



**“Bonding, Insurance & Risk
Management: a Contractor’s
Professional Toolbox.”**

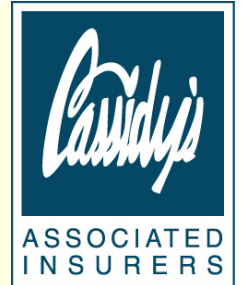
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Guam Chamber of Commerce Presentation

Insurance



What is it?

- Transfer of Risk
- Transferring the chance of financial loss to another party, the insurer, in exchange for a premium.
- Done via a contract- the policy- which states the limits of loss the insured is transferring to the insurer and expresses the insurers promise to pay for those limits in exchange for a stated premium.

Purpose?

- To bring you back to the same financial position you were in prior to the loss.

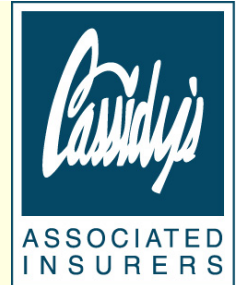
Types of Loss Exposures



TYPES OF LOSS EXPOSURES

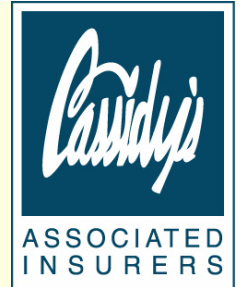
- Property
- Liability
- Life
- Health

Property Insurance



- Builders Risk
 - Provides coverage for buildings while they are in the course of construction.
 - Usually bought by the owner but the general contractor may be required to purchase if a condition of contract.
 - Provide coverage to owner or general contractor- not subcontractors
- Installation Floater
 - Provides coverage for subcontractor or sub-subcontractor's property while being installed in a building.
- Contractors Equipment Floater
 - Provides coverage to mobile equipment & tools while out of contractors yard & at the jobsite or on the road.

Liability Insurance



Insurance for Property Damage or Bodily Injury to a third Party for which the insured is legally liable.

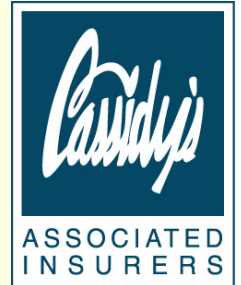
Liability Insurance cont.



Classes of Liability Insurance

- A. **Auto Liability Insurance-** covers and Insured's legal liability arising out of the ownership, maintenance, or use of and automobile

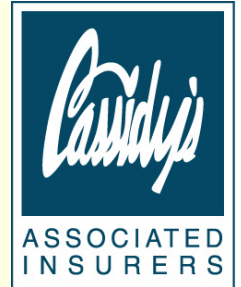
Liability Insurance cont.



B. Commercial General Liability Insurance covers liability loss exposures arising from a business organization's premises and operations, its products, or its completed work

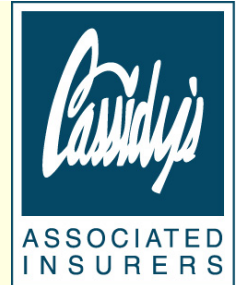
- Premises – Insureds business location
- Operations – the type of work or ongoing operations conducted by the insured
- Products – what the insured sells
- Completed Operations – loss exposure/damage that occurs after a job is completed
- Medical Payments – pays necessary medical expenses incurred regardless of whether the insured was at fault
- Personal & Advertising Injury – libel, slander, false arrest, invasion of privacy, trespass

Liability Insurance cont.



- C. **Professional Liability Insurance** provides liability coverage to professionals for errors and omissions arising out of their professional duties

Important General Liability Policy Issues



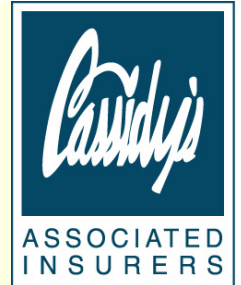
1. Confirm policy contains completed operations coverage
 - Problems from defective construction are not typically discovered until after construction is complete. If there are any defect issues, the contractor faces the possibility of paying out of pocket expenses vs. collecting from insurance.
 - If subcontractor does not have completed operations coverage, general contractor is subject to uncovered liability for defect claims, regardless if subcontract language required such coverage.
2. Understand policy exclusions
 - Specific coverages can be excluded from the policy that the contractor has assumed under contract.



Policy Issues cont.

- Pollution- generally excluded from all policies.
 - Pollution remediation contractor will not have coverage under standard policy.
- Professional liability
 - Defined as preparing, approving- or failing to prepare or approve- maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications.
 - Services include supervisory, inspection, architectural or engineering.
 - Excludes coverage for liability arising out of the rendering or failure to render any professional services by a contractor or an engineer, architect or surveyor who is either employed by the contractor or performing work on its behalf in that capacity.
 - If in a design-build contract there is no coverage for design error. Must be purchased under a separate professional liability policy.

Workers Compensation



Workers Compensation is a comprehensive term used to refer to the statutes that provide for fixed awards and medical reimbursement to employees in cases of employment-related injuries and diseases.

- Awards are granted without regard to negligence or fault on the employers part.
- As a general rule, an employer's legal obligations for occupational injury or disease extend to employees only, not to independent contractors.
- Guam Workers Compensation benefits are defined under **Guam Public Law 80**.
 - Examples:
 - Unlimited Medical Payments
 - Disability - $\frac{2}{3}$ salary up to a maximum of \$250/week
- Premiums are based on total payroll.
- Policies are auditable- make sure your insurance cost is built into your bid estimate.

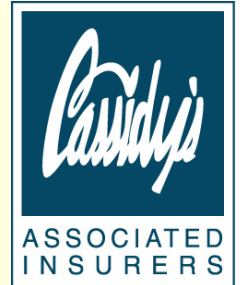
Be aware of Federal Statutes that may apply.

- United States Longshoreman & Harbor Workers Act.
- US Jones Act.

Examples:

- Unlimited Medical Payments
- Disability - $\frac{2}{3}$ salary up to a maximum of \$250/week

Contract wording



Be careful of onerous terms & conditions

- Indemnity Provision- transferring all liability to contractor can create coverage gap if no coverage in policy. Uncovered claims will come out of contractors pocket.
- Insurance provisions- must be met before signing contract.
 - Limits of insurance & specific coverages must be put in place prior to signing contract.
 - Consult with your insurance agent before you sign your contract.
- Certificates of Insurance.

The logo for Cassidy's Insurance is centered on the slide. It consists of a light blue square with a thin white border. Inside the square, the name "Cassidy's" is written in a white, cursive script font. Below the name, the words "ASSOCIATED" and "INSURERS" are written in a light blue, sans-serif, all-caps font, stacked on two lines.

Thank You!

For any questions about today's presentation please feel free to give me a call at Cassidy's Insurance.