



Who Will Pay for Redoing Your Work?

Say you’re an electrical contractor and you completed a \$300,000 contract—your largest job of the year. Two months after the building is occupied, a faulty electrical hookup to the boiler causes a fire and destroys the entire building.

The court holds you liable for \$5 million in damages.

The good news is you have adequate Commercial General Liability policy limits to pay for the resulting damage; however, the damage to *your product and work* is not covered by the CGL policy.

How is your loss paid?

Damages value	\$5,000,000
Less your redo product and work	– \$300,000
Amount paid by your liability insurance	\$4,700,000

Without an Errors and Omissions policy, **you** have to pay the \$300,000 to have the work redone. This type of liability isn’t limited only to faulty product and work. Coverage gaps can also lurk around situations involving incorrect components or materials. For example:

Faulty Design

An HVAC contractor completed work on a boiler project for a large building. The contractor performed the heating and cooling gain/loss calculation and determined which systems should be installed. After the work was completed, the customer complained that the system was not providing the necessary heat to the building. Questions arose as to the size of the piping used by the contractor, and some inefficiency in the system design.

Non-Fire Rated Drywall

A drywall contractor was hired to install all of the drywall in a large commercial project. The materials order placed by the contractor included only ½-inch drywall, even though several areas of the building also required Type X 5/8-inch fire-rated drywall. It was only after the installation was complete that the mistake was discovered.

Insure Against E&O

The contractor industry is complex and competitive—and mistakes can happen to even the most vigilant companies. Standard Commercial General Liability policies typically don’t protect against errors and omissions liabilities—and that could cause a lot of sleepless nights if you ever face a situation like one of these. Federated Insurance offers optional Business Errors and Omissions coverage for contractors, which provides coverage for some losses excluded by other liability policies.

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