welcome and course overview.
 - Importance of general liability insurance for contractors.
 - Key risks faced by general contractors and how GL insurance mitigates these.
 - Brief overview of endorsements and why they matter.
 2. **Teaching Methods:** Interactive discussion and Q&A.
Materials: PowerPoint slides with industry data and statistics on liability claims.
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2. **Understanding General Liability Insurance Basics (20 minutes)**
 - **What is General Liability Insurance?**
 - Definition and purpose.
 - Coverage components: bodily injury, property damage, personal and advertising injury, and medical expenses.
 - **Who Needs It?**
 - Relevance for contractors, subcontractors, and other trades in construction.
 - **Key Policy Exclusions:**
 - Professional liability, employee injuries (covered by workers' comp), and defective workmanship.
3. **Teaching Methods:** Lecture and open discussion, practical examples, Q&A.
Materials: Policy sample documents and claim examples.

3. Detailed Review of GL Forms and Endorsement Codes (60 minutes)

- Break down each code:
 1. **CG 00 01** - Commercial General Liability Coverage Form
 - Coverage: Provides the broadest coverage under the general liability policy, including premises liability, and completed operations, along with personal and advertising injury liability.
 - Example: A customer slips and falls in a retail store, sustaining injuries. The customer sues the store for medical costs, lost wages, and pain and suffering.
 2. **CG 00 02** - Designated Location(s) General Aggregate Limit
 - Coverage: Limits the insurance provided under the policy to designated locations listed in the form. It specifies that the general aggregate limit applies separately to each designated location.
 - Example: A business that operates multiple warehouses designates each location on their policy. A fire occurs at one warehouse, causing extensive damage. Claims for this warehouse are covered up to the designated general aggregate limit for that specific location.
 3. **CG 10 01** - Amendment of Insured Contract Definition
 - Coverage: Provides liability coverage to a project owner or general contractor for bodily injury or property damage caused by an independent contractor's work for the insured.
 - Example: A construction company is hired to build an extension for a commercial building. During construction, a poorly secured construction barrier falls onto a parked car, causing damage.
 4. **CG 20 10** - Additional Insured: Owners, Lessees, or Contractors (Scheduled Person or Organization)
 - Coverage: Liability during ongoing operations.
 - Example: A contractor performing roofing for a property owner; if a roof collapse injures a third party, both the contractor and property owner are covered.
 5. **CG 20 11** - Additional Insured: Managers or Lessors of Premises
 - Coverage: Liability for premises-related operations.
 - Example: A contractor leasing a warehouse; lessor is covered if a visitor slips and falls on the premises.
 6. **CG 20 27** - Additional Insured: Completed Operations
 - Coverage: After project completion.
 - Example: A contractor installs flooring that later causes injuries; the property owner is covered.
 7. **CG 20 33** - Automatic Status for Written Agreement
 - Coverage: Automatic when written agreements require it.

- Example: Subcontractor coverage automatically extends to a general contractor per contract.
- 8. **CG 20 37 - Completed Operations**
 - Coverage: Post-completion liability for additional insureds.
 - Example: Electrical work causing a fire months after completion.

[Note: There are several other CG Endorsements and Forms to be covered in this 60 minute section, however, I've selected only eight so as to leave room for any DOPL or State requirements. I'll incorporate them in this section later.]

4. **Examples of General Liability Losses (30 minutes)**

- **Case Studies:**
 1. **Bodily Injury Example:**
 - A visitor trips over a contractor's tools and sues for medical expenses.
 - Prevention: Proper site signage and equipment organization.
 2. **Property Damage Example:**
 - A subcontractor's faulty wiring causes a fire damaging property.
 - Prevention: Regular inspections and using qualified personnel.
 3. **Completed Operations Example:**
 - A roof collapses after the project's completion due to improper installation.
 - Prevention: Strict adherence to building codes and quality assurance checks.
 4. **Advertising Injury Example:**
 - A contractor is sued for using a competitor's copyrighted slogan.
 - Prevention: Thorough review of marketing materials by legal counsel.
- 5. **Teaching Methods:** Group discussion and role-playing preventive measures.
Materials: Printed case studies and interactive checklist.

5. **Risk Management and Loss Prevention (20 minutes)**

- **Strategies for Preventing Claims:**
 - Implementing strong contractual language and additional insured requirements.
 - Regularly reviewing and updating policies.

- Using quality materials and hiring skilled subcontractors.
 - Maintaining clear communication with clients and stakeholders.
 - **Documentation and Record Keeping:**
 - Importance of incident logs, contracts, and insurance certificates.
6. **Teaching Methods:** Lecture and discussion.
Materials: Risk management templates and checklists.
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6. **Q&A and Wrap-Up (15 minutes)**
- Recap key takeaways.
 - Answer participant questions.
 - Provide resources for further learning
 - Encourage feedback on the session.
7. **Materials:** Course evaluation forms and contact info handouts.
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Handouts and Materials

1. PowerPoint presentation.
2. GL endorsement codes summary sheet.
3. Case studies.
4. Risk management checklist.
5. Course evaluation form.