

Electrical Contractor Insurance FAQ's

Listed below are the types of coverage that should be included on an electrical contractor's insurance program. Please note that when you are bidding on a project or have revisions to your contract, you should include the additional cost of these insurance coverages.

- 1) **All Property Coverage:** This should include coverage for all business property, being buildings that are owned by the contractor, buildings you are responsible for insuring under any lease requirements, along with coverage for business contents (furniture, fixtures, shop equipment, inventory, and tenant improvements) at all locations that are owned or occupied (rented). The policy limits should reflect the replacement cost value, being the value that it will cost the insurer to replace the insured property. In the event of loss, business policies provide settlement on a 'new for old' basis, meaning your building and business contents will be replaced with new items. That means you must insure for the proper replacement value. Make sure your contents are insured on a 'blanket' basis, lumped together under one total limit.
- 2) **Business Interruption:** Provides coverage for loss of income due to an insured property loss. If your operations are largely dependent on your business premises, you want to consider Loss of Profits coverage. If your business can continue operations from a temporary location after a loss, then you may only need to have Extra Expense coverage. It will pay for the cost to set up temporary business premises, such as office rental, rental of office equipment and moving phone and data lines. The entire objective of this coverage is to keep your firm operating after a loss.
- 3) **Contractors (Mobile) Equipment:** This provides coverage for any equipment (large or small) or miscellaneous tools that are mobile or located at project sites. Coverage applies wherever the equipment may be located, such as project sites, in your shop / yard or during transportation to / from a project site. The replacement cost provision is typically available for equipment up to 3 years old, so the insured values should reflect the replacement cost. For equipment older than 3 years, the value should reflect market value; what it would cost to purchase a similar item (age, condition, hours) from a supplier such as Ritchie Brothers, Finning, Brandt, etc.
- 4) **Installation Floater:** Provides coverage for construction materials located at the project site and for the portion of the project or work that was completed prior to a loss. It also covers the cost of labour to re-install / complete the work that had been done prior to the loss. Your policy limit should reflect a limit sufficient for the typical size of contract that your firm handles.
- 5) **General Liability:** Provides coverage for liability arising from bodily injury or property damage sustained by third parties. An example being an employee drilling into a wall and hitting a water pipe, causing severe water damage to your client's premises. The policy limit should reflect a limit sufficient enough to let you sleep at night, pay for a larger lawsuit within Canada and satisfy any contractual obligations that you may have with project owners, general contractors or municipalities. The larger municipalities typically require a minimum limit of \$5,000,000.00, and in today's litigious society, that should be the minimum limit purchased. The majority of

premium that you pay will be for the first \$1,000,000.00 and \$2,000,000.00 layers. Subsequent layers are less expensive to purchase. Note that legal costs are covered in addition to your policy limits.

- 6) **Pollution Liability:** Liability coverage for pollution-related losses, as pollution exclusions are standard on most general liability policies. Coverage is available for “sudden and accidental” losses that occur at a specific point in time or for gradual losses occurring over a longer period of time. This type of coverage is becoming more critical as owners and municipalities are looking to pass these costs on to the contractor. Sudden and accidental coverage will only provide coverage for the cost of clean-up, basically removing the contaminated property. Environmental Impairment Liability or Contractors Pollution coverage goes further to cover fines or penalties assessed against you by a governing or regulatory authority. It’s best to discuss your coverage needs with your insurance broker.

Additional coverages for consideration:

- 7) **Errors & Omissions Liability:** Covers liability for financial losses sustained by your clients, arising out of professional services such as consulting or electrical engineering services. This may result from providing incorrect advice or failing to provide advice to your clients. This coverage is critical if you have any in-house engineers on staff or do design work.
- 8) **Directors & Officers Liability:** Liability coverage for individual directors and officers, plus the company against wrongful acts that have been committed arising from a duty of care or diligence, duty of loyalty or duty of obedience owed. An example is the duty of care owed to all shareholders of a company, in the event of a company merger or acquisition. A breach of information or failure to disclose all the facts may produce large lawsuits from shareholders. A further example is failing to remit taxes to government bodies.
- 9) **Cyber Liability:** Liability coverage for systems or data breach, where your customer’s confidential information is stolen or hacked from your network. If you keep any client information in your database, a breach can be costly and disastrous to your reputation.

*****Please keep in mind that your insurance program and these specific coverages should be reviewed with your insurance broker on a regular basis.***

Project Specific Insurance:

- 10) **Course of Construction (COC) or Builders Risk:** Provides physical damage (property) coverage for a specific project, including loss or damage to the work that has been completed, project materials that are located at the project site, and the cost of labour to reconstruct the project (after an insured loss) to the point the project was at prior to the loss. Typically, the Builders Risk policy is arranged by the general contractor or project owner and includes all sub-contractors (on an unnamed basis). It may also be referred to as a “Wrap-up Builders Risk” as it provides for all contractors who are on the project site.
- 11) **Wrap-up Liability:** This is a general liability policy that is arranged on a project-specific basis. Unlike your annual general liability coverage, this is for one specific project only and covers all contractors / sub-contractors who come on the project site. Once the project is complete, this

policy ends, but does typically include a completed operations period. Again, this policy is arranged by the general contractor or project owner.

Note: The term “Wrap-up” simply means that coverage is specifically arranged for an individual project and it provides coverage for the owner, general contractor and all sub-contractors under a single policy. Basically, any contractor that comes on the project site is covered by these policies. Both Builders Risk and General Liability can be ‘Wrap-up’. When the project is complete, the Wrap-up policies expire.

- 12) **Difference in Deductible (DID):** This coverage can be arranged on a blanket basis (for all projects) or on a project-specific basis. Project owners or generals who arrange Builders Risk policies or Wrap-up Liability policies may arrange the policies with large deductibles in exchange for a reduced premium. The project contract will usually make the sub-contractor responsible for paying the deductible, should they cause a loss. DID coverage will pay for the difference in deductible between the owner’s (Builders Risk or Wrap-up Liability) policy and your annual business policy.

*****Note: The project contract will determine which coverages are required for any project. It’s best to have your insurance broker review any project insurance requirements on your behalf, to ensure that you’re meeting contractual obligations and that you don’t have any unexpected additional costs when a project is awarded.***

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