Builders Risk vs. General Liability Coverage
First-Party and Third-Party Claims

• A first-party claim is made by a policy holder to his or her own insurance company. These claims are contractual, meaning that they arise out of a contract (the insurance policy) between the insurance company and a policy holder.

• A third-party claim is made by a person to an insurance company other than their own. Unlike a first-party claim, which is contractual, a third-party claim is based on tort and is a standard negligence case.
Professional Liability Definition

• Professional liability coverage—also known as errors and omissions—is designed to protect professionals against liability incurred as a result of errors and omissions in performing their professional services.

• Most professional liability policies only cover economic or financial losses suffered by third parties.
General Liability Definition

• A general liability policy insures against claims of bodily or personal injury of property damage, sustained by a third party.

• The general liability policy will cover the legal fees and costs associated with your legal defense, settlements, and property damages.
Builders Risk Definition

• Builders risk is property insurance providing first-party coverage for losses during the course of construction.

• It is often referred to as “course of construction” insurance because it usually only remains in effect during construction.
Professional Liability Claim Example

Architects and Engineers Professional Liability claim example.
General Liability Claim Example

An active construction site example.
Builders Risk Claim Example

A catastrophic event example.
Exclusions

• A common Builders Risk exclusion is faulty, inadequate or defective workmanship.
• Examples are planning, design, materials used in repair and maintenance.
Exclusions

• Damage to your work is a general liability exclusion.

• The “your work” exclusion essentially excludes coverage for property damage to the insured’s work after it has been completed where the damage arises out of the work itself.

• By specific exception, the exclusion does not apply if the work that is damaged or that causes the damage was done on behalf of the insured by a subcontractor.
Builders Risk vs. General Liability Coverage

• Insuring Agreement – Coverage under a general liability can be written on either an occurrence or a claims made. Builders risk is “all-risk” or “named peril” coverage form

• Concurrent Causation – Losses on construction projects often arise from a combination of forces
• Ensuing Loss – This clause means that if one of the specified uncovered events takes place, any ensuing loss which is otherwise covered by the policy will remain covered.

• Resolution timeframe – Builders risk carriers will typically issue payment in short order. Receiving insurance proceeds quickly is critical, especially if the contractor cannot front end the cost of repair. When a general liability claim is made, the insured may dispute that they caused the loss or argue that other parties also contributed to the loss. A payment by a general liability carrier may likely take much longer than a payment issued from the builders risk carrier.
Builders Risk vs. General Liability Coverage

• Each project is different
• Coverage scenarios are endless
• A contractor should always request guidance from an insurance professional
• Coverage forms should always be reviewed
Questions?
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