



PROFESSIONAL INSURORS  
AGENCY, LLC

# Owner's Interest Liability

*Owner's Interest vs. Premises Policy or  
Additional Insured on GC's Policy*



Reasons to purchase an Owners Interest Liability Policy vs. depending on Additional Insured endorsement on GC's Policy or standard premises liability policy:

1. For Insurance purposes you hire a General Contractor (GC) to minimize your liability, but ultimately you are the GC and have hired the GC as your subcontractor. Just like you want the GC to have insurance and to hire subcontractors with insurance, you need insurance in case the GC's policy lapses or denies a claim due to coverage form.
  2. Policy is owned by you and in your name – If the contractor purchases the coverage and names you as an additional insured, they own the policy and their carrier handles things at their direction. They will protect you if they have to, but you are not their client. The GC's policy provides coverage before your policy, since you are an additional insured, meaning your policy would be excess coverage in the event of a large loss. Your coverage is priced less because there is a buffer before you trigger your policy.
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# Owner's Interest Liability Policy

3. Claims- If they occur, the Named Insured owns the policy and is the main concern of the carrier.

4. As an additional insured you are only provided coverage if the Named Insured is sued. If someone files a claim like a slip and fall and it is an area not under construction, then no coverage would be afforded. Or if they only sued you and not the GC then it is possible the GC's carrier would not respond for you.

5. Coverage only applies while under construction, once it is completed then you no longer have coverage. It is understood that you will have permanent coverage in place going forward, but you would have no liability coverage for "Products and Completed Operations". The tail on this is usually ten years and if suit were to be filed 4 or 5 years down the road, you have no coverage. Owners Interest policy can be written with the ten-year clause to extend past the statute of limitations.

Concerns: You could have the contractor turn in a claim, when you are no longer an additional insured but most likely the

carrier would not respond on your behalf since you would no longer listed on the policy (contractors remove you once construction is complete or at their renewal). Also the contractor could have sold, merged or ceased operations and no longer be an insured entity.

6. Owner's Interest coverage can also serve as excess limits if the GC's and subcontractors limits are exhausted due to a large claim or a claim from another job (if they do not have aggregate limit per job).

7. If you have an existing premises policy for "land under development" most exclude construction activities. So you would either have no coverage or be dependent on the GC's liability policy. Also, once construction is planned carriers will not place this coverage even with the exclusion for construction activities due to the fear of litigation of claims they clearly intend to exclude.

8. The GC's policy could have a cross suits liability exclusion in their policy which would prevent coverage for you if you filed suit against them.



# Owner's Interest Liability Policy

8. (cont.) Many times these exclusions state that one insured cannot sue another insured on the policy and be covered. Since you are an insured, “additional insured”, and they are a “Named Insured”, the policy may deny coverage in this case because one insured covered by a policy cannot sue another insured covered by the same policy.

9. Policy terms can be written for the length of construction, this way you can purchase the coverage and have the budget set for entire construction period vs. having to renew after a year at additional cost. Some policies can be extended and others you have to purchase an annual term. This may be fully earned or cancellable, but after you have paid the annual premium you would have to wait on the return premium if it is cancelable.

10. Owners Interest Policy can be written to include the GC therefore allowing them to depend on your policy and not include your job in their insurance cost. This can be a cost effective way to insure a project for both parties and protect both parties for the full statute of repose. Most contractors are not familiar with this arrangement and will need to have the merits of this explained to them. They typically are resistant in the beginning but when reminded that you are the customer and you are providing the work they can become more open to the option.