

Owners And Contractors Protective Liability

An Owners and Contractors Protective Liability Policy (OCP) is a coverage that handles a special risk of loss faced by property owners and general contractors during building projects. These parties could be sued because of the actions of subcontractors that they have hired and then supervised. This indirect responsibility for the actions of others is called vicarious liability. Under an OCP, an insured is protected against a lawsuit claiming harm or damage caused by work that an independent contractor does for the insured. It also covers liability related to the insured's responsibility of supervising such contractors.

One fact that makes the form unusual is that the named insured is NOT the person who buys the coverage. The buyer is the contractor. The named insured is covered for the actions of that particular contractor and also for their own acts and omissions (failure to take action) related to their supervision of that contractor.

This indirect liability involves injury or damage caused by an employee under a strict employer-employee relationship. However, under the following circumstances, the financial consequences of acts committed by independent contractors may be attributed to a property owner or general contractor:

1. the circumstance involves work that is inherently dangerous (such as excavation or use of explosives)
2. the act involves duties that, under local, state or federal law, a project owner cannot delegate to others
3. the action that causes harm or damage is the result of negligently hiring an incompetent contractor

There are no requirements concerning the type of work a named insured has hired a contractor to perform. Therefore, the insured project may be either be personal, farm or commercial in nature. The only requirement is that vicarious liability exists between an owner who has a contractor working for that owner or a contractor who has sub-contractors or independent contractors working on his behalf.

OCP policies have become increasingly popular for various reasons. One reason is that additional insured endorsements are becoming more restrictive. Another reason is that more insurers insist on using forms that include aggregates limits. Related directly to this reason is a growing concern that having more than one insured on a policy increases the chances of exhausting the policy's aggregate limit.

An insurance professional would be just the person to contact to discuss this very important coverage.

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